Every business starts with an idea. Even the best idea can be quickly exposed and copied by bigger companies in the market. For fans of Shark Tank, this problem usually comes up right before venture capitalist Kevin O’Leary asks the business founder why a competitor won’t “crush you like the cockroaches you are.” Startups and small businesses face the same question, whether from potential investors, or from themselves knowing added success might catch the unwanted interest of competitors.

Trademarks relate to business success

How do some founders protect their business? According to one study, written by Thomas Chemmanur and Harshit Rajaiya of Boston College’s Carroll School of Management, Xuan Tian of Tsinghua University’s PBC School of Finance, and Qianqian from Lehigh University, the answer is trademarks. The 2018 study, titled, Trademarks in Entrepreneurial Finance: Empirical Evidence from Venture Capital Investments in Private Firms and Venture-Backed IPOs, finds registering trademarks can be a cornerstone of stunning level of long-term success.
for startups. According to the study, businesses with trademarks gain a number of advantages, ranging from business health, venture capital investment, and even IPO success.

We find that the number of trademarks held by an entrepreneurial firm is associated with a greater VC investment amount spread over a smaller number of financing rounds; a greater probability of successful exit; higher IPO and secondary market valuations; greater institutional investor IPO participation; smaller post-IPO equity market information asymmetry; and better post-IPO operating performance.

The authors theorize trademarks help startups protect their market and future success, and indicate to private equity investors and public equity investors the company has better odds for future success.

**Lessons for startups and small businesses**

Whether considering raising capital from venture capitalists, IPOs, or just looking for the success of their business, founders should consider the relatively low-cost of trademark registration. Trademarks can be a business name, a slogan, a logo, product design, product packaging, and even things like fragrance. As noted by Entrepreneur, a trademark becomes a business asset that grows in value, can be bought, sold, licensed, or even used as a security interest in a business loan.

Trademarks are not simply for big businesses, but a great way for small businesses to protect and invest in their future. Indeed, the study found total funding and company valuation in startups and small businesses increased with trademark ownership.

If you end up on Shark Tank, or are asked from a venture capitalist why a competitor will not “crush you like a cockroach,” you will be better off if you can explain elements of your business and product are protected trademarks.

If interested in protecting trade secrets, copyright, trademarks, or reviewing your company’s intellectual property-related policies, contact our attorneys below. Spengler & Agans offers a flat-rate *legal checkup* for startups and business needing a broad, overall legal review of their business and business practices.