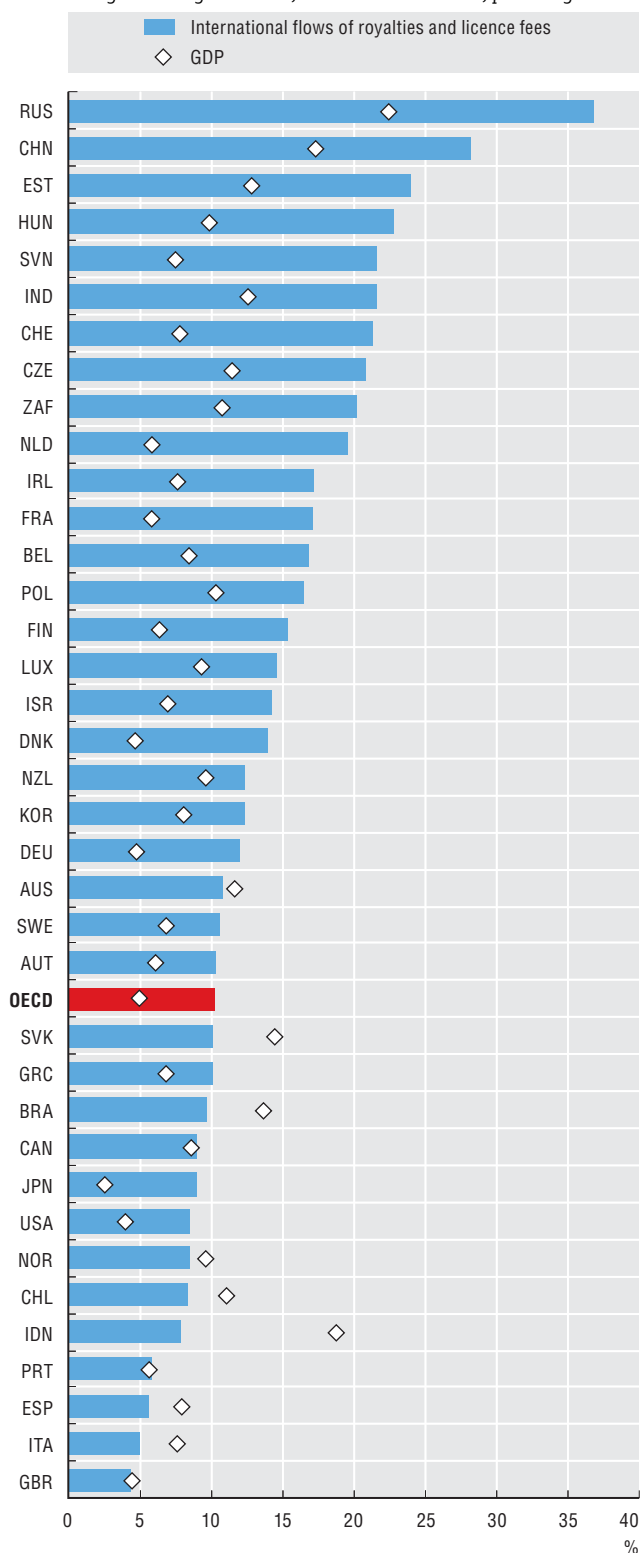


### 3. CONNECTING TO KNOWLEDGE

## 11. Technology flows and markets

### International technology flows of royalties and licence fees, 2000-11

Average annual growth rate, based on current USD, percentages



Source: OECD, Technology Balance of Payments Database; OECD, Trade in Services Database; World Bank, World Development Indicators; OECD, Annual National Accounts Database and OECD estimates, June 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932891796>

Royalties and licence fees are an important part of international technology flows. Over the past decade, they grew faster than GDP in most countries. In the Russian Federation and China, international flows of royalties increased by more than 25% a year.

