

1 MAY 2025

National Law University, Jodhpur

End Term Examination April- May 2025

Semester: UG VIII Semester

Subject: Law and Economics of Innovation (Optional)

Time: Three hours

Marks: 100

Instructions: 1. All questions carry equal marks.

2. Attempt any five questions.

Q.1) (a) Consider the following two scenarios:

In one scenario, there are numerous firms offering identical products, and no single firm can influence the market price. Firms focus primarily on minimizing costs to remain profitable. Since the products are undifferentiated, firms are constantly striving to match their competitors' offerings. In another scenario, several firms sell products that are similar but differentiated through branding, advertising, or slight product variations having low trade barriers. These firms have some control over pricing and are actively engaged in efforts to maintain or expand their market share.

Based on the scenarios provided, identify the market structure in each case and explain how incentives to innovate vary across different market structures.

(b) Discuss the uses and misuses of using Research and Development (R&D) as a policy indicator, especially through the most widely used indicator, that of "R&D Intensity".

(Marks 12+8=20)

Q.2) Innovation drives wealth creation when it flows through the workplace, resulting in goods and services that are introduced to the product market. The complex interactions between the workplace, consumers, and the market shape the innovation process. Discuss how these dynamics contribute to wealth creation and consumer welfare, considering the role of the environment in supporting or hindering innovation.

(Marks 20)

Q.3) (a) Explain how do patents affect efficiency. Discuss the positive spillovers and unintended consequences that arise from securing patents and other forms of intellectual property rights (IPRs) in the context of technological and pharmaceutical innovations.

(b) Innovation is often seen as a key driver of long-term economic growth, but its impact on employment can be both enabling and disruptive. While technological advancements can lead to productivity gains and the creation of new industries, they may also render certain jobs obsolete,



particularly in labor-intensive sectors. Analyze the relationship between innovation, growth, and employment due to the rise of automation in the manufacturing sector. In your view, does innovation necessarily lead to net job creation in the long run?

(Marks 10+10=20)

Q.4) (a) A dominant firm is alleged to have charged unfair prices in the market, but under the Competition Act, 2002, there is no explicit definition of what constitutes "unfair pricing." Explain the concept of 'unfair pricing' in the context of competition law and why it can be considered an abuse of dominance.

(b) Discuss the various economic tests used to determine whether a firm's pricing practices are unfair and constitute an abuse of dominant position. How does the Competition Commission of India (CCI) use these economic tests to assess unfair pricing in the Indian context? Cite relevant case laws.

(Marks 10+10=20)

Q.5) In recent years, fintech companies like Paytm and Razor pay have transformed the financial services sector, driven by supply-side innovations. Using E.J. Kane's dialectic theory, explain how these innovations can be viewed as a response to legal regulations that limit freedom of action. Also, discuss how regulatory measures, such as those by the RBI, acted as a catalyst for innovation, pushing firms to adapt and innovate within the regulatory framework.

(Marks 12+8=20)

Q.6) The digital divide remains a significant challenge, especially in rural areas, limiting access to technology and innovation. Discuss how education and digital literacy can help bridge this gap. How can government policies and public-private partnerships ensure equal access to digital tools and education for everyone? Suggest initiatives to improve digital literacy and encourage innovation in rural communities with limited digital infrastructure.

(Marks 20)