

# Optimal IPR infringement enforcement policy and innovation

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## Abstract

This paper characterizes the optimal public IPR enforcement policy consisting of penalty and monitoring in a strategic entry-deterrence framework, and show its efficacy in deterring IPR infringement and sustaining the incentive to innovate. The threat of IPR violation emanates from a copier firm with the potential to sell unauthorised copies of an innovating firm's product whose quality choice measures the incentive to innovate. For a considerable range of IPR infringement the optimal penalty structure is progressive and in equilibrium monitoring is maintained at a constant rate. This induces the innovating firm to negate the adverse effect of IPR violation and choose a product quality at a constant level, which is less than the monopoly outcome and successfully deters copier's entry. Further intensification of IPR infringement that threatens to crowd-out the innovating firm from the market results in a steeper penalty structure that blockades the copier's entry and sustains the monopoly outcome.

## Speaker Profile

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