SSO Rent-Seeking

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A’s Patent Portfolio
Most efficient standard
A prefers
A prefers

(1) Maximize A’s patent license fees;
(2) Minimize fees that A must pay to B and C
(3) Minimize A’s need to modify product line
A’s Patent Portfolio

B’s Patent Portfolio

A prefers

C’s Patent Portfolio

C’s Products

A’s Products

B’s Products
B prefers
C prefers C’s Patent Portfolio
Most efficient standard
Impact on Social Welfare

1) Deviation between the most efficient standard and the standard eventually chosen causes welfare loss

2) Even in the absence of deviation, the struggle wastes social resources
Impact on Social Welfare

1) Deviation between the most efficient standard and the standard eventually chosen causes welfare loss

2) Even in the absence of deviation, the struggle wastes social resources

Both exacerbated by prospect of lucrative license fees