



Topic 2: Making a Mark

The Importance of Trade Marks

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Tools to promote the business of an SME

- Tools
 - Trade marks
 - Domain names
 - Industrial designs
 - Geographical indications
- How do these branding tools help promote the business of an SME?



What is a trade mark ?

- A mark that
 - is associated with a particular product or service
 - helps to distinguish it from other products and services,
- Why have a mark:
 - use of the mark in marketing and advertising,
 - Achieves that distinguishing from other products or services
 - creates economic advantages to the trade mark owner or trade mark licensee



What can be a trade mark

- A trade mark is not limited to a sign or words
- Can be:
 - Words
 - Letters
 - Numerals
 - Drawings
 - Shapes
 - Colours
 - Logo
 - Audible sounds
 - Olfactory signs, ie smells
 - In some countries, a slogan
 - Movement (M&Ms, Toyota leap).



Why have a trade mark ?

- A trade mark
 - identifies a product or service
 - distinguishes one SME's product or service from a competitor's product or service, particularly a competitor's similar products or services
- This branding of a product or service in this way achieves a number of economic benefits





Economic benefits of a trade mark

Customer Recognition

- Customer recognition
 - A customer will be able to recognise the SME's product or service from a competitor's product or service
 - A customer that was satisfied with the product when the customer used it on a previous occasion, will recognise that product again, and purchase that product again
 - If that brand recognition was not there, a customer would be unable to recognise the product to be able to buy it again



Economic benefits of a trade mark

Customer Loyalty

- Customer loyalty
 - Customer loyalty is more than recognition for the purpose of buying again
 - A customer that is a repeated user of the same product or service will become a loyal customer
 - Customer trust
 - Customer emotional attachment
 - All based on the qualities or attributes of the desired product
 - A loyal customer may stick to the familiar, trusted product, even if a technically superior product enters the market
 - Corn Flakes Breakfast cereal



Economic benefits of a trade mark

SME Image

- SME Image
 - Trade mark of a product or service will enhance the reputation and standing of the SME
 - A customer that is satisfied with one product that the customer recognises, will consider purchasing a different additional product from the same SME





Economic benefits of a trade mark

SME Goodwill

- What is goodwill ?

The reputation
and standing of a business

- Customer recognition
 - Customer loyalty
 - Customer trust
 - Customer attachment
- The economic value of loyal customers buying again, expressed as a lump sum amount of money
 - An asset on the SME's balance sheet
 - An asset against which an SME can borrow

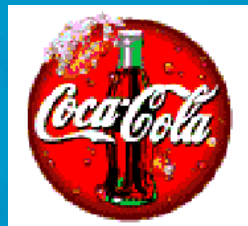




Economic benefits of a trade mark

SME Goodwill and trade marks

- What is goodwill is therefore almost entirely dependent upon trade marks
- It is often the difference between the total value of a business, less the value of its physical assets, and that can produce a very high number
- How valuable can trade marks be ?
- All these are valued in excess of US\$ 50 million
 - Coca Cola
 - IBM
 - Microsoft



Microsoft



Economic benefits of a trade mark

SME Goodwill and trade marks

Top 100 Industrial Companies in Australia

Companies that have intangible assets	77%
Companies separately record identifiable intangibles	69%
Amount separately identifiable intangible recorded	\$56.7 billion
Identifiable intangibles recorded as trade marks	69%
Identifiable intangibles other than brand names	31%

Source: IP Toolbox paragraph 17.4.1



Economic benefits of a trade mark

Not just large companies – SMEs as well

- Crystal Lake Beverages Pty Limited
 - A Sydney soft drink manufacturer – an SME
 - Established 1973
 - Sold
 - Sale Price: AU\$330 million
 - Its tangible assets: AU\$35 million
 - Its intangible assets: AU\$295 million
 - Intangible assets comprised trade mark, and goodwill associated with trade mark
 - Source – IP toolbox Module 17 Case Study



Protecting trade marks

- To:
 - realise that economic value
 - preserve that economic value
- Trade marks need to be protected
- Economic value of a trade mark can be eroded if it is not protected
 - Trade mark need not be registered to be used
 - Trade mark needs to be registered to be protected.



