

Impact Of the Intellectual Property Rights on Economic Growth and Development

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Introduction

Intellectual Property (IP) manages any fundamental development of human insight, for example, creative, scholarly, specialized or logical development. Intellectual Property Rights (IPR) gives the legitimate rights to the creator to verify their creation. These legitimate rights give a restrictive right on the creator/producer or its administrator who utilizes it's his development/item for a constrained time frame.

As it were, we can say that the lawful rights deny all others from utilizing the Intellectual Property for business purposes without the earlier ascent of the IP rights holder. IP rights incorporate prized formulas, utility models, licenses, trademarks, geological signs, mechanical structure, format structure of coordinated circuits, copyright, and related rights, and new assortments of plants. It is very much settled that IP assumes a significant job in the cutting-edge economy.

There are numerous kinds of licensed innovation assurance. A patent is an acknowledgment for a creation that fulfills the criteria of worldwide development, and mechanical application. IPR is fundamental for better distinguishing proof, arranging, commercialization, rendering, and along these lines the protection of developments or imagination. Every industry ought to build up its claim to fame dependent on its IPR approaches, the board style, methodologies, etc. As of now, the pharmaceutical business has a developing IPR procedure, which needs better concentration and standpoint in the coming time.

Intellectual Property is that property that is developed by the human mind and by human intellect. Now intellectual property and rights attached to intellectual property are becoming very precious and valuable. In India, there are well-established administrative, statutory, and Judicial frameworks for protecting IPR. India has to comply with the Agreement on Trade-Related Intellectual Property Rights ("TRIPS") by enacting the necessary statutes. Intellectual Property rights deal with Trademark, Copyrights, Patents, and Geographical Indications of goods. The law protecting some special species of Intellectual property rights in India are:

- The Geographical Indications of Goods (Registration and Protection) Act, 1999;
- Trade Marks Act, 1999;
- The Semiconductor Integrated Circuits Layout Design Act, 2000;
- The Protection of Plants & Varieties and Farmers Rights Act, 2001;
- The Biological Diversity Act, 2002;
- The Copyright Act, 1957; and
- The Patent Act, 1970

Intellectual property rights have great importance in the growth of a country. Intellectual property law is different in all countries. In many developed countries, the strict enforcement of the IPR role has a huge contribution to economic growth. IPR promotes innovation which leads to economic growth. Nowadays every business in the world is the creation of Innovation. The current era has realized the importance of IPR laws. It is not only innovation but also the name which matters in today's world. The name carries huge value in the form of goodwill. Some companies just sell their name in exchange for a huge amount of money. Intellectual Property rights have a great influence on the financial improvement of a nation. The IPR can play both negative and positive growth in economic development. This article analyzes the role of Intellectual Property rights in economic growth. This paper study the relationship between IPR and the economy. The impact of IPR is positive as well as a negative impact on the economy. It is very important to protect the interest and rights of people to evolve in innovation and creation which is directly linked to the development and growth of the country.

Literature Review

Kanwar and Lai (2001) analyzed the impact of intellectual property rights (IPR) on economic growth and welfare using an expanding-variety type model of R&D. Kwan and Lai (2003) demonstrate that when taking into account a transitional dynamic there exist a limited optimal degree of IPR protection. They calibrate their model using US data to evaluate the impact of optimal IPR on welfare. They looked to explain factors responsible from deviation of R&D from the optimal level specifically knowledge spillovers and creative destruction. Lai (1998) when assessing the relation between economic growth and IPR finds that when FDI is the major channel of technology transfer and there is high rate of protection than the rate of innovation rises in the North and the South. Kwan and Lai (2003) finds that tightening IPR protection would have as consequence an immediate fall in consumption and a rising of the R&D expenses in the R&D sector. In the next period, consumption would rises as a result of more investment in R&D which has as consequence faster innovation and growth. Kwan and Lai (2003) show that tradeoff between actual consumption and future consumption implies the existence of an optimal IPR that maximizes the utility of the representative agent. Extension realized by the authors, assume that the rate of imitation is dependent of accumulation of knowledge of past imitations. Strengthening IPR has a positive effect on innovation by stimulating R&D activities while imitation reduces R&D activities. IPR protection was modeled as the part of imitation rate that could be impacted by the government policies. The collection of means of industrial policies used is composed from length and breadth of patent, protection of trademarks, copyrights and trade secrets. In consequence, IPR policies form a component of anti-trust policy. Gould and Gruben (1996) analysed the direct relationship between growth rate and IPR protection controlling for other factors. They conducted their study using cross-sectional data over the period 1960-1988. Using OLS estimation, they find that IPR has a positive but not significant coefficient. They remarked the possibility of measurement errors since the index of patent contains subjective judgment. To solve this problem, they used the instrumental variable technique. They concluded at the existence of significantly positive relation between IPR protection and economic growth. Ginarte and Park (1997) studied the indirect effect of IPR on growth through the impact which exerts on physical, human and R&D capital accumulation. They used a cross country data over the period 1960-1990. They concluded that IPR protection influences the capital accumulation which in turn affects growth. In this line, Thompson and Rusching (1999) studied the indirect effect if IPR on growth. They used a cross –sectional data from 1975 to 1990 in assessing the influence of IPR protection on the total factor productivity which in turn affects growth. They find a significant positive relation between IPR and factor productivity for countries for which the GDP per capita in 1985 is above 4000 dollars. Schneider (2005) analyzed the effect of IPR on innovation which was proxied by the number of patent filings in US. She finds a positive effect of IPR on patent in developed countries, while for developed countries IPR has a negative or insignificant effect on innovation when controlling for other variable like infrastructure and FDI. Falvey at al (2006) studied the impact of IPR protection on growth using a threshold regression analysis over a panel composed of 80 countries between 1975 and 1994. The Research focused on the role of openness and the level of economic development measured by initial GDP. They find that the impact of IPR on growth varies at different level of income per capita and that this effect is positive under a certain level and above other threshold level. Between the two limits IPR protection has not any statistically significant effect on economic growth. Concerning developed countries, raising IPR protection stimulates innovation by encouraging inventions and granting return on R&D investment. For middle income countries engaged in the catching up process IPR protection decreases the ability of the country to imitate and absorb the new technology by raising the cost of reverse engineering which will be reflected by a negative effect on growth. Concerning the low-income countries, high IPR protection stimulates FDI flow and technology transfer which would have a positive effect on growth and income level.

