

INTRODUCTION



- Trademarks as well as the service marks are used to recognize the goods and services to consumers, and to distinguish between the brands
- It embraces any word, symbol, device, name or any combination, used in business to recognize and differentiate the goods
- In a nut shell trademark is a brand name. For example : Nike, Coca Cola , Haldiram etc



TRADEMARKS PROTECTION

- 1) The protection of trade marks ensure protection from others **dishonestly**, **confusing consumers** with **misleadingly similar names**
- 2) Safeguard trademark holders rights

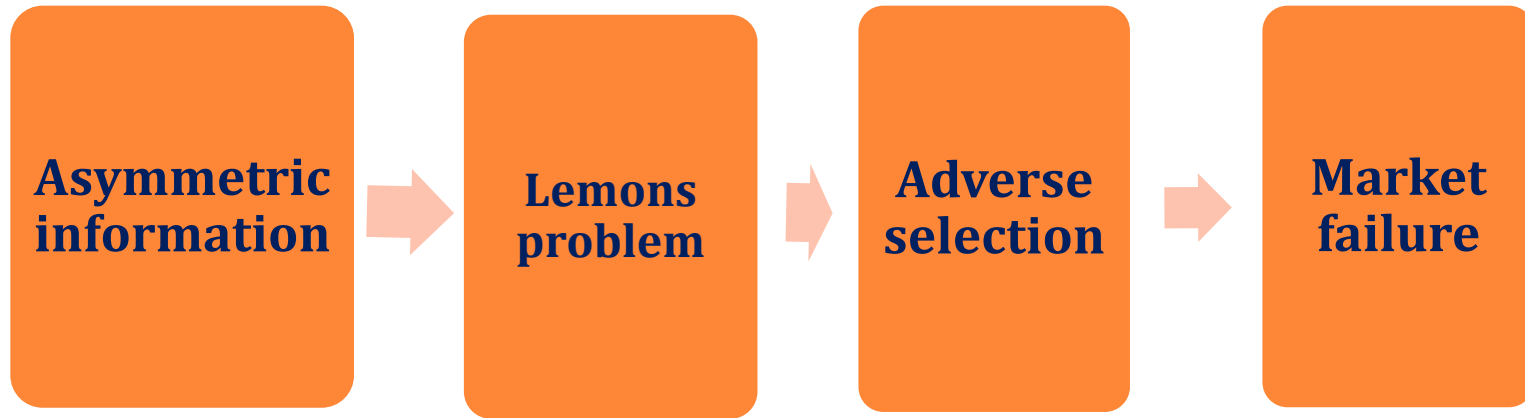


TRADE MARKS PROTECTION...

- If the trade marks are registered, it grants a level of protection
- Nonetheless, it is the responsibility of the registration holder to make all the efforts to protect it
- Appropriate use of the trademark and legitimate enforcement rests on the trademark holder and to prevent the infringement by others



ASYMMETRIC INFORMATION AND ADVERSE SELECTION



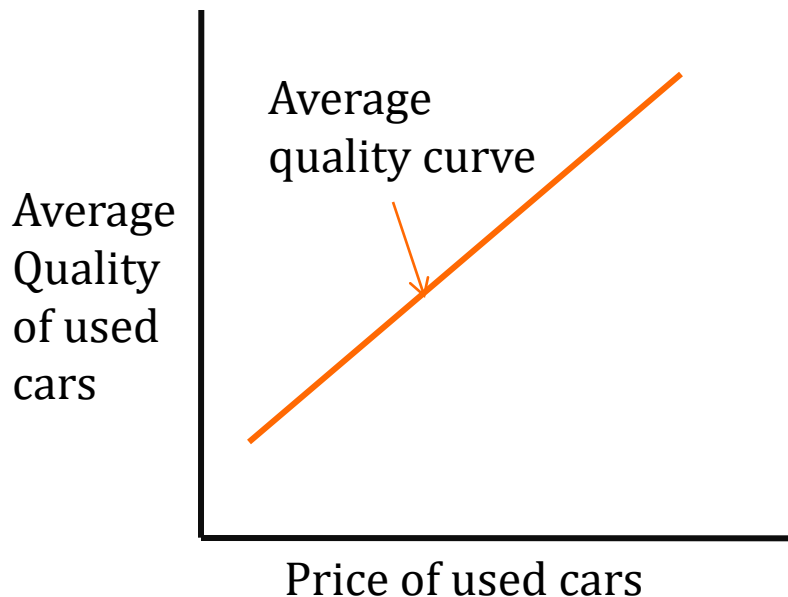
This can be explained with the help of given figure. 1(a) and 1(b) where due to information asymmetry on the part of sellers and buyers the bad quality products drive out the good quality products from the market and therefore the average quality of the used cars for sales declines and its price as well.

