

Differentiate or Destroy: Intellectual Property Rights as A Tool for Competitive Advantage

Jamshadali T T¹, Dr. Abbas Vattoli²

¹Research Scholar, Department of Commerce, PSMO College (Autonomous) Tirurangadi, Affiliated to University of Calicut

²Associate Professor, Department of Commerce, Amal College of Advanced Studies (Autonomous) Nilambur & Research Supervisor, PSMO College (Autonomos) Tirurangadi, Affiliated to University of Calicut

Abstract

The endless possibilities of information technology have made everything easier, and business practices have also changed dramatically. The market is becoming a more transparent but fiercely competitive place. In an era when consumers cannot do much without the help of big technologies that communicate everything from the ingredients of the products they use to their prices, business is becoming increasingly competitive. To keep our businesses afloat, we must keep some things a secret. Otherwise, no business can grow sustainably. Therefore, the ideas that come from continuous exploration need to be protected properly. Intellectual Property Rights are the most suitable tool for that. Today, it is very suitable for legally protecting maximum information. In the market, IPR enables even small business owners to get the right to own many things like monopolies to survive the competition. Therefore, it can be said without a doubt that Intellectual Property Rights are an indispensable tool for providing competitive advantage in a monopolistic competition market. Differentiation is the main feature of this market. New inventions and innovations change the products themselves with patents, trademarks and designs bringing imaginary differentiations to them. With the spread of information technology, copyrights have also become an essential element. Special registrations are also being given for innovations in the agricultural and electronic fields. Geographical Indications specially given to producers of special products enable a society to stand out in the competitive market. This was done as a conceptual study examining how IPR, which is very useful even for a small business owner, enables them to stand strong in a competitive market and thus achieve sustainable development.

Keywords: Intellectual Property Rights, Differentiation, Competitive Advantage, Monopolistic Competition, Sustainable Development

1. Introduction

A market structure known as monopolistic competition is one in which there are many firms and each one has some degree of market dominance over its goods. To investigate price and company size deviations from the perfectly competitive market structure, Edward Chamberlin first proposed the idea in 1933. Eaton & Lipsey (1975) and Dixit & Stiglitz (1977) studied this concept in depth and a detailed explanation was given about product diversity and minimum differentiation in this market. Based on this, later studies also came to the conclusion that differentiation is essential to succeed in this market

system. Therefore, it has become imperative to differentiate products and communicate that they are different in order to succeed in the market.

In order to secure their discoveries and creative works, creators and inventors are granted legal protections known as intellectual property rights, or IPR. These rights ensure that people or organizations can profit commercially from their creations by granting them control over how they are used. IPR includes a variety of protections, including trade secrets, trademarks, copyrights, and patents (WIPO, 2020). Those who register Intellectual Property Rights can differentiate their creations from others, obtain legal protection over them, and enjoy the benefits that come with them to the fullest extent. Since even individuals can obtain rights, this is helpful in preventing rights from being confined to the hands of a few and in ensuring that the benefits reach those who deserve them.

Except for a few sectors that require huge investments, almost everything has now become a monopolistic competition market. When the rapid growth of technology continues to increase competition and the market, those who want to dominate cannot sit idly by. They are constantly engaged in research and closely observe the work of others. They think about how to own the ideas they receive and quickly use them for their own growth. Through this, the consumer gets good products at a fair price. Since everything is a creation of market demand, without further discussing the creativity, innovation, technical, or legal aspects that are usually discussed in IPR topics, the discussion here is about how Intellectual Property Rights Led to the rise of industrial and commercial enterprises and, through that, to sustainable growth of the economic sector. It is hoped that this will help to simply understand how Intellectual Property Rights are related to the topics of Commerce and Economics.

2. Product Differentiation

One of the main characteristics of monopolistic competition is differentiation. Businesses distinguish their products under monopolistic competition in an effort to provide them a perceived edge over competitors and acquire some market dominance Investopedia (2024). This can be done in many ways. If business change the technical attributes of the products like performance, durability, and operating costs to differentiate their products, that is called Real differentiation. If change the non-technical characteristics such as brand names, trademarks, packaging, size, and shape allow businesses to differentiate their products, that is called Imaginary differentiation. All intellectual property rights, such as patents, copyrights, trademarks, trade secrets, industrial designs, and geographical indications, directly or indirectly help differentiate a product.

2.1 Differentiation by Patents

A patent is a legal right that a government grants to an inventor for a set amount of time, usually 20 years, in return for the invention being made public. It enables the owner of the patent to prevent unauthorized use, production, or sale of the innovation. The innovation must be new, non-obvious, and practical in order to be eligible for a patent. Patents promote innovation and investment in R&D by giving inventors exclusive rights. After the patent expires, the patent also adds to the body of knowledge. By protecting new plant types, plant variety protection (PVP) promotes biodiversity and agricultural innovation. It promotes research spending by giving breeders exclusive rights. (WIPO, 2020). Better products are able to reach consumers when patented materials are used, either directly or indirectly. Businesses can benefit from these discoveries by cutting expenses or creating higher priced items.

2.2 Differentiation by Designs

The shape, color, and texture of objects are all protected by industrial designs. This type of intellectual property rights gives designers exclusive rights, which promotes innovation and creativity. By protecting original designs, it increases customer choice and market competitiveness, promoting economic expansion and the creation of unique goods. The three-dimensional arrangement of electrical circuits in integrated circuits (ICs) is explicitly safeguarded by IC Layout Design. It protects the configuration of transistors and other parts on a semiconductor chip, making it impossible for the design to be copied or used without permission. For more aesthetically pleasing products, such as accessories, industrial design registration is necessary. Their product's design is its primary selling point. The layout designs of integrated circuits used in electronic equipment can also be registered individually, albeit in significantly different ways. Its function is more significant than its appearance.

2.3 Differentiation by Trademarks

A distinctive sign, symbol, or emblem that identifies and sets one company's products or services apart from another is called a trademark. It helps companies establish consumer confidence and brand awareness by offering legal protection against unlawful use. As long as a trademark is in use, it can be renewed indefinitely, guaranteeing continued protection (WIPO, 2020). Branding is a very important part of imaginary differentiation. It requires a good name that lasts forever. It is through that name that the products are later known. That is how the difference is marked. Therefore, differentiation cannot be achieved without a trademark. Especially in the consumer goods market.

2.4 Differentiation by Copyrights

Original works of authorship, such as software, music, art, and literature, are legally protected by copyright. It gives authors the only authority to copy, distribute, and exhibit their creations. By guaranteeing that authors can profit from their works and maintaining public access to cultural materials, copyright promotes creativity (WIPO, 2020). From packaging that helps products be easily identified to advertisements that can be understood even from a distance, this cannot be protect without copyright. Now, in the service industry, there are few parts that are not touched by copyright, such as software and content.

2.5 Differentiation by Trade Secrets

Trade secrets are exclusive company knowledge, including formulas, procedures, or practices, that give an advantage over competitors. Trade secrets, in contrast to patents, are not made public and, provided secrecy is upheld, can be preserved indefinitely. They are essential for companies to preserve their competitive edge and protect confidential information (WIPO, 2020). Institutions and their products have to last beyond every human lifetime. Therefore, this right not only helps in preserving the differences of the products from leaking but also helps in transferring them accurately to the next generations.

2.6 Differentiation by Geographical Indications

Geographical indications (GIs) are labels applied to goods that come from particular places and have characteristics or a reputation associated with those places. They safeguard the distinctive qualities of local goods, including handicrafts and natural resources. By avoiding abuse of the designation, GIs assist customers in recognizing genuine goods and promote regional economies (WIPO, 2020). In this cutthroat market, it is challenging for each region's renowned unique resources to endure. Unlike regular intellectual property rights, this registration, which may only be applied for by a group, supports the market and strengthens that group at the same time when counterfeit products present a challenge.

3. Conclusion

Intellectual Property Rights cannot be taken lightly by businesses that are looking to win in a competitive market. While patents and designs directly help product differentiation, other IPRs indirectly help. This also helps in bringing about new changes in society by benefiting businesses and consumers. The new world that dreams of sustainable development must therefore learn to use IPR even more. It is assumed that engaging in research activities to gain competitive advantages for organizations will ultimately contribute to the overall good of society.

4. References

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