

Insights

INVESTING IN YOUR IP RIGHTS

A KEY STEP TO ATTRACTING EUROPEAN STARTUP FUNDING

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A [recent study](#) by the European Patent Office (EPO) and the European Union Intellectual Property Office (EUIPO) provides useful support for those working to develop and protect valuable IP rights. It reveals that European startups with a stable portfolio of intellectual property (IP) rights are significantly more likely to secure early-stage venture capital (VC) funding, with the likelihood being over **10 times higher** than for those without such rights.

This revelation comes amidst a flourishing European startup ecosystem, which has seen VC deals skyrocket from EUR 9.4 billion in 2013 to an extraordinary EUR 110.8 billion in 2021, thanks in part to a maturing European VC industry and surging global investment interest.

Against the backdrop of this growth, the EPO and EUIPO have highlighted the pivotal role IP rights play in attracting startup finance. The study, corroborating previous findings, shows that 29% of European startups have filed for registered IP rights, with biotechnology standing out as the most IP-intensive sector. The importance of a startup securing protection for IP rights via a registration program is further demonstrated by the association with the startup having a higher probability of securing subsequent VC funding, with startups filing for both trade marks and patents exhibiting the highest likelihood of funding in both seed and early stage funding rounds.

João Negrão, Executive Director of the EUIPO, has emphasised the significance of IP rights as a cornerstone for securing financing and fostering collaborations, especially for innovative companies whose primary assets are often their intellectual property rights. The study also shows that 27% of startups have applied for a trade mark, more than any other IP right.

The study also highlights that:

- owning IP rights notably enhances a startup's capacity to raise funds, particularly in capital-intensive deep-tech industries.
- startups in countries such as Austria, Switzerland, the Czech Republic, Germany, Finland, France, and Italy are more inclined to apply for patents and trade marks.

- from an investment standpoint, pan-European patent and trade mark filings are linked with a more than twofold increase in the likelihood of a successful investor exit, with startups holding pan-European IP rights outperforming those with national level rights alone. However, this may just suggest a correlation between the geographic footprint of a startup and the likelihood of investor exit.

Moreover, realising the important value IP plays for deep tech innovation, the EPO has introduced the [Deep Tech Finder](#) aims to empower investors to identify and evaluate startups with ground-breaking technologies, indicating a proactive step towards nurturing the nexus between innovation and investment.

In summary, the study underscores the indispensable role of IP rights not just as legal instruments but as fundamental drivers of economic growth, investor confidence, and the broader success of the European startup ecosystem. As a law firm with a keen focus on IP in the UK, these insights affirm our commitment to guiding startups through the complexities of IP acquisition and strategy, ensuring their innovative ideas are well-protected and primed for commercial success.

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