Has the Foreign Patents Surge Prompted Technology Spillovers in China?

Abstract: Many studies show that China’s patent law amendment, strengthening of patent protection and the expansions of FDI and trade have contributed to a growing surge of foreign patent in China. Using data at the industry level from China’s State Intellectual Property Office (SIPO) and the U.S. Patent and Trademark Office (USPTO) on patents covering 19 countries and regions from 1985 to 2008, we explore two hypotheses to explain the increasing foreign propensity to patent in China: the market covering and competitive threat hypotheses. The results show strong support for the competitive threat hypothesis. However, the foreign patenting surge in China does not mean China has more access to outsource advanced technology; on the contrary, based on the analysis of technology proximity, the technology spillover from foreign countries in China is limited.

Key words: foreign patents in China, technology spillover, technology proximity