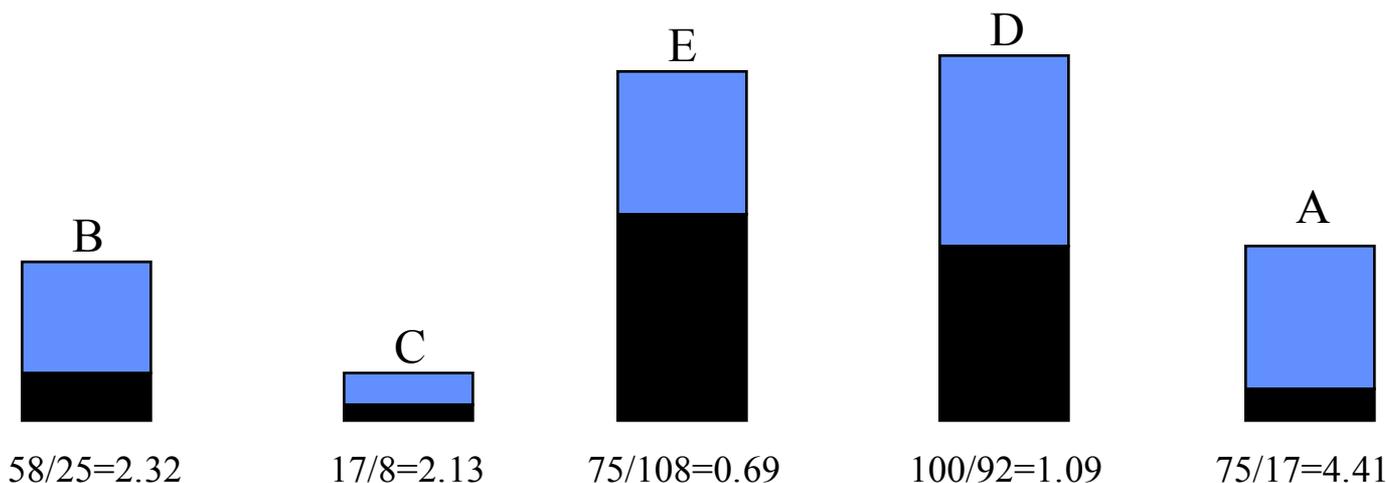


# Optimal Patent Protection

William Fisher

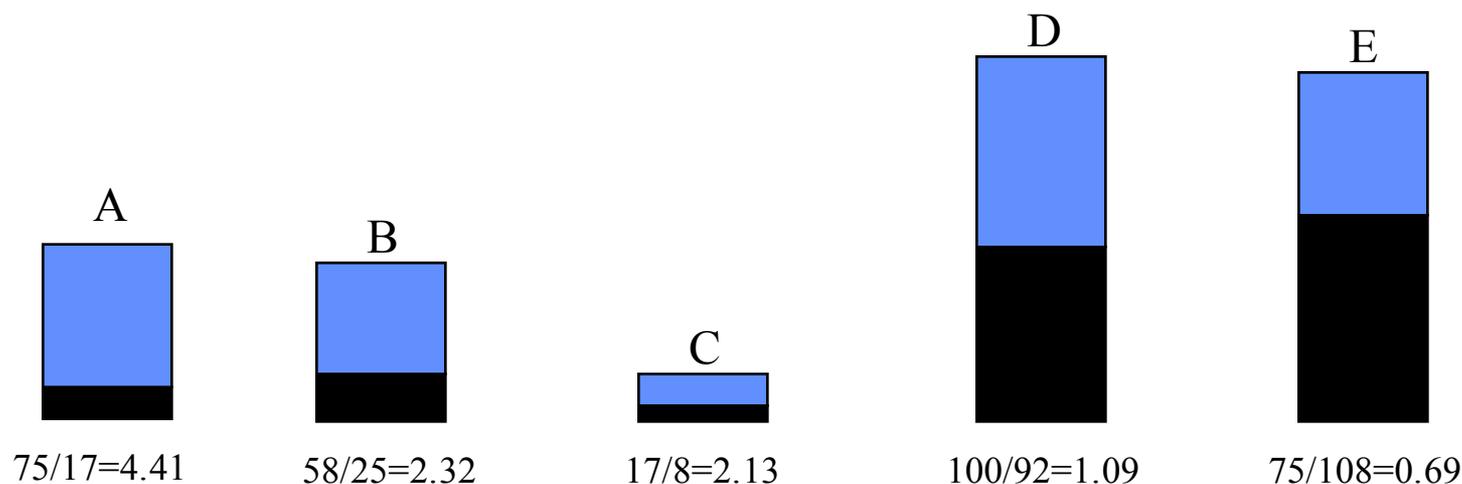
# Determining Optimal Levels of Patent Protection

- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements



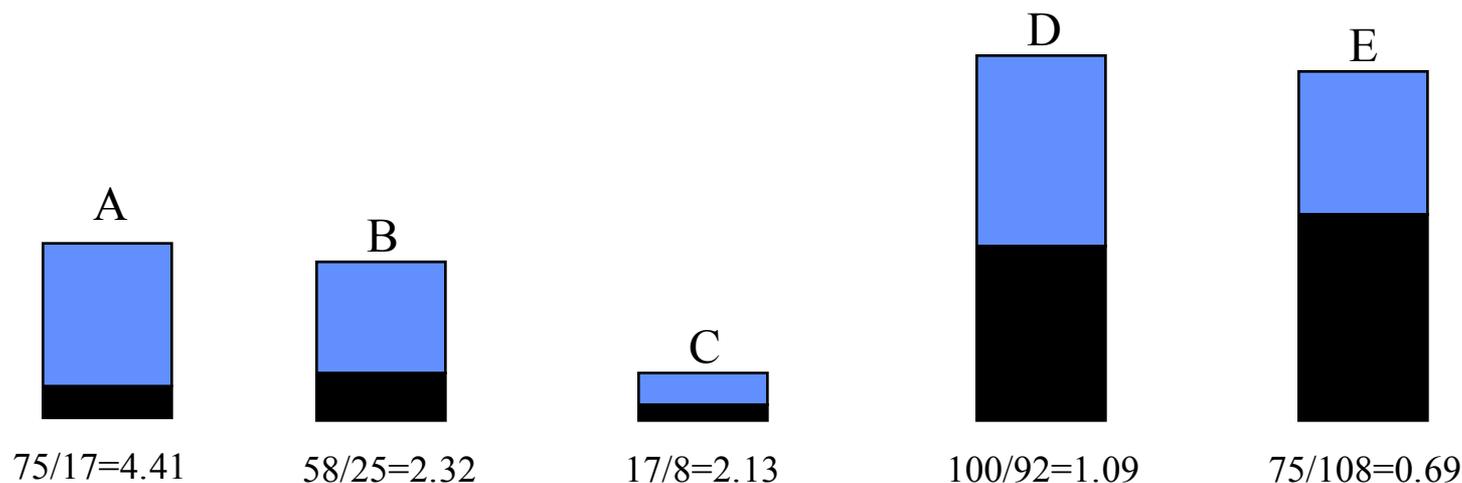
# Determining Optimal Levels of Patent Protection

- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements
- (2) Arrange them from highest ratio to lowest