"Lemons" refer to **quality goods that are mixed in with goods of high quality in a market**. When buyers are facing information asymmetries in making difference between the good quality and bad quality goods, they may be unwilling to pay a fair price for any of the goods, leading to a market failure.

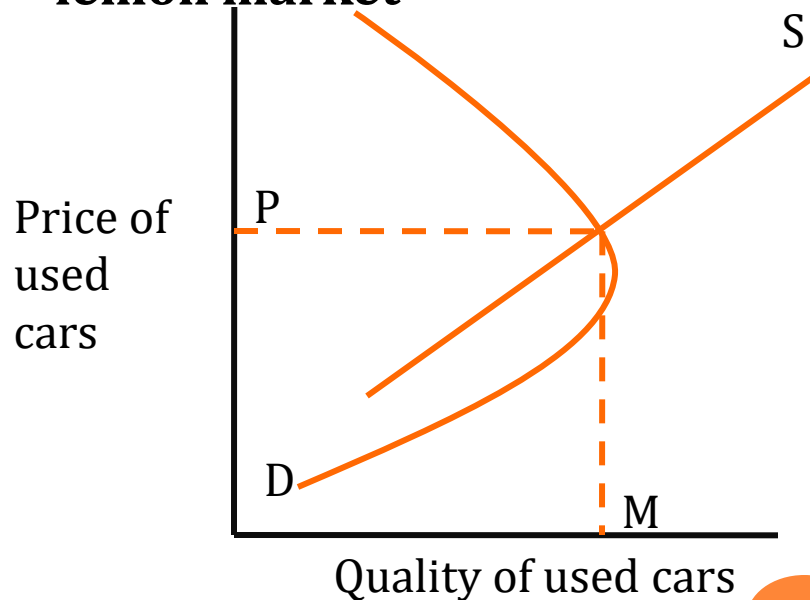


ASYMMETRIC INFORMATION AND ADVERSE SELECTION

1(a).Average quality curve



1(b).Market equilibrium in lemon market



ECONOMIC JUSTIFICATION FOR TRADEMARK PROTECTION...

- Restricts free riders from destroying information capital embodied in a trademark.
- Lowers consumer search costs and experience costs:
A consumer pays cost for searching goods which he/she wants to buy comparing the benefits and costs . Because of conveying reputation or information about the brand, trademark helps to reduce search cost.

This can be explained with the help of given [figure 2](#) where due to trademark the expected cost of search for consumers falls which leads to fall in time spent searching.