Registration of trade marks

- Registration of trade mark confers
 - the exclusive right to exclude others from using your trade mark
 - the exclusive right to prevent others from using other trade marks which may be
 - Similar
 - Creating confusion in the market place with your trade mark



Consequences if a trade mark is not registered

- A competitor may use your unregistered trade mark and capture
 - Your customer recognition
 - Your customer loyalty
 - Your SME image
 - Your goodwill

- A competitor may by doing so capture the economic value of your unregistered trade mark



Consequences if a trade mark is not registered

- How ?
- Your customers may as a result of the competitor's use of your mark
 - be confused
 - purchase a competitor's product mistakenly believing that they are purchasing your product
- This reduces
 - your profits
 - your goodwill
 - the value of your business
- It also may adversely affect the image of the SME, and adversely affect goodwill as well, if the competitor's product is inferior
- A competitor in these ways captures the economic value of your unregistered trade mark



Advantages of registration of a trade mark

- The SME owns the trade mark
- Can prevent others registering the same trade mark, similar trade mark, or confusing trade mark
- Protects
 - Your customer recognition
 - Your customer loyalty
 - Your SME image
 - Your goodwill
- Preserves
 - Your goodwill
 - The economic value of the trade marks and therefore of the SME's business



Advantages of registration of a trade mark - Licensing

- A trade mark can be licensed
- The reputation and goodwill of a product or service can be extended by:
 - Authorising others to produce and sell that product, provide that service, under the banner of the recognised trade mark which is licensed
 - In the same country in different geographical areas
 - In other countries
 - Quality Assurance
- Licensing provides an additional source of revenue and profits



Position of unregistered trade mark

- Unregistered trade mark
- Is not an intellectual property asset
- Therefore cannot be sold
- Harder to stop a person that infringes an unregistered trade mark
- Possible to do so, but the cause of action is more difficult to establish
 - Passing off
 - Must prove
 - goodwill owned by the SME
 - Misrepresentation
 - Damage to goodwill
 - Misleading and deceptive conduct



Advantages of registration of a trade mark – Licensing & Franchising

- May relate to a product only, which is locally produced, with the trade mark being licensed
 - Coca Cola
- May be a franchise to an independent business
 - Interflora
 - McDonalds
- Trade mark license is a critical component of a franchise





Protection & Registration

Trade marks and business names

- Sometimes thought that registering the name of the SME provides trade mark protection
- Business name – the name that an SME uses to present itself to the market
 - Corporate name of SME “Inc” “Snd Bhd”; “SA” “BV” “Pty Ltd”, “Pte Ltd”, “Ltd”
- None of these are trade marks
- No trade mark registration protection is achieved by registering these names



Protection & Registration

Trade marks and business names

- Only way to obtain registration protection of trade mark is to register the trade mark in the trade mark office (by whatever name) in each country where protection is sought
- Registration of business name or corporate name is made in a different registration office
- Usually trade marks do not associate with a business
- Usually they associate with the products of that business



Protection & Registration

Trade marks that cannot be registered

- Generic terms
 - “telephone”; “dentist”; “bicycle”; “toothbrush”
 - Otherwise all producers would infringe
- Descriptive terms or qualitative terms
 - “fast”; “best”; “whitest”, “sweet”
 - Considered to be unfair to give trade mark benefits to these words
- Deceptive trade marks
 - A trade mark for margarine, featuring a cow



Protection & Registration

Trade marks that cannot be registered

- Trade marks
 - identical to already registered trade marks
 - deceptively similar to existing trade marks
- Requires judgement to be made
- Some countries searches by trade mark examiner made as part of registration process
- Some countries this assessment made only when there is a challenge by a third party



Selecting a trade mark

- some approaches

- Invented words

Least likely to be identical or similar to an already registered trade mark

- Most likely to have least difficulty registering

- Paradox:

- Most difficult to remember initially

- Most likely to become easy to remember

- Arbitrary trade marks

- Real words unrelated to the product

- Easy to register, will require marketing for recognition





Selecting a trade mark - some approaches

- Suggestive trade marks
 - Trade marks that hint at characteristics or attributes of a product
 - Eg, “Sunny” suggests attributes of warmth – trade mark for electric heaters
 - If too descriptive may not be able to be registered





Retaining a designer to design your trade mark

- SME can retain a designer to help in the design of a trade mark for products, services, and the image of an SME
- Designer can help an SME invent a new trade mark
- Critical that the SME obtain an assignment from the designer, to record that the intellectual property created by the designer, is owned by the SME
- The designer will own the copyright in the design otherwise
- This can lead to limitations on the SME's use of the trade mark



Trade mark registration checklist

1. Check that trademark will meet legal requirements (not a generic term, descriptive term, deceptive trade mark etc)
2. Undertake trade mark search to ensure that its not identical or similar to an already registered trade mark
 - check WIPO website for links to free web based searchable databases
3. Make sure that its easy to read, write, spell, remember
4. Make sure that it has no undesired connotations in other languages where registration / use will occur
5. Check the availability of the domain name



