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## **Partner selection in technological licensing agreements: The role of technological learning and market competition**

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### **Abstract**

This paper investigates the matching of seller and buyer firms in the market for technology licensing. By combining organizational learning theory with the industrial organization approach, we propose a matching model in which technological synergies in terms of relatedness and familiarity work as attractors and market competition as a repellant. Firms seek potential licensing partners by trying to maximize technological synergies, while attempting to minimize the competitive downsides, while also gaining access to dissimilar product markets, skills and resources. We hypothesize that when licensees engage in matches involving a partner that is technologically unrelated, ex ante familiarity with the licensors? technology is required. We also contend interdependence between technological learning and market competition: if partners are in different product markets, the likelihood of technology license contractual partnership increases with partners? technological relatedness. Using data on the formation of license partnerships in the global biopharmaceutical industry over the period 1994-2004, the paper by and large lends empirical support for our theoretical predictions.

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# **PARTNER SELECTION IN TECHNOLOGICAL LICENSING AGREEMENTS: THE ROLE OF TECHNOLOGICAL LEARNING AND MARKET COMPETITION**

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**Abstract.** This paper investigates the matching of seller and buyer firms in the market for technology licensing. By combining organizational learning theory with the industrial organization approach, we propose a matching model in which technological similarities in terms of relatedness and familiarity work as attractors, and market competition and potential involuntary spillovers act as repellants. Firms seek potential licensing partners by trying to maximize technological synergies while attempting to minimize the competitive downsides. We hypothesize that when licensees engage in matches involving a partner that is technologically unrelated, *ex ante* familiarity with the licensors' technology is required. We contend also that there is interdependence between technological learning and market competition: if partners are in the same product markets, the likelihood of technology license contractual partnerships decreases with partners' technological relatedness. We use data on the formation of license partnerships in the global biopharmaceutical industry over the period 1994-2004 and find that, on the whole, there is empirical support for our theoretical predictions.

**Keywords:** Technology license partnering, matching market, technology familiarity, technological relatedness, market proximity