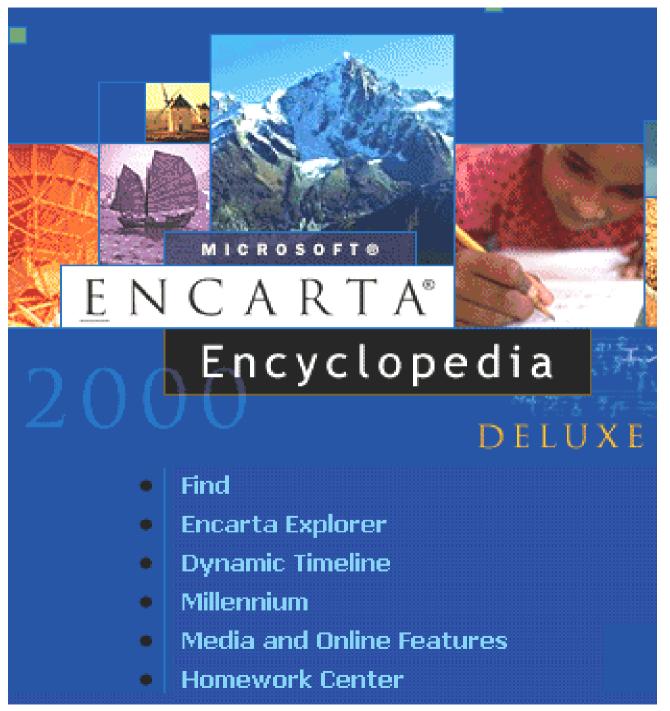
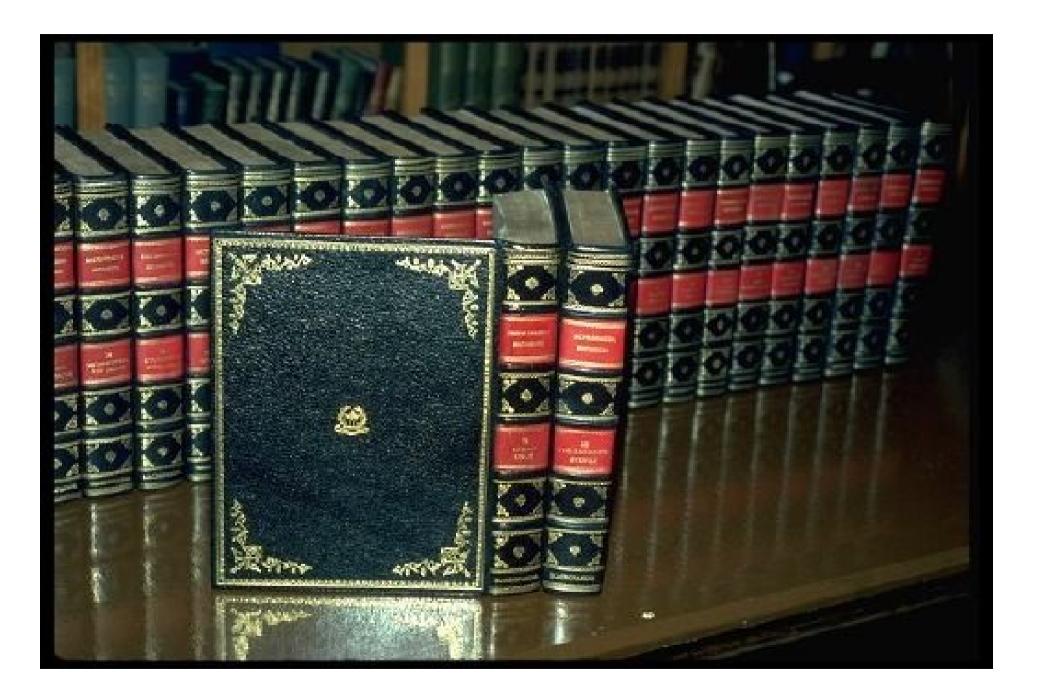
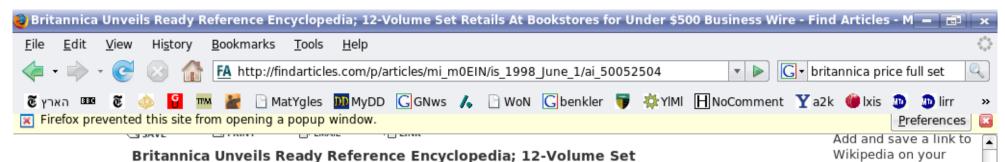
Open innovation in the Networked Information Environment

Constructing an open and dynamic core common infrastructure

Yochai Benkler Berkman Professor of Entrepreneurial Legal Studies Harvard Law School Faculty Co-Director, Berkman Center for Internet and Society Harvard University







Retails At Bookstores for Under \$500

Business Wire, June 1, 1998

CHICAGO--(BUSINESS WIRE)--June 1, 1998--

New Product Demonstrates Company's Commitment To Print

Encyclopaedia Britannica, Inc. today announced that it will begin selling a popular-priced encyclopedia in bookstores across the country. Called Britannica Ready Reference(TM), the 12-volume set will be available in June at a suggested retail price of \$499.