TRADEMARK REDUCES SEARCH COST

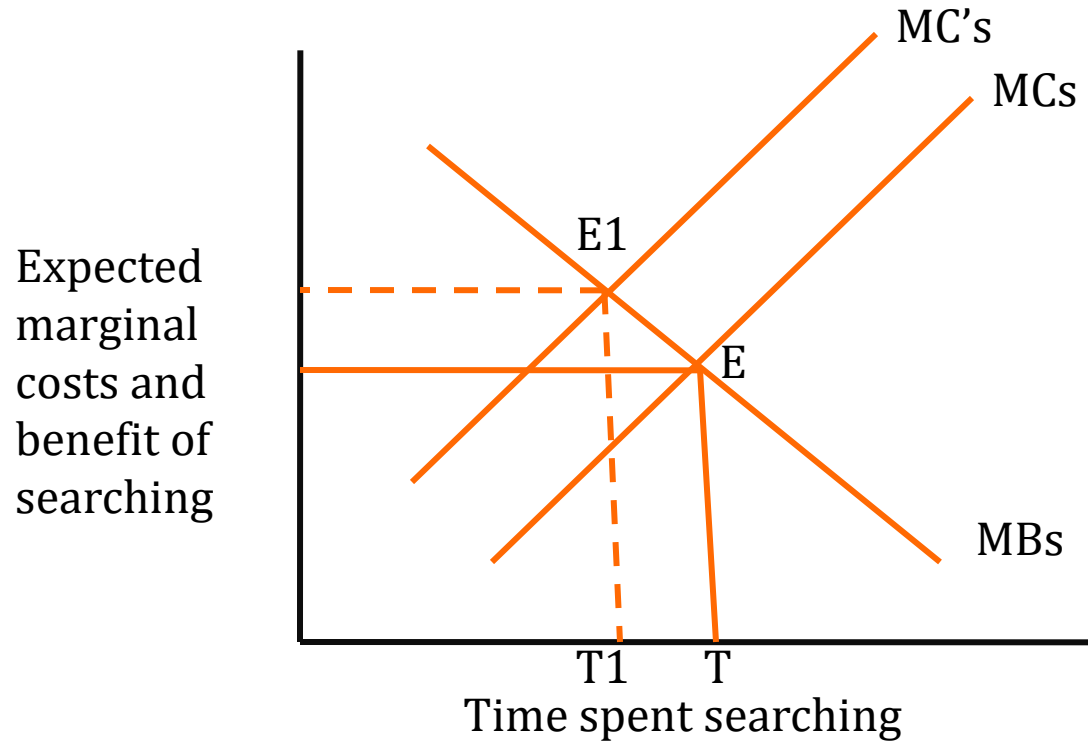


Fig.2 Equilibrium in search activity




TRADEMARKS: PROBLEMS INSTANCE

- The domain name *newton.com* was registered by Mark Newton in 1994 for his bulletin board to offer computer assistance.
- Subsequently, Mark Newton was asked by the Apple computer to discard the domain name, since the later has a trademark for 'Newton'
- Apple computer accused Mr. Newton to the InterNIC because they were reluctant to withdraw the domain name
- This has raised concerns whether trademarks actually confer ownership over a domain name to the companies
- And finally newton.com redirected to apple.com
- Because from 1993 to 1998, Apple sold a **personal digital assistant** PDA called the MessagePad based on the Newton OS.



TRADEMARK: ECONOMICS OF LANGUAGE AND COMMUNICATION

- ❑ Trademark encourages investment in inventing new words
 - ❑ Economizing language in 3 ways:
 - ✓ It increase the collection of names of things, thus **economizing on communication and information costs** in the ways just recommended.
 - ✓ Also create **new generic words** that denote entire products, not just individual brands.
 - ✓ It further develop the language, by **inventing new words or phrases** that people value for their natural attractiveness as well as their information value.
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TRADEMARKS: DURATION

- ❖ Duration of Trademarks:
 - Duration of trademark protection is unlimited as it encourages competition and prevent the occurrence of tracing cost.
 - It lasts until abandoned.



TRADEMARKS: BREADTH

- ❑ Generic products can not be trademark and trademark can not be generic products.
- ❑ Some times a competitive product succeeds so far that its trademark become a generic name

Some examples:

Xeroxing for photocopying

Surf for detergent powder

Hoover for vacuum cleaner



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TRADEMARK AS A SOURCE OF MONOPOLY RENT

- ❑ Owners may enjoy **monopoly rents** by spending money on creating fake image of high quality and thus avert consumers from lower price substitutes of equal quality or even higher quality.
- ❑ It may create **social waste** and make consumers cheated.



TRADEMARK AND INCENTIVE TO FREE RIDE

- The stronger the trademark the greater the incentive to go for free ride in the absence of legal regulation.

Generally, the trademark of **popular , big and famous brands** are pirated or tried to be imitated.

- The incentive to free ride depends on the difference between the revenue generated by the trademark and the costs of imitation.

If **cost of imitation > revenue from trademark**, there will be less incentive to free ride.

If **cost of imitation < revenue from trademark**, there will be more incentive to free ride.



TRADEMARK: INDICATION OF ORIGIN AND INDICATION OF QUALITY

- ❖ Indication of origin (IO), essentially differentiates between products on the basis of their origin.
- ❖ Indication of quality (IQ), which is designed to provide consumers with additional information about the quality of the products.



CONCLUSION

- ❑ After analyzing trademark protection from economic perspective ,we can say that the **motive for trademark protection is to promote economic efficiency.**
- ❑ The economics underlying the protection of **trademark** is based on the **economics of asymmetric information and adverse selection.**

