

Does Intellectual Property Promote Innovation? Towards an Understanding of Intellectual Property and World Public Goods

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Abstract

Ideas and knowledge are intangible assets of an organization forming the bases of inventions / innovations requiring proper management. Organizations / nations seeking higher financial returns tend to monopolize their ideas and knowledge through intellectual property rights, but, at the cost of limiting the development of a knowledge economy and social welfare. Whereas, organizations / nations working towards social welfare and struggling to develop knowledge based economies support the notion to share their ideas and knowledge with others resulting in global public goods. Both concepts are important, and, require the attention of scholars to suggest how to balance the two views. This paper compares the concepts of intellectual property rights and global public goods with regards to innovation and social welfare by using desk research. Findings reveal that intellectual property rights promote innovation only to some extent by limiting knowledge sharing and social welfare. On the other hand, global public goods promote innovation at large and increase social welfare of the masses.

Key Words: Global Public Goods, Innovation, Intellectual Capital, Intellectual Property Rights.

Introduction

According to Australia Chamber of Commerce and Industry study in (2007) the past few decades, the state of competition has changed dramatically and has become ever fierce and termed as hyper competition. Under such a situation, organizations and nations require continuous innovation to stimulate productivity, improve living standards (Tunny, 2006) ultimately leading to poverty reduction (Bayhan, 2008). And in order to do so, talented and creative human resources are required, which in return require proper motivation, reward and protection for their valuable ideas and knowledge.

Intellectual Capital, Intellectual Property and Innovation:

The intellect, skills and experiences that a person has, is called intellectual capital and such capital when backed / recognized by law is called intellectual property, giving its owner the right to manage (retain, transfer, sell, etc.) it just like any other physical property (Sullivan et al. 1998). According to World Intellectual Property Organization (2009), Intellectual property is regarded as an intangible asset of an organization, having strong positive effect on its innovative capability and economic growth, and requiring proper management and protection to acquire and utilize it. And, Intellectual property rights are one way considered recognizing and protecting intellectual capital. The world intellectual property organization (WIPO) defines intellectual property as, “creations of the mind: inventions, literary and artistic works, and symbols, names, and images used in commerce”. Such ideas and knowledge is the basis for all kinds of innovations, seemed vital for survival and competitive advantage in today’s globalized business environment. And, all possible ways are used to retain such knowledge within the organizational boundaries.

Proposition-I: By transforming Intellectual Capital into Intellectual Property rights; a firm increases its ability to innovate.

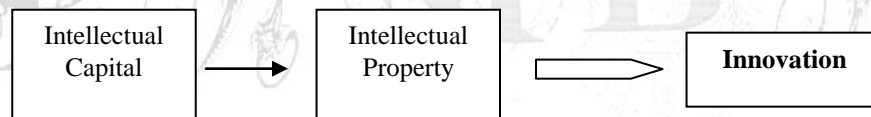


Figure 1. Intellectual capital when backed by law is called intellectual property, which is used for innovation resulting in economic growth of organizations and nations.

Intellectual Property and Economic Growth:

With the awareness of its long-term benefits, organizations, industries and countries have become increasingly determined to use innovation as a source of competitive advantage and sustainable development. Need for fast and continuous innovation is seen vital for survival in today’s globalized hypercompetitive markets (Kohn, 2006), and so is crucial to develop the right procedures and methods to motivate, realize, reward, accelerate, and protect it. Intellectual property management has been advocated for continuous innovation, a check on counterfeit and piracy, and economic growth. A strong system of intellectual property is seen to provide a solid foundation for the transformation of the ingenuity, creativity, and the innovative ability of a nation’s people into economic assets (Hayes, 2003), and Intellectual Property, (2005) thus accelerates the activities of innovative businesses leading to economic progress.

