

**IPR AS A TOOL FOR SME PERFORMANCE – LESSONS FROM EU**

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**ABSTRACT**

*Knowledge plays a very important role in the present day economy and those who create new knowledge is offered protection under various Intellectual Property (IP) laws. Small and Medium Enterprises (SME) world over plays a crucial role in overall economic growth, be in employment generation, revenue, trade or innovation. It also constitutes a majority of enterprises in almost all countries. The key role Intellectual Property Rights (IPR) plays in the success of SMEs has long been recognized. European Union (EU) did various studies/survey in this regard and found that SMEs using IPR perform better than their counterparts. However, studies reveal that majority of EU SMEs are not resorting to acquire IPR and various reasons are being attributed for the same. The EU studies are analyzed in this paper so that appropriate steps can be taken in the Indian context.*

**Keywords:** Intellectual Property Rights, Small and Medium Enterprises, EU

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## **INTRODUCTION**

Small Scale industries play an important role in the economy of many countries in the world. SMEs are known in different names in different countries and in India, it's generally been known as Small and Medium Enterprises. It contributes to the economic growth, job creation, innovation, international trade, and a balanced regional development<sup>1</sup>. SMEs constitute an overwhelming majority of companies in world over in both industrialized and developing countries. It represents the most critical source of employment. Though there are variations across countries, it comprises of 90% of private sector firms and employs two third of the total workforce of the country<sup>2</sup>. Formal SMEs contribute about 50% of GDP in developed economies and 35% in developing economies, according to the World Trade Organisation<sup>3</sup>.

Notwithstanding the impressive performance of the SMEs in world over, there are still lot to be done to fully extract the potentials of SMEs. Intellectual asset management is one among them. Performance of SMEs can really be improved by effectively managing intellectual or intangible assets. This paper looks into the SMEs usage patterns of IPR in EU, its implications and the lessons India could probably follow.

## **SME IN EU**

SMEs play a central role in the European economy. EU SMEs represent a permanent source of labour employing approximately 100 million people<sup>4</sup>. Nine out of every 10 enterprises are an SME in EU. In 2023, there are 21 million SMEs were there in EU and in total it provided 88.8 million employment opportunities in EU and thus SMEs could generate two out of every three jobs<sup>5</sup>. It accounted for most of total employment and emerged as the largest employers across the EU.

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<sup>1</sup> Ishak Demir, *Global developments in SME markets over the past decade*, WFE Webinar: Developments in the Global SME Market over the last decade, October 14, 2024, <https://www.world-exchanges.org/wfe-webinardevelopments-global-sme-market-over-last-decade> (last visited on 09/05/25)

<sup>2</sup> Lejárraga, I. et al. (2014-09-05), "Small and Medium-Sized Enterprises in Global Markets: A Differential Approach for Services?", OECD Trade Policy Papers, No. 165, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5jz17jtfkmzten>

<sup>3</sup> Supra note 1

<sup>4</sup> European Commission, "Annual Report on European SMEs 2023/ 2024" (2024)

<sup>5</sup> European Commission, "User guide to the SME Definition" (2024)

Across the EU, for every 1,000 inhabitants, there are 57 SMEs<sup>6</sup> and in 2023, about 25.8 million SMEs were active, accounting for 99.8% of all enterprises in the nonfinancial business sector (NFBS). Such firms employ two thirds of total workforce and achieve 55% of community companies' business prospects.

### **IPR POLICY INITIATIVES – EU**

EU is in the forefront of supporting SME and has formulated general and specific policies and programmes in this regard. Apart from the general initiatives, specific policies are also in place to promote IPR usage among SMEs. Creating awareness among SMEs is the prime policy initiative and for this many programs has been created. Training sessions are conducted under different initiatives with an aim to raise awareness about patents, to have basic idea about different forms of IPR, benefits of leveraging IP for business and to use databases for this purpose. Almost all patent offices in EU provide materials on rules and regulations governing Patents through online portals and procedures for filing patents, also guidelines on enforcing various forms of IPR. Apart from this, they recently launched different tools to help manage patents<sup>7</sup>. Another is a European IPR Helpdesk which addresses a range of issues faced by SMEs. It answers IP queries within a reasonable period mostly three working days and offers different IP specific training and awareness generating programs. It helps SMEs involved in transnational partnership agreements and also SMEs engaged in collaborative research projects. The ip4inno project of the European Commission aimed at furthering the understanding of IP among SMEs has a comprehensive set of IP training tools with special focus on patent<sup>8</sup>. Special awareness programs are designed for better managing patents and specific tools are provided and specific programs like InnovAccess which can be utilized by SMEs on their own without taking anyone else help.

