

Competition policy and knowledge-based capital (Supporting Investment in Knowledge Capital, Growth and Innovation)

This chapter explores the relationship between knowledge-based capital (KBC), innovation and competition policy, beginning with an assessment of the theoretical underpinnings and the empirical evidence available to explain the link between market concentration and innovation, including the concept of the inverted U. Two broad recommendations for policymakers emerge: unnecessarily anticompetitive market regulation should be abolished, and effective enforcement of competition law is required to support innovation and economic growth. The chapter then considers the role of intellectual property rights (IPR) in the development and use of KBC. IPR are used heavily in many KBC-focused markets and are often considered to be critical for technological development. Yet the abuse of IPR can discourage or prevent innovation and raise competition concerns. Potential problems include patent ambush in standard-setting, certain exclusionary licensing arrangements, and the strategic accumulation of standard-essential patents by individual firms. Finally, the chapter addresses the question of competition policy within the digital economy, which has much to do with the growing importance of KBC to economic activity.

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