

The Role of Patent Law in the Innovation Cycle

by

Richard A. Epstein

ABSTRACT

The innovation cycle for inventive technologies contains four separate stages. The initial startup, the infusion of venture capital, the commercialization of patented products, and the protection of the underlying rights needed to gird up the first three stages. Patents play a relatively small role in the first stage of the cycle, but a far larger one thereafter. The effective movement from beginning to end thus depends on a willingness to offer strong protection under both contract and property regimes to create the right ex ante incentives for expanded output. The older legal rules worked strongly in that direction. Many proposed reforms, most notably those contained in the Goodlatte bill now before Congress, cut in the opposite direction.