- **Invention occurs in Canada but is foreign-owned.**

Although subsidiaries of foreign-owned multinationals perform R&D in Canada, the patent right still resides with the parent company. Consequently, it is assumed in the BK theory that only the parent country benefits directly from any monopoly profits made by the innovator. Therefore, the BK theory concludes that *no patent protection* is warranted for foreign-owned companies based in Canada.

- **Invention occurs in a foreign country and is foreign-owned.**

When research and inventions take place abroad, and spillovers from innovations are not taken into account, neither benefits to innovators nor their expenses are relevant from Canada's point of view. In this theoretical case, the BK model suggests that *it does not pay any single country to protect innovations* of foreign-based and controlled corporations.

Thus, the differences implied by competition and monopoly in the innovation industry, and the ownership of innovations result in conflicts in the determination of patent policy. The industrial structure of invention may differ in different industries, calling for drastically different patent policies. If any degree of monopoly in innovations exists, such power may reside in multinationals. The BK model suggests that no patent protection is warranted under most circumstances. Moreover, the BK analysis suggests that stipulations by local governments on the performance of R&D in local subsidiaries of foreign companies are largely useless, unless the government can ensure that patent rights (and appropriate royalties) reside in the local subsidiary as well.