Redchip LAWYERS

# Protecting Brands in a Borderless World

## THE VALUE OF TRADE MARKS FOR AUSTRALIAN BUSINESSES

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**The rules of business have changed.**

The geographic borders that once provided protection for brands through market isolation have eroded – business is now global. A fluid digital world has created the perfect environment for competitors to appropriate brands without the right to do so, or for start-ups to inadvertently adopt brands that are already owned by other businesses.

Confusion surrounds the relatively simple process of researching and lodging applications for trade marks.

It's time to debunk the misconceptions and get to the facts.

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## IS THIS IMPORTANT TO YOU?

# Who should read this report

### 01 Business Owners

Research suggests that many business owners do not understand the importance and value of trade marks. Most business owners think registering a business name or company creates a right of unchallengeable use, ownership and exclusivity – an assumption that could not be further from reality.

This report explains how trade marks can help a business owner safeguard their brand investment, avoid infringement allegations and effectively mitigate against the risk of imitation. It also looks at how trade marks can enable a business to more effectively capitalise on opportunities presented in today's evolving market.

### 02 Accountants & Advisors

An accountant is often the first person an entrepreneur will turn to with a new business idea, or plans to grow an existing enterprise. As such, they are most likely to provide advice about the best strategies for business success.

This report explores the role registered trade marks have in creating and protecting business value – information that can empower accountants to provide informed and robust advice to their clients.

### 03 Designers

Designers are the lifeblood of successful commercial brands. They develop products, processes, platforms, images and designs that create customer goodwill and identify a business's position in the market. A great deal of money and time is invested in bringing a brand to life. It is important for designers to understand how they can work with their clients to capitalise on this investment and protect themselves from failures in due diligence.

This report details the pitfalls around trade mark law and the opportunities trade marking offers to designers, including protecting themselves from exposure, and their clients from infringement claims.

## NEED TO KNOW

# Key takeouts

Technology and globalisation have created highly competitive market conditions for small to medium sized enterprises (SMEs), comprising 98% of all Australian companies.

Less than one quarter of Australian SMEs are using trade marks to protect their brands.

Without registered trade marks, businesses are exposed to copycats and an erosion of market share, reputation and goodwill.

Confusion about trade marks is exposing business owners to the possibility of inadvertently infringing other brands.

Registered trade marks can offer a great deal more than just a defensive business strategy in a crowded marketplace. They are an important tool for growth and profitable succession planning.

Registering a trade mark does not necessarily have to be a costly or complex process. The key is to have the conversation at the very start of the business venture.

# IDENTIFYING A BADGE OF ORIGIN

**In its most basic form, a trade mark is a legal right to exclusive use of a word, phrase, sound, shape, logo, picture and/or aspect of packaging.**

The initial impression that a brand makes on its audience and the values it embodies are encapsulated in its name. Right from the outset, a brand name demands thorough creative deliberation as well as legal safeguarding.

The true value in a trade mark, however, rests in its role as a badge of origin – a distinguishing sign, a definer of a brand's pedigree. It protects the time and investment made in developing a business's competitive advantage and product or service offer – the components that make up the brand promise to customers.

When a business owner registers a trade mark they are granted a monopoly to use that trade mark in relation to their goods and services. This right allows a business to set itself apart in the market and protect its goodwill.

## HITTING THE MARK

### QANTAS Kangaroo

The QANTAS kangaroo is a globally recognised trade mark that has been in use for over 50 years. The kangaroo is a simple, yet memorable design which was chosen to represent the airline's origins (Australia) and symbolises travel and movement across vast distances. The logo has become synonymous with the airline and its brand, creating a high level of brand recognition and customer loyalty. **View the trade mark >**

### Tiffany Blue

Tiffany & Co.'s blue trade mark is associated with high-quality luxury jewellery and its long-standing use as a symbol of the brand. The distinctive shade of blue has been used by Tiffany & Co. since 1845 and has become strongly associated with the brand through extensive advertising and marketing efforts. The trade mark has also been legally protected and enforceable, helping to ensure its uniqueness and distinctiveness. **View the trade mark >**

# THE VALUE OF BRAND

**A brand is one of the most powerful assets a business can own.**

A brand attracts customers, builds loyalty and motivates employees – significant drivers of the bottom line. Regardless of the size of an organisation, if it has a name, it has a brand.

