

Trademarks in Entrepreneurial Finance

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Abstract

We analyze the role of trademarks in entrepreneurial finance, hypothesizing that trademarks play two important roles: a protective role, leading to better product market performance; and an informational role, signaling higher firm quality to investors. We develop testable hypotheses relating the trademarks held by private firms to characteristics of venture capital (VC) investment in them, their probability of successful exit, IPO and secondary market valuations, institutional investor IPO participation, post-IPO operating performance, and post-IPO information asymmetry. We test these hypotheses using a large and unique dataset of trademarks held by VC-backed private firms and present causal evidence supporting them.

Keywords: Trademarks; Initial Public Offerings (IPOs); Private Firm Exit; Innovation

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