

Optimal Patent Regimes for Developing Countries

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The Industrial Revolution in Great Britain marked a watershed in the history of economic development by making technology one of the most important driving forces of the economy. It is now recognized that technology is intrinsic to development and countries follow different strategies in the pursuit of development. Stoneman defines technology policy as policies affecting the process of technological innovation and diffusion. Some governments follow an active policy of encouraging R&D while others focus on the diffusion aspects. Some governments try to provide an environment that fosters R&D e.g. U.K. and the U.S. provide financial or tax instruments as well as legal and regulatory instruments. Legal and regulatory instruments include patents or property rights, environment and health regulations and monopoly regulations. Ergas has distinguished countries according to whether they are mission oriented, diffusion oriented or a combination of the two. Mission oriented countries are those that focus on R&D like U.K., U.S. and France. Diffusion oriented countries like Germany, Switzerland and Sweden are those that focus on provision of innovation related public goods in the fields of education, product standardization, and cooperative research. Japan belong to the third category and follows a policy towards encouraging national goals in innovation as well as focusing on the diffusion of innovations generated in the country and elsewhere. However, for a developing economy, the cost of mission-oriented and innovation-based strategy is prohibitive. Hence, these countries face a slightly different strategy choice: whether to focus on getting the state-of-the-art technology from developed economies or whether to encourage greater diffusion of some of these technologies. The question that this paper asks is what should be the technology policy for a developing country? Most countries in the last century have relied on borrowed technology in their initial stages of development. The World Trade Organisation (WTO) agreement on Trade Related Intellectual Property Rights sets down the minimum standards that member countries have to provide in the sphere of intellectual property. Since many of the developing countries are in the process of implementing the WTO norms by way of passing the necessary legislation in their respective countries, the question that needs to be looked at is whether stronger intellectual property rights (IPRs) are beneficial for such countries. Weak patent regimes in host countries can aid the process of diffusion through spillovers. This has a beneficial effect on the economy as it lowers cost. Developing countries are thus faced with making a choice between encouraging the transfers of newer technologies and also ensuring the spillovers of the technologies transferred by multinationals.