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## ROLE AND IMPORTANCE OF INTELLECTUAL PROPERTY RIGHTS IN THE GROWTH AND SUSTAINABILITY OF STARTUPS

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### ABSTRACT

Intellectual property rights (IPR) are crucial for businesses to increase technological competitiveness. For start-ups, often with limited resources, IPR protection in India and abroad is crucial for sustainable growth and innovation. The Startup Intellectual Property Protection (SIPP) program helps startups obtain patents, trademarks and designs. IPRs ensure that inventors can patent their creations, preventing unauthorized use and ensuring economic benefits. The registration process involves several steps: submitting an application with required signatures and a statement describing the specifics of the invention, followed by preliminary identification screening by experts any deficiencies. Proper registration provides exclusive rights to the inventor, providing legal protection for creative work and innovation. This is in accordance with Article 27 of the Universal Declaration of Human Rights, which emphasizes the protection of the material and moral interests arising from the scientific, literary and artistic creations of the individual.

**Keywords:** Intellectual Property Rights (IPRs), Startups, SIPP scheme, Patents, Trademarks, Industrial designs, Innovation protection

### Introduction

<sup>530</sup>“IP is protected in law by, for example, patents, copyright and trademarks, which enable people to earn recognition or financial benefit from what they invent or create. By striking the right balance between the interests of innovators and the wider public interest, the IP system aims to foster an environment in which creativity and innovation can flourish.” Intellectual Property Rights (IPR) are legal protections granted to developers and creators to protect their intellectual works in art, science, literature, etc. for a specified period of time. Article 27 of the Universal Declaration of Human Rights emphasizes the importance of protecting the material and moral interests of an author in science, literature, or the arts s Administrators Intellectual property (IP) costs man's thoughts on original creations in art, science, literature, technology, and so on. The main objectives of

IPR are to provide economic benefits or recognition to developers, to create an environment of innovation by balancing the interests of innovators and the public, and to protect traditional knowledge

IPR can be categorized into copyrights and industrial property. Industrial property encompasses trademarks, geographical indications, industrial designs, and trade secrets. Patents are granted for inventions that are novel, non-obvious, and industrially applicable, allowing the owner to control the use of their invention in return for public disclosure of technical details. Copyrights protect authors' and artists' creative works, such as books, music, paintings, and films, for at least 50 years after their death. Trademarks differentiate the goods or services of one company from another, while industrial designs protect the aesthetic elements of products.

<sup>530</sup> “What is Intellectual Property (IP)?,” *Wipo.int*, 2024 available at: <https://www.wipo.int/about-ip/en/> (last visited June 27, 2024).

### History

Historically, the first system for protecting intellectual property was the Venetian Ordinance of 1485. In England, the Statute of Monopolies followed in 1623, extending patent rights for technological inventions. By 1760, the United States had introduced patent laws, and between 1880 and 1889, most European countries developed their own patent laws. In India, the Patent Act of 1856 was established, remaining in force for over 50 years before being revised to the Indian Patents and Designs Act, 1911. After independence, in 1970, the Patents Act came into force. Over the last fifteen years, intellectual property rights have gained prominence in the global economy. During the 1990s, many countries unilaterally strengthened their IPR laws and policies. The TRIPS Agreement under the WTO significantly improved the protection and enforcement of IPR in various countries, and emphasized the need for stronger IPR protection for innovation promotion and facilitation of international technology.

### Intellectual Property Schemes In India

India has undergone significant legislative changes in its intellectual property rights (IPR) framework, particularly in response to the TRIPS Agreement of the World Trade Organization (WTO). The Patents Act underwent multiple amendments in 1995, 1999, 2002, and 2005 to align with international standards and accommodate technological advancements, ensuring compliance with TRIPS while balancing national interests.

- <sup>531</sup> **Patents Act, 1970:** India's journey with the Patents Act has seen many changes in line with international standards and technological developments. After joining the TRIPS Agreement, India amended the Patents Act in 1995, 1999, 2002, and especially in 2005. These amendments were necessary to comply with TRIPS obligations as they fall due equal in

the interests of the state and society And well defined.

