Stock Market Reactions to Technology Licensing Contracts

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Abstract

The market for technology licensing amounted to US$173.4 billion in 2009\. This market consists of licensees buying technology usage rights from licensors, often in the form of patents, copyrights, and trademarks. From a licensee perspective, an important consideration is the governance of such technology licensing deals. How licensees may use technologies productively may be determined through control and coordination agreements. In particular, drawing on contract theory and governance theory, we propose that the governance of such technology licenses has important financial performance implications. While licensing is an important market, little prior research addressed governance choices and their impact in a technology licensing context. Using a rich dataset, composed of stock market returns, the original licensing contracts, augmented by firm descriptors, we aim to provide further insight into the drivers of financial returns for licensees.

Key words: Technology Licensing, Event Study, Contracts, Governance

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