

Why Indian Startups Fail to Leverage Intellectual Property Rights: A Gap Analysis

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Abstract—India’s startup ecosystem has expanded rapidly and operates under a modern, TRIPS-compliant intellectual property (IP) regime supported by schemes like Startup India and SIPP. Yet many Indian startups still under-protect, under-enforce, or under-commercialize their intellectual property rights (IPR), treating IP as an optional legal formality rather than a core strategic asset. This paper offers a concise gap analysis built around four dimensions: (i) awareness and mindset at the founder level, (ii) capability and resource constraints at the firm level, (iii) institutional and process frictions in the IP system, and (iv) weak commercialization pathways for startup IP. Using secondary sources and illustrative cases, the paper shows how these gaps reinforce each other and suggests practical implications for founders, incubators, investors, and policymakers.

Keywords— Indian startups, intellectual property rights, patents, trademarks, innovation ecosystem, gap analysis.

I. INTRODUCTION

In just over a decade, India has moved from a relatively small startup base to a vibrant ecosystem with thousands of recognised ventures and a growing list of unicorns. Founders operate in an environment shaped by improved digital infrastructure, easier business registration, and active angel and venture funding.

On the IP side, the country has seen strong momentum. Government data show total IP filings by Indian citizens increasing 44% in five years, with particularly large jumps in patents and designs. Most filings, however, are still driven by large firms, universities, and a small set of highly active players; startups and MSMEs remain a modest slice of the patent landscape.

This creates a puzzle. India has a TRIPS-compliant IP regime, an online filing system, and specific schemes aimed at startups, including fee reductions

and the Startups Intellectual Property Protection (SIPP) scheme. Yet many founders either avoid formal IP altogether, restrict themselves to one logo trademark, or view patents as a distant luxury. This paper explores why that happens and how the underlying gaps interact.

IP: FY	Patents	Designs	TradeMarks	Copyright	GI	SIICLD
2020-21	24,326	10,594	4,18,594	23,957	57	5
2021-22	29,508	19,245	4,34,084	30,748	116	2
2022-23	43,301	18,170	4,53,325	29,439	210	8
2023-24	51,574	26,536	4,63,108	36,710	134	2
2024-25	68,176	38,804	5,38,665	44,066	274	6

Figure 1: Trend chart of total IP filings vs patents by Indian residents; clearly mark the 180% rise in patent filings.

II. INDIA’S STARTUP AND IP CONTEXT

II.1 Startup growth with uneven IP use

Reports on India’s startup ecosystem highlight rapid growth in sectors like SaaS, fintech, healthtech, logistics, and deep-tech, alongside a large number of service-heavy ventures. At the same time, post-mortems of failed startups point to familiar issues: thin margins, crowded markets, funding gaps, and operational challenges. In this mix, intangible assets such as software, algorithms, designs, and brands often receive less structured attention than they might deserve.

Unlike large corporations, early-stage startups run with small teams and limited capital, so IP decisions compete directly with product development, hiring, and marketing. When every week and every rupee feel critical, a process that seems slow or uncertain—like patenting—naturally moves down the priority list.

II.2 IP support measures and their limits

India’s IP system has been modernised in several ways: online filing, reduced timelines for certain steps, and amendments that allow expedited examination for startups, MSMEs, and other categories of applicants. The SIPP scheme, extended and revised multiple times, empanels facilitators who can support recognised startups from initial advice to final disposal of patent, trademark, and design applications, with professional fees paid by the government.

Despite these efforts, awareness and utilisation of such schemes is uneven. Startups closely connected to good incubators, IITs, or legal networks tend to use SIPP and fast-track routes; others, especially in smaller cities, may not even know these options exist or may find eligibility requirements and procedures confusing.

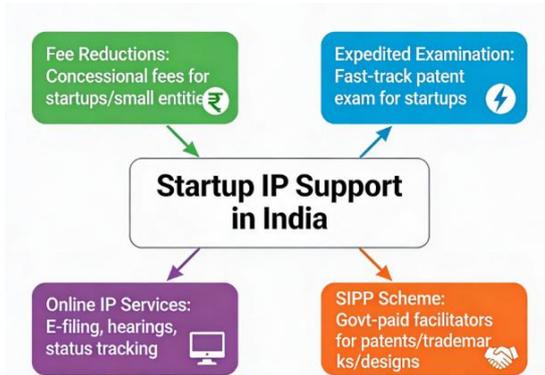


Figure 2: Diagram showing key startup-oriented IP measures: fee reduction, expedited examination, SIPP facilitators, and online filing.

III. A FOUR-GAP FRAMEWORK

We are talking mainly about four gaps. These are not strict categories; they overlap and feed into each other, but they help structure the discussion.

