

THE LAW AND ECONOMICS OF INNOVATION

Legal Studies 146

Lecture MW 4-530P, 155 DONNER LAB.

Section Meetings, Tuesday 2-3p or 4-5p, Krober 115

Suzanne Scotchmer, Professor

Silvana Quintanilla, GSI

Prerequisites: Econ 1 (or a course in microeconomics).

Main text: Innovation and Incentives, MIT Press, 2004 (also available in Japanese and Chinese)

Course requirements: Attendance and participation (10%). (We will take attendance.) Book report ♦ (30%, due Nov 23 midnight) and final exam (60%, exam group 13, Dec 15, 8-11am). The exam will be based on weekly review questions, which will be linked to the syllabus on Thursday mornings, and discussed in section meetings the following week.

Description: The course discusses how the creation of knowledge and artistic, literary and musical works are supported in a competitive economy, especially in the digital age. This includes a discussion of intellectual property, broadly construed as patents, copyrights, trade secrets, trade marks and geographic indications, in historical and institutional context, recognizing that intellectual property is only one way to reward authors and other creators. We also consider public funding in its many guises, and why (or if) there should be public sector funding in parallel to, or instead of, private mechanisms of reward. We will also consider the problems of competition that arise in the digital economy, especially where firms must choose between sharing common standards for delivering content or developing proprietary standards, and whether legal rules should govern these choices. We will discuss some major competition issues that have arisen in the digital economy, such as Google Books, the Microsoft antitrust cases, and the competitiveness of search advertising when there is a dominant search provider such as Google.

Date	Topic	Required Chapter	Other reading and lectures. If required, there is a star.
Week 1 Aug 29 Sept 1	Institutions for Innovation: A Brief History	Ch 1 Review Questions	*The Case of Japan (R. Aoki)
Week 2,3 Sept 5,7 Sept 12,14	Investing in Knowledge	Ch 2 Review Questions	*Prizes for science
Week 4 Sept 19,21	IP Law basics	Ch 3 Review Questions	*Patent Reform Act 2011 *McDonalds Patent Application on how to make a sandwich and a plant patent * E.A. Crowne Pounds of Flesh, the Merchants of Parma and Ham-Lets *International Herald Tribune on Google's Belgian news wars
Week 5 Sept 26,28	Design of IP: length and breadth	Ch 4 Review Questions	
Week 6/7 Oct 3,5 Oct 10,12	Cumulativeness in Research	Ch 5 Review Questions	*Spitting Image (Inkjet Printer), Sept 19, 2001, The Economist *Invention of Email, Pretext Magazine 1998.
Week 8 Oct 17,19	Antitrust and Licensing	Ch 6 Review Questions	
Week 9 Oct 24,26	Open Source as an Incentive Mechanism	Guest: Maurer	*Maurer, Sali & Rai. 2004 Finding Cures for Tropical Disease: Is Open Source the Answer?, Public Library of Science: Medicine 1:56-58. *Lerner and Tirole, The Economics of Technology Sharing: Open Source and Beyond, Paper 10956 (2004)

Week 10 Oct 31 Nov 2	Enforcement through Litigation and Technical Protections	Ch 7 Review Questions	
Week 11 Nov 7,9	The Public Sector	Ch. 8 Review Questions	* <i>Nature</i> July 15, 2004. <i>Scientific Impact of Nations</i> . *Gerth and Stolberg, Drug Makers Reap Profits On Tax-Backed Research <i>New York Times</i> Apr 23, 2000 Link, A. N. <i>Public/Private Partnerships</i> . 2005. Springer.
Week 12 Nov 14,16	Measurement issues	Ch 9 Review Questions	*P. David, "The Dynamo and the Computer: Historical Perspective on the Productivity Paradox." May 1990. *Patent Power Harry Goldstein
Week 13 Nov 21, not 23	Network Effects	Ch 10 Review Questions	Metcalf's Law (and rebuttal) *Surowiecki, "In Praise of Third Place" (The modern game market)
Week 14 Nov 28,30	Innovation in the global Economy	Ch 11 Review Questions	* <i>The Economist</i> , Scattering the Seeds of Invention: The Globalization of R&D, Sept 2004.

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