



## **R&D and Competition with Tradable Innovation**

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### **Abstract**

In the Cross licensing Model (CL) firms are allowed to trade the results of R&D efforts and compete in the product market. The paper develops such a model and compares it with three other organization modes of R&D and competition w.r.t usual efficiency criteria.

We show that the introduced system is better in all respects than the free circulation of knowledge and than the Joint Laboratory alternative. However, the comparison with the monopoly case leads to less clear-cut results: the Cross Licensing system is socially better than monopoly, but is more profitable for firms only when R&D costs are sufficiently low.

**Keywords:** R&D Organization, Innovation trade, Cross-licensing, firms' competition, Welfare.

**JEL Classification:** C72, L24, D23