

Internationalization of Innovation: Patents and Firm Performance in the Pharmaceutical Industry

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Abstract

Utilizing foreign R&D and innovation resources has become a common practice among multinational enterprises. However, the economic effects behind this phenomenon have not been studied extensively. We examine the effects of internationalization of innovation on firms' overall innovation output (as measured by patents), and profitability. Our measures of international innovation are based on patents with the first-inventor with address outside of the country where the firm is headquartered. Our estimation results indicate that internationalization of innovation results in some increase in firms' total patent counts, as well as an increase in profitability.

Keywords: Pharmaceuticals, Innovation, Patents, Internationalization, Profitability.

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