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## Patent Collateral, Investor Commitment, and the Market for Venture Lending

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## Patent Collateral, Investor Commitment, and the Market for Venture Lending<sup>☆</sup>

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### Abstract

We explore the market for lending to start-ups and two mechanisms that facilitate trade within it: (1) the salability of patent collateral and (2) the credible commitment of equity investors. Intensified trading in the secondary patent market is strongly related to lending, particularly for start-ups with more redeployable patent assets. Utilizing the crash of 2000 as a severe and unexpected capital supply shock for venture capitalists, we further show that lenders continue to finance start-ups with recently funded investors better able to credibly commit to refinance their portfolio companies while withdrawing from otherwise promising projects that could have needed their funds the most.

JEL classification: L14, L26, G24, O16, O3

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