



The Knockoff Economy: How Imitation Sparks Innovation

Kal Raustiala , Christopher Sprigman

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From the shopping mall to the corner bistro, knockoffs are everywhere in today's marketplace. Conventional wisdom holds that copying kills creativity, and that laws that protect against copies are essential to innovation--and economic success. But are copyrights and patents always necessary? In *The Knockoff Economy*, Kal Raustiala and Christopher Sprigman provocatively argue that creativity can not only survive in the face of copying, but can thrive.

The Knockoff Economy approaches the question of incentives and innovation in a wholly new way--by exploring creative fields where copying is generally legal, such as fashion, food, and even professional football. By uncovering these important but rarely studied industries, Raustiala and Sprigman reveal a nuanced and fascinating relationship between imitation and innovation. In some creative fields, copying is kept in check through informal industry norms enforced by private sanctions. In others, the freedom to copy actually promotes creativity. High fashion gave rise to the very term "knockoff," yet the freedom to imitate great designs only makes the fashion cycle run faster--and forces the fashion industry to be even more creative.

Raustiala and Sprigman carry their analysis from food to font design to football plays to finance, examining how and why each of these vibrant industries remains innovative even when imitation is common. There is an important thread that ties all these instances together--successful creative industries can evolve to the point where they become inoculated against--and even profit from--a world of free and easy copying. And there are important lessons here for copyright-focused industries, like music and film, that have struggled as digital technologies have made copying increasingly widespread and difficult to stop.

Raustiala and Sprigman's arguments have been making headlines in *The New Yorker*, the *New York Times*, the *Financial Times*, the *Boston Globe*, *Le Monde*, and at the *Freakonomics* blog, where they are regular contributors. By looking where few had looked before--at markets that fall outside normal IP law--*The Knockoff Economy* opens up fascinating creative worlds. And it demonstrates that not only is a great deal of innovation possible without intellectual property, but that intellectual property's absence is sometimes better for innovation.

The Knockoff Economy: How Imitation Sparks Innovation Details

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From Reader Review The Knockoff Economy: How Imitation Sparks Innovation for online ebook

Erika RS says

As copying becomes easier, fast and cheap copies are going to appear in more domains. Although copyright is important, the assumptions that it was built upon are becoming outdated. In this book, the authors looked at several industries that are thriving despite little to no copyright protections. The goal of the authors is to not argue that copyright should be removed, but rather to provide data points that might be useful in reconsidering copyright laws in the modern era.

In industries such as fashion, comedy, food, sports, and finance, copying is common. Although these industries may have some intellectual property protection, in practice, copying is easy and widespread. Yet all of these industries show significant innovation and output. Why? And can those lessons be applied in other domains, such as music, that have traditionally relied on traditional copyright laws.

Each of these industries is different. There is no set of key principles that "fix" copyright. However, the diversity contains a lesson in its own right. Innovation is different in different industries. The lifetime of a new creation, the expense of creation, and how it is consumed all contribute to how innovation works in that field. One-size-fits-all copyright law is unlikely to make sense in the future.

Diversity isn't the only lesson. The authors identify six themes that, while not universal, are intriguing. Note that for this discussion, copying may include point-for-point copies but also includes derivative copies.

Industries that are driven by trends and fads, such as food and fashion, are highly innovative even without intellectual property protection. Innovation does not just happen despite copying; you can argue that innovation happens because of copying. The life cycle of a trend requires copying because if something is never copied, it will never become trendy. Point-for-point copies serve to make something more popular, as do derivative copies. Derivative copies have the further benefit of pushing a trend (or a technical innovation) to its limit. Once that limit has been hit, the next innovation appears and the cycle starts again.

Social norms can provide incentive against copying within a creative community when it is close knit enough. The authors give the examples of comedians who have strong social norms around copying. These norms go beyond what is protected by copyright law to the point of protecting a particular idea. Although they have their limits, norms can provide protections with a subtlety that law is unlikely to ever match.