Intermediaries play a small but important role in knowledge markets. New official statistics provide information on companies whose main economic activity is the licensing of intellectual property (IP). This sector is particularly developed in the United States, with over USD 25 billion in revenue. Among countries for which data are available, Luxembourg has the highest ratio of revenues to total expenditures on knowledge-based capital (KBC) assets within the scope of this sector's activities. The United Kingdom and Italy appear to have low levels of specialist licensing activity in relation to their investment in KBC.

Specialist firms account for only a fraction of total licensing revenue. Tax-based data from the US Statistics of Income show that computer and electronics manufacturing firms and chemicals manufacturers, including pharmaceuticals, account for the largest volumes of reported royalty income. The specialist licensing sector has the largest share of income from royalties (close to 55%), followed by the computer and film and sound recording industries (close to 6%) and publishing and chemical industries (close to 4%). In most industries, the share of revenue accounted for by royalties has increased significantly over the last decade.

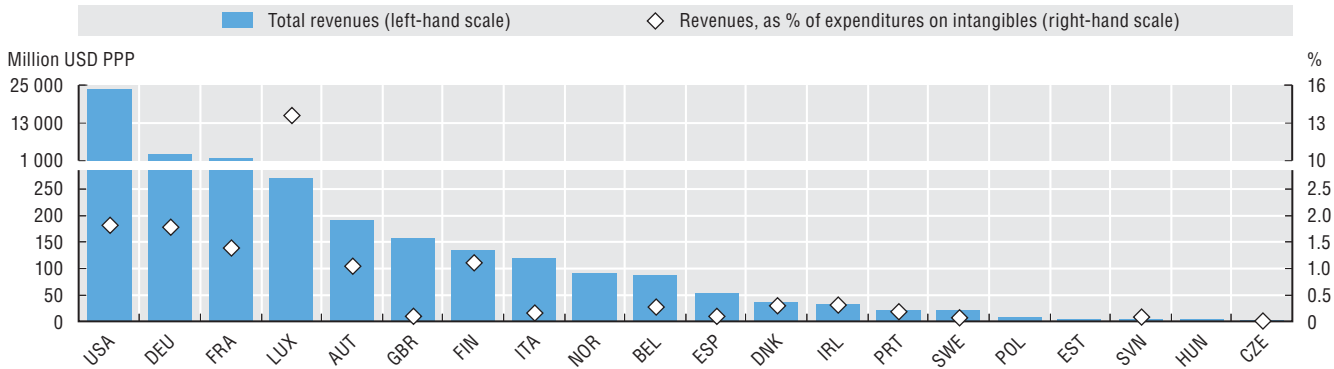
#### Definitions

In international trade statistics, *Royalties and licence fees* are payments and receipts between residents and non-residents for the use of intangible, non-produced, non-financial assets and proprietary rights such as patents, copyrights, trademarks, industrial processes and franchises; and for the use of produced originals or prototypes.

*Specialist intellectual property leasing firms* refers to European firms in the NACE Rev.2 sector 774 (Leasing of intellectual property and similar products, except copyrighted works) and US firms in the equivalent North-American Industrial Classification System (NAICS) sector 533 (Lessors of nonfinancial intangible assets – excluding copyrights). This includes establishments primarily engaged in assigning rights to *intangible assets*, such as patents, trademarks, brand names, and/or franchise agreements, for which a royalty payment or licensing fee is paid to the asset holder. Royalties are one component of income (receipts) reported in US Corporation Income Tax Return Form 1120. *Knowledge-based capital* is a recent term used by OECD to encompass the pre 2008 SNA definition of intangible assets, some of which now fall under the category of *Intellectual Property Products*.

