Case 8d

Patent Grants and Implications for Business

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Chris was an MA student in International Business and Management. After taking a module entitled Intellectual Property (IP) in International Business (IB), he had taken great interest in this subject and had been determined to do a good-quality research project. However, in the first meeting with his supervisor, while feeling motivated, he realised that it was not enough to be determined and he needed to make greater effort on his project. His supervisor pointed out, based on his project proposal that he needed to be more focused and precise. The supervisor had advised that the proposed focus of his research project - examining how Western corporate managers view the development of IP in the Eastern European countries using primary data - was too wide. He suggested narrowing it to assessing how IP systems differ between Western and Eastern European countries and how these differences imply for cross-border business activities and only to use secondary data. The supervisor had particularly mentioned that it would be sensible for Chris to use his statistical skills to draw conclusions based on reliable secondary data commenting: "Western corporate managers' views' will involve primary data collection. It would be brilliant to do so, but given that you have only three months to do the project, including writing up, it would be difficult to produce a quality piece of work. There might be difficulties in collecting representative data due to access issues, time constraints and financial support." At the end of the first meeting, Chris and his supervisor agreed that Chris would undertake a project to assess the differences between Western and Eastern European countries in terms of patent grants and the implications for businesses.

Before the second meeting, Chris conducted a search of the literature regarding IP system development particularly with the empirical focus of the EU countries. To his surprise, there were only three articles that specifically examined the patent grant issues in a comparative manner (Kotabe 1992a,b; Yang 2008). Both authors had used raw data from the World IP Organisation (WIPO) database and conducted regression analyses on which they based their conclusions. When reading the articles referenced in these three papers, Chris found that they were suggesting theoretical reasons as to why France, Germany and the United Kingdom (UK) had higher grant ratios for domestic than for foreign applications to issue patent rights. These, he felt, could provide the justifications for questions for his research project. At this stage, Chris was very eager to see his supervisor to report his achievements. In the meeting, while the supervisor commended Chris’s progress to have identified the appropriate literature, she also pointed out: "The most important work to do at the literature review stage is to be able to critique on the existing work so that you can identify research gaps for your own study." At the end of the meeting, Chris’s supervisor asked him to establish precisely what secondary data he needed to obtain about patent applications and grants for the countries he wanted to focus on.

Following this advice, Chris designed a table to highlight the key information. This indicates the authors, research focus, empirical focus in relation to countries, data source and analytical methods. Upon completion, his findings were clear. The existing literature had not conducted grant ratio (grant lags) analysis with an empirical focus on any Eastern European countries. Meanwhile, although Britain, France and Germany were compared and contrasted with the Unite States by Kotabe (1992b), the conclusions were dated because they were based on the data from the 1980s. A new study would enrich existing empirical findings by not only adding new countries (Eastern Europe) but also revealing the changes of Western Europe over the years in terms of grant ratios. In addition, through the studies, similarities and differences between Eastern and Western Europe could be identified; This, Chris felt,
would allow him to make some recommendations relating to policy and business implications. To collect his data, he logged on [http:\www.wipo.org](http:\www.wipo.org) statistics, and downloaded all the annual patent statistics available for all the EU countries.

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<th>Author</th>
<th>Focus</th>
<th>Empirical Focus</th>
<th>Data and Methods</th>
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<tr>
<td>Kotabe (1992a)</td>
<td>Patent Grant Lags and Ratios</td>
<td>US and Japan</td>
<td>WIPO data 1980s</td>
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<td>Lagged Regression</td>
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<td>Kotabe (1992b)</td>
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<td>US, Germany, UK</td>
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With excitement, Chris presented his achievements proudly to his supervisor who was pleased with his enthusiasm and his hard work. In the meantime, the supervisor also pointed out that it was not enough to collect the data only. Chris also needed to justify why the secondary data collected from WIPO were appropriate and what issues arose from the data. Chris was surprised as he thought that data from a United Nations agency source like WIPO would be ‘perfect’. The supervisor hinted to Chris that he had to look into the actual source of the WIPO data, the standardisation process to compile the data, and how the data had been categorised. He was advised to discuss possible weaknesses in the data in the “Methodology” section of his project report. At the end of the meeting, Chris went home with an important task: analyse the data and came to see the supervisor again with some preliminary findings and understanding regarding how it had been collected.

Upon returning home, Chris sat at his computer for half an hour staring at the monitor. There were 27 countries, and each country had at least 90-years worth of aggregate data. The data for Germany was extremely complex due to it being subdivided into East and West Germany prior to reunification. He spent another hour trying to understand the data before he picked up the phone to call his supervisor for help. Chris was overwhelmed with the richness of the data and did not know where to start. After discussion, the supervisor suggested that he focus on a few countries instead of all EU countries, for example three countries from Western Europe and three from Eastern Europe, and also only focus on the Western Germany data.

Chris eventually finished his data analysis and submitted his project report. His great effort did not disappoint his supervisor; the project was awarded a distinction. However, the supervisor still commented that the discussion about the weakness of the data could be more thoroughly presented.

**Questions**

1. Why does the supervisor advise that Chris do a project using secondary data rather than collecting primary data?
2. What sources of information has Chris discovered through his search?
3. Do you find Chris’s justification for his research project convincing? Give reasons for your answer?
4. Despite obtaining a distinction for the project, the supervisor commented that Chris should have discussed the limitations of his data sources more thoroughly. Visit the WIPO’s website [http://www.wipo.org](http://www.wipo.org) and make a note of precisely how the data Chris used were compiled. Based upon this, how would you suggest Chris present more thorough a discussion?
References