

Knowledge Protection and Strategic Alliances

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Abstract

This paper investigates the impact of knowledge protection on firm strategic alliance (SA) activities.

Our analysis leverages the staggered adoptions and rejections of the inevitable disclosure doctrine (IDD) by U.S. state courts, which represent exogenous changes in the protection of proprietary knowledge by restricting the mobility of employees with access to trade secrets. We observe an increase (decrease) in SA activities for firms following the adoption of the IDD (the rejection of the previously adopted IDD) in their headquarters state. The treatment effects of the IDD are found to be stronger for more knowledge-intensive firms. Our study provides novel evidence highlighting the importance of knowledge protection in encouraging SA activities.

Keywords: Knowledge Protection; Inevitable Disclosure Doctrine; Strategic Alliance