

# Accepted Manuscript

Protection of trade secrets and capital structure decisions

Sandy Klasa , Hernán Ortiz-Molina , Matthew Serfling ,  
Shweta Srinivasan

PII: S0304-405X(18)30047-3  
DOI: [10.1016/j.jfineco.2018.02.008](https://doi.org/10.1016/j.jfineco.2018.02.008)  
Reference: FINEC 2864

To appear in: *Journal of Financial Economics*

Received date: 14 July 2015  
Revised date: 13 March 2017  
Accepted date: 11 April 2017

Please cite this article as: Sandy Klasa , Hernán Ortiz-Molina , Matthew Serfling ,  
Shweta Srinivasan , Protection of trade secrets and capital structure decisions, *Journal of Financial Economics* (2018), doi: [10.1016/j.jfineco.2018.02.008](https://doi.org/10.1016/j.jfineco.2018.02.008)



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

## Protection of trade secrets and capital structure decisions\*

Sandy Klasa<sup>a</sup>, Hernán Ortiz-Molina<sup>b</sup>, Matthew Serfling<sup>c</sup>, and Shweta Srinivasan<sup>d</sup>

February 2018

### Abstract:

Firms strategically choose more conservative capital structures when they face greater competitive threats stemming from the potential loss of their trade secrets to rivals. Following the recognition of the Inevitable Disclosure Doctrine by US state courts, which exogenously increases the protection of a firm's trade secrets by reducing the mobility of its workers who know its secrets to rivals, the firm increases its leverage relative to unaffected rivals. The effect is stronger for firms with a greater risk of losing key employees to rivals, for those facing financially stronger rivals, and for those in industries where competition is more intense.

*JEL classifications:* G31, G32, J60, O34

*Keywords:* capital structure, trade secrets, intellectual property, competitive threats.

---

\* We thank our referee Laurent Frésard for helpful comments and suggestions. We are also grateful for comments from Rajesh Aggarwal, Nilanjan Basu, Jan Bena, Cesare Fracassi, Lorenzo Garlappi, Ron Giammarino, Jean Helwege, Jayant Kale, Kai Li, Lubo Litov, Neslihan Ozkan, Carolin Pflueger, Gordon Phillips, Berk Sensoy, Elena Simintzi, Philip Valta, Wei Wang, Ryan Williams, Toni Whited (the editor), Steven Xiao, and seminar participants at the University of Arizona, University of British Columbia, University of New South Wales, University of Sydney, Hong Kong University of Science & Technology, Laval University, Nanyang Technological University, National University of Singapore, Northeastern University, Universidad de Los Andes (Chile), and also participants at the One-Day Corporate Finance Conference (2013) at the University of Manchester, the Finance, Organizations, and Markets (FOM) research group meeting at the University of Southern California (2013), the Financial Intermediation Research Society (FIRS) Conference (2014), the University of Alberta Frontiers in Finance Conference (2014), the Northern Finance Association Conference (2014), the European Winter Finance Summit Conference (2015), the Western Finance Association Conference (2015), and the European Finance Association Conference (2015). We thank Robert Bird and John Knopf for sharing with us their state-level data on the strength of enforcement of noncompete agreements, and Tobias Berg for making his data on firms' total cost of bank debt available on his website. We also appreciate the excellent research assistance provided by Maryam Fathollahi. Ortiz-Molina acknowledges the financial support from the Social Sciences and Humanities Research Council of Canada.

<sup>a</sup> Eller College of Management, University of Arizona, 1130 E. Helen St., Tucson, AZ 85721, USA, sklaska@eller.arizona.edu.

<sup>b</sup> Sauder School of Business, University of British Columbia, 2053 Main Mall, Vancouver, BC V6T1Z2, CAN, ortizmolina@sauder.ubc.ca.

<sup>c</sup> Haslam College of Business, University of Tennessee, 916 Volunteer Blvd., Knoxville, TN 37996, USA, mserflin@utk.edu.

<sup>d</sup> School of Management, State University of New York at Binghamton, 4400 Vestal Parkway East, Binghamton, NY 13902, USA, srinivasan@binghamton.edu.

Download English Version:

<https://daneshyari.com/en/article/7361805>

Download Persian Version:

<https://daneshyari.com/article/7361805>

[Daneshyari.com](https://daneshyari.com)