Patents and Technology Transfer: An Overview
Special WIPO Economics Seminar

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Overview

- A few conceptual considerations
- Stylized facts on technology transfer
- Results of empirical research
- Data needs
A few conceptual considerations

Markets for technology differ from markets for other goods and services in several key ways:

- Codified versus non-codified knowledge
- Absorptive capacity of technology acquirer
- Information asymmetry
- Appropriability problem
The role of patents

- Patents codify technological knowledge
- Patent rights can facilitate technology transfer
  - Firms are confident to disclose technology when negotiating a licensing contract
  - Patents offer a delineation of technological assets combined with the assurance of market exclusivity
- Depending on business models, it may or may not be in the interest of patent owners to transfer their technologies on different terms
Main modes of international technology transfer

- Trade
- Foreign direct investment (FDI)
- Licensing and other forms of formal technology trade
- Movement of people
- Cross-border information flows (for example, through online patent databases)
Stylized fact #1: rapid growth of technology markets

RLF payments and receipts, in USD millions (left) and as a percentage share of GDP (right), 1960-2009

Note: GDP data are from the World Bank.

Stylized fact #2: uneven distribution

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<td></td>
<td>RLF receipts and payments, in million USD</td>
<td>Share of total RLF, in percent</td>
<td>Growth, 1999 to 2009, in percent</td>
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<td>High-income economies</td>
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<td>RLF receipt values</td>
<td>70,587</td>
<td>71,959</td>
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<td>RLF payment values</td>
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<td>Middle-income economies</td>
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<td>RLF receipt values</td>
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<td>RLF payment values</td>
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<td>67</td>
<td>34</td>
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Note: The GDP deflator provided in The World Bank’s World Development Indicators is used to compute the deflated values.

Empirical studies

- Economic literature on the channels and determinants of technology transfer is too rich to be concisely summarized.
- Many studies suffer from measurement and simultaneity problems:
  - Price versus quantity
  - Transfer pricing
  - Cross-country measures of IP protection
A few broad conclusions

- Trade, FDI, and licensing seem to respond positively to “stronger” patent rights, though empirical significance is small.
- These effects are confined to high- and middle-income countries that already have innovative capacity and are capable of imitation.
- Survey evidence suggests that firms primarily fear disclosure of proprietary information; trade secrecy may often matter more than patent protection.
Branstetter, Fisman, and Foley (2006)

- Analyze technology transfer within U.S. multinational companies in response to a series of IP reforms undertaken by 16 countries over the 1982-1999 period
- Use of detailed firm-level data
- Main results:
  - Royalty payments for intangible assets increase in the wake of strengthened IP protection
  - R&D spending by affiliates increases after reform
  - Non-resident patent applications in reforming countries increase as well
Data needs

- Key challenge: technology transactions often do not leave a statistical trace
- Make better use of balance-of-payments data:
  - Offer additional breakdowns (especially intra-firm versus inter-firm)
  - Find ways for researchers to access full micro data
- Innovation and inventor surveys:
  - Already a rich source of information
  - More surveys in low- and middle-income countries
- Reporting requirement for some licensing transactions (e.g., FRAND licenses)?
Thank you!

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