

**Innovation Rewards:
Towards Solving the Twin Market Failures of Public Goods**

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ABSTRACT

The challenge of achieving socially optimal incentives for innovation in public goods faces twin market failures: a market failure to adequately promote public goods invention and a market failure to implement innovative public goods once developed. Though innovation in private goods sometimes faces the former hurdle, often ameliorated by intellectual property law, the interaction of both market failures for public goods innovation raises unique difficulties.

Environmentally beneficial technology presents an illustration of the innovation problem for public goods. Private actors lack sufficient incentives both to engage in environmentally beneficial innovation and to implement such innovation. While traditional intellectual property law and environmental law fail to cure the interaction of these public goods market failures, an innovation rewards system could produce more socially appropriate incentives. Using environmentally beneficial innovation as an example, this Article introduces a new framework for an innovation rewards system for public goods and discusses its implementation and potential advantages.