

Adding to the Patent Thicket - Over-patenting as a strategic device

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Abstract

Patents allow inventors an exclusive right to use an innovation in exchange for disclosing the innovation. The large number of existing patents even in subfields of innovation as well as the decentralized nature of existing patent administrations increase the search cost of entrant firms to find out whether a potential innovation is protected by an incumbents' patent. We show that incumbent firms have in this case an incentive to inflate the numbers of patents filed to reduce competition from entrants on the final good market place. We also discuss the 'PatentLens' a non-profit initiative to reduce the search cost for potential entrants.

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