Financial support is another area wherein EPO offers help to SMEs. Many of the patent offices in EU provides consultation services free of cost and apart from that, in some Member States financial support is offered. SMEs and public research organizations that require external help to process IP

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<sup>6</sup> Supra note 4

<sup>7</sup> Examples of such tools include IP Healthcheck, or IPscore

<sup>8</sup> European Commission, "Towards enhanced patent valorisation for growth and jobs", (2012)

applications will also get financial aid. European IP offices offers help to reduce the cost of transactions of acquiring and enforcing various forms of IPR.

### **IPR AND SME PERFORMANCE IN EU**

IPR is a powerful tool for facilitating technological change and thereby economic growth. It is a key consideration in an increasingly knowledge driven economy. Technological improvements are appearing on a daily basis as a result of continuous human innovation and creativity which can be protected through various forms of IPR. The benefits of IPR ownership go beyond just preventing counterfeiting and infringement and it plays a pivotal role in the knowledge based economy. IPR registration opens up a plethora of opportunities for SMEs like business expansion, increased licensing to external parties etc.

There are studies conducted by EUIPO wherein they have explored the relationship between IPR and firm performance especially SMEs. The studies invariably reveal that this relationship is a positive one as IPR plays a crucial role in the performance of SMEs. The first such study was conducted in the year 2015<sup>9</sup>.

This study analyses a large sample of 130000 European firms. It considered 'revenue per employee' as the main indicator of firm performance. The study reveals that IPR owning firms do better than the firms who do not in several aspects. The employees count in the IPR firms is more than those who do not in the ratio of 547 vs. 94 employees on an average. The revenue per employee is 28.6% higher for IPR owning firm than those who don't and the employees are paid 20 percent higher wages than those firms who do not own IPR.

The same pattern is followed in the case of individual IPRs also. The firm own any form of IPR performs better than those who do not. The average performance premium experienced by patent owning firm is 26 percent higher, trademark owning firm is 29 per cent higher and for designs, it is 31 per cent higher. Further, firms that own a combination of different forms of IPR exhibit superior performance. For eg., firms that own both trademark and designs have higher revenue per employee compared with those that own only trademark or only designs.

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<sup>9</sup> EUIPO & EPO, "Intellectual property rights and firm performance in the European Union: firm level analysis report", (January 2015)

The study confirms that the same pattern is seen in the case of Medium and Small and Micro enterprises. The revenue per employee of IPR owning SMEs is 32 percent higher compared to those SMEs that do not own any form of IPR.

The 2015 study was followed by another in 2021<sup>10</sup> for the survey period 2007-2019 and analyses 127000 samples. 'Revenue per employee' continues to be the main indicator of the firm performance of this study also. This study also reaffirm that IPR owning firm perform better than non-owners though the difference is reduced than the previous study. The survey found, firms that own IPRs tend to be larger in terms of employees count than firms that do not in a ratio of 13.5 v. 5.1 employees on average. Likewise, revenue per employee is also higher for IPRs owning firms than firms that do not own any form of IPR and on an average it amounts to 20%. Wages of the employees in IPR owning firms is 19% higher than wages in non IPR owning firms. In terms of individual IPRs also the same difference is visible; the average performance premium experienced by patent owning firms is 36% higher than non-patent owning firms, 21% for trade marks and 32% for designs. IPR ownership is positively related to economic performance which is evident from the results the revenue per employee is 55% higher for IPR owners than for non-owners. This is the case with SMEs also. SMEs that own IPRs have 68% higher revenue per employee than SMEs that do not own any IPRs at all. This gap of SMEs owning IPR is more compared to previous study, as in the previous one the gap was 32 percent whereas in the present one, it is almost double which amounts to 68 percent.

