

Dynamic Analysis of Innovation and Licensing: Effects of Intellectual Property Rights Protection

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Abstract

Licensing is one of major sources of international technology transfer to developing countries. This paper clarifies how strengthening intellectual property rights (IPRs) affects innovation and licensing by making use of a quality ladder type of dynamic general equilibrium model. We explore not only the long-run effects but also the short-run effects of the policy by fully examining the dynamic characters of the model. The model exhibits that stronger IPRs promote innovation and technology transfer both in the long run and in the short run if IPRs protection reduces negotiation cost in relatively large degree.

Keywords: Licensing; Innovation; Intellectual property rights; North-South; Technology transfer

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