



*Centre for the Study of Living Standards
Centre d'étude des niveaux de vie*

Steep rise in Canadian patents despite drop in R&D spending

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The Centre for the Study of Living Standards (CSLS) today released a report entitled “Are Trends in Patenting Reflective of Innovative Activity in Canada?” The objective of the report is to shed light on trends in Canadian innovation as indicated by patenting. Central to these recent trends is an apparent paradox: the number of patents granted to Canadians, an output indicator of innovative activity, increased substantially between 2000 and 2014 despite decreased business R&D expenditures. The report provides several potential explanations as to why this is the case.

The report also documents recent trends in patenting activity in Canada from several sources and compares trends across different technologies. Patenting trends are also used to give a regional perspective on innovation by tracking the level of innovative activity occurring in provinces and census metropolitan areas.

Key findings are highlighted below.

- Canadian inventors file many more patent applications at the United States Patent and Trademark Office (USPTO) than at the Canadian Intellectual Property Office (CIPO), likely due to the larger potential U.S. market. In 2014, the respective figures were 12,963 versus 4,198 patents.
- The number of patent applications filed by Canadians at the USPTO nearly doubled between 2000 and 2014, from 6,809 to 12,963. The number of patents granted also doubled, from 3,419 to 7,042. Canada led the G7 countries in growth of USPTO patents granted to its residents between 2000 and 2014.
- The number of patents granted to Canadian residents by the CIPO nearly tripled from 1,117 in 2000 to 2,984 in 2014. However, the number of patent applications

filed at CIPO by Canadian residents has remained stagnant, increasing from 4,187 patents in 2000 to only 4,198 patents in 2014.

- Over half of the patents granted to Canadian residents are related to information and communication technologies (ICT).
- Ontario is the leader among the provinces in the number of patents granted to its residents, receiving the most patents in both absolute and per capita terms across most IP offices.
- Ontario's leadership in patent grants is no surprise given that 8 of the 10 Canadian CMAs that received the most U.S. patents per 100,000 residents were located in Ontario. In particular, Kitchener-Waterloo and Ottawa-Gatineau generate many more patents per 100,000 residents than other CMAs.
- Between 2000 and 2014 real business enterprise expenditure on research and development (BERD) decreased by 6 per cent while the number of patents granted to Canadians by CIPO and USPTO increased significantly (by 167 per cent and 102 per cent, respectively).
- The report examines a number of potential explanations for this paradox, concluding that increases in the efficiency of R&D spending and a greater propensity for Canadian inventors to file for patents in the United States for strategic reasons are the most likely explanations. Further research is needed to confirm definitively the reasons for the growing gap between R&D expenditures and patent grants.

The report is posted at <http://www.csls.ca/reports/csls2017-02.pdf>.

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research.