

Complementary and Rivalrous R&D for Global Standards

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The development of global standards often necessitates inputs from multiple competing innovators. The compensation for these innovators is governed by intellectual property policies, typically determined ex-post through FRAND (Fair, Reasonable, And Non-Discriminatory) licensing commitments. This paper explores two theoretical frameworks for setting FRAND rates: the ex-ante and the double ex-ante regimes. Both frameworks aim to prevent potential hold-up and hold-out scenarios. Through the development of an R&D model featuring potentially complementary outputs, we examine the trade-offs between efficiency and incentives for R&D. Our findings suggest that a straightforward implementation of the double ex-ante regime can be more effective than the ex-ante regime.