- <sup>532</sup> **Trade Marks Act, 1999:** Prior to the Trade Marks Act of 1999, the Trade Marks Act of 1958 governed the protection of Indian trade marks. The modernization of trademark law was necessary to integrate India into the global economy and to facilitate simple commercial transactions. To seize infringing goods without a patent, with the power to increased enforcement.
- <sup>533</sup> **Designs Act, 2000:** The 2000 Design Act was a response to the growing need for industrial design protections in the global marketplace. This was in line with TRIPS requirements and aimed to encourage creativity and innovation in the design industry. The Code distinguishes between design and functional aspects of art and focuses on the protection of unique visual elements. It introduced modernization measures such as the international classification system, digital maintenance of design registers and increased penalties for violations. The law also extended the registration deadline and simplified procedures for policy protection.

**Impact and Evolution:** These regulatory developments underscore India's commitment to strengthen its intellectual property regime to meet international standards and foster innovation-driven growth. By complying with TRIPS, India has not only enhanced the legal protection of intellectual property but also facilitated global trade relations and technology transfer. The development of this Act reflects India's proactive approach to balancing rights holders' rights, public welfare and economic growth, while

<sup>531</sup> "Patents Act, 1970," *Indiacode.nic.in* (2014).

<sup>532</sup> Rachit Garg, "The Trade Marks Act, 1999 - iPleaders" *iPleaders*, 2022 available at: <https://blog.iplayers.in/the-trade-marks-act-1999/> (last visited June 27, 2024).

<sup>533</sup> "Designs Act, 2000," *Indiacode.nic.in* (2014).

constantly adapting to technological advances and global business trends.

CASE STUDIES OF STARTUPS' SUCCESSFUL USE OF INTELLECTUAL PROPERTY RIGHTS

1. <sup>534</sup>*Amazon.com: Harnessing Patents for Competitive Advantage*

**Background:** Founded by Jeff Bezos in 1994, Amazon.com began as an online bookstore and has grown to become one of the largest and most diverse online retailers in the world with its range of products including the Kindle e-reader, Kindle Fire tablets and Includes Amazon Echo smart speaker. In 2007, Amazon applied for a license for the "One Click Shopping" feature, which allows customers to shop online with one click, simplifying the buying process and improving the user experience develop Amazon's strategic use of the "One Click Shopping" patent shows Which is how startups can use patents to protect their innovations, gain market power and generate licensing revenue

**Effect:**

- Patent Protection: The grant of a patent in 2008 gave Amazon a significant competitive advantage by enabling it to deliver a streamlined shopping experience, which helped it dominate the online retail space
- Licensing and exploitation: Amazon has used these licenses to secure licensing agreements with other companies, generate additional revenue, and protect its technology from competitors
- Market leadership: The convenience of "one-click shopping" has been a major selling point, cementing Amazon's reputation for innovation and convenience.

2. <sup>535</sup>*Expedia: Innovating the Travel Industry*

<sup>534</sup> "Management Information System: Case Study of Amazon.Com," *SlideShare* (Slideshare, 2017)available at: <https://www.slideshare.net/slideshow/management-information-system-case-study-of-amazoncom/77862760> (last visited June 27, 2024).

<sup>535</sup> Expedia Group, "Put Your Trip on Autopilot: Expedia Group Introduces New Innovations at EXPLORE to Take the Stress out of Travel and Enhance Partner Experience" *Prnewswire.com*, 2024,available at: <https://www.prnewswire.com/news-releases/put-your-trip-on-autopilot-expedia-group-introduces-new-innovations-at-explore-to-take-the-stress-out->

**Background:** Founded by Dara Khosrowshahi in 1992, Expedia has become the leading online travel agency, with offerings such as the Orbitz travel website, the Orbitz mobile app, and the Expedia Travelocity hotel booking site In 2007, Expedia launched "Travel Package" established. Discount Model" patent, aimed at giving customers discounts when booking multiple travel packages together Expedia's "Travel Package Discount Model" patent is best used and how startups can create new business models protect themselves and gain competitive advantage in their industry is emphasized |.