The latest study in the series is in 2025<sup>11</sup> by collecting data from 119, 000 European firms from all 27 Member States of the European Union for a period of ten years (2013-2022). The result of the analysis of the data shows that revenue per employee is 23.8 % greater for IPR owners than it is for non-owners. The same is in the case of individuals patent also for patent owners, it is 28.7%, for trademark owners, it is 23.3% and for design owners, it is 29.3%. The IPR owners employ twice as many workers compared to non IPR owners. This difference is remarkable in the case of patent and design owners than for trademark owners. Wages payable to employees having IPR is also high. Wage disparity of employees working in IPR owing firms and non IPR owning firms is

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<sup>10</sup> EUIPO & EPO, "Intellectual property rights and firm performance in the European Union: firm level analysis report", (January 2021)

<sup>11</sup> EUIPO & EPO, "Intellectual property rights and firm performance in the European Union: firm level analysis report", (January 2025)

evident and on an average it amounts to 22 percent. This disparity is higher for those firms that register patent, followed by those that register trademarks or designs.

All the reports and studies invariably emphasize that firms owning intellectual property rights tends to perform better economically. They do better than non-IP owning firms in every count. The reports demonstrates that there exists a significant correlation between IP owning and its impact on SMEs.

### **DATASET ON IPR USAGE IN EU**

Globally SMEs are using different methods for protecting their intellectual assets. Generally, it is been categorized as formal methods of protection and informal methods of protection. The informal methods include speed to market and secrecy, confidentiality, internet domain etc. whereas formal includes patents, trademarks, designs, copyright, geographical indication and plant variety protection<sup>12</sup>. The usage of IPR by firms depend on various factors mainly the area or the technology they handle and accordingly they use a single IPR or a bundle of IPRs or various IPRs along with other non-IP forms of protection methods. These categories are of formal methods (patent, trademark, copyright, design etc.) together with informal methods (confidentiality, lead time, first to market) to appropriate their intellectual assets.

The EUIPO has done surveys and studies to discover the IPR usage of EU SMEs. These surveys invariably establish that use of IPR as a tool to enhance the performance of the business is very less by the SMEs. Rather they resort to alternative protection mechanisms than IPR to manage their intellectual assets.

The European Patent Office along with EU published a report on Intellectual Property and firm performance in 2015<sup>13</sup>. It reveals that 90.9% of SMEs do not own any of the three IPRs (patent, trademark and designs) and only 9% of SMEs own any kind of IPRs. Regarding the ownership of individual IPRs, 8.6 per cent of all SMEs own trademarks, only 0.8 per cent of SMEs are relying on patents and 0.7 per cent on design rights.

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<sup>12</sup> The main purpose of the present study is to examine the relationship between firm's ownership of IPRs as registered in the official national and European IPR registers and their economic performance.

<sup>13</sup> EUIPO & EPO, "Intellectual property rights and firm performance in the European Union: firm level analysis report (January 2015)

SMEs go for national protection only than pan EU protection. 61 per cent of patent-owning SMEs own only national patents and 22.1 per cent of SMEs own European patents, 14.5 per cent of SMEs own national and European Trademarks and. 7.8 per cent of SMEs own European and national designs. Among various IPRs, it is the trademark rights that most firms make use of.

Another is the EUIPO survey in 2016<sup>14</sup>, using a sample of 8,970 SMEs indicates that SMEs combine both formal IPRs with informal means to protect their innovation. EU SMEs are innovative and innovations are mainly in the form of new products, processes, organizational and marketing changes.

Among the various forms of protections they used, domain name protection (47%) is the single most used one, followed by confidentiality/trade secrets (42%) for deriving competitive advantage over their counterparts. Among IPR, trademarks (37%) is the most popular one. Further, 21% of SMEs use design rights and 13% of SMEs use geographical indication to protect their innovative activities. Leveraging complementary assets by (23%) is also employed as a tool to protect the innovations by SMEs. This pattern is followed by all SMEs regardless of size. Over all, it is the alternative protection measures that the SMEs found more viable than the formal IPR mechanism<sup>15</sup> in this survey.

