

Bargaining in technology markets: An empirical study of biotechnology alliances

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Abstract

We examine the distribution of bargaining power at biotechnology markets between buyers (mainly pharmaceutical companies) and sellers (mainly biotechnology companies) by estimating the extracted surplus of each party in the transactions, which depends on each party's bargaining power. The results show that it has been not sellers but buyers extracting large surplus from the transactions. However, sellers' surplus has been increasing since 1990, after controlling types of alliance agreements and each party's characteristics. It is conjectured from the results that pharmaceutical companies' bargaining power has been larger than biotechnology companies but that biotechnology companies bargaining power over pharmaceutical companies has been improving over the past decades.