Multinational Investments, Technology Transfers, and Copyright Protection

Abstract

This study establishes that the copyright industry is a significant player in global technology transfers, rivaling the manufacturing industry. Much knowledge is conveyed through artistic and literary works, such as books, software, and databases. But how important copyright protection is for the global dissemination of creative works has been an open, empirical question. This paper provides a first international firm-level analysis of the extent to which variations in copyright protection facilitate flows of technology from U.S. multinational companies. Copyright strength in the host countries is found to be positively associated with the foreign direct investment and unaffiliated licensing of parent companies in the copyright industries. The effect is stronger in industries that have greater sales of copyrighted works in the domestic (U.S.) market, indicating that foreign copyright protection matters relatively more to those industries that exhibit greater dependence on copyright at home. The effect on affiliate R&D likewise varies by industry. The paper also shows that copyright reform can have effects beyond the traditional copyright industries; for example, on supporting industries that produce output that can complement creative work or be used as inputs into producing creative work. The findings signify how the copyright system can spur technological development.