

## **Top 10 Reasons Why a Patent is Important**

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Patent protection can become a valuable commercial tool and important investment in technology for many businesses. All businesses may have a good technology or invention worth protecting which could be an essential and invaluable asset. Understanding what patent rights can provide can be vital and critical to business success.

Below are 10 of the top reasons why patent protection is important.

### **1. Patent Provides Exclusive Right**

A patent grants its owner an exclusive right to prevent others from taking advantage of the owner's creative idea or goodwill that the owner has developed for the products and processes by making, importing, offering for sale, selling, or using the owner's patented invention. It confers on the owner the right to exclude others from exploiting the invention covered by the patent without the owner's permission or approval and to prevent competitors from enjoying the same rights. The patent owner may decide who may or may not use the patented invention for the period in which the invention is protected and within the country in which the patent is granted.

### **2. Patent Provides Competitive Advantage**

Protecting patent assets and rights may give a company the competitive edge over competitors by discouraging unauthorized use and preventing them from copying the invention or doing something that competes against the patent assets of the business. This would eliminate or diminish competition from imitators, or prevent competitors from imitating the inventions and thus reduce the risks of patent theft. As a patent owner, it may help the owner to become a dominant player in a particular market which is relevant to the technology industry. Patents guard the owner's success from the hands of competitors.

### **3. Increase Profit or Returns**

With patent, there is a potential financial return where the patent owner may profit from its commercial exploitation. As patent owners will have exclusive right to make, import, sell, and use the invention, the patent owners will be able to improve their market power and will be the one making money from the invention. By offering a new way of doing something or something new and different to the customers, a patent can contribute to selling the patented invention at a higher price. There would be typically increased returns and sales since the competitors are barred from offering a similar product.

### **4. Additional Revenue Stream from Licensing**

Patent owners can license their patents to commercial entities by granting rights over the invention to allow them to use or make the patented inventions in return for royalties or payments. Under such a license, the owner of the patent will remain, and the licensee will pay royalties at a pre-agreed amount for the duration of the agreement. The royalty or the license fee can be a one-time payment or a recurring payment of a percentage of sales of the products and/or processes covered by the patent under license. This can provide a long-

term source of revenue to the patent owners. The patent owner may still have the opportunity to use or make the patented invention while licensing it.

## **5. Technology Transfer**

Patent owners may transfer their patent rights to other companies or sell the patented inventions and get a one-time transfer payment in exchange. In this circumstance, the owner of the patent will no longer own the patent.

## **6. New Technology Access Through Cross-Licensing**

Oftentimes, the owner of a patent portfolio may have a technology commercially coveted by others, who may in turn own a patent portfolio for another technology of interest to the first patent owner. That other party could be a customer or a competitor. In this circumstance, the patent owners may negotiate a cross-licensing agreement by which both parties agree to trade access to each other's patent portfolio by authorizing each other to use their respective technologies under conditions specified in the cross-licensing agreement.

## **7. New Markets Exposure**

A patent may also have commercial value for accessing to new markets through merger, joint venture and partnership. Patent portfolios may strengthen a company's innovative image in the marketplace. This can be useful for start-ups and investors alike where a patent can open the door to new markets with new business partners.

## **8. Increase Valuation**

Patent protection may help to create and maintain the market entry barriers to competition which may enhance the value of the technology in the market or improve the commercial value of the product by allowing the patent owner to control access to the technology in the market. Patent protection can also be used to increase and enhance the value of a company in investment negotiations. Additionally, when the owner sells the business, patents inevitably add value to the business.

## **9. Attract Investment**

Investors may perceive a granted patent as a proof of concept of high-level technological capacity when evaluating a business opportunity. Potential investors understand the value of a patent as an intangible asset and want to ensure that their investments will be protected.

## **10. Obtain Funding**

Patents can also be a source of funding from equity investors, venture capitalists, and government grants. These funders are becoming knowledgeable about patent rights and are recognizing the value of patents. They may want to be assured that the invention is legally protected by a granted patent prior to funding and that their investments are adequately protected by a well-drafted patent.