## Key Terms

allocative efficiency

producing the optimal quantity of some output; the quantity where the marginal benefit to society of one more unit just equals the marginal cost

barriers to entry

the legal, technological, or market forces that may discourage or prevent potential competitors from entering a market

copyright

a form of legal protection to prevent copying, for commercial purposes, original works of authorship, including books and music

deregulation

removing government controls over setting prices and quantities in certain industries

intellectual property

the body of law including patents, trademarks, copyrights, and trade secret law that protect the right of inventors to produce and sell their inventions

legal monopoly

legal prohibitions against competition, such as regulated monopolies and intellectual property protection

marginal profit

profit of one more unit of output, computed as marginal revenue minus marginal cost

monopoly

a situation in which one firm produces all of the output in a market

natural monopoly

economic conditions in the industry, for example, economies of scale or control of a critical resource, that limit effective competition

patent

a government rule that gives the inventor the exclusive legal right to make, use, or sell the invention for a limited time

predatory pricing

when an existing firm uses sharp but temporary price cuts to discourage new competition

trade secrets

methods of production kept secret by the producing firm

trademark

an identifying symbol or name for a particular good and can only be used by the firm that registered that trademark