Another way innovation thrives despite copying is when innovators turn what they are selling from a product into a performance. The food served at a nice restaurant isn't just about a particular dish. It's also about the experience of eating at that restaurant: the atmosphere, the quality, even the price you pay all add to your perception of the quality of the experience. Performances are much harder to copy (and copies of the product can even drive demand for the authentic version and everything it entails).

Open-source methods, eponymously used in software but also practiced to some degree in areas such as cooking and football where practitioners commonly train each other, can turn copyright on its head by explicitly allowing copying to promote further innovation.

The harm of copying can also be balanced by a first-mover advantage. For example, in football, plays are not covered by copyright, but the first team to develop and effectively play with a new technique will have a

significant advantage, and once that technique stops being effective, then it will be time for something new.

Finally, copying can be advantageous because copies can serve as advertisements for brands. This happens most often when the original version of a copied item is still seen as somehow superior, whether because of a true quality difference or just a difference in perception. Although some people will buy the inferior copies instead of the original, other people will buy the original because the copies increase awareness of the original.

The book had a lot of other good points -- my list of notes is quite long, but I want to highlight just a few more.

One limitation of our current copyright laws is that they disproportionately give advantage to what Raustiala and Sprigman call Pioneers and ignore what they call Tweakers. Pioneers are the people who come up with some brilliant new idea. Tweakers are the people who take existing ideas and change them, ultimately making those ideas better and pushing them to the limit. In any field Tweakers play a huge role in making progress. Innovations generally come when the previous innovation has been tweaked to the limit (there is even some argument as to whether or not Pioneers really exist, or if they are really just the people who make a tweak that happens to be game changing; either way, Tweakers add value in their own right).

Another key observation the authors emphasize is that the true purpose of copyright law is to foster innovation. Preventing copying is just one approach for doing that, but since copying can itself be innovative, preventing copying has costs as well as benefits, and those costs and benefits must be balanced.

One facet of this that they discuss at length is that while preventing copying increases the expected return on a creation, reducing the cost of innovation also increases the expected return. Thus, as technology has reduced the barriers to entry in a diversity of fields, they have exploded with innovation, even when there isn't copyright protection. One example of this that the authors give is fonts. Creating fonts used to be something that required many highly specialized skills. Now, fonts can be created with easily obtainable software, and the number of fonts has exploded as a result. Music is another area where the traditional centralized model is suffering, but the relative ease of creating and distributing high quality music has led to a huge amount of musical creativity.

This is an important book for anyone interested in copyright and innovation.

Martín says

An insightful book that challenges the conventional wisdom regarding Intellectual Property as the required incentive to create. It also works as a nice complement to one of W. Patry's theses in *How to Fix Copyright*, which states that it is time to rethink the one-size-fits-all regulatory protection for intellectual property. What this book proves is that IP needs to be rethought to adopt regulatory solutions that take into consideration the nature of the corresponding product/service/industry and not be afraid to leave something unprotected if protection inhibits instead of promotes innovation.

Birgit says

On first look *The Knockoff Economy* by Kal Raustiala and Christopher Sprigman seems to deal with many an economist's favorite topic - the omnipresent cheap imitations of goods in today's global market. On second look the authors present so much more which was not only a pleasant surprise, but also a wildly fascinating, well researched and engagingly written journey through the wide world of patents, trademarks and copyright.

Did you know that a painting of a molten chocolate cake is protected by copyright, yet the molten cake itself (aka the recipe) cannot be protected? Many people seem to have a rather blurred image of what can or cannot be protected and while I know a thing or two about Intellectual Property myself, I also learned quite a few new and often surprising facts here.

Yet the actual emphasis of this book is on the relation between imitation and innovation. The obvious question would be, who is going to create if others are free to take your idea? After all one should think that imitation would rather curb than spur innovation, yet the effects of copying on creativity cannot be as simple deduced as the different examples the authors present prove. Besides, where there are no laws protecting your idea, society's norm system often includes informal but powerful punishments. And there goes the comedian's reputation if he dares stealing someone else's joke.

