

# DO PATENTS REALLY PROMOTE INNOVATION?

## DO PATENTS PROMOTE INNOVATION, OR HOLD IT BACK?

Let's start with the basics: What causes innovation in the first place? Historians have found that the great inventors of the American Industrial Revolution such as Matthias Baldwin, Samuel Morse, Alexander Graham Bell, and Thomas Edison were all driven primarily by the expectation of profiting from their discoveries.



## WHAT ABOUT TODAY?

Over the last 50+ years, economists have repeatedly demonstrated that patents continue to foster innovation by incentivizing inventors to invent. In fact, they stimulated the formation of the biggest new industries of the last 60+ years – semiconductors, computers, software. Patented inventions midwived all of them.

## KNOWLEDGE SHARING

A curious thing about patents is that they not only stimulate innovation, they also promote knowledge-sharing afterwards. This seems to go against the fact that patents give their owners a temporary monopoly over the invention. However, patents are one of the most effective tools for knowledge-sharing ever invented.



## A WORLD WITHOUT PATENTS

A simple thought experiment suggests why this is so. Imagine a world in which there were no patents to guarantee inventors the rights to their discoveries. In such a world, inventors would need to be very secretive, since competitors could copy their discoveries with impunity.

## REAL WORLD EVIDENCE

In 2006, one survey found that 88 percent of U.S. and European companies say they rely on the information disclosed in patents to keep up with technology advances in their industries.



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