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How SMEs can benefit from Intellectual Property?

SME sector is one of the largest contributors to the global economy. However, awareness about Intellectual Property Right (IPR) is lacking among the SMEs. Government as well as private agencies are putting many efforts by promoting knowledge and facilitating IPR protection amongst SMEs including various amendments in the laws, modernizing IPR Offices and digitization for filing applications for protecting IPRs.

Intellectual Property Rights (IPRs) are important instruments to encourage a culture of innovation. There are different type of intellectual property i.e, Patent, trademarks, copyrights, geographical indication and industrial designs and protecting them enhances the competitiveness in market. Earlier people were focusing on tangible assets which you can touch and feel but now is the time has changed and future is about the knowledge and intellectual. Now each and every sector is focusing on intangible asset including Intellectual property which has many benefits at long run.

IPRs protect brands, inventions, designs, creative, and literary works from being copied and commercially exploited by third parties. They grant exclusivity to the owners of IPRs to commercially exploit their works. The exclusivity and potential gains by commercial exploitation of the IPRs act as an incentive to promote innovation in various fields.

What are the benefits SMEs can derive from IP Protection?

1) Legal Protection

With IP registration, one can have legal rights which can be enforced to third party infringing any of the IP Right and can also claim damages. One can protect its intellectual invention or creation and take legal action and also can ask for the royalty against giving license to use. Without IP Protection, there is very limited scope remain to prevent copy caters in market.

2) Goodwill in market

Having registered and protected IP assets can raise the goodwill of your business. Consumer reading about IP protection of your product, have good respect towards your product and company. Goodwill is an intangible asset and adds to the overall value of the business. Intangible asset like product and company goodwill add on to the overall valuation of the Intangible asset without any additional efforts of expense. Goodwill will prove very profitable in case of sale, merger or acquisition.

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3) Premium Price

IP protection can help you to demand premium pricing, which is a pricing strategy used by businesses and brands to elevate the perception of the brand and increase their profit margins by pricing their products higher than the competition. Products that are protected by Intellectual property, usually generate incremental profits. SMEs can identify any gap in the industry and come up with solution with IP protection and based on that one can always ask for premium price for the value addition in their product.

4) Reduce competition

IP protection gives an ability to have a competitive advantage over other similar businesses in the market. After filing or registration of intellectual property, SMEs can use it on their online or offline marketing material with highlight that the product is protected with intellectual property which gives indication or message to people trying to copy the same and can avoid copying the product or doing piracy of any creation. Further if you have registered IP, you can always send legal notice about your intellectual property right and can stop people copying the same which ultimately lead to removing the competition in market.

5) License it and even sell it

IP can generate income for your business through licensing, sale or commercialization of protected products or services by yourself. If you are not interest to manufacture the product, you can always license your IP to any manufacturers on behalf of royalty payment or you can sell all IP rights for one time payment. Licensing intellectual property increases a company's ability focus on core area of expertise. In case of sale, merger or acquisition, having registered and protected IP assets can raise the value of your business.

6) Bargaining power

During your course of business, after getting good response from the market, there may be possible some big company wants to get associated by some collaboration, joint venture or IP licensing or may want to acquire your product or company also. At that time, if you have IP protection in place, you can use the bargaining power and provide your terms and conditions for the same as being a rightful owner of IP, only you can manufacture that products. This will also help in to have a better bargaining position for cross-licensing and counterclaims.

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7) Access or raise finance for your business

Company can use IP as an advantage when applying for public or government funding, e.g. grants, subsidies or loans. In the case of equity, IP can be particularly important in raising investments and investor interest. In foreign countries, IP is officially considered as an Intangible asset which can be mortgaged to get fund from bank or other financial agencies and very soon that will be applicable in India also. So in case of any SMEs need fund, they can mortgage their IP certificate to bank as collateral to get fund for their business expansion.

8) Business valuation

At the end, it's all about valuation. Business valuation is nothing but the sum of tangible asset and intangible asset. Tangible asset never help to increase valuation due to depreciation while intangible asset play a critical role to increase valuation without any additional expense or efforts as it is directly connected to your business growth. IP protection builds value and growth for medium and small businesses.

In summary, Intellectual property is the instrument which can either make or break the business if not handled properly. SMEs should define their IP strategy in addition to their business strategy and both should be aligned to get maximum benefit through it. Remember one thing, just filing IP cannot get benefit or growth, one must use it and extract its benefits through options discussed above.

Various types of IP rights provide SMEs with the opportunity to protect their technical innovations and the flexibility to optimize their business pursuits. SME's can rely on IP to boost productivity, earn licensing fees and even get royalty. Patents help create monopoly and offers protection to the business, stopping others from commercially exploiting their innovation. With IP rights, SMEs can create clear boundaries that support successful collaborations, commercialization, and other positive outcomes as their businesses evolve.

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