**Revenues of specialist intellectual property leasing firms, 2010**

Total and as a percentage of business investment in R&D, other innovative property and economic competences

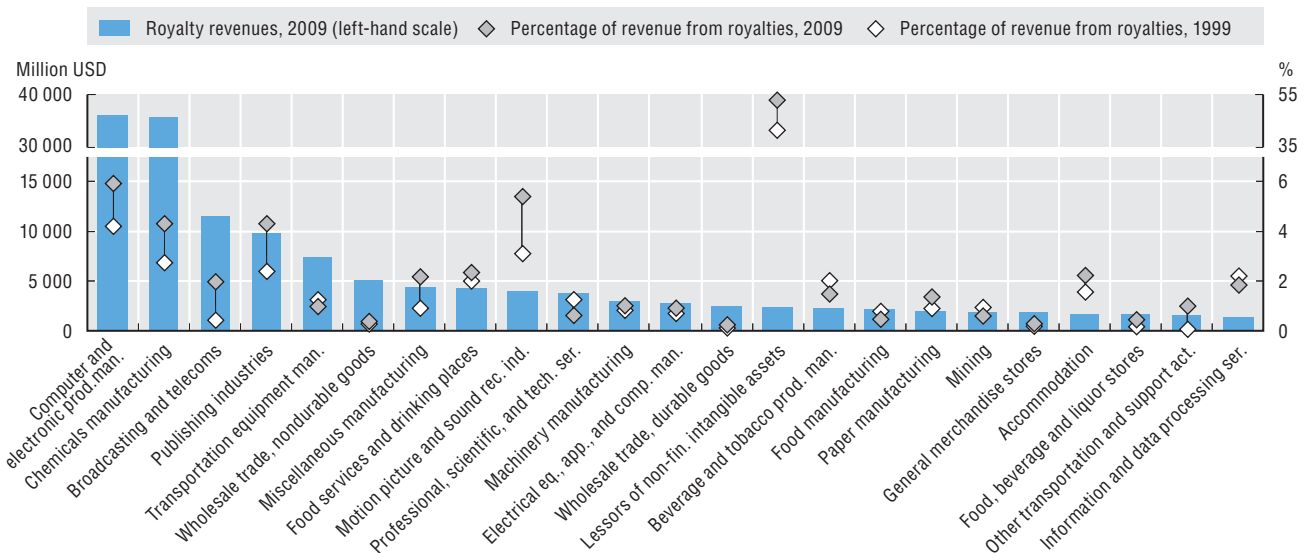


Source: OECD, based on data from Eurostat, Annual detailed enterprise statistics for services; United States Census Bureau, 2011 Annual Services Report; and INTAN-Invest Cross-country Intangible Investment Database, [www.intan-invest.net](http://www.intan-invest.net), June 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932891815>

**Royalty income by industry, United States, 1999 and 2009**

As a percentage of revenues reported to the United States Internal Revenue Service



Source: OECD calculations based on United States Internal Revenue Service's Statistics of Income, June 2013. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932891834>

**Measurability**

The measurement of licensing flows is subject to various conceptual and practical difficulties. Licensing transactions may not involve the transfer of knowledge and may purely reflect tax planning strategies. Estimates may understate actual flows in the case of cross-licensing agreements if only net payments are reported. Companies may report some flows as property income, e.g. repatriated profits, rather than as payments for knowledge products. Many firms in the IP leasing sector are subsidiaries managing their parents' IP portfolio without necessarily engaging in arms-length transactions. As information on this sector has only become recently available, comparability may be limited while business registers and classification criteria adapt to the latest international classification of economic activities. Statistics of Income (SOI) data for active US-based corporations are estimated from a sample of corporate income tax returns. They may include payments for the exploitation of natural resources. For more information on knowledge flows, knowledge markets and their measurement, see [www.oecd.org/sti/knowledge](http://www.oecd.org/sti/knowledge).

#### **Cyprus**

The following note is included at the request of Turkey:

“The information in this document with reference to ‘Cyprus’ relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the ‘Cyprus issue’.”

The following note is included at the request of all the European Union Member States of the OECD and the European Union:

“The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.”

