

HKUST ECON Seminar

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Trade, Innovation and Optimal Patent Protection

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Abstract:

This paper provides the first quantitative analysis of optimal patent policy in trading economies. We develop a new framework that combines trade and growth theory into a tractable quantitative model, which we estimate to match patent and trade data. Counterfactual analysis yields three main results. First, potential gains from international cooperation over patent policies are large, but achieving them requires stronger protection in countries more closely integrated with innovative economies. Second, only a small share of these gains has been realized so far. Third, by pushing towards policy harmonization, the TRIPS agreement hurts developing countries without generating global welfare gains.