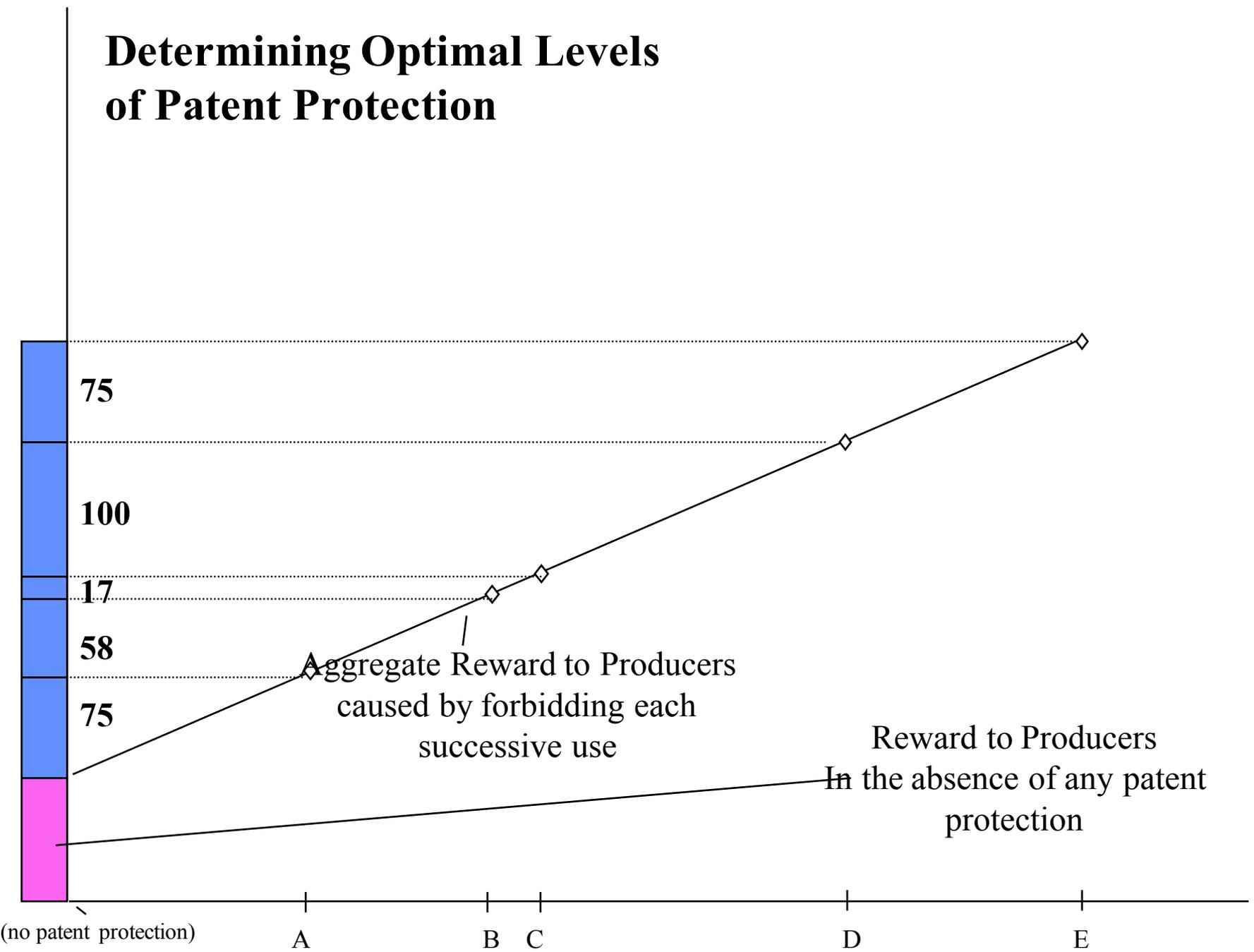


# Determining Optimal Levels of Patent Protection

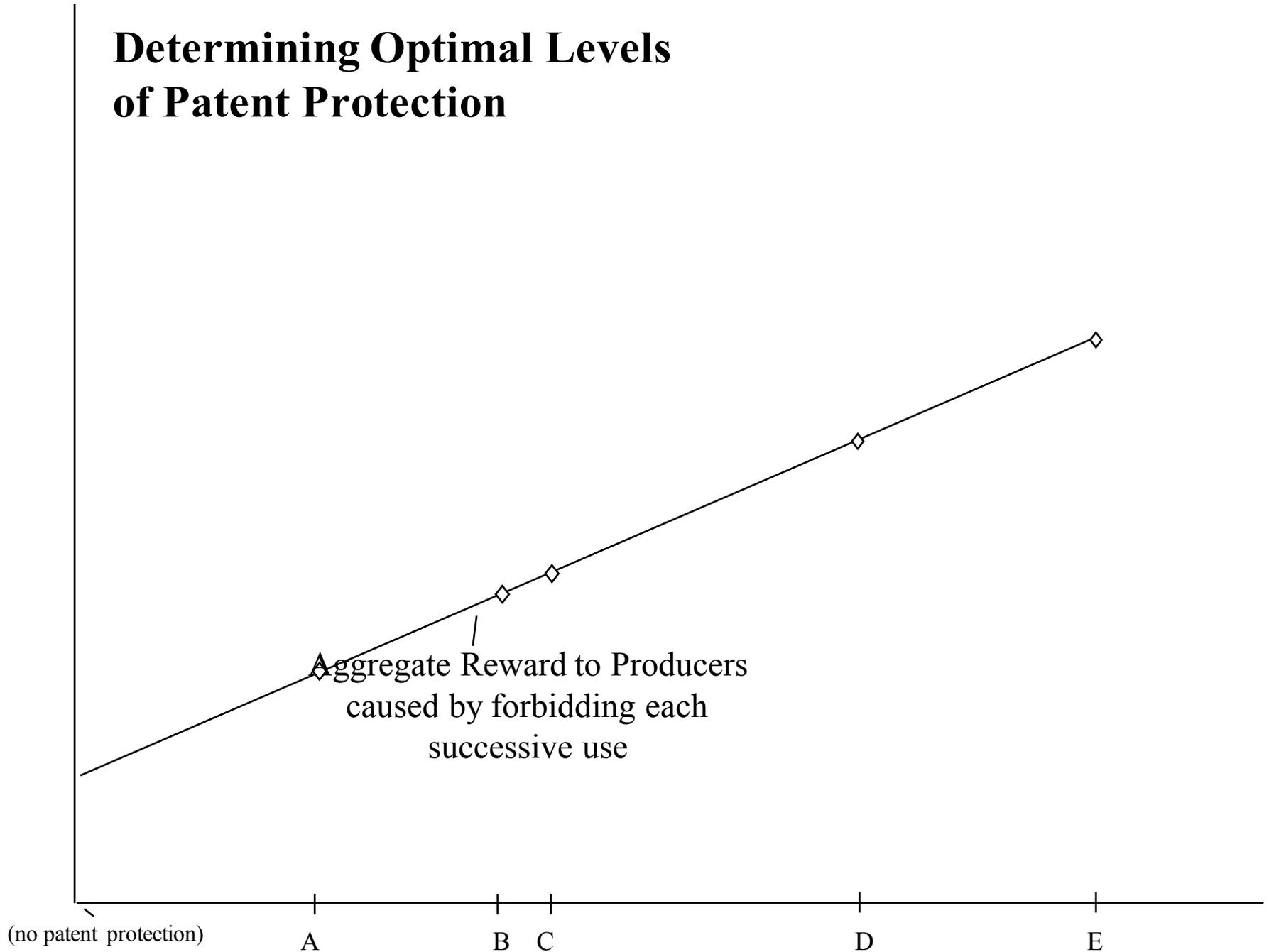
- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements
- (2) Arrange them from highest ratio to lowest
- (3) Plot the sequence on a graph so that the line corresponding to aggregate reward is linear



