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Impact of IPR on Indian Economy

SHASHI SHEKHAR SINGH CHAUHAN¹ AND ABHISHEK KUMAR SINGH²

ABSTRACT

Intellectual property seems to be essential to the progress of a country. In many developed nations, the strict enforcement of the IPR function has a considerable positive impact on economic growth. IP rights promote innovation, which leads to progression in the economy. Nowadays, every company exists as a result of innovation. The value of IPR legislation has been acknowledged in the current period. In today's world, it's not simply innovation but also brand recognition that counts. There is a lot of charm attached to the name. Intellectual property rights have a substantial influence on a country's growth and prosperity. In the context of economic growth IP rights may have both a negative and positive impact. This paper deals with the impact of IPR on Indian economy. Further it highlights purposes, mechanisms, and economic benefits of IPR.

Keywords: *Intellectual property rights, innovation, economic growth, industrialization.*

I. INTRODUCTION

Reverse engineering and non-patented items give India the unique capacity to create more cheap variants of a technology. India has also accepted requests from more advanced countries to transfer technology because of its low production costs. India has been a trailblazer in recreating innovations from developed nations and rendering them inexpensive and available to a larger number of people in the healthcare industry.

In the meantime, there is rising concerns that the patent system would impede economic progress as the nation transitions from a developing to a developed position. This apprehension arises from the assumption that as a nation develops, the frequency of technological transfers may diminish.

To raise human development metrics and discover modern answers to common issues, developing nations like India primarily rely on research and innovation. Intellectual Property rights and economic growth are directly related, while there are other variables that may have an impact on this association. For instance, in an advanced economy, innovation and research are geared on addressing issues that developed nations face. Due to their lack of resources, emerging nations are left to fend for themselves and find answers to the problems they confront.

¹ Author is an Assistant Professor at IIMT University, Meerut, India.

² Author is an Assistant Professor at IIMT University, Meerut, India.

In a nutshell, the link between intellectual property rights and economic growth in developed countries differs from that in underdeveloped countries.

II. RELEVANCE OF INTELLECTUAL PROPERTY RIGHTS

There are two chief economic objects of any system of intellectual property defense. The first is to encourage investments in intellectual growth and commercial development through the establishment of exclusive right to use and commercialize newly developed technology, commodities, and services. Without this kind of rights, economically significant knowledge may be seized without recompense by competitors, making institutions and people hesitant to spend money and effort in research and commercialization operations.³

The second purpose is to foster wide distribution of new information by promoting or mandating rights holders to offer their concepts and innovations in the market. It is cost effective to offer widespread access to new technology and goods after they have been produced at marginal costs of production. Such expenses would be fairly modest because it may simply involve replicating a blueprint or creating additional replica of a storage media.⁴

There is a fundamental conflict between these goals. An extremely guarded IPRS regime may limit the societal benefits of invention by lowering incentives to spread its fruits. The unduly poor system, on the other hand, may inhibit innovation by failing to deliver an acceptable return on investment. As a result, a policy balance that is adequate to market conditions and beneficial to growth must be found.

III. RELATIONSHIP BETWEEN INTELLECTUAL PROPERTY RIGHTS AND ECONOMY

Intellectual property fulfils the following economic functions:⁵

- to grant the inventor with sole ownership of the work and to protect those rights, as well as to encourage investment in the creation and study of knowledge;
- if the inventor has not yet provided permission, forbid competitors or anybody else from exploiting or misusing the property; and
- to establish a place for any innovation in order to put it to use and encourage other people to innovate and produce.

Novel inventions and concepts are now more cost-effective to include since they directly affect

³ Economic Benefits of Intellectual Property Rights, *available at*: <https://www.legalservicesindia.com/article/2550/Economic-Benefits-of-Intellectual-Property-Rights.html>(last visited at February 12, 2023).

⁴ *Ibid.*

⁵ How IPR impacts India's economy, *available at*:<https://iptse.com/how-ipr-impacts-indias-economy/> (last visited at February 12, 2023).

the product's material cost. As a result, it's essential to stay updated with innovation and technical progress. A strong IPR policy that protects people's interests will discourage people from taking similar actions. The same applies to the application of good law as to its mere existence. Strict laws are inoperable if they cannot be effectively enforced. Due to inadequate regulations and rules there may be lack of innovation. IPR legislation must deter people from abusing intellectual property.

IV. ECONOMIC BENEFITS OF INTELLECTUAL PROPERTY RIGHTS

Economists have identified a number of mechanisms via which IPRs might promote economic expansion and development. Because of the interdependence of these processes, it is important to have a broad perspective on the incentives related to intellectual property protection. Intellectual property rights may be a major motivator for creativity, product creation, and technological advancement. Intellectual property rights system in developing nations frequently encourage information dissemination through low-cost copying of foreign goods and technology.

