What's Your Stake When Engaging in Licensing? A Comparison Between Standard and Partnership-Embedded Licensing Strategies

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***Abstract*—When engaging in licensing, companies may either use standard agreements or may embed the licensing deals into broader partnerships. Whether these alternative schemes are more frequently associated with particular types of licensors and licensees and whether they imply different outcomes for the two parties is still underinvestigated in the relevant literature. Inspired by this, our exploratory study, enriched by 341 observations of licensing contracts signed between 1990 and 2010, addresses these research gaps. Aiming at this, this article offers a full-fledged analysis, encompassing an in-depth overview of the overall licensing deals, a detailed description of the licensing parties' profiles, and a t-test comparison of licensing parties' traits both at the time of the licensing deal and after the deal, in the two different regimes. Further, it presents a complementary econometric exercise for assessing the impact of the two alternatives for both the licensor and the licensee. The study shows that, in general, licensors are more inventive and less specialized than licensees, and that licensors and licensees engaging in standard licensing have a higher knowledge overlap than firms engaging in partnership embedded licensing. The difference is also remarkable in terms of the outcomes of the different license agreements measured through patenting activity: the licensor is more likely to guide the invention process in standard licensing contexts, while the licensee is more likely to guide it in the opposite scenario.**

***Index Terms*—Exploratory study, learning opportunities, licensing, technology management, technology trajectory.**

I. Introduction

FIRMS engaging in technology transfer with other companies can substantially opt for either signing standard licensing (SL) contracts or embedding these contracts into a broader partnership (partnership-embedded licensing (PEL) [1], [2]). While traditionally the licensing literature has referred explicitly or implicitly to the first type (e.g., [3], [4]), more recently, some works have introduced the distinction between SL and PEL in the licensing conversation [1], [2], [5]. They have explored the contingencies that lead companies to prefer one licensing alternative over the other [1] or they have specifically discussed how SL and PEL differ with respect to their (main) effect on licensee' product innovations in the biopharma industry [5]. Besides these contributions, to the best of our knowledge, very little is still known about the features and diversity of the two alternatives, specifically with reference to the profile of licensing parties involved and the potential outcomes accrued to both in the different regimes and industries. Our study, therefore, addresses these issues, aiming to explore the following questions: *Are SL and PEL significantly associated with specific licensing parties' traits? Does SL involve different outcomes than PEL depending on the licensing party considered?*

For this purpose, we developed an exploratory study grounding on a novel cross-sectional cross-industry database, with observations on 341 technology and patent licensing agreements, disclosed to the U.S. Securities and Exchange Commission (SEC) between 1992 and 2010. Based on this, we provide the following.

1) An in-depth overview of the overall licensing deals based on their distribution per year, per industry, and per license type (SL versus PEL) as well as main contractual clauses such as exclusivity and geographical scope, which shape their architecture and scope.
2) A detailed description of the licensing parties' traits, including technological and patent profile, such as patent stock, patent scope, main patent class, industry classification, and copatenting activity.
3) A t-test[1] comparison of licensing parties' traits distinguishing between SL and PEL, both *at the time of* the licensing deal and *after* the deal, in the attempt to explore their technological trajectory undertaken after the signature of the contract.
4) A complementary econometric exercise investigating the outcomes[2] that SL versus PEL might generate for each licensing party.

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[1] As this is an exploratory article, we compared these variables using t-tests with a 5% significance level, in search for statistically significant differences that can be discussed and that can contribute to a deeper understanding of the licensing phenomenon. The full list of t-test is grouped in a separated file attached as supplementary file (see Table S1).

[2] In this article, the terms "outcomes," "effects," "impacts" are used interchangeably to refer to the consequences that participating in different types of licensing agreements might yield to the licensing parties.