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INTELLECTUAL PROPERTY RIGHTS

CHEERS INDIAN MSME FOR INTELLECTUAL PROPERTY (‘IP’)

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On 26th April of every year is celebrated as World Intellectual Property Day. This year World Intellectual Property Organisation ('WIPO') which is the inter-governmental agency administrating the Intellectual Property for the whole world, situated in Geneva highlighted that how helps MSME grow and thrive with the theme "IP & MSME – TAKING YOUR IDEAS TO MARKET". But then What is Intellectual Property? Why Intellectual Property? and How Intellectual Property? really contributes to the business growth of an MSME. It's a big question of awareness, realisation and experience. So, let's have a journey to the destination IP and MSME taking your ideas to the market.

MSME place a pivotal role in the sustenance of any economy. MSME had made phenomenal contribution to the growth of developed and developing economies. According to the report by World Bank, MSMEs provides for more than 50% employment worldwide and accounts for about 90% business worldwide.

Formal MSME's contribute upto 40% of national income GDP in emerging economics. According to certain estimates, 600 million jobs will be needed by 2030 to absorb the growing global work force, which makes the MSME development a high priority for many Governments around the world.

However, access to finance is a key constraint to MSME growth. It is the second most cited obstacle facing MSME to grow their business in the emerging markets and the developing economies.

Intellectual Property at the initial stage of growth path of MSME can become an integral part of MSME's business model and could be a valuable asset for negotiating various sources of Capital and Finance hence IP will play an important role for the growth and development of MSME sector.

Why IP for MSME

"…. Because its purpose is to create a customer, business has two and only two functions: Marketing and Innovation. Marketing and Innovation produce results, all the rest are costs."

.. by Peter Drucker

So, what exactly is IP? Broadly speaking, the term IP refers to unique, value adding creation of human intellect that results from human ingenuity, creativity and inventiveness. An IP right is just a legal right, which is based on the relevant national law encompassing that particular type of Intellectual Property Right. IP has enabled a grant of property like rights over the new knowledge and the creative expression of mankind which has made it possible to use the commercial value of the outputs of the human inventiveness and creativity. The biggest example is the new trend of aggregators as business methods and the brand created out of these business in the form of Intellectual Property like '**OLA**', '**UBER**', in travel segment of MSME. Similarly, we have '**OYO**' as biggest example of MSME who has used his new knowledge and creative expression to build the first hospitality aggregator of India.

Role of IP in Innovation

As there are many players involved in enabling the market success of innovation, the effective use of tools of IP will be central to reducing the risk for the players involved who may then be able to reap acceptable returns for their participation in the process. IP is central to enabling the process of taking innovation, technology to a market place.

At the same time, IP played the major role in enhancing the competitiveness of technology-based enterprises, whether such enterprises are commercialising new or improved products or provide services on the basis of new or improved business methods. The best example is the service aggregators in the food and restaurant sector like '**ZOMATO**' and '**SWIGGY**'.

IP act as a lifeline while passing through "Value of Death of Innovation". Any innovative technological ideas or a business method require further technical development so as to make them successful in market place. MSME or other small technology based innovative enterprises may not have technical resources and facilities to undertake such development for example – for developing and testing of prototypes, the protection of such idea by IP rights ensures that these are not lost while taking advantage of external technical resources and facilities owned by innovation centres, technology parks and other big companies with whom MSME may require collaboration to make his idea reach the market.

What is importance of IP for Business?

Over 90% of all the companies are unable to sustain for more than few years a trajectory of growth that allows them to deliver to their all stake-holder above average returns. This is evident from the fact that in 2012 the best of the companies were **APPLE, FACEBOOK** and **GOOGLE**. However, in 2020, the best of the companies are **SNAP, MICROSOFT, TESLA** and **WHITECLAW**

. Sustainability has become an illusion. The 20% of all the venture capital investments succeed 80% fail. Only 25% of all the new products that establish companies put into the markets succeed 75% fail. This recalls the whole industrial and corporate world to understand the new meaning and the new version of innovation. The term innovation now carries with it a much wider concepts that goes beyond innovation and involves economic considerations that relates to market success.