The Connection between Intellectual Property and Economy

The role of Intellectual property in the economy are:

- To provide exclusive rights to the and to protect the interest of the creator and encourage investment in research and information creation;
- Forbid the competitors or anybody from exploiting or misuse the property without the permission of the creator; and
- To create a market for that invention so that it could be given to good use and will motivate others to innovation and creation.

Now, this is economical to use new creation and idea because it directly affects the material cost of the product. So, it is very important to keep updating the technology and the innovation. If there will be a good IPR statute to protect the interest of the people then it will discourage others to exploit the same. Not only a good law but enforcement of that law is important too. There is no good in having a Strict law if it cannot be enforced properly. The loopholes and weak laws can be misused and will be exploited which will lead to less innovation. IPR law must discourage individuals from exploiting the property.

Now IPR provides exclusive rights to the owner or creator of the property. The owner can decide the fair value and can sell them to anyone. A healthy return to developers will encourage him and others to make new innovations and likewise, we can promote innovation. But this right can also be exploited by the owner, the person or company can charge way more than the marginal cost. This exclusive right can create a monopoly in the market. Monopoly leads to inequality and disparity in the market in both consumption and production. The legal system has IPR as well as antitrust sections. Competition has its very important role in the market, it keeps checks in the market, and it affects consumer satisfaction. There are some big giants in the market who has absolute power in the market. They have the power resources to control and manipulate the market. The market is made from consumer-producer and developers and IPR gives rights and protection to developers and greater which keeps competition alive. There must be a balance between in the market. IPR can be used as a tool to maintain balance in the market. IPR not only gives exclusive rights to the owner but also provides authority to transfer his right to use to others so that the person can authorize anyone to use it in exchange for money.

Positive Impact of Intellectual Property Rights in Economy

A country like India which is one of the most developing economies in the world must focus on raising productivity in the market. India has always been known for outstanding services to the rest of the world. One can increase productivity by improving technology and method. Innovation needs investments, it required a great amount of investment, these are expensive but have an important role in investment. We can see and learn from developed countries like the USA and Japan in which the rate of development increased by 5 times after the implementation of Intellectual property laws.

Now there are various theories that suggest that IPR has an adverse effect on the economy. In China in the 1980s, trademark infringement negatively affected Chinese innovative enterprises. The local companies started exploiting the well-established company by making counterfeited products and by launching them in the market.

Copyright violations have a similar impact. In countries where copyright laws are weak pirate firms start exploiting the law and the market. Though low-quality copies or pirated copies would be available in the market the technological development would be hampered which will directly affect the economy. IPR laws should provide incentives for both the producers and consumers to invest in the market. This also assures quality, which is important for safeguarding the interests of the customers. The counterfeit or fake products of beverages, food products, cosmetics, and medicines can be hazardous to customers.

After the introduction of Trade-Related Intellectual Property Rights (“TRIPS”) the market started changing. The act started to provide space for operation and opportunities to the companies for innovations. The private sector has started investing in Research and development. After the implementation of TRIPS, the number of patents filled in India has increased.

Economic Benefits of Intellectual Property Rights

The subject of how Intellectual Property Rights influence the procedures of monetary improvement and its development is mind-blowing and dependent on different factors. In principle, more grounded frameworks for the insurance of licensed innovation could either improve or constrain monetary development. Eventually, the proof is rising that more grounded and increasingly certain licensed innovation law could well build the monetary development and cultivate advantageous change, along these lines improving formative possibilities, on the off chance that they are organized in a way that advances compelling and dynamic challenges.

