

Signal v. Appropriation: Why Do Investors Fund Patenting Firms?

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This study proposes a decomposition strategy for extracting a patent's signal and appropriation value. The detailed Kauffman Firm Survey allows this study to offer a novel approach to extracting patent exclusivity's true market value. The central obstacle, that of the unobserved nature of these values, is overcome via careful nesting of panel data models. The most unrestricted model captures the undecomposed value of patents while the restricted two-way fixed effects model removes the signal value leaving just the appropriation value.