

Volume 28, Issue 9**Research Announcement****Market Size Difference between Home Country and Foreign Country and Shrinkage on the Optimal Licensing Mode**

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Abstract

According to the survey of Current Business (Sauers and Argersinger, 2006), the licensing revenue of the United States from abroad has significantly increased from 1975 to 2005 year, showing that international technology licensing is a very important business action. However, the literature seldom discusses the licensing issue under an open economy. This paper's model setting is different with the model settings in a few earlier papers under an open economy. Some conclusions are found herein. If the per unit production cost and the per unit royalty rate are significantly small, then licensing will not occur. However, when the home country market size increases, the no licensing zone also increases given the foreign country market size. More specifically, if the total market size is significant, then the optimal licensing mode may shrink to a two-part fee only.

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