In short: Absorbing and insightful trip into the world of Intellectual Property!

Eustacia Tan says

I don't know why, but I enjoy reading books like this. They're not strictly business/economics textbooks, but they're much more interesting than the normal treatise. If I remember correctly, the last similar book I read was *Overdressed* by Elizabeth E. Cline. (and I have another one waiting to be read. I think).

The Knockoff Economy aims to examine the link between Copying and Innovation, and if copying has an effect on the industry itself. In the face of conventional wisdom, the book shows that in the industries studied (although it may not apply to all industries), copying can actually help to grow the industry and spur innovation.

The industries examined in the book are: fashion (which is why it reminded me of *Overdressed*), cuisine, comedy, football, fonts, finance, etc. They're a fairly diverse range of industries (although most of them are in the Quaternary industry - and I'm not sure if football counts as an industry) which means that the odds that this phenomenon is a statistical anomaly/limited to one industry is slightly less.

But in summary, the argument is that copying can help propel something into a trend, or the slight delay is enough for a first-mover advantage so there isn't much need for IP (or in some cases, like food, it's very hard to copyright stuff).

She ends with an epilogue on Music as a low-IP industry, something that I found very interesting considering the current state of the music industry.

Each chapter is really well-written, with a lot of examples. This being an advanced copy, I didn't get to see a lot of the graphs, but considering the fact that I normally can't understand them, I imagine that I didn't lost much. The only "downside" was the length of the chapters. For some reason, each chapter felt very very long.

Of course, this book focused very much on the American industries. I can't remember many references to China, but considering that China has managed to copy things like Apple stores and entire companies (e.g.

NEC), I'd be very interested in a book talking about whether the new level of imitation that China has achieved is positive or negative.

So, is imitation the best form of flattery?

Disclaimer: I got a free copy of this book from NetGalley in exchange for a free and honest review.

First posted at Inside the mind of a Bibliophile

R.Z. says

These authors give readers a very detailed description of the clothing design and manufacturing business with many anecdotes and company names to illustrate their argument. Where copyright and trademark purports to protect writing, music, logos, packaging, and many other original creations, clothing design has little such protection. Certain images sewn separately upon the clothing may be protected, but the over-all design of the garment itself holds no such protection. It can be freely copied, and is, often by companies who make their livelihood by copying designs from the major design houses in New York and Paris and having identical or near-identical garments manufactured and available in stores within days after the original design was revealed.

That the clothing industry is so successful, may be due in part because of the freedom to copy, and the authors present their case in excruciating detail. Anyone who is interested in the apparel business and how it works will find in this book a wealth of details.

Fred Zimny says

Copying and imitation do not need to stifle creativity and innovation.

Copying can serve as a foundation for creativity.

Copying current inventions and tweaking them can lead to new innovations.

Social norms can self-regulate copying without the need for intellectual property regulations.

In the future, competition will drive innovation through tweaking.

Creativity itself will live on, even if some businesses will not.

Copying is not going away, so business needs to harness the power of imitation to be successful in the future.

Adam Shields says

Short Review: The Knockoff Economy: How Imitation Sparks Innovation-This is an interesting look at parts of the economy where copyright and patent law do not apply, yet creativity is thriving. Why it works in those

areas and why it may (or may not) work in other areas where copyright and patent law do apply. Quite readable. The primary illustrations are in the areas of food, fashion, football, comedy, magic & open-source software. The book ends with an epilogue that looks at music and movies and where they have made mistakes with copyright and where they might learn from the other non-copyright areas of the economy.

