

INTELLECTUAL PROPERTY and ITS EFFECTS ON ENTREPRENEURSHIP

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The worldwide licensing of intellectual property (IP) is a \$140 billion a year industry. This covers symbols from Mickey Mouse and Star Wars, to high-tech new products.

What use to be called patents, trademarks, copyrights, etc., has been elevated to a new and dynamic level, where the legal profession has taken what use to be just “a patent” to the new dimension called “IP.” Law firms can now justify higher fees, but at the same time industry worldwide has recognized that if they want to use a symbol, character or technology, they need to obtain permission and to pay for the rights.

In days past companies would file for patents, then do very little about commercializing them. In the last decade there has been a dramatic surge in the exploitation of intellectual property, to where a large number of entrepreneurial firms have been established for both managing and commercializing new technologies for corporations.

A shining example of the value and importance of IP is what has transformed IBM into a licensing power-house. Just seven years ago they were earning \$30 million a year from licensing royalties. By redirecting their research and development dollars, and inventing for profit, in the year 2000, IBM earned \$1.6 billion in licensing royalties. This is added right to the profit line. IBM in 2000 received 2,922 U. S. patents, and has been number one for the past five years in the number of patents issued to one entity.

A little known example of IP, is the young attorney almost 25 years ago, who created a new law that protects the rights of dead celebrities. From his offices high above Wilshire Boulevard in Beverly Hills, Roger Richman manages and protects a stable of very

well known, but deceased clients. The most famous is Albert Einstein. Among others are, The Wright Brothers, Gary Cooper, Boris Karloff, Steve McQueen, Rudolph Valentino, Audrey Hepburn, Jack Benny and many more. Instead of his offices looking like a law firm, they look like a miniature movie studio.

Statistics show that increases in the filing of patents results in a stimulated economy and the proliferation of the creation of new ventures. The correlation of IP to entrepreneurship becomes obvious when considering the following facts:

1. In 2000, the U. S. PTO issued 182,223 utility patents (3504 a week) and projections for 2001 is 250,000.
2. In 2000, the PTO received 311,807 patent applications (5996 a week).
3. In 2000 there were 1,650 companies throughout the world that received 10 or more U. S. patents.

Even with the bankruptcies of hundreds of dot.com companies, we are still a prolific nation of new ventures. In this same period of time thousands of new corporations were created from an invention or new technology. New ventures are predominantly created because of an invention, innovation or technology that justifies building a company around it.

There is also a direct correlation between entrepreneurship, new ventures and the growth of the venture capital industry. New companies can be voracious consumers of money, especially in their early days of growth. I will show and document the variables and results of the correlation between the creation of new inventions/technologies, establishment of new business enterprises and the investment of funds by both private and venture capital sources.

