

# Trademark Basics...

- A trademark is a word, phrase, symbol, design, color, smell, sound, or combination thereof that identifies and distinguishes one's goods and services from those of others.
- The owner has exclusive right over the trademark. He can license it to others.
- Frequent litigations in infringement or on-purpose confusion to consumers. Custom officials can forbid imports of products that violate trademarks.
  - Example: Cyprus
- A trademark functions as a source identifier to consumers, indicating both origin and quality. Thus, a trademark represents the **goodwill** an enterprise and its goods and services maintain with the public.
- The main economic justification for the trademark system is that trademarks help to solve the information asymmetry between sellers and buyers
- Trademarks are used by companies as a signal to consumers that a product or service is of a certain and consistent quality. This helps consumers reduce their search costs and companies can charge a higher price.
- ***This ability to charge a higher price provides incentives for companies to invest in the quality and consistency of their products and services***

## How much a trademark last?

- In most jurisdictions a trademark is renewed every 10 years
- The owner needs to pay a fee every 10 years and provide proof that is still in use!

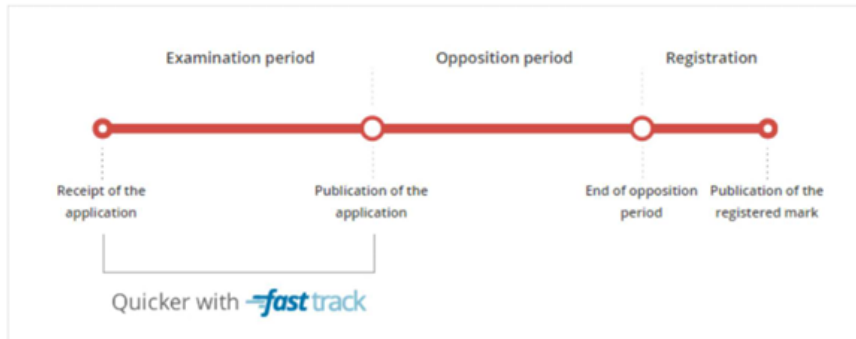
## Can trademarks function as a signal to the market?

- Brand equity, as represented in consumers' memory, has two dimensions—namely, **brand awareness** and **brand associations**, with brand awareness being a necessary precondition for the creation of strong brand associations.
- Trademarks capture a significant portion of firms' efforts to build brand awareness and associations among consumers
- **1<sup>st</sup> Category Brand-identification:** comprises trademarks that are related to brand names (e.g., Nike),
  - a strong regime of brand-identification trademarks positively affects consumer preference for the brand.
- **2<sup>nd</sup> Category Brand-association:** encompasses the different attribute and nonattribute associations that consumers attach to brands
  - firms may leverage consumer brand associations to introduce brand extensions, which can help firms enter new, often more profitable product markets.

## Motives to file for trademarks

- **Protection motives.** IPRs were originally established to offer firms a means of protecting their IP assets.
- **Marketing motives.** Marketing motives reflect a firm's desire to improve its image among central stakeholders, such as customers.
- **Exchange motives.** Exchange motives reflect the desire of a company to improve its position relative to external partners who provide access to capital, licensing income, or collaboration.

# What is the process of trademark examination?



## Special Topic 1: Trademark Opposition

- Any interested party that believes that the trademark application overlaps with its existing trademark can file for opposition within x months from publication.
- An opposition implies that the plaintiff has a belief that the trademark application will harm its own trademark and brand.
- From our own calculations, 15% of EUIPO trademark applications are opposed, while the respective figure for USPTO is only 2%.

## Special Topic 2: Trademark Squatters

- **“trademark squatting” – a situation in which someone other than the original brand owner obtains a trademark on a brand**
- When entering the Russian market in 2005, Starbucks faced the fact that its trademark was owned in Russia by an individual, Sergei Zuykov, who offered to sell the trademark for US\$ 600K. Instead, Starbucks opted to invalidate Zuykov’s trademark before court, which resulted in a protracted legal dispute substantially delaying Starbucks’s entry into the Russian market.
- Zuykov also claims to have successfully squatted trademarks belonging to Audi.
- Another example is that of Tesla. Tesla has faced a squatter in China, which substantially delayed its entry into the Chinese market and upon entry, initially forced Tesla to market its cars only under the brand’s English name because the squatter maintained ownership of the trademark on the Chinese name.

## A possible solution by multi-nationals:

- File a substantial number of trademark applications in countries like Jamaica or Trinidad and Tobago.
- Offices in these countries do not publish trademark applications online within a few days after their filing; U.S. applicants are still able to claim the priority date of these applications in their subsequent filing with the USPTO.
- This strategy, therefore, allows delaying publication of a trademark filing by up to 6 months relative to filing directly with the USPTO while still getting an early priority date.