#### **Israel**

“The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities or third party. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

“It should be noted that statistical data on Israeli patents and trademarks are supplied by the patent and trademark offices of the relevant countries.”

### 3.1. R&D and knowledge flows

#### **Business enterprise R&D funded by other companies, 2010**

Data refer to 2010 except for Austria (2009), Brazil (2009), the Czech Republic (2011), Denmark (2009), Iceland (2009), New Zealand (2009), Norway (2011), South Africa (2009), Sweden (2009), Switzerland (2008) and the United States (2009).

Reported funding by other firms includes funding from other domestic enterprises that are part of the same group, except for Finland and New Zealand.

For Brazil, data on the share of BERD funded by industry are not available.

#### **Business funding of extramural R&D, by type of performer, 2010**

Data refer to 2010 except for Austria (2009), Belgium (2009), the Czech Republic (2011), Germany (2009), New Zealand (2009), Norway (2011), Sweden (2009), Switzerland (2008) and the United States (2009).

“Other” includes funding to non-business institutions, both domestic and abroad. For Germany and Japan, it also includes funding to enterprises abroad.

For the Czech Republic, Estonia, Italy, Korea, the Slovak Republic, Spain and Turkey, reported data exclude funding by non-R&D performers.

#### **Business-funded R&D in the higher education and government sectors, 2001 and 2011**

For Australia, data refer to 2000 and 2008 instead of 2001 and 2011.

For Austria, data refer to 2002 and 2009 instead of 2001 and 2011.

For Belgium, Iceland, Israel, the Netherlands and South Africa, data refer to 2009 instead of 2011.

For Chile, EU28, France, Germany, Italy, OECD, Portugal and Spain, data refer to 2010 instead of 2011.

For China, data refer to 2000 instead of 2001.

For Switzerland, data refer to 2000 and 2010 instead of 2001 and 2011.

### 3.2. Open innovation

#### **General notes for all figures:**

For Australia, data refer to financial year 2010/11 and include product, process, marketing and organisational innovating firms (including ongoing or abandoned innovation activities).

For Brazil, data refer to 2006-08. Only the following activities are included in the services sector: ISIC Rev.4 Divisions 58, 61, 62 and 72.

For Chile, data refer to 2009-10 and to firms with more than UF 2 400 in annual revenue. Data include product, process, organisational and marketing innovating firms. Ongoing or abandoned innovative activities are not identified. The industries covered are based on ISIC Rev.3.1 and include a wider range of activities than the CIS, such as agriculture, forestry, fishing, construction and some services.

For Israel, data refer to 2006-08.

For Japan, data refer to financial years 2009/10 and 2010/11. Data are provisional estimates.

For Korea, data refer to 2005-07 and to firms with more than 10 employees in the manufacturing sector.

For Mexico, data refer to 2008-09 and to firms with 20 or more employees. The industries covered are based on ISIC Rev.3.1 and include a wider range of activities, such as agriculture, construction and some services.

For New Zealand, data refer to financial years 2009/10 and 2010/11, and to firms with six or more employees with an annual goods and services tax (GST) turnover figure greater than NZD 30 000. Data refer to product, process, organisational and marketing innovating firms (including ongoing or abandoned innovation activities).

For the Russian Federation, data refer to 2009-11 and to firms with 15 or more employees. The industries covered are based on NACE Rev.1.1 and include manufacturing (D), and services (64, 72, 73, 74).

For South Africa, data refer to 2005-07 and to firms with 20 or more employees, with a minimum turnover of between ZAR 3 million and ZAR 6 million depending on the industry. Data also include the retail trade sector.

For Switzerland, data refer to 2009-11. Collaboration only refers to collaboration on R&D.

#### **Additional notes:**

##### **External sources of knowledge for innovation, by type, 2008-10**

In the Australian questionnaire it is only asked whether the relevant source was used, not the degree of importance of the source.

For Germany, Israel, Luxembourg, the Netherlands and Switzerland, data refer to 2006-08.

