



HOW MANY JOBS DOES INTELLECTUAL PROPERTY CREATE?

Does strong intellectual property (IP) protection create jobs? Several recent reports have confused the debate over the role of intellectual property in the economy. It is important for policymakers to know that not all IP jobs are necessarily beneficial to society and that strong IP protection is not necessary for many of these jobs.

In a new study for the Mercatus Center at George Mason University, [Eli Dourado](#) and [Ian Robinson](#) offer guidance in understanding the broader economic relationship of job creation and IP.

For the full study, see [“How Many Jobs Does Intellectual Property Create?”](#)

IP AND THE ECONOMY

Jobs created in an IP-intensive industry are not the same as economic benefits from IP. Creating jobs is not an end in itself, for several reasons:

- *Valuing the mere creation of jobs is effectively a make-work bias.* Creating many new jobs without increasing productivity is not economic progress. For example, requiring workers to use spoons instead of shovels or tractors would decrease worker productivity and total economic output, even if it created more jobs. Likewise, some IP jobs may not be economically beneficial. For example, if stronger IP protection requires firms to hire several new IP lawyers to enforce IP rights, without increasing output, such jobs are a cost to the economy rather than a benefit.
- *The cost of the new IP jobs is reflected in increased product prices.* Unless IP jobs are economically better than other jobs that might have been created in other sectors, creating IP jobs simply moves jobs from one sector of the economy to another while consumers end up paying the salaries for the “new” jobs through higher prices.
- *Strong IP rights are not always necessary to protect jobs.* IP rights may protect some industries, but the jobs within that industry may not be dependent on IP protection. For

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example, bloggers are protected by copyright, but many bloggers do not monetize their content, and many blogs are accessible without a paid subscription. It cannot be said that jobs within the blogging “industry” would not exist in the absence of strong IP rights.

- *Other incentives for innovation.* Policymakers should consider the impact that other incentives, including prizes, awards, assurance contracts, and donations for research, may have on innovation and job creation.

TRADEMARKS

The vast majority of claimed IP jobs are connected to trademark protection, but it is not clear that these jobs actually depend on strong trademark protection.

- It is likely that a substantial portion of the value of IP-intensive products is created independently of a trademark. For example, jobs for roofers in a roofing firm may not depend on the firm having a trademark. Even when trademarks are necessary, attributing all the credit for the job to trademark protection would be akin to crediting the telephone company for every job that requires the use of a phone.
- Firms might gain from enforcing trademarks even when consumers are not at risk of confusion about the content or quality of their purchase and do not need the protection. For example, firms such as Louis Vuitton or Rolex may pursue “counterfeit” merchandise even though consumers know when they purchase a \$20 “Louis Vuitton” handbag or \$10 “Rolex” watch that they are not buying the real thing. This type of trademark infringement does not harm the economy and adds value to society by allowing consumers to purchase products that they value at that price.

PATENTS

Patent protection can encourage innovation, but it also can impose costs. The ability to recuperate the costs of research by charging a higher price without competition for a limited period of time is beneficial to an inventor. Preventing additional innovation during the patent protection period, however, is a social cost.

- Patent protection is optimal when it incentivizes investment in new research while not impeding new research and product development. When patent protection is too strong, it discourages research and development, thus decreasing economic welfare, including employment. Studies that count jobs in IP-intensive industries will overstate employment if patent law is too strong.
- Stronger patent law adversely affects some industries more than others, such as the software industry, where difficulty in describing the invention creates uncertainty about what is patented. A sharp increase in software-related patent litigation is attributable to the “patent troll” problem, which imposes \$29 billion per year in direct costs and \$83 billion in

lost shareholder value. This may kill jobs rather than create them, given that half of all patents granted in the United States are software related.

COPYRIGHTS

The cost of piracy is often overstated when analyzing the effect of copyright protection on employment, while the benefits of weaker copyright protection are understated or ignored.

- It is not clear what portion of the billions of dollars these studies claim the US economy loses due to piracy are attributable to older films and music, which have long been protected by copyright. For many works, most sales occur within the first years of the copyright protection. These losses are unlikely to impede new creation and have little impact on employment.
- Content creators and distributors may benefit from the availability of copyrighted work at little or no cost to end users. For example, up-and-coming artists can be discovered and attract new fans. Media companies also benefit by identifying new talent, discovering consumer preferences, and promoting other profitable products to audiences.

CONCLUSION

Studies suggesting that IP rights create jobs should be questioned because they assume job numbers as ends and fail to apply a scientific approach to their calculations. The value of IP differs across positions, firms, and industries, and not all IP-related jobs are beneficial to society. Labeling every job that involves intellectual property (even if intensively) as “IP-created” grossly overstates the value of IP relative to other factors and motivations.