The Deterioration of Appropriate Remedies in Patent Disputes
August 11, 2020
Geoffrey A. Manne, Kristian Stout, Julian Morris and Dirk Auer

Property rights are an essential economic institution. As the great UCLA economist Harold Demsetz famously argued, property rights spur specialization, investment, and competition, which in turn increase productivity, innovation, and wealth throughout the economy.

The same holds true for intellectual property rights, including patents, which are no less important than their traditional counterparts in facilitating innovation and the efficient organization of productive economic activity, particularly in the modern, high-tech economy. A wealth of literature indicates that much, if not most, of the value of innovation is passed on to consumers in the form of lower prices and higher quality goods and services. Indeed, as Nobel Laureate William Nordhaus finds, even in the presence of patents to facilitate the appropriability of the value of innovation by inventors, “only a miniscule fraction of the social returns from technological advances over the 1948-2001 period was captured by producers, indicating that most of the benefits of technological change are passed on to consumers rather than captured by producers.” Thus, although measurement problems plague such research, there is strong evidence that nations with greater levels of patent protection have historically achieved significantly higher innovative output than those with lower levels of patent protection.

View Article