

## *Law and Economics of Litigation: New Insights from Patents*

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In this paper we test general theoretical predictions for litigation and the failure of settlement. Asymmetric stake sizes and asymmetric information are the main theoretical explanations for litigation to occur. These are especially prevalent in patent litigation cases. Using a hand-collected unique data set which contains detailed information on patent litigation cases and matched patent characteristics, we try to address the question whether asymmetries in stake sizes and asymmetric information between case participants impede the solution by settlement. The advantages of our data set allow the usage of an approach that diverges from the literature so far. We find clear evidence for our hypothesis with respect to asymmetric information. Although our results include some ambiguity, we also find evidence for the predictions regarding asymmetries in stake sizes.