The term "brand", however, can be difficult to understand and hard to identify as a valuable asset. The internationally recognised standard on Brand Valuation (ISO 10668) defines a brand as:

*"A marketing related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value for the owner."*

Essentially, all of the elements of a brand combine to generate value for businesses and can be given a tangible dollar value.

## JUGGERNAUT JIM

Jim's Mowing is worth more than $500 million, with more than 1,500 franchisees Australia-wide.

The bearded Jim's logo now adorns vehicles that perform a much wider range of roles than just mowing, and has been a vital ingredient in the growth and expansion of the business. The trade mark is critical in enabling Jim's to consistently deliver its offering through a large network of franchises.

Think of the lost value and high costs involved in salvaging a business, like Jim's Mowing, when the brand under which it operates isn't trade marked and can't be regulated. A registered trade mark enables quality control of services by dictating use under a licence or contract.

# WHAT THE DATA TELLS US

## Trade mark applications are growing

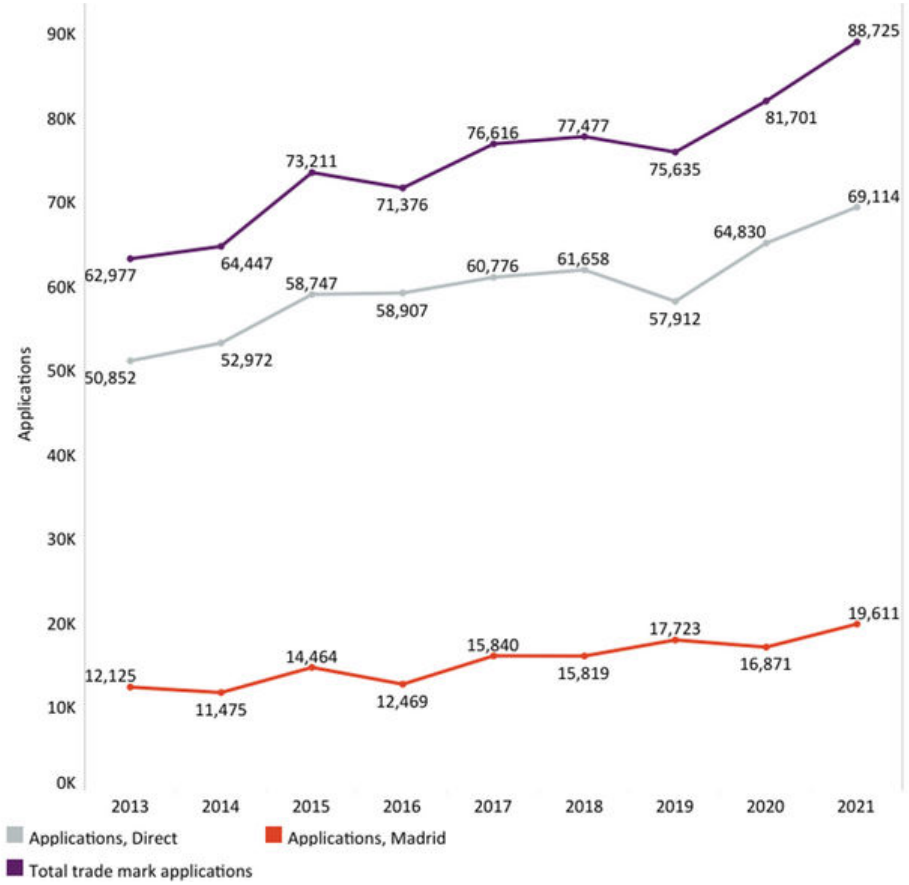
Business owners are beginning to recognise the important link between the distinctive name they give the company that houses their products and services, and the mechanisms which protect that name and everything that lies behind it.

According to IP Australia, there were more than 88,000 trade mark applications filed in 2021. This marks a 9% increase from the previous year and continues the trend of steady growth in trade mark applications over the past decade.

In addition to domestic applications, Australian businesses are also increasingly seeking trade mark protection abroad. In 2021, there were nearly 7,000 international trade mark applications filed by Australian entities under the Madrid Protocol, an international system for registering and managing trade marks across multiple jurisdictions.

Most Australian trade marks are applied for by domestic applicants, whilst overseas applications by Australians are made primarily in the United States, with China coming in at second place in terms of the number of trade mark applications filed.

