

Effective Technology Licensing: Managing Double-sided Agency Problems

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Abstract

Technology licensing involves the transfer of technology from a seller—the licensor—to a buyer—the licensee—in return for payment. Typically, the licensee needs the licensor to transfer the technology, while the licensor needs the licensee to commercialize it. Theoretically, this represents a double-sided agency problem, in that both parties may be in a position to misrepresent themselves and/or shirk. We argue the payment structure holds important signaling and incentivizing properties that can mitigate (double-sided) agency problems and help ensure each party's compliance with the original licensing agreement. To test our hypotheses, we use 10 years of data from 1480 international technology licensing contracts, analyzed using multilevel mixed-effects models, and a set of conjoint analyses. Overall, we obtained satisfactory support for our hypotheses.

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