

STARTUPS, INNOVATION AND INTELLECTUAL PROPERTY

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Innovation

- A forward step
- Innovation behind human progress
- No innovation = No development
- Innovative ideas, thinking, products, and processes lead to success of an enterprise
- Start-ups have to bank on innovation
- Innovation involves finding new solutions to existing and new problems – “Necessity is the mother of invention”

Start-ups

- SMEs?
- Even Micro Enterprises
- Individual initiatives

SME Sector in India 1

- SMEs play a leading role in
 - generating **employment**
 - providing **value addition**
 - creating **income**, and
 - making healthy contribution to **exports**.

SME Sector in India (2)

- **Over 50 million SMEs account for**
 - **95 % of the industrial units**
 - 45 % of manufacturing sector output
 - 40 % of exports
 - 80 million employments
 - Market value Rs 14,71,918 crore
- **SMEs *vis-a-vis* large firms**
 - Labour to capital ratio is higher
 - Overall growth is higher
 - Geographical distribution is wider
 - More than 94% are unregistered.

SMEs and Innovations 1

- SMEs account for
 - 80% of the innovations
 - 95% of the radical innovations
 - 8000 valuable products .

SMEs and Innovations 2

- ❖ **Small firms produce significantly more patents per employee than large firms**
- ❖ **Their patents are more technologically important, according to patent impact metrics.**
- ❖ [From study released by U.S. Small Business Administration's Office of Advocacy]

Economic Development and IPRs

- Current global economic model is that of global competition
- Private Capital is to be main driving force of development
- IPRs are means to protect investment in
 - R&D
 - Technology Intensive Industries
 - Communication and Entertainment Industries

Global Trade and IPR

- IPRs enter global trade with the TRIPS Agreement of 1994
- Two decades of international IP regime
- Developing countries and Least Developed countries
- Manufacturing vs. Royalties
- Job creation vs. Mechanisation led by IPRs
- Royalty payments

Open Source Systems of Technological Innovation

- From the commons to the enclosures
- Complexities of Innovation
- Need for multiple source inputs
- What kind of open innovation
- Open Source Drug Discovery

What IP can do to your business?

- Gives competitive edge
- Consolidates market position.
- Provides new revenue streams through licensing, franchising or sale.
- Gains investment funds to develop and market new products.
- Increase in negotiating power through cross licenses or Joint Venture agreements.

ENCOURAGING INNOVATION AMONG START-UPS AND SMEs

Access to Financing for R&D

- Government programmes and support for venture capital and other types of risk financing through, for example, tax incentives
- Govts. to work directly with SMEs, offering special financing arrangements including state guarantees and/or tax incentives for research activities, particularly in the early stages of development.
- Better co-operation and access to government-supported research centres including, for example, universities, also is a useful step that could be taken to promote innovation by SMEs.
- A central clearinghouse, a "one-stop shop", for information related to national programmes and support for SMEs.

Access to new Technologies and Know-how

- Co-operative information-sharing arrangements at the local, national, regional or international levels. Such initiatives would not only give SMEs the opportunity to benefit from a broader pool of information resources, but would also provide a ready network of potential business partners.

Patent Protection and R&D

- SMEs need user-friendly patent offices with lower cost, streamlined procedures.
- Climate for R&D would be improved if regulatory and administrative burdens were reduced

Education and Training

- Government support for
 - Basic education
 - Financial assistance with SME training, and
 - Promoting greater co-operation and exchanges between business and universities.

SMEs and Innovation Case Studies

Case Study 1: Toyota

- In 1896, Sakichi Toyota obtained patent for a powerloom
- In 1909, invented an automatic loom and obtained several patents
- In 1924, Toyota Type G automatic loom introduced
- Kiichiro Toyota, son, gave exclusive rights to manufacture and sell in all countries except Japan, China and US to Platt Brothers for Pounds 100,000
- That was invested in R & D for an automobile company.

