

CFRED's 5th Intellectual Property Law Seminar:

**AN EMPIRICAL ANALYSIS OF BARGAINING POWER IN
LICENSING CONTRACT TERMS**

by

Prof. Alan Kwan

The University of Hong Kong

Chaired by: **Prof. Jyh-An Lee**, *Faculty of Law, CUHK*

19 January 2018, Friday, 12:30 – 2:00p.m.

The CUHK Graduate Law Centre, 2/F Bank of America Tower, 12 Harcourt Road, Central

Professor Alan Kwan studies a new, large sample of intellectual property licensing agreements sourced from filings by public corporations. Under the lens of a surplus-bargaining framework, his study investigates several new empirical findings on the determinants of royalty rates. Professor Kwan finds that licensors command premium royalty rates for exclusivity, particularly in competitive industries, and for exchange of know-how. Licensors with differentiated technology and high market power charge higher royalty rates, while larger-than-rival licensees pay lower rates. Finally, using this framework, this project studies how the nature of disclosure by the public firms affects transaction value. Firms transact at lower royalty rates when they redact contracts, preserving pricing power for future negotiations. This suggests practitioners modeling fair value based on publicly known comparables in transfer pricing and litigation contexts are generally valuing royalties too high, impacting billions of dollars of transaction value annually.

ABOUT THE SPEAKER:



Alan Kwan is an assistant professor at the University of Hong Kong in the Faculty of Business and Economics. He received an undergraduate degree from Dartmouth College, and his doctorate in finance from Cornell University, the SC Johnson School of Management. Before his PhD, he worked in tech, finance and litigation consulting. He does research on fintech, corporate finance, intellectual property and investment adviser regulation, specializing in the application of alternative data.

**All are welcome!
Admission is free of charge!**

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