

**License Expenditures of Incumbents and Potential Entrants:
An Empirical Analysis of Firm Behavior**
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This paper presents the results of an empirical test concerning the auction model of Gilbert and Newbery (1982). The study uses data on German companies in order to analyze expenditures for technology licenses. Aside of standard control variables the motives for innovation expenditures are also taken into account. We differentiate between firms which intend to secure their present position in the market (incumbents) and those intending to enter a new market (challengers). In line with the prediction of the auction model, it turns out that incumbents show higher expenditures for technology licenses than potential entrants.

Keywords: Innovation, Licenses, Incumbent versus entrant, Limited Dependent Variables

JEL-Classification: L12, O31, O32