Licensing in a Hotelling Model with Quadratic Transportation Costs

Authors : Fehmi Bouguezzi

Abstract : This paper studies optimal licensing regimes in a linear Hotelling model where firms are located at the end points of the city and where the transportation cost is not linear but quadratic. We study for that a more general cost function and we try to compare the findings with the results of the linear cost. We find the same optimal licensing regimes. A per unit royalty is optimal when innovation is not drastic and no licensing is better when innovation is drastic. We also find that no licensing is always better than fixed fee licensing.