Appropriate intellectual property protection and economic growth in countries at different levels of development

Yee Kyoung Kima, Keun Leeb, Walter G. Parkc,∗, Kineung Chood

This paper examines how the role of and utility models in innovation and economic growth varies by level of economic development. Using a panel dataset of over 70 countries, we find that patent protection is an important determinant of innovation and that patentable innovations contribute to economic growth in developed countries, but not in developing. Instead, in developing economies, a minor form of intellectual property rights (IPRs) – namely utility models – is conducive to innovation and growth, controlling for other factors. Using Korean firm level data as a case study, we find that utility model innovations contribute to firm performance when firms are technologically lagging and that those minor innovations can be a learning device and thus a stepping stone for developing more patentable inventions later on.

Upon reaching higher levels of technological capabilities, firms become more reliant upon patents and less on utility models. Thus the lesson here is that patent protection enhances innovation and economic growth in countries where the capacity to conduct innovative research exists. Where this capacity is weaker, a system that provides incentives to conduct minor, incremental inventions is more conducive to growth. The significance of this paper is to emphasize the importance not just of the strength of IPRs but of the appropriate type of IPRs for economic development.

A Korea Institute of Intellectual Property, Republic ofKorea

b Seoul National University, Republic of 5 Korea

6 c American University, United States

d Republic of Korea Naval Academy, Republic of 7 Korea