Click through for longer review <http://bookwi.se/knockoff-economy/>

Jonathan says

A brilliant book that takes common topics--such as comedy, fashion, football, and cooking--and makes you look at them in a new light. This book provides an effective critique of our overly protective system of intellectual property. The authors look at markets where protection from copyrights/patents is weak, yet creativity flourishes. Using many engaging, real-world examples, the authors illustrate how copying and creativity co-exist; and they go one step further to emphasize how piracy catalyzes innovation. This is evident in the fashion industry, where copying leads to widespread adoption of clothes throughout the economic spectrum, resulting in a shorter life cycle for trends, more innovation and greater sales. Moreover, knock-offs can serve as advertisements or gateway drugs to consumptions of the originals. While many of us have the reflex that copying is bad, the authors explain that "copying has underappreciated virtues." For example, rules against copying necessarily come at the expense of competition. And anti-copying rules lead to less innovation, which is derived largely from the endless playing with and tweaking of ideas that copying allows. The book explains that: "Imitation can fuel innovation, serve as a form of advertising for originals, spur more competitive markets, and lead to better, more valuable new creations."

The authors do not argue that intellectual property has no place in our legal system. They acknowledge that sustained innovation requires adequate incentives, and that--in certain markets--some government-sanctioned, temporary monopolies may be appropriate. The industries that the authors examine (comedy, fashion, football, cuisine) are ones in which creativity (of jokes, new clothing designs, game plans, recipes) is low-cost. And the authors acknowledge that their conclusions may be less applicable to high-cost industries, such as pharmaceuticals that require years of R&D and navigation through the FDA. Nonetheless, the authors' insights have strong implications across patent and copyright law: our goal should not be to stop copying, but to promote innovation. Sometimes promoting innovation requires combatting piracy; sometimes, it means letting piracy flourish.

I would have given this book five stars, but it was occasionally repetitive.

Sean says

A lot of good analysis, although at times felt naïve. Would recommend reading though although with Megan McArdle's thoughts in The Daily Beast, "What Would IP Free Industries Look Like? Probably Not Like Restaurants."

Samantha says

The first half read like a wannabe Malcolm Gladwell novel - very repetitive to the point of snoozeville. The

second half was much more interesting. I especially loved the restaurants and recipes chapter.

Shawn says

This is a strong book that fits in well with the "Remix and Appropriation" course I teach at UW-Madison. The authors do well to discuss borrowing/appropriation/copying in some fresh ways in fashion, food, football, and fonts, among other areas. I found it a little repetitive in spots, though.

Ietrio says

This is an interesting exploration of the subject of copyrights and trademarks -- a heated subject debated mostly by people who barely understand the terms. This book brings some data behind the argument, but the text is dry and quite boring.

Nick says

Very interesting and up-to-date examination of the interplay between intellectual property and copying, counterfeiting, etc.

I really enjoyed their discussion of industries that have weak or nonexistent IP protection but continue to thrive and innovate in ways that are supposedly impossible if you listen to the propaganda of the music and recording (and in some cases software) industries. The use of restaurants as an example was particularly good, because as someone who works in an IP-heavy industry (computer software) but cooks recreationally, I have often had my doubts about the claims made by IP maximalists when I buy a book of recipes from a famous restaurant and wonder how, if the claims of piracy doomsayers are true, these restaurants can continue to exist when anyone can just buy their own book, copy their recipes and put them out of business! But the authors examine how the restaurant industry survives in the face of copying, as well as fashion (which also has very weak IP protection), and stand-up comedy.

Overall a very readable, fascinating and timely book.

Alex Devero says

People often picture copyright laws as the shield that protects innovators from pirates who would destroy creative industry. However, copying isn't a bane. In fact, it's a boon to creative fields! Imitation, copying and tweaking are the foundation for innovation in today's world.

GONZA says

This book was amazing first of all because it gives a different point of view and then because it gives so

many examples in all the field, from music and games to clothing that it was very easy to understand even if I'm not very strong on economy related issues.

THANKS TO NETGALLEY AND OXFORD UNIVERSITY PRESS FOR THE PREVIEW
