

Prior Inventor Rights

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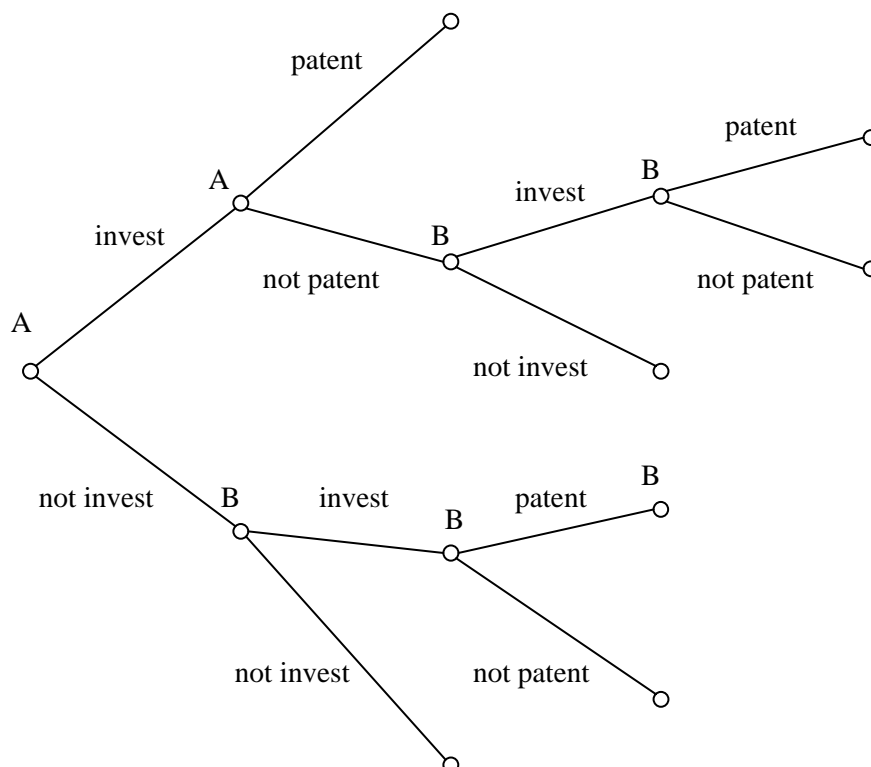
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Abstract:

Prior inventor rights let an inventor use his/her invention even if another inventor comes up with an equivalent invention and patents it. We constructed a model with a technological leader, a technological follower, and production-only firms, and compared the two regimes, one with and the other without prior inventor rights. Only the technological leader and follower engage in inventive activities. Invention occurs with certainty with a fixed investment. The timing of the game before the production stage is shown in the figure below, where A represents the technological leader and B the technological follower. All firms engage in production and Cournot competition in the production stage. We show the following. The technological leader weakly prefers to have prior inventor rights. The technological follower and production-only manufacturing firms weakly prefer the regime without prior inventor rights. Consumers are often better off with prior inventor rights, but are better off without under certain limited combinations of parameters. Social welfare is also often higher in the absence of prior inventor rights, but the comparison is reversed under a rather restricted range of parametric combinations.

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