Case Study 2: **Dr Reddy's Lab**

- DRL founded by Dr K Anji Reddy in **1984**
- Research Foundation (DRF) estd. in **1993**
- 1st ten years: **31 product patent applications in US; 110 product and process patent applications in India.**
- **Today India's 2nd biggest pharma firm**
- Revenue in 2009 -- Rs. 6944 cr.
- Employees (2009) -- 11,600 (R&D 1000+)
- **45 patents since 2003**
- 26 applications in 2009
- 27 applications in 2010

Case Study 3: **Nando's**

- **Secret chicken recipe** of Portuguese community in Johannesburg, South Africa
- In **1987**, Fernando Duarte and friend Robert Bozin set up **Nando's, a restaurant**, with chicken preparation as major product
- Registered the trademark and developed the brand.
- Today with **hundreds of branches and franchisees.**

Case Study 4: Faveo Ltd.

- **FAVEO Limited: An Innovative Bra Design and Development Company** set up by **a cancer research scientist Dr Joanne Morgan** in the **UK**
- Year of establishment -- **2004**
- No. Of employees – **7**
- **Obtained IP (patents, trademarks, designs and copyright) rights for backless and straples bra.**
- **On the strength launched small company with friends**
- **Obtained bank loans**

Case Study 5: Jet Mosquito Repellent

1

- Mr. **S.K. Matlani** is an entrepreneur based in Indore.
- In **1985**, he quit his job as a clerk in a bank and started a **small business of manufacturing plastic buttons and pipes**.
- In 1986, he started manufacturing **mosquito repellent mats** after a visit to Malaysia where he saw the project and the technology involved.

Case Study 5: Jet Mosquito 2

- Mr Matlani fabricated a small machine in-house and his company began selling mosquito repellent mats based on his indigenous chemical formulation under the trademark **JET**.
- The total investment in the project was around Rs. 2.5 to Rs. 3 million

Jet Mosquito 3

- In **1995**, M/s Godrej Sarah Lee Limited struck a deal with Jet Home Care Products Ltd for buying the JET trademark for **Rs. 30 crore**.
- The factories set up by Mr. Matlani as well as the other tangible assets of the company remained with him.
- The **acquisition by Godrej involved exclusively the trademark** which had acquired a good reputation in the Indian market.

Alertness Pays: Learning through Experiences

Case I: Power saving dust free AC: The CEO of Surya Kiran, Col. J J Singh, invented an AC which maintains 12.5% temperature in summers, saves 50% saving in power, and has 0% dust levels. Lead to no cough, cold, fever, flu because there is no dust. Most cheap.

Fault: Took only copyright for its design and **no patent was procured** for the technology. As a result, others copied the technology.

Alertness Pays: Learning through Experiences

Case 2: Fast charging battery: Surya Kiran, developed a technology whereby lithium ion batteries can be charged up in flat 7 seconds.

Fault: No Patent has been **taken** for this technology. But this **technology being very complex** in nature cannot be easily copied.

Alertness Pays: Learning through Experiences Contd...

Case 3: Satellite broadcast receivers: Mr. Vinay Chadda, invented separate satellite receivers in just 3 days . Established GVC Systems Pvt. Ltd.

Fault: No IP protection was taken. The technology was extensively **copied** and lead to complete loss of revenue.

Alertness Pays: Learning through Experiences Contd...

Case 4: Transistors: US states Texas and California , largest manufacturers of transistors lost its business to Japanese copycats in 70's and 80's

Fault: Did not use IP aggressively.

Innovation is the preserve of the urban rich: **Not True**

Case I: An **individual** Hamer Douglas Taylor invented the **lock system in small cans** and is getting 48,000 UK pounds as a royalty



Innovation is the preserve of the urban rich: **Not True** contd...

- **Case 2:** Britannia Biscuits started in 1892 on an investment of Rs. 295
- Today revenue is Rs. 3401.4 cr (2009-10)
- HOW? By launching biscuits with a human face and branding



Innovation is the preserve of the urban rich: Not True contd...

- **Case 3:** Bombay Oil Mills launched the brand Parachute in 1964
- Marico acquired the TM in 1992
- Today it has 90% of the market
- Flip top cap for bottles to enhance safety



Story of Microsoft: A corporation built on IP

- Bill Gates and Microsoft co-founder Paul Allen studied together in high school. To give shape to their dream, they founded Microsoft on **April 4, 1975** in Albuquerque. Gates was only **20 years old** then. The name '**Microsoft**' was derived from the words 'microcomputer' and 'software.' The name was first used by Gates in a letter to Allen on November 29, 1974. It became a registered **trademark in 1975**. A few years down the line, Microsoft started gaining prominence with operating systems.

Origin of Hotmail

- Hotmail was launched in the year **1996** by **Sabeer Bhatia and Jack Smith**
- In the year **1997**, Hotmail was acquired by **Microsoft.**

A crorepati who lived in a hut!

- E.Sarathbabu after passing out from IIM started a catering business of his own, inspired by his mother who once sold idlis on the pavements of Chennai, worked as an ayah in an Anganvadi to educate him and his siblings. As a child, he also sold idlis in the slum where he lived.
- In August 2006, Sarathbabu's entrepreneurial dream came true with **Foodking**. Started with a seed capital of Rs. 2000. Today, Foodking has six units and more than 200 employees, and the turnover of the company is Rs.32 lakh a month.

More Cases 1

- **Flipkart:** Sachin and Binny Bansal launched it as an e-commerce website dealing in books in October 2007. Initially, they had spent ₹ 400,000 only for making website to set up the business
- **Paytm:** Vijay Shekhar Sharma. Present value over \$ 3 billion
- **SnapDeal:** Kunal Bahl and Rohit Bansal started in 2010
- **Ola Cabs:** Bhavish Aggarwal started as an online holiday and tour planning service. Ola founded in 2010 with Ankit Bhati.

More Cases 2

- **Zomato**: An online restaurant search and discovery service started by Deepinder Goyal and Pankaj Chaddha
- **OYO Rooms**: Ritesh Aggarwal started before the age of 18
- **Thyrocare**: Founded by Arokyaswamai Velumani with Rs. 1 lakh in 1996. Today more than Rs. 2100 crore worth
- **Kent RO System**: Mahesh Gupta started in 1985 with just Rs. 20,000. After 6 patents in petroleum conservation he developed the waterpurifier.

More Cases 3

- **ID Fresh:** P C Mustaffa, a coolie's son. Idli Dasa batter business. Started with Rs. 20000 in 2005. Today a Rs 100 crore company.
- **LateraLogics:** Arjun Santhosh Kumar, a 10th grade student of Velammal Vidhyshram in Chennai, is the Founder. developed two award-winning apps, namely Ez School Bus Locator and iSafeGuard, at a tender age of 13.
- **GoDimensions**, a technology company with focus on developing simple solutions for the digital world. Shravan and Sanjay Co-Founders at the ages of 15 and 13.

Startup India Scheme

- Launched in January 2016
- **Objective:** To build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities
- Scheme aims to empower Startups to grow through innovation and design
- An entity shall be considered as a 'Startup' -
 - Up to seven years (10 years in bio-tec sector) from the date of its incorporation/registration,
 - If its turnover for any of the financial years has not exceeded Rupees 25 crore, and
 - It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.

Scheme for Facilitating Startups Intellectual Property Protection

- To protect and promote Intellectual Property Rights of startups and thus encourage innovation and creativity among them.
- It is intended to nurture and mentor innovative and emerging technologies among Startups and assist them in protecting and commercialize it by providing them access to high quality IP services and resources.
- Empanelled facilitators(IP Agents) can file and get the application processed. No fee to be paid by the startups.

Government Initiatives and Other Opportunities for MSMEs

- Reimburse 50 % patent cost (mxm. limit Rs. 15 lakh) by DIT.
- One time grant of Rs. 25,000 for domestic patent and Rs. 2 lakh for foreign patent by MSME.
- One time grant of Rs. 1 lakh for registered geographical indications by MSME
- Grant of Rs. 4-8 lakh for each practical idea generated through incubation centres by MSME

Thank You

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