Trademarks

Trademarks provide exclusive rights to use a sign visually perceptible (e.g. words, letters, numerals, figurative elements, and logos), or any combination of signs, that enables people to distinguish the goods or services of one undertaking from those of other undertakings (TRIPS, Article 15, WTO, 1994). They can be a critical asset for firms and a means for reaping returns on innovation in many technology areas including also the services sector. Nevertheless, trademarks do not necessarily always protect innovations as novelty is not a requirement for obtaining them. In terms of granting procedure, trademarks can be obtained following national, regional or international routes, but once granted, they are, as is the case for all types of IP, national titles subject to national legislations and courts.

What is a trademark?

A trademark is a sign visually perceptible (e.g. words, letters, numerals, figurative elements, colours, logos, phrases, among others), or any combination of signs, that enables people to distinguish the goods or services of one undertaking from those of other undertakings (TRIPS, Article 15, WTO 1994). A sign that does not inherently distinguish the relevant goods or services, but has acquired distinctiveness through use may also be registrable as a trademark.

The only criterion to register a new trademark is the novelty of the sign itself, which must not be identical or similar to any already registered trademark. The purpose is that the mark uniquely identifies a type of product, so as to prevent consumers' confusion. Once granted, the trademark is protected for a limited period of time (at least seven years, generally ten years). The registration can be **renewed indefinitely**, upon payment of a fee, if the owner needs further protection (TRIPS, Article 18, WTO, 1994). More detail on trademark law is provided at this link (see Trademark law [1]).

A successfully registered trademark is recognizable by having a symbols attached, either ® or ™. The owner of a registered trademark shall have the **exclusive right to prevent all third parties not having the owner's consent from using in the course of trade which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion**. In case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed (TRIPS, Article 16(1), WTO, 1994). Minimum standards for patent protection have been defined with the Trade-Related Intellectual Property Rights Agreement (TRIPS, WTO, 1994) (see International Dimensions of IP Systems [2]).

In most jurisdictions, trademark rights must be maintained through actual use of the mark. Failure to actively use the mark, or to enforce the registration in the event of infringement, may expose the registration to removal (Millot, 2009).

Trademarks are **alternatively called "brands"**, this term being more commonly used in the marketing literature. The term "trademark" refers more specifically to the legal object, whereas the terms "brand" and "branding" are more related to the commercial use and the customer's perception of the mark (Millot, 2009).

Other IP concepts related to trademarks are geographical indications and certification marks, described as follows:

- A **geographical indication** is a sign that serves to identify a good as originating in a specific country, or a region or locality in its territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin (TRIPS, Article, 22(1), WTO, 1994). Like trademarks, geographical indications convey information about the origin of a good or service and enable consumers to associate a particular quality

with a good or service. However, while trademarks (which can be arbitrary signs) inform consumers about the source-company of a good or service, geographical indications (which usually correspond to the place of origin) identify a good as originating from a particular place. Based on its place of origin, consumers may associate a good with a particular quality, characteristic or reputation (WIPO, n.d.).

- Similarly, **certification marks** serve to identify products that comply with defined standards.

How are trademarks related to innovation?

It is mostly through trademarks that people know and differentiate firms and on which firms' reputation (and consumer loyalty) can be built. However, in contrast to patents, the registration of a trademark does not require the product to be novel itself. Consequently the link between trademarks and innovation is not straightforward (Millot, 2009).

Empirical studies have shown a link between trademark counts and other indicators of innovation performance when they are available. This correlation is particularly high in knowledge-intensive services and in high-technology manufacturing sectors like the pharmaceutical industry (Millot, 2012). This correlation might be explained by the following relations of trademarks and innovation:

- **Market new products.** The commercialization of new products is sometimes associated with the creation of a new trademark in order to communicate about the innovation and possibly later to become the reference on the market for the product, which enables firms to appropriate the benefits of their innovation (Millot, 2009). On the contrary, firms will probably not register trademarks for minor enhancements of existing products since they may induce existing consumers to prefer other competitive brands (Malmberg, 2005).

- **Extend patent time length.** Trademarks may also be used as a way to extend protection beyond the expiry of any patents, thus protecting products that are the result of more substantial investments in research and development. For example, some firms build brand reputation during the length of the patent, and then keep the market power thanks to the brand recognition once the patent has expired. This is particularly the case in the drug industry, where trademarked products are often more successful than their generic equivalent (Malmberg, 2005).

- **Point out product improvements**. Besides marketing innovations, other changes such as innovations in product packaging or design, taste or other aspect of the product, product placement and selling outlets, or product pricing are also likely to trigger the registration of new trademarks (Millot, 2009).

