

Prioritized Examination and its Impact on Commercialization of Patents*

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Abstract

Patents play an important role in facilitating transfers of knowledge, and enable commercialization of innovative ideas by reducing information asymmetry between potential buyers and sellers on the market for technology. The crucial question, however, is how quickly innovative ideas can be patented. Previous research has shown that the probability of commercialization for pending applications peaks immediately after the patent allowance event (Gans, Hsu & Stern, 2008). But does the length of pendency of an application at a patent office also affect the overall saleability of a technology and create some frictions on the market for technology? In this paper, we exploit the introduction of the USPTO's Prioritized Examination (Track One) Program to capture the impact of shortened pendency on the likelihood that a pending or granted patent will be commercialized via the transfer of property rights. Using the difference-in-differences approach, we compare the average saleability of patents, which we assign into three groups according to their predicted propensity for prioritization before and after the program start date. We find that introduction of the Track One program has significantly increased the probability of commercial reassignment of applications that were more likely to be prioritized. Our results suggest that the policy implemented by the USPTO and shortened pendency of applications, in general, may reduce frictions on the market for technology and facilitate commercialization of innovations.

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