1. Awareness and mindset gap (founders and teams)
2. Capability and resource gap (inside the startup)
3. Institutional and process gap (IP offices and courts)
4. Commercialisation and strategy gap (using IP as an asset)

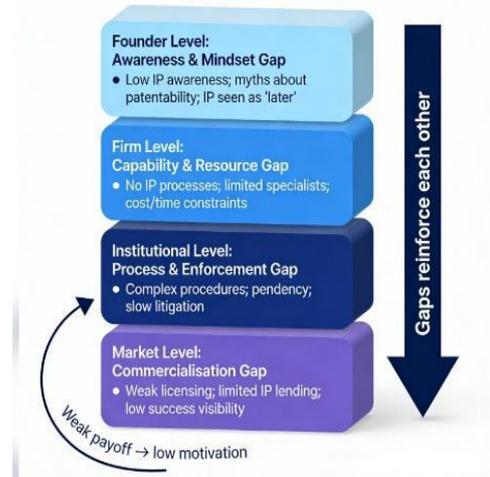


Figure 3: Layered block diagram with four levels— Founder, Firm, Institutions, Markets

1) Awareness and mindset gap

Founders are often focused on product–market fit, growth, and fundraising, so IP is seen as “for later” or only for large corporations. Misconceptions about what can be patented, fear of disclosure, and underestimation of trademark and design protection further lower the priority of IPR in early-stage planning.

Illustrative case: A hardware startup publicly showcased a novel device at multiple events without filing even a provisional patent; a larger competitor launched a similar product soon after, leaving the original team with little legal or negotiation leverage.

2) Capability and resource gap

Even when founders value IP, many teams lack the skills and processes needed to identify protectable subject matter, run prior-art checks, and manage filings. Legal help is often ad-hoc, and basic safeguards such as NDAs and clear IP ownership clauses with employees and freelancers are sometimes missing. Tight budgets and bandwidth make it hard to justify long, uncertain IP processes against immediate operational needs.

3) Institutional and process gap

From a startup’s perspective, IP procedures can feel complex and slow. Technical language, formal responses, and multi-year pendency in some domains reduce the perceived short-term value of filing. On the enforcement side, expensive and lengthy litigation discourages smaller firms from pursuing infringers, weakening the practical deterrent effect of registered rights.

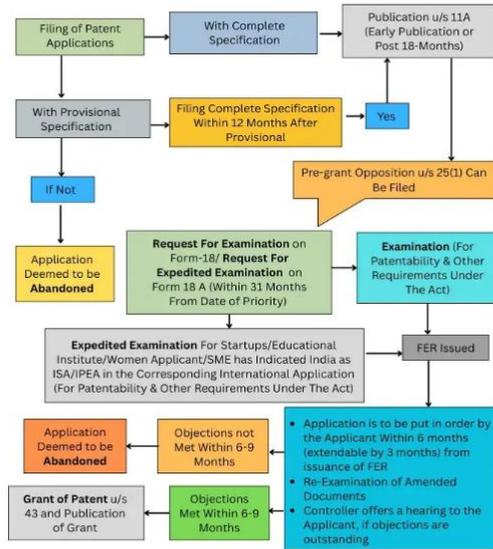


Figure 4: Patent Prosecution Flowchart – India

4) Commercialisation and strategy gap

Many startups stop at “having” a right and do not fully integrate IP into their strategy—for example through licensing, cross-licensing, or thoughtful international filing. Banks remain cautious about IP-backed lending, and valuation practices for early-stage IP are under-developed, so founders rarely see clear financial rewards tied directly to their IP portfolios.

Positive case: A med-tech startup built a focused patent portfolio around its diagnostic technology, used it as proof of innovation in funding rounds, and later licensed the technology in select markets while retaining its core business, demonstrating how IP can become an active asset rather than a static certificate

IV. DISCUSSION

Putting these four gaps together helps explain why IP often remains under-used in Indian startups. Limited awareness means founders do not always see IP as relevant; limited capability and resources make the system hard to navigate; institutional friction and pendency weaken confidence that filing is worth it; and weak commercialisation channels reduce visible payoff. The result is a feedback loop: if peers and local role models are not clearly benefiting from IP, new founders are less likely to invest in it.

The loop is stronger in sectors where differentiation comes mainly from speed and relationships rather than hard-to-copy technology, and in regions where

access to incubators, IP clinics, and specialised lawyers is thin. Breaking this pattern requires changes at multiple levels rather than expecting founders alone to “care more” about IP.

V. CONCLUSION

India’s innovation story is increasingly visible in rising IP numbers and a vibrant startup landscape, but the connection between the two is still weaker than it could be. The four-gap lens presented here—awareness, capability, institutional friction, and commercialisation—offers a simple way to understand why many startups do not fully leverage IPR, even when policy tools exist. Addressing these gaps jointly can help founders protect their ideas better, negotiate more confidently, and build companies whose intangible assets are as strong as their market narratives.