## Special Topic 3: Pharmaceutical Trademarks

- Medication errors are the most common cause of patient injuries in hospitals. Adverse drug events, about half of which are due to medication errors, accounted for 19% of all injuries identified by the population based Harvard Medical Practice Study
- The total number of patients who are injured or die annually because of drug name confusion is probably at least 10,000 and might be twice as high. A similar number are injured as a result of errors caused by confusion attributable to labelling and packaging.
- A marketed drug has three names: **a chemical name, a generic name, and a brand name**. A chemical name is given when a new chemical entity (NCE) is developed
- Companies usually begin developing a brand name during Phase I of the IND process. No firm wants to get close to approval without a well-established brand name.
- Drug companies use several criteria in selecting a brand name. First and foremost, the name must be easy to remember.
- Ideally, it should be one physicians will like—short and with a subliminal connotation of the drug.
- Some companies associate their drugs with certain letters (e.g., Upjohn with X and Glaxo with Z). If the drug is expected to be used eventually on a nonprescription basis, the name should not sound medicinal.
- There must be no trademark incompatibilities, and the company must take account of the drug's expected competition.

An industry representative described the **naming process as being “as complicated as a space shuttle launch**; as you get down to the final countdown, you must have a very good reason to stop. . . . Marketing builds momentum for a name, and standing in the path of a good name is like standing in the path of a train: You do it only once.”

## Special Topic 4: Trademarks and SMEs

Trademarks are very attractive to SMEs (small middle enterprises)

## Special Topic 5: Trademark Value?

Trademark characteristics and the €

Independent variables	Trademark maintenance Model 2	dx/dy	Trademark renewal Model 3	dx/dy
Trademark age $\Delta$	0.021 <sup>***</sup> (0.005)	0.008 <sup>***</sup> (0.002)	0.004 (0.003)	0.001 (0.001)
Trademark extension $\Delta$	0.342 <sup>***</sup> (0.054)	0.136 <sup>***</sup> (0.021)	-0.013 (0.080)	-0.004 (0.027)
Parent trademark $\Delta$	0.692 <sup>***</sup> (0.065)	0.275 <sup>***</sup> (0.026)	0.367 <sup>***</sup> (0.091)	0.122 <sup>***</sup> (0.030)
Trademark breadth $\Delta$	-0.019 (0.049)	-0.008 (0.019)	-0.077 (0.064)	-0.026 (0.021)
Corporate trademark $\Delta$	0.712 <sup>***</sup> (0.215)	0.253 <sup>***</sup> (0.062)	0.821 <sup>***</sup> (0.235)	0.200 <sup>***</sup> (0.037)
Brand-awareness trademark $\Delta$	0.123 <sup>*</sup> (0.053)	0.049 <sup>*</sup> (0.021)	0.292 <sup>***</sup> (0.082)	0.101 <sup>***</sup> (0.030)
Service mark $\Delta$	-0.400 <sup>***</sup> (0.070)	-0.158 <sup>***</sup> (0.027)	-0.515 <sup>***</sup> (0.116)	-0.189 <sup>***</sup> (0.045)
Intent-to-use legal basis for filing $\Delta$	0.055 (0.052)	0.022 (0.021)	-0.089 (0.078)	-0.030 (0.026)
Received oppositions $\Delta$	0.373 <sup>*</sup> (0.230)	0.210 <sup>*</sup> (0.073)	-0.090 (0.239)	-0.031 (0.083)
Acquired distinctiveness $\Delta$	0.014 (0.153)	0.006 (0.060)	0.136 (0.215)	0.043 (0.065)
Acknowledged incontestability			0.747 <sup>***</sup> (0.280)	0.280 <sup>***</sup> (0.083)

Nasirov, S. (2020). Trademark value indicators: Evidence from the trademark protection lifecycle in the US pharmaceutical industry. *Research Policy*, 49(4), 103929.

- Older trademarks
- Trademarks that start a trademark family (parent marks) or continue it (trademark extensions),

## Special Topic 6: Trademarks and Innovation

- Trademarks can be a potential indicator of product **innovation** and sectoral change.
- 1) They can protect the brand attributes of a technologically advanced product or service
  - 2) They can protect a brand that innovatively has marketed a service or product but there is no other way it can be protected.
- Trademarks with a narrow industry scope significantly predicted product innovation

## Special Topic 7: Trademarks and Social Entrepreneurship

- Since social startups contribute to the achievement of the SDGs → important to understand which factors enable them to scale their solutions.
  - Social entrepreneurship is part of the low-patenting industry → trademarks might be of great importance for social startups.
  - Trademarks: protecting their whole brands → enables them to improve customer loyalty and willingness to pay for their offers.
  - **A registered trademark at the early venturing stage of a social startup serves as a signal of economic professionalization, innovation activity, and in turn growth ambitions → enable them to obtain access to important resources.**
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- For example, “reCup GmbH” uses its protected logo to introduce new environmentally friendly products that are then recognized by its customers.
  - Subsequently, this protection can lead to higher sustainability outcomes since it attracts new customers and fosters the loyalty of existing customers.

### Nice class breadth:

- Higher the number of Nice classes: social startups that register a trademark in broad areas could be able to commercialize new products and services more easily.
- Social startups that register more Nice classes could benefit from an increased signaling value since they are bearing higher costs (will be recognized as economic growth ambitions of social startups)

## One Note on International Prosecution

- Most of the offices we file a trademark are national in nature (one exception: EUIPO).
- To better manage your international activity, you can use the Madrid Protocol:

*The Madrid System is a convenient and cost-effective solution for registering and managing trademarks worldwide. File a single application and pay one set of fees to apply for protection in up to 125 countries. Modify, renew or expand your global trademark portfolio through one centralized system.*

[https://www.wipo.int/madrid/en/#accordion\\_collapse\\_02](https://www.wipo.int/madrid/en/#accordion_collapse_02)