Now, the innovation to be successful has to be a business innovation or more particularly a business method innovation. The business method innovation in the Schumpeterian comes from new combination on all dimensions of the business systems. The pursuit of profitable combination is a competitive market raised amongst the established firms and the entrepreneurs that has no finish line and is often going towards investments to maximise profits and this profit returns on successful innovation for example Companies like **AMAZON, APPLE** and **EBAY** never themselves invented the technology but had done an innovation or rather business innovation of all the dimensions of the business system and took a Creative Expression to the market.

How IP can help MSME?

It is a very well accepted fact that the Rome was not built in a day and the same is of IP for MSME. If IP has to be used by MSME it has to start as a process and the first step of this process is the commitment of the owner and the Board of Directors to IP as a policy and as a culture to be evolved in an organisation from the beginning. If possible, it always better to factor IP in your Business Model. The best example for such process is the example of **DELL Computer** which started as a start-up and reached to a level of MSME and further to a growth of a big IT Company. IP was a philosophy at DELL computers right from the beginning so much so that it factors the IP in its Business Method and Business Model.

To evolve IP as a culture there is a structured process with following three steps:

(i) The Create Phase of IP;

(ii) The Protect Phase of IP; and

(iii) The Use Phase of IP

In Create Phase, it is always better to communicate to the whole organisation from the Board of Directors to the bottom of floor shop, as to what is IP by executing awareness programmes on IP. It would be appropriate to lay down a formal IP policy and procedures for the organisation at the Create Phase only This will bring a sense of innovation amongst each employee for creating IPs.

In the Protect Phase, it always better to identify the ideas and innovations to protect the IP at the initial stage and exploring the legal protection in the form of Trademarks, Patents and Designs to protect the subject matter IPs.

The next is in the **Use Phase,** always be prepared to commercialisation of IP through various business options could be Licensing, Strategic Alliances or Joint Ventures.

The following case studies would help in understanding how IP has helped organisations to build and grow in terms of Business Value.

"The Pliva Case Study"

Pliva was one of the prominent profit-making pharmaceutical company in Central Europe and was considered to be Central Europe's first home grown multinational. However, due to some operational reasons it went into financial troubles and become a struggling entity in 1995. But Pliva was holding a Patent technology on Azithromycin which is one of the effective antibiotics newly discovered by research and development. Pfizer wanted to launch an antibiotic and was exploring the research and development on an antibiotic new chemical entity. Through some resources the representatives of Pliva met the representatives of Pfizer and they both agreed to work together and as a business deal Pliva licensed the patented technology of Azithromycin to Pfizer which was launched by Pfizer as a brand "***ZDTHROMAX***" which was a successful antibiotic with USA One Billion Dollar sales. This strategic alliance helped both Pliva and Pfizer to have a long association in the pharmaceutical industry and the most astonishing fact about this business deal was Pliva saved themselves from the Insolvency Proceedings in late 1990.

"Dr. Reddy's success in India"

Dr. K. Annaji Reddy Group have rapidly expanded to become an international pharmaceutical company providing high quality and cost-effective pharmaceutical products to the whole world. Dr. Reddy's Research Foundation was established in the year 1993 with the objective of discovering new therapies. Within few years of research, they developed three important formulations which was then licensed to Danish pharmaceutical company known as Novo Nordix through a landmark agreement which earned an international reputation to DRF. DRF attributes all his success to the patent production and Dr. Reddy's firmly believes that the Economic Success of companies can be measured in terms of the IPs they Create, Protect and Use.

CONCLUSION:

In today's knowledge economy strong IPR system can help economies and companies on the part of growth and prosperity as Joseph Schumpeter says "***PROFIT IS RETURNED ON SUCCESSFUL INNOVATION***".

References:

1.Various WIPO Publications and Articles.

2.Intellectual Property: A Powerful Tool for Economic Growth by Kamil Idris.