As the worldwide assurance system reinforces because of Trade-Related Aspects of Intellectual Property Rights various inquiries emerge about the effect on possibilities of financial development. For a ton of reasons, it is unimaginable to unhesitatingly say that the new system will raise monetary development and improve the advancement process. There are two significant reasons. First to start with, numerous factors influence the development of manners that can command the effect of TRIPS. Second, the monetary hypothesis brings up that licensed innovation rights could have a lot of consequences for development, some positive and some negative.

For any business to cut a specialty for itself, development has become the spine, particularly in the serious condition today. Development clears the way for the making of licensed innovation and utilizing this protected innovation gives your business a serious edge while additionally contributing enormously to its prosperity. Protected innovation is an important asset for every single business, particularly those contributing huge totals of cash towards innovative work so as to make one-of-a-kind items and administrations.

To receive the financial rewards of IPR, organizations ought to proactively execute licensed innovation arrangements. This permits them to distinguish novel, one-of-a-kind manifestations and furthermore increment their income. It is likewise essential to characterize the licensed innovation objectives plainly as it can assist organizations with accomplishing their business goals.

As business livelihoods develop, IP engineers can make techniques to ensure the special parts of their manifestations. Advancements can be additionally cultivated by investigating more up to date geologies. To accomplish this, organizations can go into authorizing bargains or potentially joint dares to produce novel arrangements that can fulfill the necessities of their objective clients.

Protection of Intellectual Property Rights and Economic Growth

The impacts of IPRs security on financial development have been broken down by various hypothetical writing, however, blended outcomes have been found. Much relies upon the suspicions about the exercises of impression and advancement in the Developing Countries. The results of defective IPRs security on specialized advancement and monetary development by expecting that development happens just in the Northern Countries and impersonation just happens in the Southern Countries. As per these creators, blemished IPRs security energizes impersonation movement in the South. Then again, solid IPRs security could decrease the pace of impersonation. Because of the expanded trouble to copy, the span of restraining infrastructure benefits of the northern pioneer is longer, and this imposing business model position keeps going. The productivity of southern imitators decreases and the country's heap of data won't be fortified. The beneficial outcome is that specialized advancement is animated to the degree that the northern firm enhances to make due under the weight of minimal effort southern imitators. The negative impact is because of the vanishing of the lease of the trend-setter from the minute the assortment of an item is imitated.

However, expecting conjunction of impersonation and innovation in developing countries, show that the financial impacts of IPRs security fluctuate as per the degree of monetary improvement. Intellectual property Rights protection helps to reduce the risk of infringement of the invention. These impacts rise and afterward decay with salary. Consequently, the connection between the less-built up nations' IPRs insurance and financial improvement is U-molded. This suggests a nation's eagerness to fortify its IPRs security first reductions and afterward increments with its pay.

Drawback and Misuse of IPR on Economic Development

The biggest drawback of IPR is it sometimes it restricts the technology to be used in the best suitable way. The person who is holding rights sometimes misuses their rights. They can charge according to their will and because of protection under IPR that innovation cannot be used by the competitors. Competition is the most important factor for the development of an economy. The spirit of competition keeps check and balance on price and as well as on the quality of the product. But IPR laws are against the principle of competition.

IPRs laws create a monopoly in the market. It supports monopoly, Law like copyright, trademark, and patents are creating barriers for the competitor to use the innovation. Competition makes sure that producer must think about the benefit and satisfaction of the consumer, because if the consumer is not satisfying then he or she can shift to other competitors in the market. The producer can charge any price and it can directly affect the consumer and the market. This is the law of demand that if the price is high then the demand will be low. But this law does not apply when there is a monopoly in the market. The consumer will get no other options and have to buy the product at the price determined by the producer. Due to competition, the producer is forced to charge not much more than the marginal cost.

Conclusion

Economic theory exhibits that IPR could play either a positive or negative job in cultivating development and improvement. The restricted proof accessible proposes that the relationship is certain, however reliant on different variables that help advance advantages from licensed innovation assurance. To sum things up, Intellectual Property Rights could be compelling and advertise based components for conquering issues that exist in business sectors for data creation and scattering. Be that as it may, their reality could present issues as far as their potential for costs and anticompetitive maltreatment.

As needs are, present-day Intellectual Property Rights frameworks are not adequate without anyone else to energize compelling innovation progress. Rather, they should frame some portion of an intelligent and wide arrangement of correlative approaches that boost the potential for IPRS to raise dynamic challenges. Such approaches incorporate fortifying human capital and aptitude procurement, advancing adaptability in a big business association, guaranteeing a solid level of rivalry on residential markets, and building up a straightforward, unbiased, and compelling challenge system. So, for the development of countries and Economic growth, intellectual property rights play a vital role.

The law is made for society, not vice versa. All the laws are made for the benefit and betterment of society. Every law has its positive as well as negative effects on society. Article 31 of the TRIPS Agreement provides for the grant of compulsory licenses, under the following situation:

In the interest of public health in case of national emergency Anti-competitive practice. So, in India, the Intellectual Property Right law doesn't make the market rigid at the same time dynamic in nature.

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