**Effect:**

- Patent Protection: A patent issued in 2009 has allowed Expedia to differentiate itself by offering exceptional travel discounts and increasing customer loyalty and satisfaction.
- Competitive Response: Obtaining this patent allowed Expedia to effectively combat similar product recalls from competitors, protecting its market position and business model.
- Adoption and innovation: Other companies have adopted this model, reinforcing Expedia's leadership in travel-booking innovation and helping it maintain a dominant market position

3. <sup>536</sup>*Uber: Transforming Transportation with Patent Protection*

**Background:** Founded in 2009 by Travis Kalanick and Garrett Camp, Uber has transformed the transportation sector with its ride-sharing services, now operating in over 600 cities globally. Key products include the Uber app, UberX, and UberEATS. In 2013, Uber applied for a patent for an "Uberride Matching System," which efficiently matches passengers with drivers, optimizing the ride-sharing experience. Uber's strategic patenting of the "Uberride Matching System"

[of-travel-and-enhance-partner-experience-302144029.html](https://www.uber.com/newsroom/uber-travel-and-enhance-partner-experience-302144029.html) (last visited June 27, 2024).

<sup>536</sup> Susan Decker, "Uber Moves to Patent the Surge Pricing Its Customers Hate" *Skiift* (Skiift, 2014)available at: <https://skift.com/2014/12/22/uber-moves-to-patent-the-surge-pricing-its-customers-hate/> (last visited June 27, 2024).

demonstrates how startups can use intellectual property to protect critical innovations, drive industry transformation, and maintain market leadership.

- *Patent protection: A patent granted in 2017 helped Uber protect its core technology from competitors, ensuring it had its unique ride-matching algorithm*
- *Market differentiation: The patent reinforced Uber's position as an innovator in the ride-sharing market, attracting users with its efficient and user-friendly system*
- *Industry impact: The patented technology has been widely adopted and cited by other transportation and logistics companies, with Uber demonstrating influence and leadership.*

*These case study highlights how important intellectual property rights are to the success of a business. Startups like Uber, Amazon, and Expedia have deliberately used patents to protect their ideas, stay ahead of the competition, and establish themselves as industry leaders. These graphs illustrate the nature of intellectual property a strong plan is essential for a startup to grow and compete.*

#### Importance of Intellectual Property (IP) for SMEs and Startups

A recent study by the European Union titled <sup>537</sup> ***“Intellectual Property Rights and Firm Performance in the EU”*** has highlighted the strong, positive relationship between a company's ownership of various types of intellectual property rights (IPRs) and its economic performance. Studies show that SMEs with IP—whether it's a patent, a registered design, or a trademark—perform better financially than those who do well without it generate more revenue and can pay higher wages. This means that IP ownership not only

provides legal protection and competitive advantage but also contributes to the overall economic health and growth of these industries. Therefore, SMEs should consider investing in their intellectual property and managing it strategically to increase their market position and financial performance. Intellectual property can include patents, registered images, and trademarks, each of which offers different protections and can improve a company's market and financial performance. Here is a detailed analysis of the study shared.

**1. Patent Ownership:** A patent is an exclusive right granted for an invention, which could be a product or a process that provides a new way of doing something or offers a new technical solution to a problem. The higher revenue and wages indicate that patents can be a significant asset for SMEs, potentially giving them a competitive edge by protecting innovative products or processes, thereby attracting skilled employees and enabling them to command premium prices for their offerings.

#### **Findings:**

- **Revenue per Employee:** SMEs with patents have 36% higher revenue per employee compared to those without patents. This suggests that patents may contribute to increased productivity or allow companies to charge higher prices due to the unique value of their patented products or processes.
- **Wages:** SMEs with patents pay 53% higher wages than those without. Higher wages could be a result of increased profitability, which allows companies to compensate their employees better, or it could be that these companies require more specialized, and therefore higher-paid, workers.

**2. Registered Design Ownership:** A registered design protects the visual appearance of a product. This can include the shape, pattern, and color of the product. Registered designs help companies differentiate their products in

<sup>537</sup> Bas Boerman, “Economic benefits for companies owning intellectual property rights - Arnold & Siedsma [EN]” *Arnold & Siedsma [EN]*, 2021 available at: <https://www.arnold-siedsma.com/knowledge/economic-benefits-for-companies-owning-intellectual-property-rights/> (last visited June 27, 2024).

the market, leading to better financial performance and the ability to offer competitive wages, which can help attract and retain talent.

#### Findings:

- **Revenue:** SMEs with registered designs achieve 32% higher revenue compared to those without such designs. This increase could be due to the attractiveness and distinctiveness of their products, making them more appealing to customers.
- **Wages:** SMEs with registered designs pay 30% higher wages. Similar to patents, this could be because these companies are more profitable or need to attract more skilled employees who can develop and manage these designs.

**3. Registered Trademarks:** A trademark is a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises. It can include words, logos, symbols, and other identifiers. Trademarks play a crucial role in branding and marketing, helping businesses establish a strong market presence and build customer loyalty. This enhanced market position can lead to higher revenues and allow companies to pay better wages. Revenue per employee and wage level are critical indicators of a company's performance, suggesting that ownership of IPRs significantly enhances a company's economic standing.

#### Findings:

- **Revenue:** SMEs with registered trademarks see 21% higher revenue compared to those without. Trademarks can enhance brand recognition and customer loyalty, leading to increased sales.
- **Wages:** SMEs with registered trademarks pay 17% higher wages. This could reflect the value of a strong brand in attracting both customers and talented employees, contributing to overall business success.

#### Analysis of Geographic Application

The aim of this study is to assess whether these principles apply to start-ups in different key areas. Although EU studies provide strong data on the positive effects of IP ownership, it is important to examine whether similar trends are found globally. This test is:

- **Regional IP Policies:** How local IP laws and policies influence startup performance.
- **Market Dynamics:** The role of market conditions and competition in different regions.
- **Economic Indicators:** Comparison of revenue, wage levels, and growth rates of IP-owning startups across various geographies.

By understanding these factors, policymakers and business leaders can better support startups and SMEs in leveraging IP for economic growth and competitive advantage on a global scale.

#### Registering intellectual property rights

Registration of intellectual property rights Intellectual Property Rights (IPR) registration is an important step for individuals and businesses to protect their creativity and innovation. This process calls for more action to ensure the legal recognition and protection of intellectual property. Here is a detailed step-by-step guide on how to typically register IPRs in India, highlighting the importance and the necessary procedures: 1. Fill out the application form: The process of registering an intellectual property be it a patent, trademark, technology or design, begins with filling out the appropriate application form and attribute. The application must be signed by the applicant, if applicable, and their designated representative. In addition, the application includes the subject matter, which identifies the specifics and novelty of the proposed invention or creation. These initial documents are important because they lay the foundation for initial intellectual property evaluation and which is appropriate to

check in the later stages of the registration process

**2. Preliminary Analysis and Examination:** When an intellectual property application is submitted, it is examined by an administrator and checked for any deficiencies or discrepancies. If issues are identified, the applicant is given one month to correct these deficiencies. Additionally, the expert team analyzes the case data to ensure the accuracy and truthfulness of the information provided. The examiner then compiles an evaluation report that summarizes their findings and recommendations based on the evaluation, and facilitates a comprehensive evaluation process to ensure that the application meets all the necessary criteria for registration of intellectual property rights.

3. The applicant is then given two months to address and dispose of this objection. In addition, the applicant has the right to request a hearing for further consideration and defense of their application, giving them the opportunity to clarify any concerns and, if necessary, by oral argument against it to the Registrar. This process ensures that the application is thoroughly scrutinized and considered before a final decision is made on the registration of intellectual property rights.

4. Publication in IPR Journal: Once an intellectual property application is accepted by the Registrar, it is published in the Intellectual Property Rights (IPR) Journal, making it available to the public. This publication is normally made within three months of acceptance and serves to notify the public and other potential stakeholders of the new application, so that any objections or objections can be submitted in the prescribed order

**5. Opposition Proceedings:** In the case of opposition, the creator or other groups who believe they have similar material may file a notice of opposition within three months of the publication of the intellectual property application. Upon receipt of this notice, the applicant has two months to file an answer in

defense of his application. Both parties may then be required to submit supporting documents, affidavits, and may participate in a formal hearing to resolve the dispute. This process ensures that intellectual property is sought of any details carefully and debated before final registration.

6. IPR registration: Upon successful completion of the intellectual property registration process, including the resolution of any objections or objections within the stipulated time, and compliance with all necessary requirements, the intellectual property rights are registered in the official manner. The applicant then receives a certificate or seal of registration, confirming that they are the sole owners of the intellectual property. This final step solidifies their legal rights and privileges, and provides tangible evidence of their recognized status as registered holders of intellectual property rights

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