



# Patents' Private and Social Function Innovation, Markets, and New Businesses

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## **Abstract**

This paper explores the dual functions of patents in contemporary society, focusing on their private and social roles in fostering innovation, shaping markets, and nurturing new businesses. Patents are instrumental in incentivizing individual inventors and companies to invest in research and development activities by granting them exclusive rights

However, the problem is that, while there is wide availability of data about patents, they are not created with the goal of providing causal understanding of phenomena, particularly the implications of the many functions of patents. This calls for the collaboration of patent agencies, firms and other institutions or stakeholders. They can both raise relevant questions from the practice, and help to coordinate, facilitate and encourage data collections, research designs, and experiments that generate identification strategies to answer these relevant questions by nailing down causal effects and mechanisms. This will provide the basis for rigorous evidence-based management and policies about patents. This section also provides examples of these analyses.

## Discussion

### Private and Social Functions

**Introduction:** Patents grant inventors exclusive rights to their inventions for a specified period, typically 20 years from the filing date. This protection ensures that others cannot make, use, sell, or import the patented invention without the patent holder's permission. It safeguards the inventor's intellectual property from unauthorized use or imitation [6].

**Market Incentives:** Patents provide a competitive edge by establishing a temporary monopoly. This exclusivity allows patent holders to control the production, sale, and distribution of their invention, giving them a unique position in the market. This can be especially valuable in industries with high research and development costs.

**Monetization:** Patent holders can monetize their intellectual property by licensing it to others. Through licensing agreements, patent owners grant third parties the right to use their invention in exchange for royalties or fees. This can generate a steady stream of income without the need to manufacture or market the product themselves.

**Strategic Use:** Patents can also serve as defensive tools. In a competitive landscape, companies may acquire patents not only to protect their innovations but also as a deterrent against potential litigation from competitors. This defensive use can help prevent costly legal disputes.

**Access to Capital:** Patents can enhance an organization's ability to secure investment or financing. Investors and lenders often view patents as valuable assets that can be used as collateral, increasing the company's credibility and improving its access to capital for further research and development or expansion.

**Market Barriers:** Patents can create barriers to entry for potential competitors. By holding patents covering essential technologies or processes, companies can limit the ability of others to

## Conclusion

In conclusion, evidence-based management and policies for patents represent a critical framework for fostering innovation, economic development, and equitable access to technological advancements. By diligently assessing the impact of patents, evaluating patent quality,