

"The intellectual property situation is bad and getting worse. To be a programmer, it requires that you understand as much law as you do technology."

- Eric Allman

## EDITORIAL

# Karnataka State Industrial Times

The Weekly Voice of Karnataka Entrepreneurs

## Protection of Intellectual Property no Small Task for Small Businesses

**A** considerable part of Indian economy is driven by Small and Medium Enterprises, attracting investments and resources, encouraging inventions and creativity of its workforce. SMEs are the pillars of the Indian manufacturing sector and have become instrumental in the steady economic growth of India, contributing towards 90 per cent of industrial units in India and 40 per cent value addition in the manufacturing sector.

The percentage of growth achieved by the SME sector is of considerable nature and is consistently growing by leaps and bounds every day. Many SME's are operating on the novel ideas for product manufactured and the services provided, the designs developed and created as well as the secrets related to their business. Indian SME's have already created their mark around the globe with their innovative ideas and manufacturing skills. This sector has provided commendable opportunities of self-employment and employment to others, showing great potential of further developments and growth.

Intellectual Property (IP) can assist SMEs in India to grow as big as their counterparts worldwide in all aspects of their business. IP will assist SMEs to develop their business and their competitive management strategy. By adopting unique trademarks and brand names, every trader can create a strong recall value and carve a niche for his product and/or service in the market. In the past, only tangible assets were given great importance in value addition of a business. However, today, intangible assets, like Intellectual Capital (IC) form an extremely important part in value addition to a business, maybe even more than the tangible assets. By acquisition of intangible assets such as patents in key technologies, the value of a business increases manifold.

SMEs can acquire IP for their growth and value addition through, patents for innovative processes which can be put in the manufacture for new products; Trade marks for a distinctive brand name and strong brand recall; and Geographical indications for SMEs dedicated in manufacturing goods of a reputed quality in a particular geography. By acquiring and protecting their intellectual property, SMEs can ensure that IP turns into a valuable asset for their business.

IP rights (IPR) may generate greater revenue in the business through assignment, licensing and sale. An important innovation which is protected as a patent may initiate private investments, specialized bank loans, venture capitalists and add to the value of the SME. Intangible assets such as IP and innovative ideas and processes will add to the worth of an SME at the time of acquisition and/or a merger opportunity and will open doors for a possible Joint Venture (JV) also.

Even though SMEs constitute 90 per cent of total industrial enterprises, there are several aspects in which the SMEs in India lag behind the SMEs worldwide. The hurdles typically faced by SMEs in garnering their IP and exploiting it fruitfully are lack of awareness, financial restraints, inferior technical know-how and lack of competitive strategy.

Now the Indian Government has made several provisions for even a layman to make an application to protect his IP and track its progress. Even the IP officials and tribunals are made answerable to the applicant by way of Right to Information. The Government, recognizing the strength of the SMEs and its contribution towards the GDP, enacted the much needed MSME Act, 2006 to address the challenges faced by the SMEs in meeting the challenges of liberalization and globalization. The Ministry of Micro, Small and Medium Enterprises (MSME) is implementing Schemes/programmes for technology upgradation, development of clusters of SMEs, creating free bank credit schemes and awareness

regarding export related issues, to mainly address the concerns of SMEs in a wholesome approach.

A step in the right direction has been the formation of the National Manufacturing Competitive Council (NMCC) which recommended a 5-year National Manufacturing Competitiveness Programme (NMCP) for the SMEs in India. This programme covers giving grants on patents and geographical indications, setting up of IP Facilitation Centres for SMEs and interaction with international agencies to put the Indian SMEs at par with its global counterparts. It covers sectors such as biotechnology, automobile, chemicals, leather, drugs and pharma, sports, toys, hand tools and foundries.

The Government should not allow larger companies to use their superior resources to compete unfairly with SMEs. Intellectual property protection goes hand-in-hand with innovation. Governments can help SMEs to develop and protect IP rights by maintaining a regulatory scheme that is transparent, efficient, and inexpensive. In times of increasing global competition businesses will be pushed to introduce new products and services, new processes or go about their business in a new way. The goal would be to take an idea from concept to commercialization and improve business performance. This is where an environment that promotes innovation is critical to business.

The pace of innovation around the world is increasing and businesses will fare better when positioning themselves to take advantage of its benefits, most especially when there is an environment that supports innovative growth. However, innovation cannot exist without the ability to protect the same and this is where policies on IPR need to be addressed. This impasse can be broken through the active participation of SMEs and the Government.

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## Spotlight

### Rupee fall sees rise for SME exporters

■ CCI SERVICE

**The current situation is tricky as exporters are not being able to chart out their growth plans due to fluctuating currency. Falling rupee is benefiting the export sectors that primarily use indigenous raw materials and this include handicrafts, textiles and engineering, among others.**

**T**he slide in the rupee is going to make oil imports costlier, hike raw material costs and add to upward inflationary pressure. On the brighter side, declining rupee is likely to benefit the SME-dominated export community, which is currently under tremendous pressure.

According to industry data, rupee slipped 21 per cent to a record low of 53.23 against the dollar on December 13, 2011. India's export basket primarily constitutes of textile, handicrafts, gems & jewellery, leather products, chemicals and industrial machinery.

Domestic jewellery exporters are poised to gain from devaluation of Indian rupee. In this context, GJEPC eastern region chairman Pankaj Parekh said, "Every drop in rupee will fetch a higher value for Indian gems and jewellery exporters, a significant proportion of which are SMEs. The extent of profit will be confined to the value addition part, since the domestic jewellery industry imports most of its raw materials including silver, gold, diamond and platinum." The gain in value addition will help SME exporters sustain high inflation

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