In the New Zealand questionnaire, sources of information are defined as important, rather than highly important.

### **3.3. Collaboration on innovation**

#### **General notes for all figures:**

See under 3.2.

#### **Additional notes:**

##### **Firms engaging in collaboration on innovation, by R&D status, 2008-10**

For Luxembourg, data refer to 2006-08.

For Spain, R&D status corresponds to 2010 only.

##### **Firms collaborating on innovation with higher education or public research institutions, by firm size, 2008-10**

For Ireland, Israel and Luxembourg, data refer to 2006-08.

For Mexico, data refer to collaboration with higher education institutions only.

### **3.4. International collaboration**

#### **General notes for all figures:**

See under 3.2.

#### **Additional notes:**

##### **National and international collaboration on innovation by firms, 2008-10 and Firms engaged in international co-operation, by firm size, 2008-10**

For Ireland and Luxembourg, data refer to 2006-08.

## 3. CONNECTING TO KNOWLEDGE

### Notes and References

#### **International collaboration on patents, 2007-11 and innovation, 2008-10**

International co-inventions are measured as the share of patent applications filed under the Patent Cooperation Treaty (PCT) with at least one co-inventor located in a different country in total patents invented domestically. Patent counts are based on the priority date, the inventor's country of residence and whole counts.

#### **3.5. Skills mobility**

##### **International and foreign students enrolled in tertiary education, 2011**

Data refer to foreign students for the Czech Republic, France, Israel, Italy, Poland, the Slovak Republic and Turkey. Foreign students are defined on the basis of their country of citizenship; these data are not comparable with data on international students and are therefore presented separately in the table and chart.

Total enrolments include all international or foreign students. Distribution is based on the number of students with a known field of education.

Data for Austria, Finland, Germany and Switzerland exclude tertiary-type B programmes.

Data for Canada and Luxembourg refer to 2010.

Data for the Netherlands exclude programmes in private education.

##### **Labour turnover, by educational attainment, 2011**

With the exception of the United States, the indicator for all employed individuals is computed on the basis of the OECD Job Tenure Database as a share of declared figures for total employed (dependent employees and self-employed) of all age groups. Estimates by level of educational attainment are based on an *ad hoc* tabulation of European Labour Force Survey data and computed on a similar basis.

For the United States, data refer to the share of all wage and salary workers aged 16 and over with a year or less of tenure with their current employer in January 2012.

Tertiary education refers to individuals who have graduated from tertiary education (ISCED 5 and 6 levels); low or no formal education refers to individuals with at most lower secondary education (ISCED 0, 1 and 2 levels).

For Australia and Canada, data refer to 2010.

For Brazil, data refer to 2009.

For Mexico, data refer to 2008.

##### **Doctorate holders who changed jobs in the last ten years, 2009**

For Belgium, Hungary, the Netherlands and Spain, data refer to graduates only from 1990 onwards.

For the Russian Federation, data refer only to those doctoral graduates employed as researchers and teachers.

For Spain, there is limited coverage of graduates who received their doctorate between 2007 and 2009.

EU15 total employment mobility is computed on the basis of the OECD Job Tenure Database and corresponds to the share of 25-69 year-old employed individuals who have changed jobs in the last ten years.

#### **3.6. Researchers on the move**

##### **International flows of scientific authors, 1996-2011**

The minimum threshold for inclusion is over 2 000 bilateral flows.

*General note:*

##### **International mobility of scientific authors, 1996-2011 and;**

##### **Impact of scientific authors, by category of mobility, 1996-2011**

The minimum threshold per economy is over 25 000 scientific authors in the stayer category.

**Additional note:****Impact of scientific authors, by category of mobility, 1996-2011**

International mobility of scientific researchers is inferred from authors listed in the Scopus Custom database of peer-reviewed scientific publications, with at least two documents over the reference period, based on changes in the location of their institutional affiliation. Stayers maintain an affiliation in a given reference country over the period. Outflows are defined on the basis of the first affiliation. New inflows are defined on the basis of the final affiliation and exclude individuals who “return” to their original country of affiliation. The latter group are defined as “returnees”.