The survey found the reasons for not using formal IPR protection includes non-beneficial (35 %), lack of adequate knowledge with respect to the IPR system (13 %), the formal IPR protection is too costly (10 %) and too long and burdensome and some fear of potential enforcement or litigation. The reasons for not using IP law to protect their innovations changes according to the size of the firms. The reason for micro SMEs is insufficient knowledge and lengthy process whereas medium firm only points to lack of awareness about the process. Lack of knowledge about IPR is poor among all the categories of SMEs since the familiarity with the term 'Intellectual Property Rights' seems to be low among 35% of the SMEs surveyed.

However, majority of the SMEs that have gone through the process of registration found the process reasonably easy and they did not find any difficulties when registering IPR. Cost and length of the process is found to be the only difficulty they have come across during the registration

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<sup>14</sup> EUIPO, "SME IP SCOREBOARD" (2016).

<sup>15</sup> *Ibid.*

process. The support measures suggested are simplified and short procedure, better access to IPR databases for information, guidance and support, reduction of costs and also financial support.

The survey also confirms that most of the companies that chose to protect their intellectual assets reported experiencing positive advantages. The advantages they believe to be that it helps prevent others from copying their products or services. It has increased reputation or image of reliability, strengthening of long-term business prospects and increased turnover or expanded markets.

Irrespective of the advantages IPR registration offers, a majority of SMEs are not choosing it. The reasons found are that they are quite unsure about the innovative value and feeling that the innovation does not fulfil the registration criteria, lack of knowledge about the registration process, belief that no further benefits arising out of IP registration. Preference of trade secrets protection over IPR protection for the fear of revealing the crucial details of innovation is also reported as a reason.

A few of EU SMEs have signed licensing agreements involving IPR. Most such agreements involve trademark licensing followed by confidential know-how or trade secret licensing agreements, copyright license agreements, and patent license agreements. And these licensing agreements are serving different purposes like some of it, is for earning revenues, while for some, the motive is to collaborate and develop new products and services with others. For instance, it is reported that for financial activities sector, obtaining revenues is the motive of licensing whereas for wholesale sector companies it is not the most important factor and transportation companies are entering into licensing agreements for collaborating and developing new products and services with others.

Followed by the 2016 IP SME Scoreboard, EUIPO did a further study in 2019 participating almost 8,300 SMEs from across the 28 EU Member States with a goal to attain gain more information on the usage of IPRs by SMEs in EU. In this survey also, SMEs confirm that they are innovative and the innovation pattern is similar among SMEs of all sizes though it is found that medium sized companies are found to be more innovative than micro and small companies. SMEs from professional, scientific and technical activities sector claims to be the most innovative sectors and is closely followed by the information and communication sector. The specific areas of innovation are product, process, marketing and organizational changes.

IPR offices are widely known to IPR owners. However, the visibility of tools and support networks is significantly lower. Support networks are better known by companies, 10 % of them know the Enterprise Europe Network (EEN) and 9 % know the EU IPR Helpdesk. However, none of the tools is known by more than 5 % of companies. The familiarity with the term 'Intellectual Property Rights' is medium for 41% of IPR users and very familiar with 36% of IPR owners. The sectors which are more familiar with the term are financial and insurance and manufacturing. The SMEs are aware about IPR through business advisors, through Chamber of Commerce or training sessions, courses or seminars.

The reason the SMEs choose IPR protection is to prevent others from copying their products or services, to ensure greater legal certainty, its impact on the company's image and value. Small- and medium-sized companies consider the most important reason for registering IPRs is to prevent competitors from copying their assets whereas for micro-enterprises, the main reason is to ensure greater legal certainty.

More than 50% of the IPR users claim that they have taken the assistance of an IP professional to obtain information or consult on certain aspects of their IPR application. It is confirmed by more than 80% of the patent owners and 73% of registered trademark owners. Moreover, 61 % of those companies that claim to own utility models sought an IP professional when filing their application. The users of design rights and alternative protection measures such as domain names also turned to IP professionals for assistance.