# Determining Optimal Levels of Patent Protection



# Determining Optimal Levels of Patent Protection



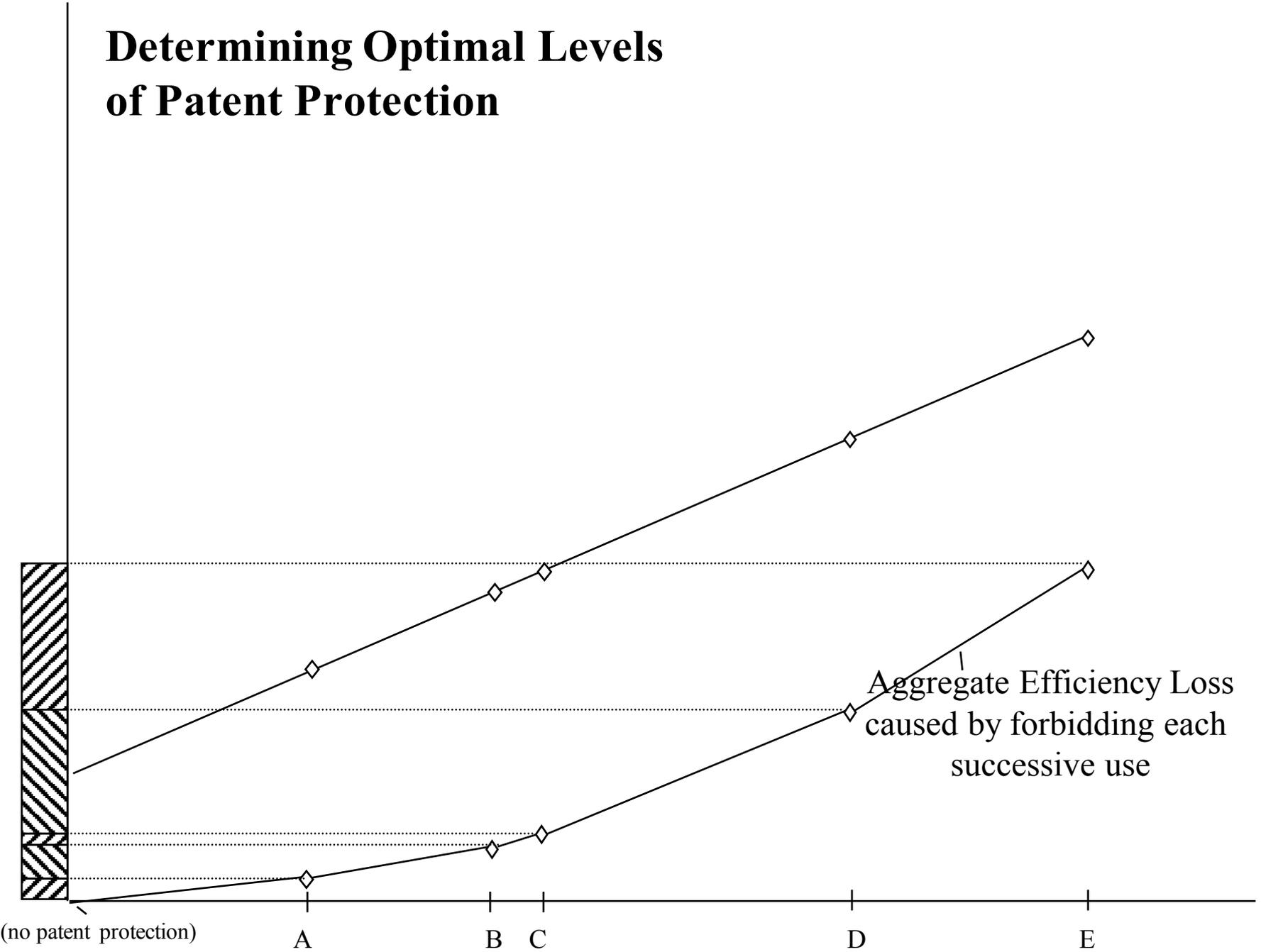
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- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements
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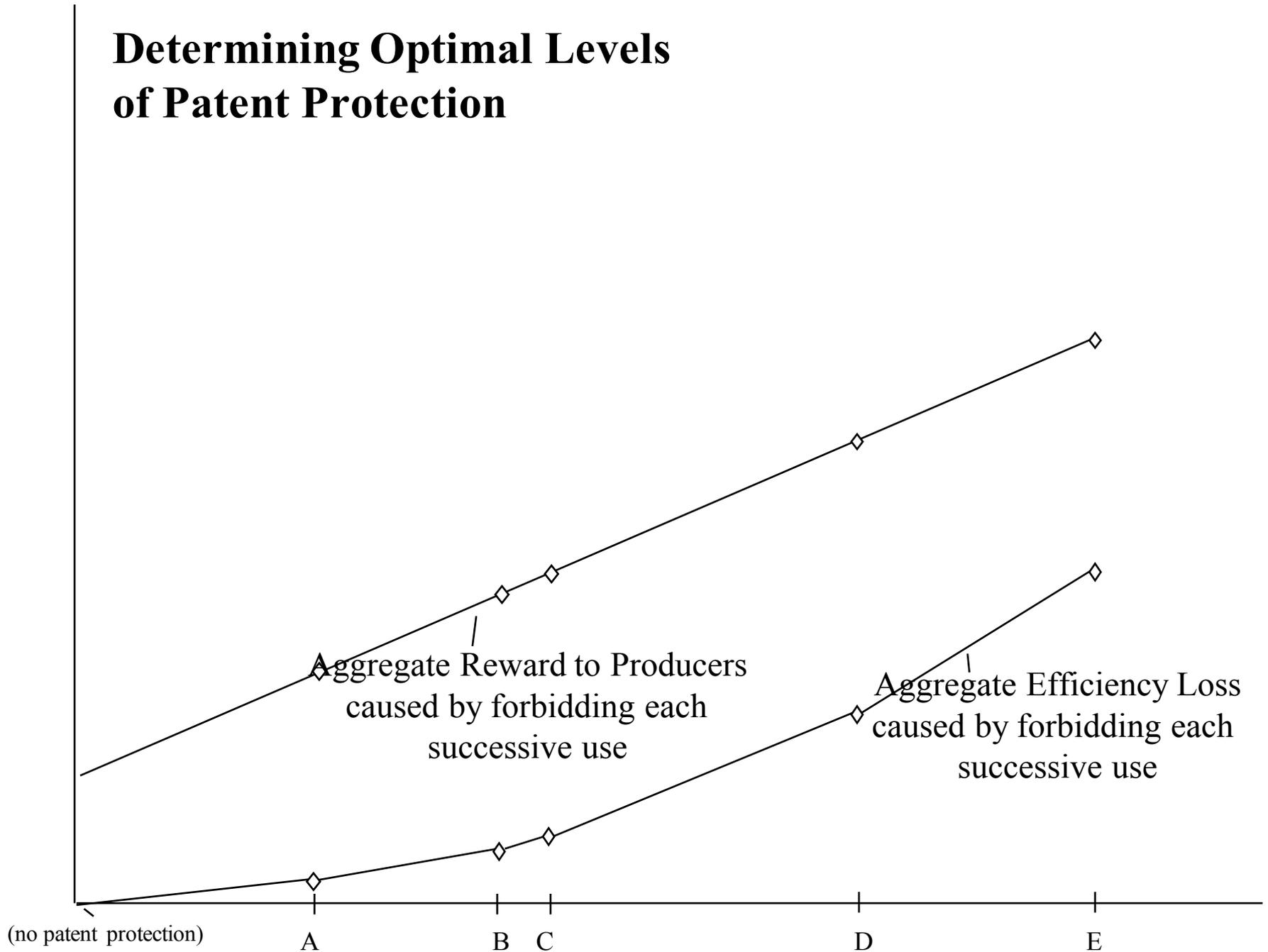
# Determining Optimal Levels of Patent Protection

- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements
- (2) Arrange them from highest ratio to lowest
- (3) Plot the sequence on a graph so that the line corresponding to aggregate reward is linear
- (4) Plot the corresponding levels of aggregate social loss

# Determining Optimal Levels of Patent Protection



# Determining Optimal Levels of Patent Protection

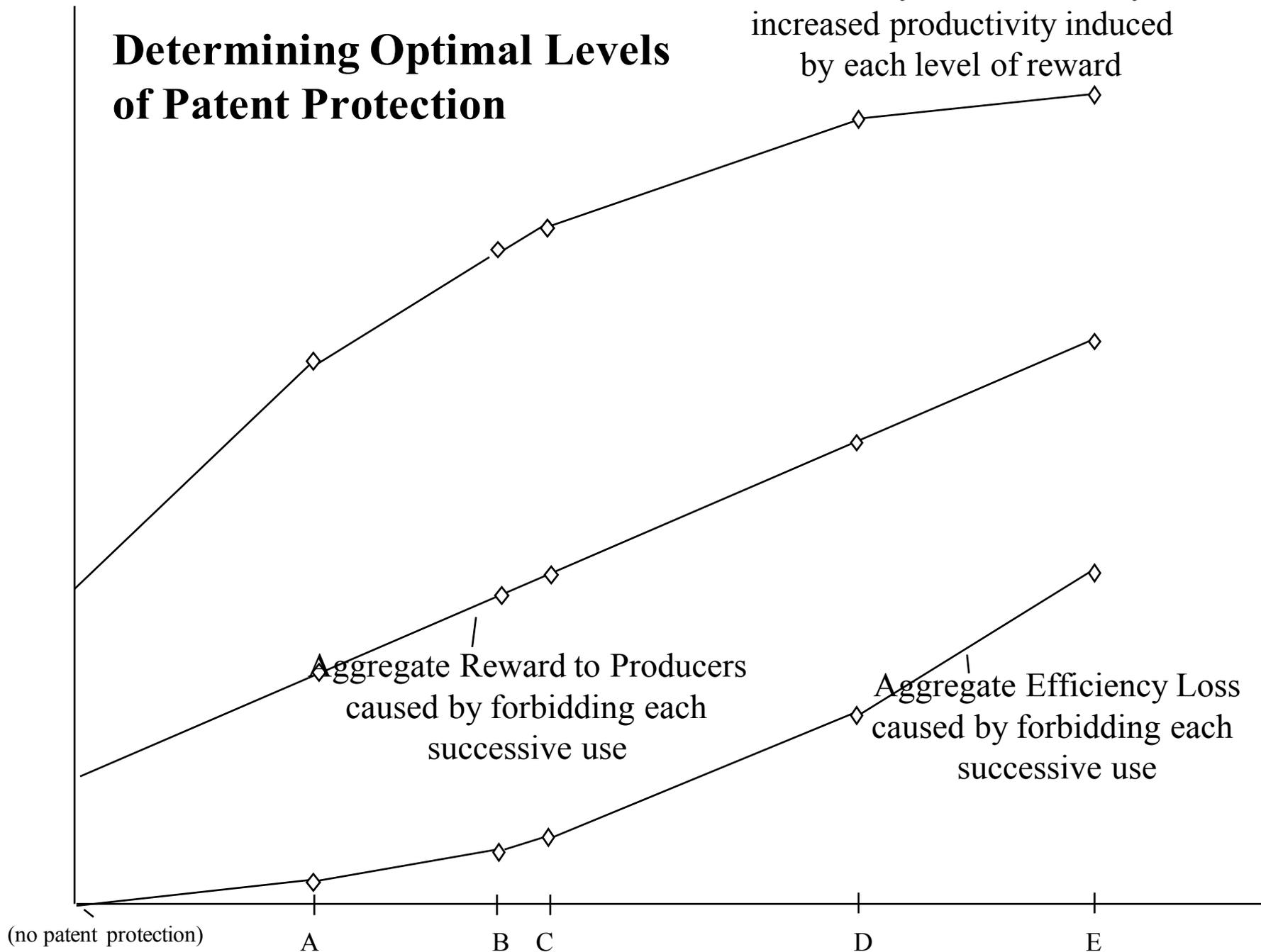


# Determining Optimal Levels of Patent Protection

- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements
- (2) Arrange them from highest ratio to lowest
- (3) Plot the sequence on a graph so that the line corresponding to aggregate reward is linear
- (4) Plot the corresponding levels of aggregate social loss
- (5) Plot the efficiency gains associated with each increase in aggregate reward

# Determining Optimal Levels of Patent Protection

Efficiency Gains caused by increased productivity induced by each level of reward



Aggregate Reward to Producers caused by forbidding each successive use

Aggregate Efficiency Loss caused by forbidding each successive use

# Determining Optimal Levels of Patent Protection

- (1) Ascertain the incentive/loss ratio for each of the set of possible entitlements
- (2) Arrange them from highest ratio to lowest
- (3) Plot the sequence on a graph so that the line corresponding to aggregate reward is linear
- (4) Plot the corresponding levels of aggregate social loss
- (5) Plot the efficiency gains associated with each increase in aggregate reward
- (6) Plot difference between top and bottom lines

# Determining Optimal Levels of Patent Protection

Efficiency Gains caused by increased productivity induced by each level of reward

Identify Highest Point

Net impact on economic efficiency of forbidding each successive use

Aggregate Reward to Producers caused by forbidding each successive use

Aggregate Efficiency Loss caused by forbidding each successive use

(no patent protection)

