

# Genuine Products, Misinformation, and Technical Barriers to Entry of Non-Genuine Products

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## Abstract

This paper examines the behavior of a producer, which supply *genuine products*, to drive out non-genuine products. We assume that the genuine producer can send misinformation and establish technical barriers. We demonstrate that both misinformation and technical barriers are excessive in the market equilibrium in terms of social welfare. However, a small amount/level of misinformation/technical barriers improves welfare because it promotes the shift of consumption from non-genuine products to genuine products, although net consumer surplus decreases. We also find that when a firm producing genuine products can invest in quality improvement, the amount of investment is insufficient given the amount of misinformation and level of technical barriers. Furthermore, a quality improvement of genuine products leads to increases in misinformation and technical barriers. Therefore, when the costs for sending misinformation and setting technical barriers are low, a quality improvement of genuine products decreases welfare.

**Keywords:** Genuine products, misinformation, technical barriers.

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