It is also maintained that, intellectual property rights are the most effective devices to unlock creative resources (Spier, 2005), and the intellectual property system (IP system) tends to be “an effective way to enhance creativity, promote technological innovations, improve trade and enhance competitive positioning”

(Yasuda, & Kato, 2007). Intellectual property rights are viewed to enable the less developed and the emerging countries to attract foreign direct investment and technology transfer (Keith, & Maskus, 1997). Researchers suggest that, without the enforcement of such a system (to manage intellectual property), there remains a strong risk of investments in R&D, product differentiation and marketing to be wasteful (Jaiya, 2003), and, there is a danger that the pace of technological innovations would fall below socially optimal levels (Fisher, 2001).

Proposition-II: By tracing, securing and rewarding ideas and knowledge; intellectual property rights enhance economic development through foreign direct investment (FDI) and technology transfer (TT).

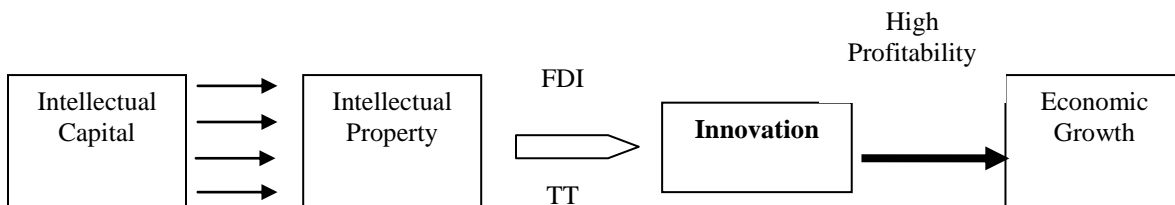


Figure 2. Intellectual capital transformed into intellectual property, nurtures innovation resulting in economic growth of organizations and nations.

Global Public Goods and Open Innovation:

Although many advantages have been recognized on the part of intellectual property rights, yet, the concept has been criticized for limiting the development of a knowledge economy wherein all sectors of life cannot benefit equally. Intellectual property rights are said to motivate for inventions and innovations, but in reality, studies suggest that they are responsible hugely for hindering economic growth (Boldrin, & Levine, 2008). In fact, it has been found that patents (IP) are considered to be least important to profit from R&D investments (Cohen et al. 2000). Furthermore, as intellectual property rights tend to monopolize ideas and knowledge, therefore the inventor, only exploits the society's needs for financial gains resulting in limiting the sharing of knowledge among all sectors ultimately reducing the number of future inventions and innovations (Besen, & Raskind, 1991). Due to this, scientists have been appalled by the scramble for patents for commercial gain, arguing that such practices damage research openness about discoveries that should be shared for the common good (Ahmed, 2006).

Proposition-III: Intellectual Property Rights limit social welfare and the development of an economy by monopolizing ideas and knowledge, where only the inventors / innovators exploit the markets.

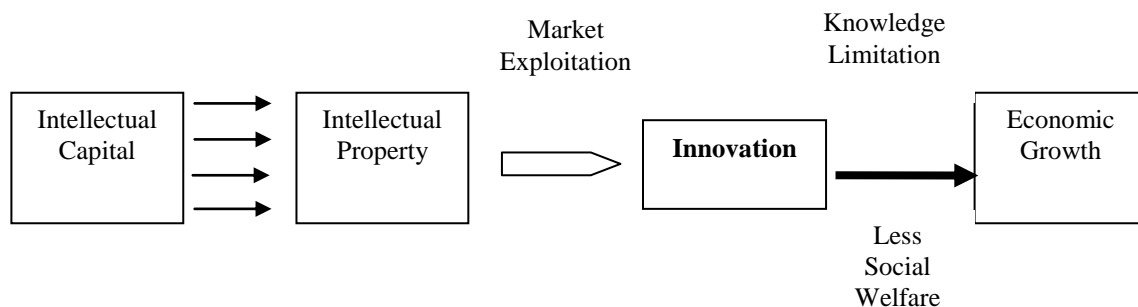


Figure 3. Intellectual property only increases profitability of the inventor / innovator, but, limits future inventions / innovations and decreases Knowledge Sharing resulting in less Social Welfare.