A proxy measure of scientific impact for researchers with different mobility patterns is estimated by calculating, for each author and mobility profile, the median across the relevant journals’ source-normalised impact per paper (SNIP) over the entire period. A SNIP impact value that is higher than one means that the median attributed SNIP for authors of that country/category is above average.

**3.7. Research excellence****General note for all figures:**

Estimates are based on whole counts of documents by authors affiliated to institutions in each economy.

**3.8. Science for innovation****General notes for all figures:**

The link between patents and scientific literature is based on the non-patent literature (NPL) listed as relevant references in patent documents in the Thomson Reuters Derwent World Patents Index and Derwent Patents Citation Index databases. It is applied to patents in selected technology areas, based on the International Patent Classification (IPC) codes in the patent document.

In order to identify whether NPL corresponds to a scientific document, NPL references were matched to the Thomson Reuters Web of Science Database, an index of scientific literature. For matched references, scientific domains correspond to the Thomson Reuters Essential Science Indicators 22-field classification (<http://archive.sciencewatch.com/about/met/fielddef/>). Geographical attribution of scientific documents is based on the document’s author’s affiliation, using a “whole counts” approach.

Only the main scientific domains accounting for 90% of total patent citations to the scientific literature are reported.

**Additional notes:****Main sources of scientific documents cited in patents, selected technology areas, 2001-11**

Patents in health-related technologies comprise medical technologies and pharmaceuticals. The list of environment-related patent codes is available at [www.oecd.org/env/consumption-innovation/indicator.htm](http://www.oecd.org/env/consumption-innovation/indicator.htm). The list of biotechnology and ICT-related patent codes is available at [www.oecd.org/sti/inno/40807441.pdf](http://www.oecd.org/sti/inno/40807441.pdf). Nanotechnology-related patents are defined as those with IPC codes B82B and B82Y.

**Main scientific sources of biotechnology, nanotechnology and ICT patents, 2001-11**

The list of biotechnology and ICT-related patent codes is available at [www.oecd.org/sti/inno/40807441.pdf](http://www.oecd.org/sti/inno/40807441.pdf). Nanotechnology-related patents are defined as those with IPC codes B82B and B82Y.

**Main scientific sources of health and environment-related patents, 2001-11**

The link between health-related patents and scientific literature is applied to patents in medical technologies and pharmaceuticals following the classification presented in Schmoch (WIPO, 2008, revised in 2013).

The list of environment-related patent codes is available at [www.oecd.org/env/consumption-innovation/indicator.htm](http://www.oecd.org/env/consumption-innovation/indicator.htm).

## 3. CONNECTING TO KNOWLEDGE

### Notes and References

#### 3.9. From knowledge to inventions

##### General notes:

##### Patents citing non-patent literature by technology field, 1997-2002 and 2007-12 and;

##### Patents citing non-patent literature, selected technologies, 1997-2002 and 2007-12

Data refer to the citations made in patent applications filed at the European Patent Office (EPO), according to the publication date of the citing patent, the applicant's residence and fractional counts.

##### Additional notes:

##### Patents citing non-patent literature by technology field, 1997-2002 and 2007-12

Only economies with more than 500 patents in 2007-12 are included in the figure. Patents are allocated to technology fields using International Patent Classification (IPC) codes, following the classification presented in Schmoch (2008, revised in 2013).

##### Patents citing non-patent literature, selected technologies, 1997-2002 and 2007-12

Patents are allocated to technological fields using the International Patent Classification (IPC) or the European Patent Classification (ECLA).

