

# Does Access to Patent Information Help Technological Acquisitions? Evidence from Patent Library Openings

How does access to patent information through local patent library openings affect firms' technological acquisition activities, target selection, deal completion, and post-merger performance?

This study by Connie X. Mao and her coauthors investigates the impact of reduced information-gathering costs on technological mergers and acquisitions (M&As) by exploiting the opening of Patent and Trademark Depository Libraries (PTDLs) across U.S. counties. These patent libraries provide local firms with improved access to patent documents, lowering their costs to obtain technological information.

Using a large sample of publicly traded innovative firms from 1985 to 1999, the authors find that after a local patent library opens, firms become more active in acquiring innovative targets. Moreover, acquirers rely less on geographical and technological proximity when selecting targets, indicating that better access to information broadens their search. The study also shows that deal completion rates increase by about 39%, and acquirers earn higher announcement and long-term stock returns after patent libraries open locally. Post-merger innovation output improves significantly, driven by increased collaboration between inventors from acquirers and targets.

The findings provide new evidence that reducing information-gathering costs facilitates more and better technological acquisitions, leading to higher economic value and innovation synergies in M&A transactions. This research contributes to understanding the role of patent information and disclosure in improving corporate acquisition decisions and innovation outcomes.

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## MAJOR TAKEAWAYS:

- Opening of local patent libraries leads to a 6.4% increase in technological acquisition activity by nearby innovative firms.
- Access to patent information reduces reliance on geographical and technological proximity when choosing acquisition targets.
- Deals completed after patent library openings show higher completion rates, better stock returns, and stronger post-merger innovation activities.

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## WHO NEEDS TO KNOW:

- Corporate Executives
- Regulators
- Academics
- Investors

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