Based on such criticism, the concept of “Global Public Goods” was introduced by UNDP (Kaul et al. 1999). The concept refers to natural resources like water and air: as being available to everyone, and, which can be used for the benefit of all human beings. Such goods have two characteristics, i.e. (a) Non-Excludable: it is not possible to prevent anyone of using the good, and (b) Non-Rival: Consumption of the good by one person does not limit the consumption by others. As problems and solutions across national boundaries in today’s globalized world, therefore, measures should be taken to share ideas and knowledge for the benefit of the whole humanity (Deneulin, & Townsend, 2006), and, a win-win situation can be created. Some famous examples of global goods are “Wikipedia” and “Linux”.

According to human development Report (1999), Supporters of global public goods hold that, “Globalization’s rules have set off a race to lay claim on knowledge due to which the global gap between knowledge haves and have-nots, between know and know-nots, is widening, where tightened intellectual property rights keep less developed countries out of the knowledge sector”. Intellectual property system is mainly concerned with the optimization of wealth, of the owner of the IP rights, whereas the goal should be to maximizing of the society’s welfare (Kinsella, 2008). Organizations and countries pursuing economic development should use open innovation (Chesbrough, 2006), by sharing resources with other organizations and countries (Berlin, 2003). A recent research indicates that there is no sufficient evidence to support the notion that intellectual property promotes innovation; rather, a weak IP system has helped the emerging countries to develop just as it had once helped the advanced countries (Andréanne, 2007).

Proposition-IV: Intellectual capital when shared between different organizations / countries result in the development of global public goods that promote the welfare of the whole society, rather than only benefitting the inventor through intellectual property rights.

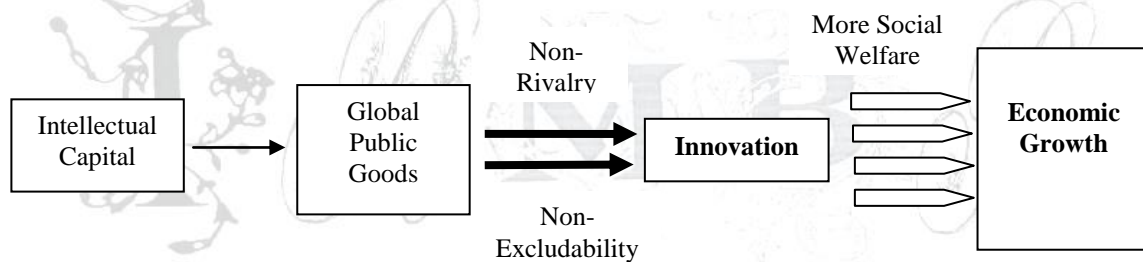


Figure 4. Intellectual capital when shared amongst organizations / nations, results in Global Public Goods which promotes fast Innovation and thus enhances Social Welfare and Economic Growth

Conclusion:

Based on the propositions made in the previous sections, it can be concluded that ideas and knowledge are intangible assets of an organization forming the basis of inventions / innovations requiring proper management. Organizations / nations seeking higher financial returns tend to monopolize their ideas and knowledge through intellectual property rights, but, at the cost of limiting the development of a knowledge economy and social welfare. Whereas, organizations / nations working towards social welfare and struggling to develop knowledge based economies support the notion to share their ideas and knowledge with others resulting in global public goods. Both concepts are important, and, require the attention of scholars to suggest how to balance between the two views.

Further research can be conducted on issues concerning this topic as (a) How to develop a monitoring system to see that IP owners do not exploit customer needs at the cost of social welfare and knowledge economy? (b) What kind of incentives can be provided to the inventors and innovators as alternates to intellectual property rights? (c) If the concept of global public goods be adopted then how can piracy or counterfeit be controlled? (d) Can collective IP rights be created involving government agencies, educational institutes, business firms and customer representatives?

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