Processes and contributions of IP systems to innovation

How can intellectual property (IP) rights affect innovation?

Intellectual property rights are a mechanism to appropriate newly created technical knowledge (patents), creative expression (copyright) and investments in establishing reputation (trademarks) for ownership by the creator or designee. Patent rights play an especially significant role in technological innovation. The breadth and length of patent scope determine the usefulness of the patent system to inventors—the broader the scope, the more inventions will be patentable—and for social returns. The possibility of obtaining a patent right, which grants exclusivity on the invention, serves as an incentive for inventors to invest in research and development, in part because knowledge can be considered a public good, which usually implies non-rivalry and non-excludability (see Economics of knowledge [1]). These factors explain why in the absence of IP rights inventors might not have the opportunity to appropriate all of the social return from their inventions.

What are the key dimensions regarding the innovation and IP rights relationship?

Common policy questions regarding IP and innovation are as follows:

- How can different types of IP support innovation performance? How do they differ with respect to their potential contributions to innovation?
- How to strike the balance between the rights of IP holders and the right of third parties in order to get the mix of invention and dissemination which generates the most social value?
- How does the current context of digital, cumulative, collaborative and cross-border innovation influence the role of IP rights?
- How to accommodate the diversity of economic and technological conditions across industries while the IP system is essentially unitary?

What are the main relevant policy dimensions?

The ability of public policy to provide incentives for innovation will be enhanced under the following conditions:

- **Scrutinizing the rationales for IP** (see Rationales of IP for innovation [2]). IP policy makers need to engage in dialogue with practitionners, stakeholders and academic experts on how the current framework for IP supports innovation in a context of increased digitisation and new innovation processes, and addressing factors that may prevent IP from having larger positive impacts.
- **Focusing on the different types of IP** (see Types of IPR [3]). IP policy makers should explicitly consider how the various types of IP can support diverse types of innovators and incorporate support for specific types explicitly as part of innovation policies. This applies also to developing countries, which might focus on trademarks or utility models rather than exclusively on patents.

Moreover, policy measures can affect how IP systems can contribute more to innovation: IP can provide a solution but will only be successful if the organisation of the IP system is

adequate (see Organisation of IP systems [4]), if suitable market conditions for IP hold including an adequate level of competition (see IP, markets and diffusion [5]) and if IP is suitable to different users in the productive sectors, ranging from universities to different types of firms (see IP users) [6]and inventors' fields of activity (see Fields of IP use [7]).

References

- Greenhalgh, C. and M. Rogers (2010), Innovation, Intellectual Property, and Economic Growth, Princeton University Press, Princeton, NJ.
- Guellec, Dominique and Bruno van Pottelsberghe (2007), The Economics of the European Patent System, Oxford University Press, New York.

Links
[1] https://www.innovationpolicyplatform.org/content/economics-knowledge?topic-filters=8806
[2] https://www.innovationpolicyplatform.org/content/rationales-ip-innovation?topic-filters=8662
[3] https://www.innovationpolicyplatform.org/content/types-ipr?topic-filters=8616
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