##### Citations to patents that include non-patent literature, by technology fields, 2007-12

Data refer to the citations made in patent applications filed at the European Patent Office (EPO), according to the publication date of the citing patent. Forward citations of patents refer to patents with NPL backward citations that are cited as particularly relevant documents (I, X, Y) by EPO patents up to five years after the first publication. Patents are allocated to technology fields using International Patent Classification (IPC) codes, following the classification presented in Schmoch (2008, revised in 2013).

#### 3.10. Inventions across borders

##### International co-inventions in patents, 1999-2001 and 2009-11

International co-inventions are measured as the share of patent applications filed under the Patent Cooperation Treaty (PCT) with at least one co-inventor located in a different economy in the total patents invented domestically. Patent counts are based on the priority date, the inventor's residence and fractional counts. Only economies with more than 250 patents in 2009-11 are included.

##### International co-inventions by technology fields, 1999-2001 and 2009-11

International co-inventions are measured as the share of patent applications filed under the Patent Cooperation Treaty (PCT) with at least one co-inventor located in a different country in total patents. Patents are allocated to technology fields using International Patent Classification (IPC) codes, following the classification presented in Schmoch (2008, revised in 2013). Patent counts are based on the priority date and fractional counts by technology fields.

##### Foreign inventions owned by economies, 2009-11

Data refer to counts of patent applications filed under the Patent Cooperation Treaty, by priority date, applicant's residence and fractional counts. Foreign inventions owned by economies relate to the share of patents owned by a resident of an economy for which no inventors reside in the given economy, as a share of total patents owned by that economy. Only economies that applied for more than 250 patents over the period are included.

#### 3.11. Technology flows and markets

##### International technology flows of royalties and licence fees, 2000-11

For Belgium and the Russian Federation, data refer to 2003-11.

For Denmark and Indonesia, data refer to 2005-11.

For the Netherlands, data refer to 2004-11.

For Norway, data refer to 2000-10.

For Italy, data refer to 2000-07.

OECD excludes Iceland, Mexico and Turkey.

### Revenues of specialist intellectual property leasing firms, 2010

For European countries, revenue estimates correspond to firms in NACE Rev.2 sector 774 (“Leasing of intellectual property and similar products, except copyrighted works”). For the United States, estimates correspond to NAICS sector 533 (“Lessors of nonfinancial intangible assets – excluding copyrights”). Revenue estimates are divided by INTAN-Invest estimates of business sector investment in “new intangible assets” (R&D, design, new financial products, advertising, market research, training and organisational capital). This category approximately corresponds to the products within the scope of the IP leasing sector.

### Royalty income by industry, United States, 1999 and 2009

Data on royalties and revenues (receipts) from the United States Internal Revenue Service’s Statistics of Income (SOI), Table 6 – Returns of Active Corporations, Form 1120, [www.irs.gov/uac/SOI-Tax-Stats>Returns-of-Active-Corporations-Table-6](http://www.irs.gov/uac/SOI-Tax-Stats>Returns-of-Active-Corporations-Table-6), “Balance Sheet, Income Statement, Tax, and Selected Other Items, by Major Industry”. Figures are estimates based on samples. Last accessed June 2013.

Only the 23 industries with the highest royalty income are reported. For 2009, Broadcasting and telecommunication is calculated as the sum of Broadcasting except Internet and Telecommunication (including paging, cellular, satellite, cable, internet, service providers, etc.). For 2009, Information and data processing services were calculated as the sum of Data processing services and Other information services.

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**From:**  
**OECD Science, Technology and Industry  
Scoreboard 2013**  
Innovation for Growth

**Access the complete publication at:**  
[https://doi.org/10.1787/sti\\_scoreboard-2013-en](https://doi.org/10.1787/sti_scoreboard-2013-en)

**Please cite this chapter as:**

OECD (2013), "Technology flows and markets", in *OECD Science, Technology and Industry Scoreboard 2013: Innovation for Growth*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/sti\\_scoreboard-2013-28-en](https://doi.org/10.1787/sti_scoreboard-2013-28-en)

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