Industries in emerging nations frequently need to implement new organisational and managerial practises for quality control in order to compete, which can significantly increase production. Such investments are expensive but often yield large social benefits since they are essential for boosting productivity to levels consistent with global standards. It seems to be more probable that they will be carried out in a place with low possibilities of deceptive business practises and trademark infringement. IPRs may also encourage innovation and risk-taking among startup businesses and entrepreneurs. Governments with inadequate standards risk being reliant on fundamentally ineffective businesses that rely on falsification and duplication.⁶

Developing nations seek to attract more technology by enhancing existing IPRs frameworks, both independently or in accordance with TRIPs. Technology is transported across borders through three interconnected routes. International commerce in goods, FDI inside multinational corporations, and contractual licencing of technology and trademarks to unaffiliated businesses, subsidiaries, and joint ventures are some of these avenues. Economic theory reveals that, even in subtle and complicated ways, local IPRS protection is a factor in how technology is transferred through each channel.⁷

This analysis has significant practical ramifications. First, Secondly, nations with inadequate

⁶ Role of IPR in Economic Development, *available at*: <https://blog.ipleaders.in/role-of-ipr-in-economic-development/> (last visited at February 15, 2023).

⁷ *Ibid.*

IPRS may be cut off from new technology, forcing them to create technological expertise from scratch, a tough and costly endeavour. Second, these nations would reap less spillover advantages and demonstration effects from innovative technology. Third, The technology accessible to such countries would most likely be obsolete. Finally, countries with poor IPRS regime might have minimal opportunities for local innovation as well as little inbound transfer of technology.

Likewise, IPRS should promote the establishment of transnational and worldwide distribution and advertising channels, which are essential for obtaining economies of scale. Poor IPRs might reduce opportunities for such expenditures since rights holders would be unable to protect their marketing channels from devaluing the quality of their goods, neither would they be able to easily dissuade trademark counterfeiting. Consequently, IPRS should enable efficient control and regulation of activities over the production and distribution chains, giving an opportunity for both inventors and distributors to spend in promotional, service, and quality assurances.

Protecting the interests of customers requires quality assurance. So far, the widespread sale of pirated goods can destroy reputations built up at great expense; this issue can only be solved by making new investment. For in stance, consumers may be at risk by counterfeit goods, such as food, drink, cosmetics, and pharmaceuticals.

Yet, there is a lot of uncertainty around this result, and it is feasible to question its relevance in real-world situations. Even with stronger patents (whose enforcement would be difficult), the capacity of the poor to afford protected treatment would not significantly increase for a considerable amount of time. A compelling case might be made in this situation for public marketing, worldwide procurement, and distribution of novel medications.

V. CHALLENGES IN IPR AND ECONOMIC GROWTH

Absence of Intellectual property right legislation for modern technology is one of the main issues in the field of IPR. Indian law does not recognise algorithms and codes as patentable, which presents a challenge for those who are developing new technologies in this area.⁸

India presently lacks effective protection legislation for cutting-edge technology, despite the fact that the government is aware of how important these laws are. The situation is made worse by the absence of a comprehensive statute that addresses all requirements for protection of intellectual property. As existing rules operate in silos, inventors frequently find themselves

⁸ *Supra* note 5.

unsure of the best ways to protect their work from exploitation.⁹

IPR has the capacity to substantially improve a country's economic development. Innovation and research are fueled by intellectual property protection. Businesses are pushed to invest in pioneering technology that might have a significant societal effect via licenced innovation.

Unfortunately, the current IP protection regulations are insufficient to control innovation in new technological domains. The country's economy might suffer as a result of this. A wide-ranging set of IP protection rules are essential if the nation is to realise its full potential.

VI. CONCLUSION

According to economic theory, IPRS may either have a beneficial or detrimental function in promoting development and growth. The present study implies that the link is favourable, but it is contingent on other variables that boost the benefits of protecting intellectual property. In short, IPRS might be effective and market-based strategies for addressing challenges in information development and dissemination marketplaces. Yet, their prominence may cause issues in terms of costs and monopolistic practices behaviour.

As a result, contemporary IPRs systems are insufficient to promote effective technological change. Instead, they must be part of a comprehensive set of supportive policies that optimise IPRS's ability to increase dynamic competition. Enhancing human capital and skill acquisition, increasing flexibility in company organisation, maintaining a high level of competitiveness on domestic markets, and building a clear, non-discriminatory, and effective competition regime are examples of such policies.

⁹ *Ibid.*