Affordable Britannica(R) Quality

"We are enhancing our print encyclopedia line to offer consumers more choices, especially parents who previously may have passed up Britannica due to price," said John Hallberg, senior vice present, worldwide marketing. "The Britannica Ready Reference gives families the legendary Britannica quality at a price they can afford."

The Ready Reference set consists of the first 12 volumes of the full 32 -volume Encyclopaedia Britannica. Containing 64,000 articles organized from A to Z, the Ready Reference provides an unmatched breadth of information on a variety of topics. Contributors include many leading authorities and Nobel Prize winners, such as Albert Einstein, Sigmond Freud and Milton Friedman. The articles are enhanced by more than 16,000 illustrations, maps and photographs. Also included with the set is the Britannica Year Book(R) which features the important people, events, disasters, discoveries and achievements that changed our lives in the past year.

Room To Grow

The most frequently used part of the full Encyclopaedia Britannica, the Ready Reference is designed as a starter set for families who expect to expand their reference resources as their information needs grow over time. With the initial investment in the Ready Reference, parents can add other reference tools such as the remaining volumes of the print encyclopedia or Britannica's electronic products.

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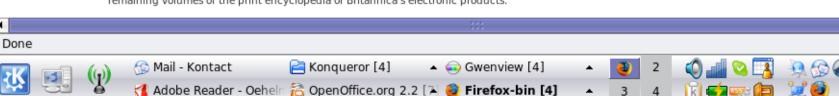
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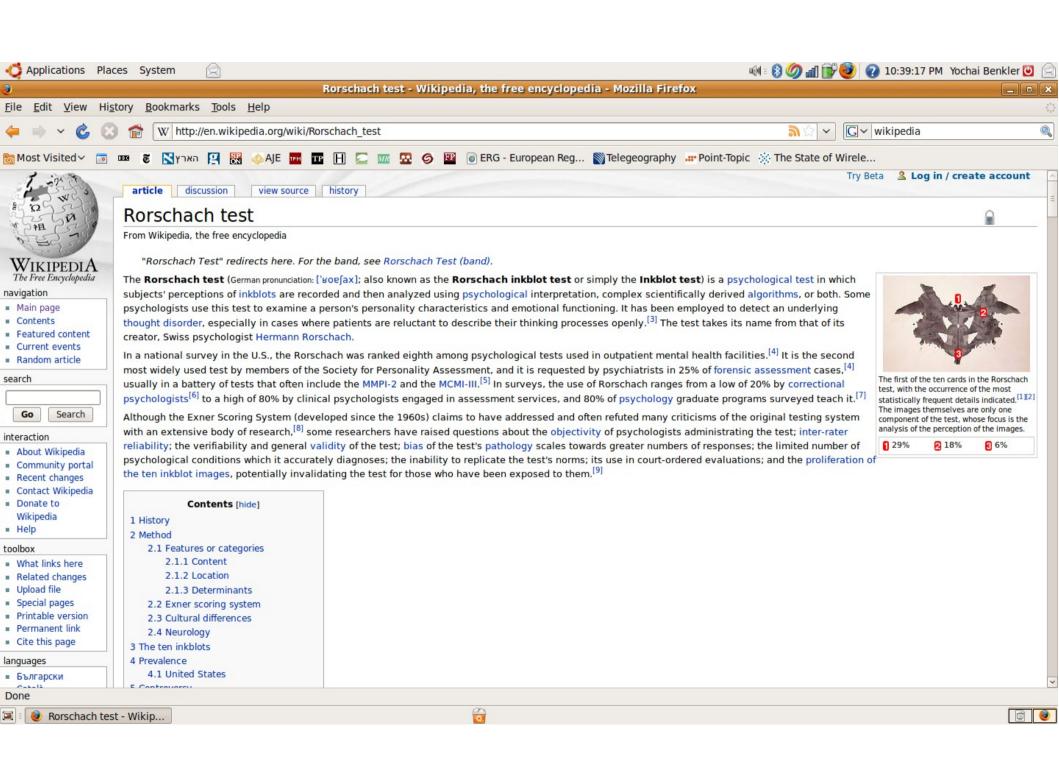
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WikipediA The Free Encyclopedia