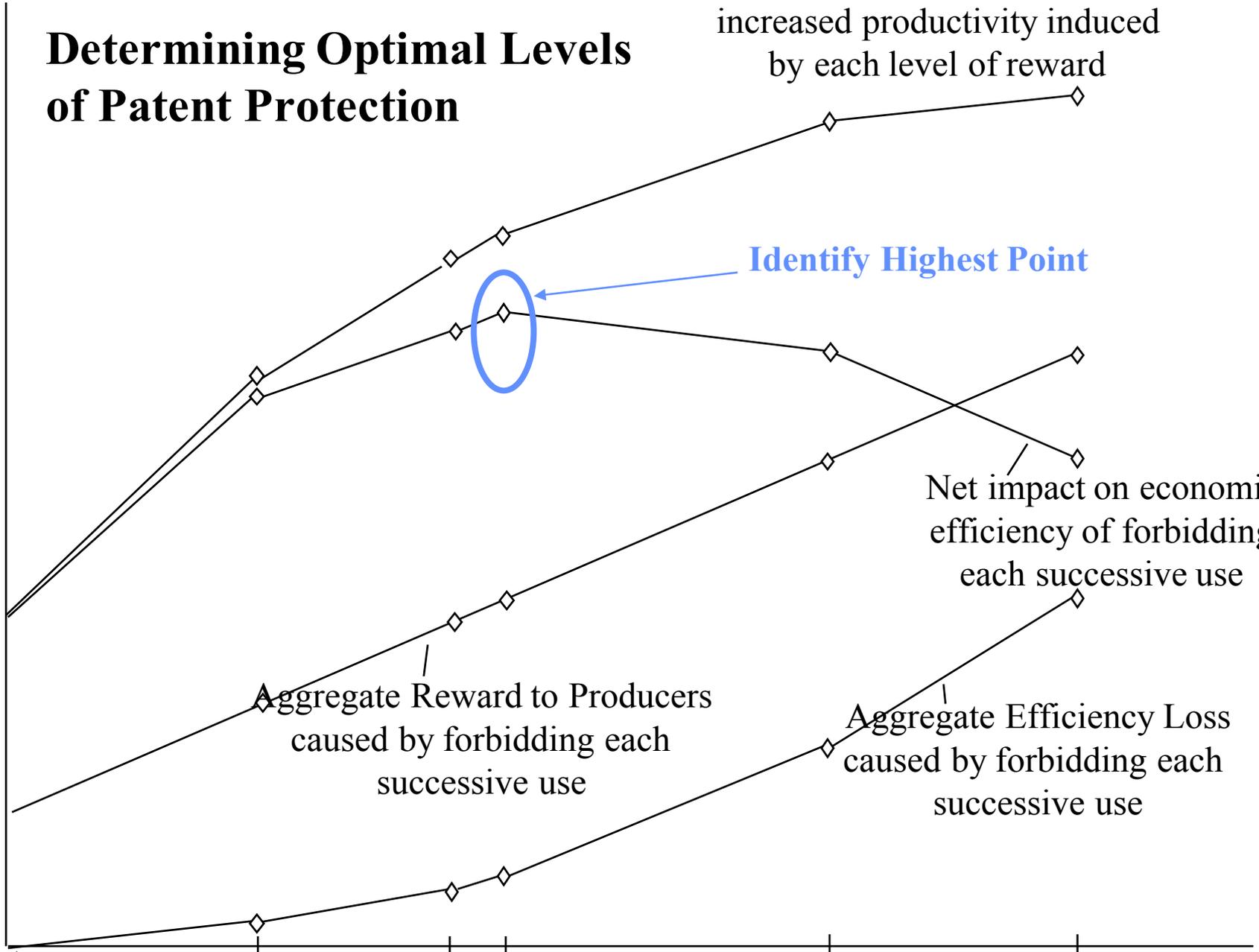
A

B

C

D

E



# Determining Optimal Levels of Patent Protection

Efficiency Gains caused by increased productivity induced by each level of reward

Assign these entitlements To patentees

Deny these entitlements To patentees

Net impact on economic efficiency of forbidding each successive use

Aggregate Reward to Producers caused by forbidding each successive use

Aggregate Efficiency Loss caused by forbidding each successive use

(no patent protection)

A

B

C

D

E

