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More Spends on Patents Needed

By SUNITHA NATTI | Published: 11th January 2015 06:00 AM Last Updated: 11th January 2015 12:28 AM

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PATENTS GRANTED IN LAST 10 YEARS			
SECTOR	FOREIGN	INDIAN	TOTAL
PHARMA	3,575	1,039	4,614
MECHANICAL ENGINEERING	10,398	2,168	12,566
CHEMICALS	9,506	3,354	12,860
ELECTRONICS	4,937	384	5,321
COMMUNICATIONS TECHNOLOGY	2,896	243	3,139
BIO TECHNOLOGY	2,236	339	2,575
COMPUTER SCIENCES	1,709	150	1,859

Source: Indian Patent Office



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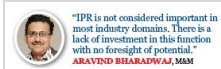
The recently-concluded Indian Science Congress has left many in the country boasting about scientific discoveries made thousands of years ago by their ancestors. It has also left an equal number sceptical, questioning how the bearded sages ever dreamed up things like Interstellar. Be that as it may, one thing seems certain—the Indians of today don't seem to be particularly concerned about making a mark in innovation.

Sample this. The Indian Patent Office has granted over 90 per cent patents to global firms and only 10 per cent to local firms in the last decade in communications technology, computer science and electronics. In pharmaceuticals, Indians have done a little over 10 per cent of the patents filed. Non-resident Indians filed 78.3 per cent of the patents in 2012 against 18 per cent in China, 16.3 per cent in Japan and 1.3 per cent in the US.

For over 1.25 billion people in the country, which churns out 10 million graduates every year, patent applications of less than 10,000 a year is a serious concern. "We see patents as an investment and not expenditure. Most Indian companies are not IP-savvy and those who file patents do not know how to leverage them for business development," says patent attorney Dr Kalyan C Kankanala, founding partner, Brain League and managing partner, BananaIP Counsels based in Bangalore.

"Indian patents are low in number and very little innovation is happening," agrees GV Prasad, co-chairman & CEO, Dr Reddy's Laboratories Ltd. "Some may have filed here for geographical advantage," he says, adding that not all patents granted for multi-nationals are developed in India.

According to Aravind Bharadwaj, senior VP—Technology, AFS, Mahindra & Mahindra Ltd (M&M), Indian companies are not into core R&D. They hesitate to invest or have low risk-taking attitude. "In fact, IPR is not considered important in most industry domains. There is a lack of investment in this function with foresight of future potential business and commercialising opportunities," he says. M&M has filed over 400 patent applications – 50 outside India – mostly for automotive and farm equipment.



Surely, the country offers low-cost senior engineering talent, prompting multi-nationals to step up product innovation. "India-based centres are experiencing increased expectations from corporate headquarters to own the entire product development cycle. New capabilities on the

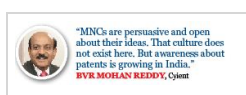
managerial ladder have been created and several roles related to programme management, portfolio management, etc. are created, thus completing the circle of product engineering ecosystem,” says Rudramuni B, executive director & head, Dell India R&D. On an average, Dell India files 200 invention disclosures a year, and invests 3-10 per cent of its sales on R&D every year. Filings from its R&D units in Chennai and Bangalore doubled in 2014 over 2013.

The government is trying to encourage and strengthen IPR norms. The country’s first IPR Policy is being prepared as the patent system has a direct bearing on the country’s economic development. A sound patent regime can be instrumental in robust economic growth.

“Inventions, if patented and worked, result in technical advancement, resulting further in GDP growth,” says RC Bhargava, Chairman, Maruti Suzuki India Ltd, which has filed over a hundred patents.

India is home to world-class companies like Reliance Industries, Tata Group, M&M, Godrej Ltd and numerous small and mid-sized firms across sectors, leaving little scope for multiple inventions. “Unfortunately, though innovation is happening to some extent, Indian companies are yet to have full-fledged IP teams to identify potential technologies/processes to patent. Those who do, get discouraged by patent processing and the time and resources involved,” says Ashok Atluri, CMD, Zen Technologies, which has filed 55 patents and was granted 10 in the last 10 years. The company, which makes training simulators for the armed forces, has spent over `100 crore on R&D so far.

Typically, it takes `2 lakh-3 lakh and three to four years to get a patent. For pharma, it takes longer. Patent holders have to file patents for every country separately to avail protection, which multiplies costs, sometimes substantially.



In one of the 60 strategic audits it did for SMEs in machine tools, plastics and foundry sectors on behalf of the United Nations Industrial Development Organisation, BanarajIP Counsels found that 70 per cent of the potential inventions lost patent protection opportunity due to prior commercialisation. These companies either did not want to spend, or

did not know how protection would help. For instance, Hyderabad-based Vijay Machine Tools developed and sold a seed coating machine priced at `10 lakh against an MNC product priced at over `1 crore.

“They filed a patent, but did not pursue it. One fine day, a disgruntled employee took away the invention, started his own company and captured 80 per cent of their business with impunity,” explains Kankanala. Lack of appetite for protecting innovation and inability to identify potential patents leaves India with more capital outgo.

In September, 2014, the Justice N Rajagopala Ayyangar Committee on Indigenous Patents noted that India received \$321 million for use of its IP but paid \$3,990 million for use of other IP in 2012. On the other hand, US received \$1,24,182 million for its IP but paid only \$19,899 million. Similarly, Japan received \$31,892 million and paid \$19,893 million and UK received \$12,486 million and paid \$5,413 million.

Still, optimists say Indian companies have increased IP filings substantially during the last decade. “Many of them have increased their patent filings multi-fold. Some examples are M&M, Crompton Greaves, Tata Motors, TCS, Wipro,” says Kankanala. While M&M’s patent filings rose from 6 in 2005 to 60 in 2014, Wipro’s grew from none to 90 during the same period. Similarly, Tata Motors’ patents rose from 11 in 2005 to 71 in 2014, while Crompton Greaves surged from six to 44.

Though there have been some efforts, the magnitude of R&D spend by Indian companies continues to be negligible. According to research firm Zinnov’s ‘Enhancing the IP Quotient in MNC R&D centres, India spends only 1 per cent of its GDP on R&D compared to Israel’s 4.2 per cent, Japan’s 3.7 per cent, US’ 2.7 per cent and China’s 2 per cent.



“MNCs are persuasive and open about their ideas. That culture doesn’t exist here. But awareness about patents is growing and companies are looking to innovate to value-add and survive in an increasingly competitive environment,” says Dr BVR Mohan Reddy, founder & executive chairman, Cyient, an engineering design services firm, whose

engineers have got 25 patents for clients like Pratt & Whitney and Bombardier. The company owns eight to nine patents but is yet to monetize them. Reddy says companies are steadily stepping up on R&D.

For instance, Dr Reddy’s R&D expense rose from `379 crore in FY10 to `1,240 crore in FY14. “For FY 15-16, it will be further increased to 11 per cent of our total sales,” says Prasad. “The rise in R&D spend is indicative of the fact that there’s a growing thrust on innovation.” Similarly, Sun Pharma’s expenditure on innovation rose from `246 crore in FY05 to `1,041 crore in FY14.

As the Indian market makes the transition from a knowledge-sharing to a knowledge asset-creating environment, patents will emerge as wealth creators, generate revenue and build strategic alliances for socio-economic and technological growth, says Bhargava.



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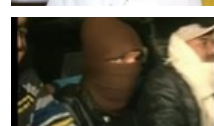
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