Wiktionary ['wikfənri] n., a wiki-based Open Content dictionary











Innovation, social and market, comes from the edge

From Computer Desktop Encyclopedia

http://www.ncsa.uiuc.edu/SDG/Software/Mosaic/NCS/

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Second Industrial Divide

	Market-based	Non-market
decentralized	Price-system	Fans, enthusiasts
centralized	Firms	Government; (& ~ Non-profits)

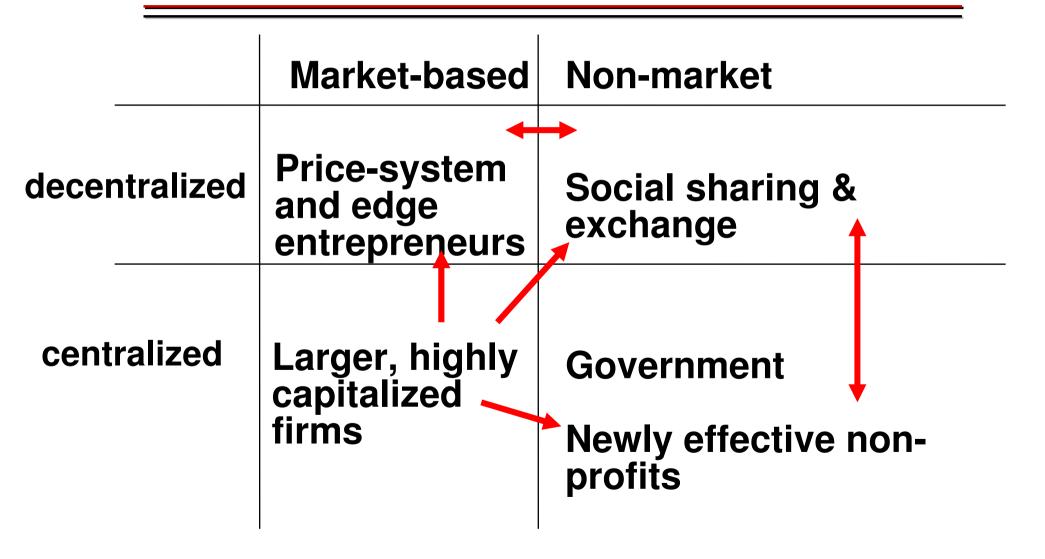
Networked Information Economy

- The most important inputs, into the core economic activities, of the most advanced economies, are widely distributed in the population
 - Material
 - Computation, sensing, storage, communications
 - Knowledge, information, insight
 - Creativity, intuition, experience
 - Social
 - foundation of new organizational forms

Networked Information Economy

- The most important inputs, into the core economic activities, of the most advanced economies, are widely distributed in the population
- Behaviors once on the periphery: social motivations, cooperation, friendship, decency, move to the very core of economic life in the most technically and economically advanced societies
- Low cost innovation, experimentation, rapid deployment, cheap failure make market innovation faster, more diverse

Networked information economy destabilized the Second Industrial Divide



Innovation, participation, culture

- A networked information economy
 - facilitating rapid innovation through edge experimentation over open systems
 - With a new significant role for commonsbased and peer production
 - "Diversity gain" in types and focus
- A networked public sphere constructed through systems that harness diverse motivations and models
- A diverse and open system of cultural expression and meaning making

Characteristics of the global, networked information economy

- Change and complexity vs. predictability and "well-behaved" change
- Innovation and growth vs. efficiency and optimization
- Flow vs. Stock
- "Scruffy," adaptive, learning systems with late-binding design vs. tightlycoupled, slower moving, optimized systems

Distributed innovation

- Low cost invention, prototyping, deployment, and experimentation
- Cheap failure; rapid learning
- Evolutionary process: high variation, selective pressure, adaptation
- Independent of & cumulative to mutualism with social production generally and peer production in particular

Cost of getting to a deployed working prototype
For adoption and testing

As the cost of setting up an enterprise/experiment declines The number of experiments increases; at a sufficiently low cost an inflection point is reached where the number of experiments grows non-linearly including (a) non-market and (b) hard-to-defend and project ideas with a much higher rate of failure, which is very low cost

NOT DATA!!! a schematic framework

As long as the probability of any given experiment identifying a successful innovation does not decrease at a faster rate than the number of new experiments introduced, system innovation will increase, although "efficiency" in terms of innovation per new enterprise will drop

