

## **Abstract**

We present a model of standard setting and patent pool formation. We study the effects of alternative standard-setting and pool-formation rules on technology choice, prices and welfare. We find three main results. First, we show that allowing patent pools may reduce welfare when standards are negotiated and patent pools need to be ex-post incentive compatible. Second, we show that it is not possible to rank in welfare terms combinations of standard-setting and pool-formation rules when patent pools need to be ex-post incentive compatible. Third, we show that allowing firms to sign ex-ante agreements regarding pool participation dominates in terms of welfare any other policy rule. Our proposal does not require the Standard Setting Organization to have information on patent ownership, the terms of license agreements, or the value added of patents.