- **Trademarks for protection**. Trademarks may also be used along with trade secrets to protect an innovation (as in the case of Coca-Cola). Trademarks can also be used to reinforce a lead-time strategy or in order to protect what the other mechanisms of appropriability do not protect, e.g., open source software (Millot, 2009).

Trademarks not necessarily related to innovation

Firms may use trademarks for purposes other than innovation as follows:

- **To create barriers.** Firms may use product or brand differentiation to create barriers to

entry and receive monopoly rents as brand loyalty tends to reduce the number of differentiated products on the market. These are not necessarily innovations.

- **To vary and expand competition.** The ability to differentiate in perceptions of products by using trademarks may lead to too many firms entering product markets, as firms may gain market power by targeting different segments of the population. This is likely to be an issue in markets where the entry of too many firms is under-optimal, for example in case of high fixed costs (Millot, 2012).

- **To extend patent protection.** The practice of seeking trademark protection for expired patents (for example, a pharmaceutical company seeking to maintain market power for their blockbuster drugs) in order to prevent competition might trigger effects similar to "evergreening" in which firms intentionally file patent applications for minor improvements in order to delay the legitimate market entry of generic products.

- **For other non-innovation purposes.** Finally, there is empirical evidence that while trademarks are significantly positively linked to product and marketing innovation, insignificant or negative relationship is found with other types of innovation. Thus, the relationship between trademarks and innovative activity is not constant and differs across sectors.

How are trademarks used in practice?

An application for registration of a trademark can be filed with national (e.g. UK Intellectual Property Office) or regional trademark offices (e.g. OHIM, Office for Harmonization in the Internal Market), which examine the application to ascertain that the sign is not identical or similar to trademarks already granted to another trademark owner.

The application must contain a clear reproduction of the distinctive sign filed for registration, including any colours, forms, or three-dimensional features; it must also contain a list of goods or services to which the sign would apply.

The trademark is then published for opposition so that third parties may file against the registration of the TM within a period of a few months (generally three) (Millot, 2009).

Trademarks are national titles, so a registered trademark grants the owner exclusive rights to use the trademark in the country (or countries) where it is registered and for the goods/services for which it is registered (Millot, 2009). However, it is also possible to register a trademark with the **WIPO system of international registration of marks**, which is governed by the Madrid Agreement Concerning the International Registration of Marks (1891) and the Madrid Protocol (1989). Under this system, applicants can obtain an international registration having effect in some or all of the other countries of the Madrid Union.

Although the procedure to register a trademark is fairly harmonized across countries, especially since the WTO TRIPS Agreement, **some differences remain between the various jurisdictions**. One important difference is to be found between registration systems and common law systems. Some jurisdictions, notably in the common law countries, offer protection for the trademark even if it has not been registered, through the tort of passing off. Some countries like China, on the contrary, have pure registration systems; they do not recognise trademark rights arising through use (Millot, 2009).

Figure 1 provides an overview of differences in the use of trademarks by OECD and BRIICs countries.

Figure 1: Trademark applications at JPOa, OHIMb and USPTOc, 2007–09 average

Trademarks relative to GDPd (billions of USD PPP), OECD and BRIICSe countries

OECD Science, Technology and Industry Scoreboard 2011 — © OECD 2011
Source: U.S. Patent and Trademark Office (2011), "The USPTO Trademark Casefile Dataset (1884–2010)"; OHIM Community Trademark Database; CTM Download, April 2011; JPO Annual Reports 2008–2010; OECD, National Accounts Database, June 2011; IMF, World Economic Outlook Database, June 2011.
Notes:
a. JPO = Japan Patent Office; **b.** OHIM = Office for Harmonization in the Internal Market; **c.** USPTO = U.S. Patent and Trademark Office.
d. Average number of trademark applications at the various offices over the period 2007-2009, expressed as a ratio to GDP.
e. BRIICS = Brazil, the Russian Federation, India, Indonesia, China and South AfricaCounts are presented according to the application date and the address of the applicant. Countries are ordered according to USPTO figures.
f. Israel. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. It should be noted that statistical data on Israeli patents and trademarks are supplied by the patent and trademark offices of the relevant countries.

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Source URL: https://www.innovationpolicyplatform.org/content/trademarks

Links

[1] https://www.innovationpolicyplatform.org/content/trademark-law?topic-filters=12235
[2] https://www.innovationpolicyplatform.org/content/international-dimensions-ip-systems?topic-filters=12005
[3] http://www.wipo.int/trademarks/en/about_trademarks.html#what_kind
[4] http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm