

Building Awareness on Intellectual Property Rights (IPR) for the Micro, Small & Medium Enterprises (MSME) in India (WIPO paper, published 2007, source :

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A. Micro & Small Enterprises (MSEs) Sector – An Overview:

The Micro & Small Enterprises (MSEs) Sector continue to be a vibrant sector of the Indian economy. It is estimated that there are about 12.8 million units (over 90 per cent of total industrial units) in this sector employing nearly 31 million people. This sector contributes nearly 39 per cent of the total industrial production and accounts for approximately 33 per cent of the total exports. This sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6500 products ranging from traditional to high-tech items, which are being manufactured by the small enterprises in India. After agriculture, the MSEs sector provides the maximum opportunities for both self-employment and jobs in the country. The small enterprises sector in India holds great potential for further expansion and growth in the future. In fact, the employment potential of the sector is un-matched by any other sector of the economy.

B. Challenges of Globalisation & Liberalisation for MSEs in India:

2. With the liberalisation and globalisation of the Indian economy, the small enterprises in India have unprecedented opportunities on the one hand, and face serious challenges, on the other. While access to global market has offered a host of business opportunities in the form of new target markets, possibilities to exploit technological advantage, etc., the challenges in this process have flowed mainly from their scale of operation, technological obsolescence, inability to access institutional credit and intense competition in marketing.

3. The Government of India is fully aware of the challenges of globalisation and has taken appropriate measures for preparing the Micro & Small Enterprises (MSEs) to meet the challenges of liberalisation and globalisation. Taking a view of the whole situation, the Government has put in place several measures to help small enterprises to become globally competitive. These include schemes /programmes for technology upgradation, development of clusters of such industries, making collateral free bank credit available upto US\$ 1,25,000, creating awareness among these industries regarding export-related issues, etc. The Ministry of Micro, Small & Medium Enterprises (MSME) in India also conducting

workshops on various aspects of WTO, Anti-dumping seminars, IPR, etc. to sensitize the MSEs entrepreneurs and other stakeholders about the likely impact of liberalisation and globalisation.

4. The Micro Small and Medium Enterprises Development (MSMED) Act, 2006 has been formulated as a response to the long-standing demand of the MSEs sector, the emergent need to provide a legal framework to address the developmental concerns of what is globally known as "small and medium enterprises". The Act, inter-alia, provides the first-ever legal framework to facilitate the promotion and development of micro, small and medium enterprises (MSME), which comprises both manufacturing and services entities. It defines 'medium enterprises' for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/ programmes for this purpose, progressive credit policies and practice, more effective mechanism for mitigating the problems of delayed payments to MSEs, etc. are some of the other features of this Act. The Ministry of MSME has also taken a view, in the light of liberalized provisions of the MSMED Act, 2006 to do away with the restrictive 24 per cent ceiling prescribed for equity holdings by industrial undertakings, whether domestic or foreign, in the erstwhile Small Scale Industries (now SMEs). This coupled with an expected legislation on Limited Liability Partnership (introduced in the Parliament by the Ministry of Corporate Affairs) is expected to pave the way for greater corporatisation of the Small & Medium Enterprises- thereby enhancing their access to equity and other funds from the markets of these products in keeping with the global standard.

B. Need for a National IPR Programme for SMEs in India :

5. Although, Government policies implemented through direct means are indeed important for providing support for SMEs, especially in the short term, there is a limit to such interventions in a market driven global economy. Accordingly, indirect approach need to be followed for supporting MSME, which, inter alia, includes putting in place a well defined institutional and legal provisions/ mechanism to facilitate equal access to global resources especially in the long run. Further, indirect means of providing support to MSME for remaining competitive in this era of liberalisation and globalisation is relatively cheaper than the direct means and compatible with market driven economy. Keeping this in view, the National Manufacturing Competitive Council (NMCC), set up by the Government of India as a continuing forum for policy dialogue to energise and sustain the growth of manufacturing sector in India, has suggested a five year National Manufacturing Competitiveness Programme (NMCP), particularly for the small & medium enterprises

(SMEs) in India. Accordingly, they have identified and recommended nine schemes, including the programme on IPR to sustain the growth of SME sector in India.

C. Background of the proposal :

6. The IPR proposal is for " Enhancing awareness about the Intellectual Property Rights (IPR) to enable MSME to make more competitive in the present global environment". The objective is to enhance awareness about the Intellectual Property Rights (IPR) to enable MSME to make informed decisions about protecting their ideas and business strategies, effective utilisation of IPR tools by MSME for technology upgradation & enhancing competitiveness, and providing access to technical facilities and expertise for value addition to their business. This project is to be implemented with a total outlay of US\$ 12.5 million over a period of five years.

7. India ratified the agreement establishing the World Trade Organisation [WTO] which inter-alia contains agreement on Trade Related Aspects of Intellectual Property rights [TRIPS] which came into force from 1st January 1995. It provides for minimum standards for protection and enforcement on intellectual property rights in member countries which are required to promote effective and adequate protection of IPR with a view to reducing distortions and impediments to international trade. The obligations under the TRIPS agreements relate to provision of minimum standards of protection within the member countries.

8. Intellectual property rights protection plays a key role in gaining competitive advantageous position in terms of technological gain for achieving higher economic growth and becoming competitive in this era of liberalisation. India in general, enjoys large assets of R&D personals and research facilities. While majority of the countries have adopted strategy for implementing strong IPR protection for strengthening their industries and trade, Indian industries, particularly the small and medium enterprises are lagging behind in recognising the importance of IPR and responding positively to the global changes in the IPR. Indian industries, especially the MSME, are not coming forward for adopting IPR as a business strategy and a means for enhancing competitiveness and becoming an efficient player in the global market. It is observed that there is widespread lack of awareness about IPR as a means for creating a competitive edge in the trade and technology market and for value addition to the business. The Indian MSME sector needs more information, orientation and facilities for protecting their intellectual powers. It is essential that the MSME in India should show a positive approach towards creation, protection and management of IPR, so as to enable them to compete in the global market and achieve growth in business.

9. The Government of India [GoI] has taken several initiatives in the field of IPR, including amendments in patent laws and modernisation of the IPR / Patent Offices, as a strategic response to the globalisation and liberalisation of the Indian economy. In a product patent regime, Indian firms will have to look for new sources of growth in the future and productive R & D. Improving awareness on IPR amongst businesses, particularly MSMEs, means that they will be able to make informed decisions for protecting their ideas and business strategies. Effective utilisation of IPR, particularly patents, has acquired great importance for technology upgradation and growth in the industry as well for becoming competitive in the globalised market. In a market driven global economy, it is necessary that knowledge driven industries in India should increasingly attempt to embrace a network of innovation and R & D by intensifying their collaboration with research institutes, universities and other counterparts. Such efforts need to be particularly supported and encouraged for the SMEs.

D. Main Activities :

10. Main activities proposed under this programme are proposed as under :

a) Awareness/Sensitisation programmes on IPR :

In the changing global scenario the issues of IPR have gained special importance in the Micro Small & Medium Enterprise [MSME] Sector. It is felt that different aspects of IPRs require greater understanding and attention by the industry. MSMEs by protecting their intellectual property can increase their competitiveness in a variety of areas. To prepare MSME sector to face the present challenges of liberalisation one day awareness/sensitization programmes on IPR are proposed to be held at various parts of the country. These programmes will be highly interactive specially designed for MSME entrepreneurs who require a sound understanding of the IPR issues. It will aim at developing and improving the overall management system of an organization. These programmes will also help the participants to understand the key attributes of an efficient IP system and how effectively to use IP tools. The approach of these programmes will be to give an overview of IPR issues with detailed sessions on patents, trade mark, copyrights, industrial design and geographical indications.

b) Pilot Studies for selected SME Clusters/ Group of Industries :

This scheme will be focused on further strengthening the IP needs of the MSEs Clusters taken up under the Micro & Small Enterprises Cluster Development Programme (MSE-CDP) of the Ministry of MSME and would also be open to other need-based units/enterprises.

Following pilot studies are proposed to be undertaken.

Bulk Drug and Formulation industry	Sewing Machine parts
Fruit Processing Industry	Toy industry
Precision components and machine tool	Gem and jewellery
Electronics product industries	Perfumery industry
Herbal and aromatic plants	Basic chemicals
Readymade garments	Pottery industry
Pharmaceutical Industry	Fire works
Engineering Industry	Lock industry
Auto components industry	Machine tool industry
General light engineering industry	Electrical parts industry
Agricultural implements	Leather and foot wear
Bio-technology	Supplementary Foods
Sports goods	Scientific instruments
Rubber industry	Plastics items
Foundry industry	Herbal cosmetics & drugs

c) **Interactive seminars/workshops on specific issues like patents, trademarks, copyrights, industrial design, trade secrets and geographical indications, etc.**

These programmes are designed for MSMEs to protect their intellectual property rights and will be product specific and cluster based. The group of industries proposed to be covered under these programmes will in the area of biotechnology, automobile components manufacturers, bulk drugs and formulation industry, basic chemicals, leather products, herbal cosmetics and drugs, pharmaceuticals industry, electronic products, sports goods etc.

The proposed programme would train the representatives of MSME to understand the product specific/sector specific IPR related needs for change in view of changing trade environment, limited access to technology, global competition, high innovation risks, short product cycle needs for rapid changes and technologies and needs for highly skilled human resources. Apart from various local agencies the subject matter from the country experts from International agencies like WIPO, European Union various Patent Offices, etc. will also interact with the participants.

d) **Setting up of Intellectual Property Advisory Cell :**

As most of the micro Small & Medium Enterprises do not have adequate resources to develop their own IP assets whereas there exists a huge potential in developing and safeguarding their ideas/inventions. Among all types of Intellectual Properties, patent is particularly important in terms of its linkages for technology up gradation and transfer of technology. The information given in a particular patent publication is one of the most well-

classified and updated collections of technical specifications on new and innovative technologies.

The technical information contained in patent documents can provide an important insight to MSME that may be used to

- ❖ Avoid unnecessary expenses in duplicate research.
- ❖ Identify and evaluate technology for licensing and technology transfer.
- ❖ Identify alternative technology.
- ❖ Keep abreast with the latest technology in the field of expertise.
- ❖ Find ready solutions to technical problems.
- ❖ Get ideas for further innovation.
- ❖ Technology that can be used without infringing others rights in India.

These IP Advisory Cells will assist in developing the data-base of high-tech MSME which have significant potential of benefiting through updating their knowledge on the patents granted in the areas of their working. It will also assist MSME for developing system for international patent search.

e) **Specialised training (long term/ short term) on IPR related issues for the entrepreneurs, officers, members of industry associations and other stakeholders with focus on cluster development :**

To generate awareness on IPR issues concerning to patents, trademark, copy right, industrial designs, trade secrets and geographical indications, it is proposed to conduct long term and short term training courses for the benefit of MSMEs manufacturers, members of the Industrial Associations, persons engaged in R&D activities, Government officials associated with the implementation of IPR projects and students of the management and engineering institutions. The basic aim is to train participants in the area of IPR who will act as resource persons and serve the various needs of the different target groups, who are involved in the IP value change. The duration of the long-term training programme will be of 6 months and the short-term training will be for 2 to 3 weeks. The resource persons/experts of this training programme will be drawn up from Indian Patent Offices, Department of Science and Technology, NRDC, reputed patent attorneys, expert from WIPO and EU, . For long-term training programme the participants will be nominated to the designated institution [Research and Technical institutes] running exclusive course on IPR, whereas the short term training programme will be held at various locations as per the need.

f) **Financial assistance on grant of patent :**

In order to encourage micro & small enterprises in India to obtain patents, It is proposed to provide lump-sum financial assistance on grant both domestic & foreign patents.

g) **Interaction with International Agencies :**

In most mature economies, the exploitation of IP is legally protected through the use of IPRs, which evolved from property rights on land, capital and labour. The global network economy requires that both matters of protection and visibility be addressed at a worldwide level. Initiatives of awareness and actions of harmonization in various fields could be initiated by extending co-operation in the area of Science & Technology (S&T) between various countries.

The main thrust to activities proposed to be undertaken will be as following:

- ❖ Implementation of national programmes for sharing of knowledge between various countries
- ❖ Opening of avenues for interaction in areas leading to acquisition of knowledge available globally.
- ❖ Capacity building in high-tech areas through training and exchange programmes.
- ❖ Sharing expertise in S&T and large scale facilities with developed and developing nations.
- ❖ Understand the different cultural approaches to scientific research.
- ❖ Studying the best country practices and to explore the possibilities to adopt them for Indian SMEs.

11. Outputs and Outcomes of the Programme :

The objective of this scheme is to provide enhancing awareness about the IPR to enable MSME to make informed decisions about protecting their ideas and business strategies, effective utilization of IPR tools by MSME for technology upgradation & enhancing competitiveness, and providing access to technical facilities and expertise for value addition to their business. Gains made through this project will be in terms of higher exports, import containment and making Indian Industry more competitive in the present changing global scenario. The project will adopt a pro-active approach to augment the export potential of the MSME sector and will assist in keeping a state of preparedness to meet the emerging challenges in the post-WTO world. It is expected that this intervention will help the Indian MSME sector to further improve its technology and competitiveness through world-class technological tie-ups, protecting them from infringement of their IPR, and also a higher share of MSME in the total exports of the country.