Probability of breakthrough

Number of enterprises in the space (market and social)

Institutional characteristics

- Freedom to operate more important than power to appropriate
- Commons: symmetrically available freedom to operate
- Open vs. closed
 - Institutional, technical, organizational
 - At all layers and instantiations of platforms, resources, and pathways

- Physical:
 - Transport: wired
- Structure Competitive/non-competitive
- Behavior
 Discriminatory/non-discriminatory
- Ownership Private vs. municipal / public
 - Transport: wireless
- Structure Competitive / noncompetitive
- **Behavior Discriminatory** / **nondiscriminatory**
- Ownership Proprietary / open wireless

- Physical:
 - Transport: wired
 - Competition primary structural constraint on control
 - Mixed facilities and open access
 - Highly divergent costs of DOCSIS 3.0 and FttH underscore need for shared facilities as part of the solution
 - Public/municipal plays significant role; likely larger for next generation
 - Behavioral controls: net neutrality

- Physical:
 - Transport: wireless
 - Competitive / noncompetitive
 - Fixed-mobile convergence creates new potential limits on competition
 - Discriminatory / nondiscriminatory
 - Proprietary / open wireless
 - Unlicensed wireless drives an equipment-market, instead of infrastructure market
 - Sole pathway to user-owned last mile
 - Potential to combine with ubiquitous open access fiber?

- Physical:
 - Device: PC evolutionary path
 - "Trusted systems" vs. general purpose devices:
 - demand in the market pushes against content-owner-driven regulation
 - Netbook vs. high-power processing in the hands of the user
 - Web 2.0 pushing away?
 - iPad as mobile passive display?

- Physical:
 - Device: PC evolutionary path
 - Device: Handheld evolutionary path
 - Newly important given <u>ubiquity</u>
 - Owned and controlled historical path
 - iPhone leads the way
 - App store license requirements;
 Apple's rights to reject; control
 - Behavioral regulation? In particular interoperability and portability? Competition regulation?

Logical:

- TCP/IP, IETF, HTML5: open standards
- Software patents; E911-type regulations; business methods patents vs. FOSS; increasing business awareness of open business models; increased political awareness of FOSS developers
- Heavy "reach through" regulation: DMCA, NET Act, toolmaker liability vs. increasing new models of open creativity; a culture that glorifies the hackers who circumvent DRM

- Platforms
 - Search?
 - Cloud services?
 - Cheaper incremental growth from idea to prototype to deployed systems
 - Currently no obvious bottlenecks
 - Need to monitor to see that there is no migration of new points of control into the cloud

- Human expression and communication:
 - Broader, deeper, more extensive copyright and neighboring rights vs. increasing market and social practices of sharing and open innovation/creativity
- Efforts to control "undesirable content" lead to development of control systems that can then be abused
 - E.g. Naïve Net Nanny type filters developed later deployed by censorial regimes
 - Security and spam concerns align with content industry concerns to push trusted systems

- Tension between models based on control, stabilization, optimization and models based on rapid evolution, experimentation, failure and adaptation
 - Twentieth century control-based business models, Hollywood/RIAA (& now journalism) lobbying vs.
 21st century commercial players and social actors
- Tension between models based on pure self-interested rational actor model and models based on mixed social motivations
- Growth and innovation, individual freedom and democratization reinforce each other
- Require openness and policies of inclusion

EU Digital Agenda

- Major new initiative; Much that is admirable; thoughtful
- Single online payment system
- eAuthentication and signature standards
- Pan-European spectrum framework
- Emphasis on consumer privacy (<u>but</u> transportable identity? Consumer rights to portable hosted data, including email, social contacts, reputation?)
- NGN, access; spectrum
- Public R&D investment sound basis

EU Digital Agenda

- "Opening up access to content" subject to commitment to "preserve the contractual freedom of right holders"
 - Is rent seeking use of national proprietary levers part of the cause of failure?
 - Important to explore alternative, nonexclusion-based models
 - ISP-based charges and distribution
 - standardized terms
 - modified liability regimes on standardized share of revenue models
 - Non-Gov: Voluntary payment systems

EU Digital Agenda

- Standards: disclosure of IP rights asserted in essential standards, but:
 - · What is "essential"?
 - What remedy for failure to disclose?
 Forfeiture? Estoppel as to use for interoperability/standards?
- Cyber security need to also emphasize simultaneous commitment to openness and systems that preserve distributed, generative frameworks
- "Open access publication" good; but what about <u>database protection</u> per 2005 review?