

Do intellectual property Rights Protection and Ownership Control Facilitate International Licensing? : Some Evidence from Licensing Contracts of Japanese Firms

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This paper examines empirically how protection of intellectual property rights (IPRs) in a technology recipient country and the ownership control by a licensor affect international licensing. A theory suggests that the effect is negative if the binding constraint is the imitation profitability (the case of patented or copyrighted technologies), and positive if the binding constraint is the incentive for the licensee (the case of know-how). The effect is ambiguous if the patented technology can be used only with know-how.

Based on the licensing contracts of Japanese firms, we examine the following three complementary hypotheses derived from the above theoretical considerations. The first question is whether stronger protection of IPRs in a technology recipient country would affect the probability that we would observe a licensing contract with only a patent. The second question is whether weak protection of IPRs in a technology recipient country constrains licensing of know-how to such country. We approach this question by examining whether more ownership control is involved in a licensing to a country with weak protection of IPRs. The third question is whether know-how licensing would involve more ownership control.

Our preliminary findings are: (1) the probability of a licensing contract covering only patents is high when strong IPR protection exists for the technology recipient country, (2) the probability and strength of ownership control by a licensor in licensing is low when strong IPR protection exists for the technology recipient country, and (3) the ownership control tends to be strong when the licensed technology involves know-how.

Key words: international licensing, patent, know-how, ownership