Majority of the registered IPR assures that the registration process is quite simple and has no level of difficulty and that they did not face any trouble during the registration process. However, there are concerns on the cost of the procedure, and few indicate the process is too complex and too lengthy.

The survey found that of the companies with registered IPRs, 54 % consider the impact of being an owner is positive or very positive, while 32 % consider it has no impact at all and 12 % are unsure. Only 1 % of IPR owners consider the impact to be negative. Of those IPR owners that consider IP protection brings positive impacts to their company, the main one is a boost to their reputation/credibility, increased turnover and expanded markets. A few consider IP protection has opened up new opportunities to collaborate with other entities, increasing employment and boosting profitability.

Among the companies that choose to protect their innovation by formal method of protection consider trademarks to be the most important (58%) followed by patents (32%) and then the design protection (24%). Among the alternative or informal methods of protection, internet domain name is the most valued one (51%). This is followed by confidentiality/ trade secrets (26%) and database protection (16%). Compared to the 2016 survey, usage of registered IPRs has increased since then and the increased usage of patents is noteworthy. With regard to the alternative methods of protection, the overall usage has decreased but use of internet domain name is an exception as its use has increased<sup>16</sup>.

Monetisation of IP rights is done by only 9% of IPR owning SMEs. 24 % of IPR owned SMEs signed license agreements including IPR. Those companies that have registered IPRs usually sign licensing agreements to exploit trademarks, both national and EU (40 %). The second type of licensing agreement most commonly signed by this group is patent agreements (35 %).

Another survey by EUIPO has done in the same year to assess the benefits for SMEs by frequent use of IPRs. It reports that only 9% of SMEs have registered IP rights. This is common for each category of IPR; trademarks are owned by 8.6% of European SMEs, patents by 0.8% of SMEs, and industrial designs by 0.7% of SMEs. This low rate of IPR usage, the report suggests may be due to the innovation pattern of SMEs in EU. They rely on the Community Innovation Survey (CIS, 2012) in this regard wherein it is found that only 34.9% of SMEs in the EU 28 reported innovation in 2010-2012. One possible conclusion is that SMEs engaged in innovative activities are very few and therefore, IPR protection is rarely been used by them. Further, not all innovative SMEs are registered IPR users due to various barriers they face while registering for IP protection. The study found that among the manufacturing industries of EU, only about 18% of the European SMEs considered filed for patents, trademarks or design rights, or a combination thereof. Trade marks were filed by 14% of all SMEs, the share of patent-using SMEs is limited to 4.6%, and only 2.6% of SMEs filed design rights.<sup>17</sup>.

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<sup>16</sup> EUIPO, “SME IP SCOREBOARD” (2019)

<sup>17</sup> EUIPO & EPO, “High growth firms and intellectual property rights, IPR profile of high-potential SMEs in Europe”, (May 2019)

Another study was conducted by EUIPO & EU in 2021<sup>18</sup> on the relationship on Intellectual Property and Firm Performance as a sequel to their study in 2015. One of the main finding of the study is that IPR ownership is considerably lower among SMEs. Less than 9% of the SMEs in the sample analysed own any of the three types of IPR or a combination thereof. Same is the case with individual IPR as well. Patent is owned by less than 1% of the SMEs and trademark is by 8.2% and designs by 0.7%.

The report published by EU in 2022<sup>19</sup> surveyed 8372 SMEs in all 27 EU Member States. The surveyed SMEs include both registered owners of IPR as well as non-registered ones. 60% of SMEs reported that in the past 3 years they have introduced an innovation in their company. Innovation in the form of new or significant improvements in terms of goods or services or business processes, some of which are new to their own firm, some are new to the market or to the world. SMEs frequently reported innovation in business processes followed by improvements in services and in goods.

