

Patent Pools, Product Lifecycles, and Innovation: An Analysis of the Motion Pictures Patent Company during the Early American Film Industry

Abstract: The formation of patent pools often is a response to potential hold-up problems caused by broad patent scope given to different components within cumulative system technologies. There has been a debate over the efficacy of patent pools in promoting technological innovation. A recent case study of the 19th century Sewing Machine Industry, for example, suggests that patent pools reduce product innovation (Lampe and Moser, 2010). We argue that the effect of a patent pool on innovation within an industry largely is contingent on the stage of the product lifecycle, the type of product, and the product design. Using the early film industry as a case study, this paper argues that the formation of the Motion Pictures Patent Company (MPPC) had significant positive, short run effects in encouraging incremental innovation within the American film industry