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UNIVERSITY OF MICHIGAN

Case: Tech Transfer Licensing

SI 646, Information Economics
Prof. Jeff MacKie-Mason

March 24, 2008

Read Ines Macho-Stadler and J. David Perez-Castrillo. *An Introduction to Economics of Information: Incentives and Contracts.* Oxford University Press, New York, 2nd edition, 2001, pp. 149–153.

Come prepared to discuss the following:

1. List the assumptions that characterize (define, make specific) the assigned case in the textbook. Find a real world example that approximately matches these assumptions. What is the same about your example and the case? What is different?

2. Why does the seller not want to offer the optimal symmetric information contracts when the information is asymmetric? (That is, what would be unfortunate about the result if it did?) Be specific.

3. Identify and describe the *possible* contract features that the seller considers in this case. Suggest another contract feature that might be useful in a real world but similar problem.

4. Why does the contract for the "bad" type include a (per output unit) royalty, but the contract for the "good" type does not?