

Research Paper No. 85

EXECUTIVE SUMMARY

February 2020

(full paper link: <http://enterpriseresearch.ac.uk/publications/erc-research-papers/>)

Small firms and patenting revisited

Suma Athreye

Essex Business School, University of Essex
suma.athreye@essex.ac.uk

Claudio Fassio

Department of Business Administration, Centre for Innovation Research and Competence in
the Learning Economy (CIRCLE), Lund University, Sweden
claudio.fassio@fek.lu.se

Stephen Roper

Enterprise Research Centre and Warwick Business School
Stephen.roper@wbs.ac.uk

EXECUTIVE SUMMARY

In order to observe a patent application at the firm level two conditions need to be met: new products need to be of patentable quality, which depends both on the degree of novelty of innovations and on the total number (portfolio) of innovations; and the benefits of patents need to be higher than the costs of owning them. Analyzing the patent propensity of small and large UK firms using a novel innovation-level survey (the SIPU survey) linked to Community Innovation Survey data we find that when we consider the whole innovation portfolio smaller firms do patent less than larger firms. However, using data on individual innovations, we find that smaller firms are no less likely to patent any specific innovation than larger firms. We argue that size differences in the probability to patent relate primarily to the ‘portfolio effect’, i.e. larger firms generate more innovations than smaller firms and therefore are more likely to create one or more which are patentable. As for the decision to patent a patentable innovation, we find that cost barriers, more than issues of innovation quality or enforceability, deter small firms from patenting specific innovations. Measures to address the costs of patenting for smaller firms – perhaps by considering patents as eligible costs for R&D tax credits – and/or subsidizing SMEs’ participation in IP litigation schemes may both encourage patent use by smaller firms.