### Growth of Australian trade mark applications, 2013-2021




*Source: https://www.ipaustralia.gov.au/tools-and-research/professional-resources/data-research-and-reports/australian-ip-report-2022*

# INDUSTRY TRENDS

**Keeping an eye on competitors in your industry is an important part of brand vigilance.**

Interestingly, the top three classes of goods and services for which trade mark applications were filed in 2021 were Class 35 (Advertising, business management, and office functions), Class 41 (Education and entertainment services), and Class 9 (Scientific, nautical, surveying, photographic, cinematographic, and optical apparatus and instruments).

Business owners are increasingly recognising the value of protecting not just their product names and logos, but also their broader brand identity and associated services. With the rise of online marketplaces and global competition, building a strong brand and protecting it with trade marks has become essential for businesses of all sizes and industries.

| CLASS | TOTAL APPLICATIONS IN 2021 | CHANGE IN APPLICATIONS 2020-21 |
|---|---|---|
| Class 9 Technological and electrical apparatus and instruments | 16,352 | 17% |
| Class 35 Advertising | 16,192 | 14% |
| Class 41 Education, training and entertainment | 12,240 | 14% |
| Class 42 Scientific and technological services | 11,816 | 22% |
| Class 25 Clothing, footwear and headgear | 8,405 | 18% |

*Source: https://www.ipaustralia.gov.au/tools-and-research/professional-resources/data-research-and-reports/australian-ip-report-2022*

## Small businesses lag behind

Australian businesses that are actively innovating are three times more likely to enforce copyright or register trade mark rights in order to protect their intellectual property (IP) than non-innovating firms. Significantly, however, less than 20% of actively innovating small businesses are utilising copyright and registered trade mark rights, as opposed to more than half of large enterprises. Even mid-market companies of up to 200 staff are lagging, with only one quarter protecting their IP.

The perception seems to be that trade marks are only appropriate for the big end of town. This is simply not the case, with cost effective search and registration available to businesses of any size. There is a substantial risk if small business owners fail to undertake adequate checks before embarking on their new venture and infringe an existing registered trade mark. This can result in the loss of their start-up investment, loss of the right to use their name and loss of their reputation. Combined with rebranding costs, legal costs and potential compensation payouts, the damage can be irredeemable.

# A MARKETPLACE WITHOUT BARRIERS

**Today's business environment is incredibly competitive. Human knowledge is doubling every 12 hours. Never before has it been easier to set up and launch a business, or to reach out to potential customers.**

Evolving technology and globalisation are helping to bring more innovative and unique ideas to life. But at the same time, they are creating an ideal environment for opportunistic businesses or individuals to exploit a business's competitive advantage for their own benefit.

## Geography is no longer a protection

Geographic boundaries are no longer a means of protecting businesses against competitors, both known and unknown. Whereas not so long ago it was possible for a business owner to walk the neighbourhood and check Yellow Pages to identify their competitors, threats are now likely to come from companies of which business owners are not yet aware.

Businesses that manufacture products offshore are particularly vulnerable to infringement and need to understand their international protections. In terms of the law, most industrialised countries are signatories to over-arching agreements that establish the baseline standards for the application of trade marks across geographic borders. Although Australian laws differ slightly, they are based on a common position which states that a business cannot, in good faith, copy another business's brand in a way that will cause consumer confusion.

The rule of thumb for cross-border operations is that a trade mark offers protection only from within the jurisdiction in which it is registered. The obligation is on the owner of a trade mark to use and maintain it.

If, however, a business without a registered trade mark can prove it has a reputation in a market (such as Australia), the business can enforce some rights. For example, it could prevent another business from registering a similar mark in the same area, sue for misleading and deceptive conduct or sue for passing off.

A good example is the late Princess Diana's estate, which banned people from using her name in Australia because she had a well-established reputation, even without an enforceable trade mark. The same rules would generally apply in most other countries.

If a trade mark is registered in the market where the business's products are manufactured, the business is protected from competitive use of its brand, but not from copying of its product design. This is a vital difference for businesses seeking to protect product innovation from offshore competitors.

## Brand protection in a digital environment

Rupert Murdoch once said that the competitors of the future are likely to be companies which haven't been invented yet. Technology has lowered the barriers to entry for new businesses and created a flat marketplace without physical borders to slow growth. This makes for a crowded market in which it is difficult to stand apart from the crowd and connect a great idea with a customer base.