In the population sample of 4278 registered owners and 4094 non registered owners examined, SMEs own or use any type of IP protection measure (registered as well as non-registered) is 58 % and 10 % of SMEs own any type of registered IPR, while 57% of SMEs own/use<sup>20</sup> other IP protection measures (including non-registered IPRs). The survey observes the IPR using practice of SMEs which introduces innovation in the past 3 years. It found that SMEs that uses internet domain as a measure to protect their innovation is 75 percent. Confidentiality (62%) and trade names (61%) are other non IP protection mechanism used by SMEs. Further, they use Topography of semiconductor (12%), breeders' rights (14%) and patents (19%). As evident, these are by less than half of SMEs that introduced an innovation.

The survey reports that the top three protection measures used are domain names, confidentiality and trade names in all sectors without exception. Mostly used is using domain names to prevent copying and then comes, confidentiality and trade names, but the differences between both are subtle. In the case of SMEs also, we could see a similar pattern. They consider confidentiality as

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<sup>18</sup> EUIPO & EPO, "Intellectual property rights and firm performance in the European Union: firm level analysis report", (January 2021)

<sup>19</sup> EUIPO, "SME IP SCOREBOARD" (2022). European Union Intellectual Property Office (EUIPO)

<sup>20</sup> Ownership' and 'use' are, for the purposes as 'owning or using at least one of the given IP protection measures.

most important and trade names occupy second position. This is the case in almost all sectors with an exception in wholesale sector and transportation sector where trade names are being employed than confidentiality as a protection measure. Further most of the SMEs surveyed consider confidentiality as more important than internet domains and trade names come as a third option as a protection measure.

Many of the surveys conducted among EU enterprises mention trademark as the most frequently used measure registered IPR to protect innovation and they also consider it as important. In EU, among trademarks registration, it is the national trademarks that are commonly owned registered IPR protection by SMEs. Design protection is also used along with trademark. Other frequently used protection measures are topography of semiconductor, utility model protection and breeders' rights. The protection measures that were not at all considered important are patents. Breeder rights / plant variety rights (1%) and registered Community design (2%) are rarely been used as an IP protection method.

Domain name registration is the most commonly used IP protection measure which is evident from the report that 39% of SMEs use it. The other frequently used IP protection measure includes trade secrets, unregistered design rights and database protection. It is used by 19%, 16% and 13% of SMEs respectively.

73% of SMEs use business and trade facilitators as a source of information relevant to the business development. Around two-thirds (65 %) use public authorities or bodies (at any level of government) for this, followed by education and knowledge institutions, funding and investment bodies and intellectual property facilitators. The least frequently used sources are lobby organisations and think tanks, which just under half of SMEs (49 %) use as a source of information for business development.

SMEs that own registered IPRs (46%) tried to derive financial gain from their intellectual assets either directly (IPR sale or IPR licensing) or indirectly by using IPR portfolio to win contracts. 36% have successfully achieved financial gain by means of their registered IPRs. 11 % that have tried this but said they were not successful. 37 % of SMEs with registered IPRs **not try to monetise** their registered IPRs because they did not find it relevant. 12 % of SMEs did not do so because they were not aware they could do it.

The object of registering IPR is that it helped preventing others from copying their solutions, products or services (66 % of SMEs with registered IPRs report this as a reason), followed by an increased value and image of their company (65 %) and a guarantee for better legal certainty of the extent of their IPR protection (63 %).

More than half of the SMEs that have registered IPRs have experienced difficulties during the registration process. They are high cost of the registration (both the fees at the patent office as well as the IP agent fees) and another difficulty is the high registration costs.

Most of the SMEs (93%) that have registered IPRs have seen a positive impact of that registration. They confirm that registration has improved their reputation or image (60%), that it provided them with better IP protection (58 %), and that it gave better long-term business prospects (48 %). However, those SMEs who did not register for IPR report the reason as that they did not see additional benefits from doing so: 35 % of SMEs gave this as a reason not to register IPRs. Other reasons include that their intellectual asset was not innovative enough for IPR registration (20 %), that they had insufficient knowledge (19 %), or that the registration requirements were not met (19 %).

The 2025<sup>21</sup> survey also goes in the same line as of the previous one. It covers formal IPRs like patents, trademarks, and designs. In this a comparison is being made between large firms and SMEs with regard to use of various IPR protection mechanisms. This study reveals that in EU, compared to large firms IPR ownership is significantly lower among SMEs. In the sample analysed, less than 10% of SMEs hold either patent or trademark or designs and 50% of large firms use either patent or trademark or designs. Same is the case with individual IP also. In the case of patent, 1.1% of SMEs own patent compared to 12.3% of large firms which own patents. 9.2% of SMEs own trademarks, however, 46.1% of large firms own trademarks. Likewise, SMEs of 1.1% own designs and large firms of 10.7% own design rights. Further, large firms register IPR in their country (national) as well as pan European level whereas SMEs file only nationally. The patent owners' data reveals that 42% of SMEs register their patents nationally and 28% of SMEs register both national as well European Patents. The data on large firm shows that most of them are opting for European Patents (50%) and a small portion are opting only national patents (27%). In the case of

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<sup>21</sup> Supra note 11

trademarks, 77% of SMEs own national patents whereas 47.5% of large firms register only national patents. European level trademarks are owned by 42.5% of large firms and 14% of SME. With regard to design registration, only 65% of SME own national designs rights and 35% of large firms own national design rights.

## **INDIAN SCENARIO**

SME sector plays a very important role in the Indian economy. It contributes significantly to economy by generating employment opportunities, innovative products are being introduced into the market and also exporting to different parts of the world. They are the backbone of the socioeconomic development of our country. As per the latest data published, 8 percent of country's GDP is contributed by this sector, manufactured products constitute 45 percent and 40 percent of its products are exported.

SME in India consists of 26 million enterprises and through this it provides employment opportunities to almost 60 million people in India. Compared to large industries, SMEs is better in labour to capital ratio and the overall growth. Apart from this, SMEs in India are more evenly distributed in different areas of the country unlike large industries which are concentrated in few industrial areas. Thus, for a diversified country like India, SMEs are comparatively more useful so as to grow with equity and inclusion.<sup>22</sup>

There are various IPR support programs implemented for SMEs in India. The Ministry of Commerce and Industry conducts programs for building awareness on IPR and further, for acquiring IPR, for instance, reimbursement is offered for the expenses incurred in acquiring IPR and the IP acquisition process has been simplified. Further, the official fees for filing and maintaining various forms of IPR has been discounted for SMEs.

The Ministry of Micro, Small and Medium Enterprises offers legal and intellectual property filing support system for all forms of IPR. The programme provides a variety of services to SMEs. The most important among it is the advisory services with regard to all forms of IPR, consultation services on filing and enforcement of IPRs, prior art search before filing IP to avoid potential conflicts, the technology gap available for SMEs to work on and finally as to various ways in which

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<sup>22</sup> Government of India, "Annual Report 2023-24" (Ministry of Micro, Small and Medium Enterprises 2024)

the IPR can be commercialised. IP Facilitation Centre has been created across the country to engage in all these activities<sup>23</sup>.

## **CONCLUSION**

In EU it is established that IPR ownership correlates with enhanced firm performance. It highlights the critical role of IPR in fostering innovation, productivity and competitive advantage. The studies underscore the importance of supporting SMEs in accessing and leveraging IPR to drive innovation and economic growth. It also confirms that firms that have an awareness of and invest in securing IPRs will ultimately do better. All the studies underscore the pivotal role that IP awareness and management play in the success and growth of firms, particularly SMEs. However, irrespective of all these, the dataset shows that even now EU SMEs are far behind in protecting their innovations through various IP mechanisms. The number of SMEs that use IP is less than 10%. Rather they resort to alternative protection mechanisms and they value it more important than IPR mechanism which is clear from the responses confirmed in survey reports.

The situation may not be different in India also. But till now, there is no comprehensive government-initiated study as to the IP usage of SMEs or the impact of registered IP on SMEs in India. There are anecdote evidences to suggest that usage of IP is very less among Indian SMEs and identify various reasons for the same. Hence, like EU, a very specific study on the usage of IPR by Indian SMEs needs to be conducted among the SMEs in India so that policy decisions can be tweaked in that regard.

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<sup>23</sup> Intellectual Property Right Scheme Under MSME Innovative Scheme, available at <https://www.myscheme.gov.in/schemes/ipr> (last visited on May 09, 2025)