

Abraham Lincoln's Lesson is Amazon's Secret Weapon

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Reflecting on his 27 years at Amazon from what he terms "Day 1" to his upcoming retirement as its CEO, Jeff Bezos recently sent a Letter to Shareholders recapping the 2020 year for Amazon. Although he discussed a number of thoughts, his principal point about why Amazon is so big and so popular rang through clearly. Referring to the value created by Amazon for its customers, shareholders, employees and online sellers - amounting to over \$300 billion in 2020 alone - Mr. Bezos remarked:

These numbers are part of the reason why people work for us, why sellers sell through us, and why customers buy from us. We create value for them. And this value creation is not a zero-sum game. It is not just moving money from one pocket to another. Draw the box big around all of society, and you'll find that *invention is the root of all real value creation*. And value created is best thought of as a metric for innovation. [emphasis added]

As an initial observation concerning these remarks, when the outgoing CEO of one of the largest and most valuable companies on the planet thinks a tenet is fundamental enough to foot-stomp as one of his main points to leave behind at the company he built from nothing to a market value of \$1.7 *trillion* dollars, perhaps we should listen to him.

The Pie Must Grow

His zero-sum-game point is salient, as well. As he notes, Amazon didn't get to be so big by "just moving money from one pocket to another." But how do we know this? Because companies don't grow without creating value - that is, money *follows* value; it does not precede it. Thus the adage, "Follow the money", is true not just for criminal forensic work, but for locating centers of gravity for wealth - and by inference, for innovation.

Using the pie metaphor applied so often in economic discussions, if the economy as a whole is thought of as a pie, in a static economy only one size of pie exists. That means that if you get a bigger slice someone else is left with a smaller slice. In that kind of economic stagnation, it *is* the case that money simply changes hands - someone else's gain is your loss. The reason: No *value* has been created.

But in a growing economy, *everyone* gets a bigger slice. The pie grows as a result of increases in productivities (doing more with less effort) and capabilities (doing things that couldn't be done before). These increases, in turn, depend on innovation - *inventions* - to make the pie bigger for everyone. Amazon gets this because Jeff Bezos grasped this concept from Day 1.

Abraham Lincoln's Lesson

Long before Jeff Bezos and his insights into how to build wealth through the creation of value, though, there was Abraham Lincoln. Alluding to these concepts, President Lincoln labeled the introduction of patent laws as one of the three greatest innovations in world history. He believed that the advent of patents - along with the other two great innovations, reading-and-writing and the discovery of America - facilitated "all other inventions and discoveries". As the only U.S. president to be issued a patent, Lincoln had more than a passing interest in intellectual property. Referring specifically to patent laws, he remarked:

Next came the Patent laws. These began in England in 1624 and in this country with the adoption of our constitution. Before then any man might instantly use what another had invented; so that the inventor had no special advantage from his own invention. The patent system changed this; secured to the inventor, for a limited time, the exclusive use of his invention; and thereby added the *fuel of interest to the fire of genius*, in the discovery and production of new and useful things. [emphasis added].

Source: Abraham Lincoln, second lecture on discoveries and inventions, delivered to the Phi Alpha Society of Illinois College at Jacksonville, Illinois, Feb. 11, 1859. "*The Collected Works of Abraham Lincoln*", ed. Roy P. Basler, vol. 3, p. 357 (1953).

President Lincoln's point was that without the "fuel of interest" - that is, the ability to generate wealth from the value created through inventions - the "fire of genius" (the activity of innovation, itself) had no way to grow. He was referring specifically to patent laws, but his broader, implicit point applies to intellectual property law, generally: Those who innovate must know that their efforts will be rewarded - there must be a payoff to their labors.

Lincoln's Lesson Still Applies

To work, that payoff can't be diluted by commercial theft. Innovation requires risk-taking. Companies don't take risks that hold no promise of the rewards that would justify taking such risks. As both Bezos

and Lincoln noted, *invention* creates value. But *theft* does not. Theft deters innovation, because the innovator must know that the rewards from all the effort, capital and time going into an innovation will be the *innovator's* alone - not someone else's.

How can you ensure those rewards aren't diluted? By protecting your intellectual property rights - through patents, trademarks, trade secrets, copyrights and licenses. Each of these instruments protects a different form of intellectual property through differing means: patents protect ideas; trademarks protect brands; trade secrets protect secret, valuable information; copyrights protect expressive works; and licenses protect conveyed intellectual property rights.

So what form of intellectual property is "no intellectual property protection" also known as? *Charity*. If your research and development efforts, your trials, failures and successes, and the access to all other aspects of your intellectual property are not protected, you will have donated all of these to your competitors. Moreover, they will have gained a key advantage over you: They will be able to benefit from your expenditures of time, labor and funds without having to bear these costs themselves. That means lower production costs. Lower production costs mean higher profits and/or greater abilities to lower pricing to undercut you.

Lincoln knew all this. That's why he recognized the value of the patent system to spurring innovation. Put another way, while "invention is the root of all real value creation", intellectual property laws are the guarantors of that value. Without these, the incentive to invent vanishes.

Conclusion

What does all this mean to you, the inventor? Well, it *doesn't* mean you need to rush out and hire a patent attorney right away, as appealing as this self-serving advice might seem to us patent attorneys. No, it means you need to have a basic understanding of a few things.

First, you need to understand that your company grows only to the extent it provides value to others. Second, you should appreciate that this value derives, fundamentally, from innovation. And third, you should know a few intellectual property fundamentals to ensure your innovations are protected, up-front.

This third piece is of course a topic for a considerably longer discussion in a future article, but generally, these are all good initial actions to take: register your copyrighted materials with the U.S. Copyright Office (copyright.gov); keep your inventions secret until you file for patent protection; maintain your trade secrets as, well, *secrets*; and identify your brand(s) up-front ("TM" or "SM") and then federally-register your trademarks.

For the longer term, of course, consulting an intellectual property legal expert - an intellectual property/patent attorney - is a good idea. Actually, it's a *great* idea. Development of a solid, comprehensive intellectual property strategy is not simply a do-it-yourself, "shade-tree-attorney"-type of activity: *Here there be dragons*. But taking the initial steps described above will help ensure you are on

the right track to protecting your intellectual property, so that when the time does come to develop that strategy, your intellectual property is still around - and you aren't forced to start again from Day 1.



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