Trade mark applications

- Broadly:
 - application to register mark filed in trade mark office
 - Formalities examination by trade mark office for compliance (fee, declarations of intention to use, etc)
 - Substantive examinations – some trade mark offices consider whether identical / similar to existing marks
 - Publication
 - Opposition by third parties seeking to oppose
 - Registration, generally 10 years
 - Renewal upon payment of fees, therefore lasts indefinitely
 - Process can take 3 months to 2 years, depending on country



Trade Mark Classifications

1 Chemicals	16 Paper goods	31 Agricultural products
2 Paints	17 Plastics	32 Beers and non-alcoholic drinks
3 Cleaning preparations	18 Leather	33 Alcoholic drinks (except beer)
4 Oils	19 Building materials	34 Tobacco
5 Pharmaceuticals	20 Furniture	35 Business services
6 Metals	21 Household goods	36 Financial services
7 Machines	22 Ropes	37 Construction services
8 Hand tools	23 Yarns	38 Telecommunications services
9 Scientific equipment	24 Textiles	39 Transportation services
10 Medical equipment	25 Clothing	40 Material treatment services
11 Lighting and heating	26 Lace	41 Leisure and education services
12 Vehicles	27 Carpets	42 Scientific & computer services
13 Firearms	28 Toys and playthings	43 Restaurant / accommodation
14 Jewellery	29 Foodstuffs	44 Medical and veterinary services
15 Musical instruments	30 Foodstuffs	45 Personal and security services

Trade Mark Classifications

- Necessary to nominate which classes of goods and services the trade mark will be used in
- Trade mark can be registered by different applicants, in relation to use in different classes
- Critical to register the trade mark in all classes that are appropriate
- Possible to have same word registered by different owners in relation to different goods





Trade mark symbols

- **®** denotes that the trade mark is registered
- **™** denotes that the trade mark relates to goods
- **SM** denotes that the trade mark relates to services

- Use is not compulsory
- Communicates that the mark is a registered one, and that the rights conferred by registration will be asserted



Which countries should trade mark be registered ?

- Each country where it is sought to establish
 - Customer recognition
 - Customer loyalty
 - Goodwill
 - Etc
- Particularly important when goods and services are exported
- Making international applications
 - national applications in each country where registration sought
 - Madrid Protocol – single application, one set of fees and procedures, and register in up to 70 countries



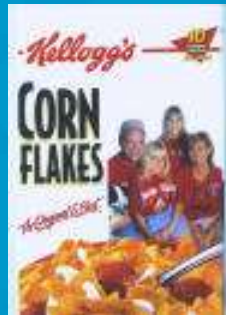
Using trade marks in marketing

- Always use the same font, colours and style
- Consistency in font colours and style is what will create / maintain
 - Customer recognition
 - Customer loyalty
 - Goodwill
- Extending use of trade mark to new products
 - Enables new products to be launched with the advantage of already established recognition, loyalty, and goodwill



Branding Strategies

- One brand for a family of products
- Separate brand for individual products in that family





Branding strategies

- Using two brand together
- Identifies the family of brands – Kelloggs
 - Creating and maintaining loyalty for that brand
- Identifies particular unique products
 - Creating loyalty for those products

- Other examples
 - Cars
 - Microsoft products



Trade marks and the internet

- Some unique problems
- Trade marks registered in different countries by different owners
- Trade mark may be identical, or similar
- Trade mark is territorial, whereas internet is global
- Disputes between trade mark owners who legitimately own their own trade marks



Trade marks and domain names

- Another area of friction is domain names
- Domain name are internet addresses
- Domain names have evolved into names that identify a business
- Therefore desirable to avoid
 - trade mark that is similar to an existing domain name
 - Domain name similar to a trade mark unless you own both
- Creates confusion
- Does not maximise the objective of customer recognition, customer loyalty, etc
- Desirable to have a trade mark, and a domain name that is the same as the trade mark
- Maximises customer recognition, customer loyalty



Trade marks, domain names, infringement, cybersquatting

- Registering a domain name that is the same or similar to a trade mark can in some countries amount to an infringement of the trade mark
- Cybersquatting occurs when you register a domain name that is the same as another person's famous trade mark
- If you have a domain name that is similar to a trade mark, possible outcomes of a dispute include giving up your domain name – with the loss of the reputation that that domain name may have earned for you
- US: Anticybersquatting Consumer Protection Act,
 - makes it unlawful for a person to register a domain name that incorporates the famous trademarks of another