

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Šimon Trlifaj
Advisor:	Jiří Schwarz
Title of the thesis:	Patent Trolls: Do Their Patents Differ?

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The role of the so-called non-practicing entities (NPEs) is widely analyzed in both law and economics literature. The general belief is that these entities, which focus on licensing of patent rights and patent litigation instead of the use of patents in production, harm the whole patent system. By creating or obtaining patents used mostly for strategic reasons, they impose negative externalities on current or future patent holders.

Similarly to the topic of externalities, every patent can have its value defined in two ways: private value for the patent holder, which increases with the profit potential of the patent; and social value for the whole society, which increases with novelty, quality, innovativeness of the patent – the roles which are often described as reasons why the institution of patent exists at all. Šimon addresses this topic empirically and tries to find out if patents owned by two NPEs (\approx treatment group) have their value characteristics comparable to similar randomly chosen patents (\approx control group).

The major complication is that neither private, nor social value is directly observable. Šimon builds on existing literature and uses patent renewals as a proxy for private value, and number of received citations as a proxy for social value. In order to do that, he had to overcome many technical difficulties related to the size of the database and selection of his control group sample.

Whereas the private value of a patent obtained to protect valuable invention should be closely linked to its social value, we can expect divergence between private and social value in the case of strategic patents. Šimon first provides a very thorough literature review and presents both theoretical and empirical results so far achieved in the literature. He cites existing literature correctly. Then Šimon carefully describes his dataset and even provides the reader with links to his final datasets and source code used in his analysis. This should clearly be the standard in academia!

In the empirical part of his thesis, Šimon arrives to a couple of very interesting findings. First, the link between private and social value was stronger in the period 1981–1993 compared to 1994–2009, which can be interpreted as an increased tendency to obtain patents for strategic reasons in the last decades. And second, even though, on average, NPEs tend to own patents of higher social value, patents owned by Intellectual Ventures (arguably the largest existing NPE) show a milder relation between private and social value for more privately valuable patents. In other words, Šimon finds that there are probably highly privately valuable patents owned by this NPE, which derive their private value from the strategic potential, and not their social value. This finding is compatible with some evidence existing in the literature stating that the relationship between private and social value is not monotonic and patents start to lose social value with private value increasing beyond some threshold.

To sum up, Šimon Trlifaj wrote a very nice thesis with a very clear value added, which by far exceeds the average level of bachelor theses on the Institute. The methods he uses are appropriate for the research questions, their assumptions carefully examined and Šimon also provides a number of robustness checks. My only (minor) reservation would be that as a reader I would like to see a more thorough discussion of possible interpretations of the results.

I recommend the thesis for defense and in the case of a successful defense I recommend “výborně” (excellent, 1).

Suggested question for the defense: I know that a part of citations that a patent receives come from the same author (similar to self-citations in academic literature). Can it somehow influence your results?

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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	30
Contribution (max. 30 points)	28
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	98
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Jiří Schwarz

DATE OF EVALUATION: 30.5.2016



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě