

Intellectual property protection

Intellectual property (IP) refers to creations of the mind such as inventions, artistic works or brand names. Intellectual property is an intangible asset, which you learned about in Section 3.4.4 (</study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/intangible-assets-id-39286>). The legal protections of these creations come in different forms including trademarks, patents and copyright. For example, a musician can copyright their music or trademark their name; a pharmaceutical company can patent a new medicine.

Businesses want to protect their intellectual property for a number of reasons:

- **Unique selling point (USP).** Original ideas or creations can be a unique selling point to distinguish a business from its competitors.
- **Market share.** The unique selling point could provide a business with control over an entire market. This will be true especially where a business has a patent, which you will learn about in this section.
- **Valuable assets.** Brands have value, and brand names are part of the valuation of many large companies. The brand value of Twitter, for example, is estimated to be worth more than 5 billion USD.
- **Protect investments in research and development.** Businesses often invest significant amounts of money to develop new ideas and innovations. IP ensures that they can stop others from copying them.

Types of intellectual property protection

Making connections

You learned about the different types of intellectual property in [Section 3.4.4 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/intangible-assets-id-39286\)](#) because IP has a value, which is recorded on a business's statement of financial position.

There are a number of types of intellectual property protection, as can be seen in **Figure 1**. You have already learned about these in [Subtopic 3.4 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-39045\)](#), so this section just provides a quick overview of these again.

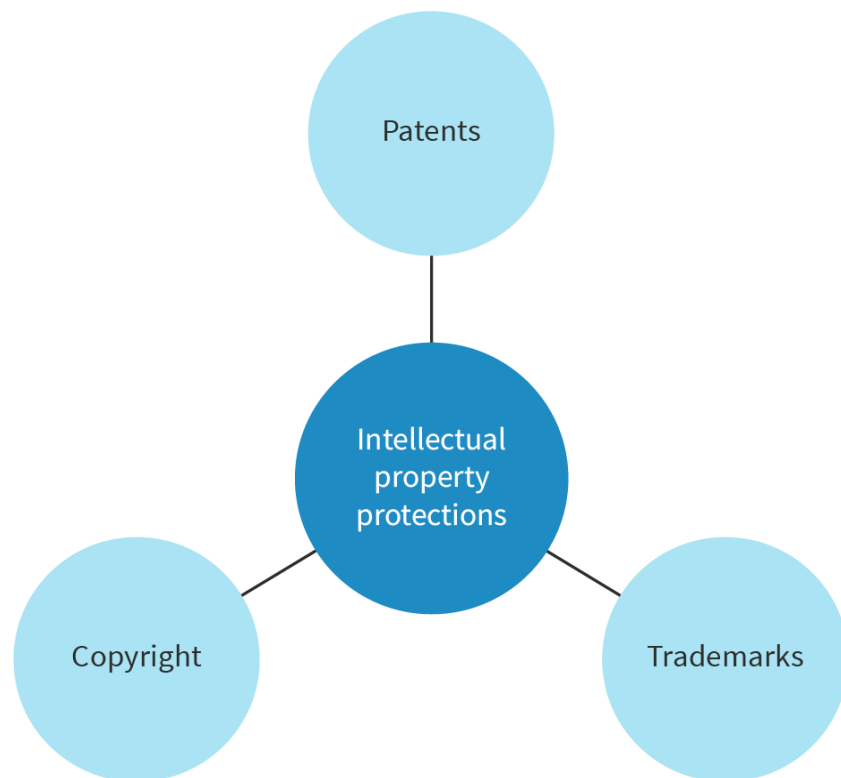


Figure 1. Different types of intellectual property protection.

Patents

A patent is a licence or grant that gives an inventor the exclusive right to make, use or sell a product for a specific period of time. Patents protect innovation. If a business files for a patent and is approved by a government patent office, then it has ownership over

that invention for a certain number of years. Only that company can produce the product for that time, giving it a monopoly. Samsung, for example, has over 200 000 patents worldwide.

In order to successfully apply for a patent, a business needs to have developed something that is:

- original (no one else can have developed the product in the past)
- viable (the product needs to have a use)

Proving both of these points can be difficult and filing patents can be a complex process requiring legal support, which will also be costly for a business.

Patents help ensure that an innovative business can earn revenues to recover the large sums of money spent on research and development. Without patent protection, competitors may immediately copy the innovation and earn revenues without incurring any research and development costs. This may mean that the innovative business cannot survive.

Theory of Knowledge

As mentioned in [Section 3.4.3 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/final-accounts-st-of-financial-position-id-39285\)](#), one of the arguments for granting ownership rights over innovations and artistic content is that it provides an incentive for scientists, engineers, artists and others to develop new ideas. If these innovators know that they can obtain exclusive rights to produce and profit from their ideas for a period of time, they may be more willing to spend time and money to innovate.

However, a compelling argument against ownership of intellectual property is that it slows innovation by preventing innovators from building on the work of others. Many new ideas are not completely original but develop ideas that already exist. Intellectual property protections often block those kinds of innovations. For example, the knowledge pharmaceutical companies have with regard to vaccines would be extremely useful in saving many lives around the world. Yet, such information is not shared, but protected.

- Is innovation supported or hindered by ownership of knowledge?

Trademarks

A trademark is a symbol, word or phrase that is recognisable and associated with the business. Examples of trademarks include brand names or logos that can help customers identify a product from its competitors. You are probably aware of the trademarks of global companies such as the Apple logo or the distinctive font used by Coca-Cola.

Trademarks are usually registered via a government authority. They are crucial for branding, marketing and adding value. Customers can quickly identify a business's product and trust its quality because of the trademark.



Figure 2. The distinctive Coca-Cola trademark is instantly recognisable around the world.

Source: "[Enjoy! Coca-Cola \(2459603859\)](https://commons.wikimedia.org/wiki/File:Enjoy!_Coca-Cola_(2459603859).jpg)"

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Activity

Learner profile: Thinkers

Approaches to Learning: Thinking skills (transfer)

Write down the first five trademarks that come to mind, other than those already mentioned in this section.

- Compare the trademarks you have listed with those of your classmates. Are any of them similar?
- Discuss with your class the importance of a recognisable trademark for a business, using some common examples from the group.

Copyright

Copyright is available for creative artists, writers, musicians and contributors to any other creative medium. Copyright is given without application to any authority. For example, JK Rowling has copyright protection for her Harry Potter series of books. Copyright is granted for a significant number of years, even after the creator's death.

Copyrights can generate royalties. Royalties are fees paid for the right to use copyrighted material. For example, musicians can be paid royalties if someone wants to use a song in a movie or advertisement.

Case study

DJI is a Chinese technology company that has built a reputation for producing a range of high-quality drones. As a result, DJI has been able to increase market growth and build market share. The company has been able to grow as a consequence of product development and innovation.

By December 2015, DJI had submitted more than 679 patent applications. Not all of these applications have been successful, but such patents help to protect against competition. The company has established markets in Asia, Europe, North America, South America and parts of Africa and counts Hollywood producers among its clients. The company strategy has always been built around research and development and continuous innovation, developing their own technologies in order to build and maintain market share.

Questions

1. Define patent. [2 marks]
2. Explain **one** benefit and **one** drawback for DJI of having a patent for its drones. [4 marks]