Revealing Private Information in a Patent Race∗

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Abstract

In this paper I investigate the role of private information in a patent race. Since firms often do their research in secrecy, the common assumption in patent race literature that firms know each other’s position in the race is questionable. I analyze how the dynamics of the game changes when a firm’s progress is its private information, and I address the question whether revealing it might be to a firm’s advantage. I find that a firm has an incentive to reveal its breakthrough only if its rival has not done so, and only if the research is costly.

Keywords: Patent Race, R&D Investment, Race, Optimal Effort, Revealing Private Information.

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