That's not to say, however, that our digital marketplace makes it impossible to protect brands:

1. A notification to commercial operators including app stores, search engines, search advertising and social media sites that a trade mark has been registered will usually be enough to persuade them to remove the potential infringement.
2. If a website owner has registered a trade mark in Australia, and is conducting its business in Australia, then an overseas competitor is unable to focus on the same sector in this market. This can be a grey area if the business is selling the same products but isn't shipping them to Australia. The bottom line is that it's irrelevant where a website is built and hosted. It's about the markets in which that website does business and delivers its products or services.

## CASE STUDY: COMMUNITY BANK CAPER

In 2021, Bendigo and Adelaide Bank Limited ("Bendigo") lost its monopoly over the words "community bank" that it had held for over 20 years. The case, Bendigo and Adelaide Bank Limited v Community First Credit Union Limited [2021] FCAFC 31, emphasises the challenges of enforcing and monopolising descriptive marks, even after registration.

The Full Federal Court held that the Bendigo Community marks were not inherently adapted to distinguish the services of Bendigo and that the extent of use was not sufficient to show that the marks were distinctive. The Court also found that the use of "Community Bank" was not sufficient to establish distinctiveness.

This case serves as a cautionary tale for businesses looking to protect their trade marks. It demonstrates the difficulties of enforcing and monopolising descriptive marks, even after registration. It also highlights the importance of choosing marks with no descriptive significance, as they are more readily protectable and grant the strongest enforceable rights.

## TRADE MARKS TIPS

# Getting the name right

Despite what many people think when starting up a business, the simple act of registering a business, company or domain name does not provide any proprietary rights. Only a registered trade mark can provide that kind of protection. Small business owners, in particular, can confuse a business name or domain registration with granting the rights of a registered trade mark.

This is a vital distinction given the importance of a business name. When considering what sets top brands apart, it is very often the name or logo of the business that is remembered. The pedigree and origin of the brand lie in its name. Businesses that fail to build a solid, invulnerable name often unwittingly leave themselves exposed.

If a dispute arises and no trade mark is registered, the business owner needs to prove:

1. They have an established reputation; and
2. Consumers are being misled.

This can be a very costly and difficult exercise.

If a trade mark is registered, however, the business owner only has to demonstrate that the infringing brand is deceptively similar to its own without requiring external proof.

**When it comes to naming a business, think of a trade mark as insurance for the future. It distinguishes a brand from competitors, encapsulates brand identity and accrues goodwill which attaches to the brand.**

## NAMING IDEAS

### 01 Fanciful

Red Balloon
Boost
Twitter

### 02 Invented

Pixar
Adidas
IKEA

### 03 Unrelated

Apple
Amazon
Greyhound

# TRADE MARKS DO MORE THAN MANAGE RISK

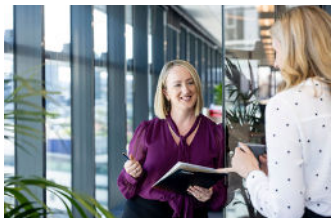
**Trade marks are typically known for their defensive nature in protecting businesses; however, when a trade mark is registered it also locks in an incredibly important high-value business asset.**

## Longevity and growth

A registered trade mark is protected for an initial 10 years and can be renewed indefinitely. The trade mark owner is guaranteed a decade of protection against violation or infringement from similar brands (where the mark is properly maintained). This provides surety and confidence for long-term business planning and investment.

## Commercial viability

A trade mark symbolises everything a business does to meet its customers' needs. The more successful a business is, the higher the value of the trade mark. This goodwill is incredibly valuable and can be commoditised and licenced to third parties for use of the brand. Effectively, it is the trade mark to which brand value attaches.



## Structural strength

A registered trade mark can be moved around to different entities and licenced back to the company. This brings advantages such as deviating income from the trading entity to a separate entity by charging a licence fee, and also protecting the trade mark by quarantining it from the liabilities of the trading company.

## Selling for a profit

The competitive advantage provided by a registered trade mark can significantly increase the value of a business when being sold. Registered trade marks provide potential buyers with reassurance that they will be the sole owners of the goodwill a trade mark represents.

## International reach

Protecting a brand and trade mark internationally has become much easier with the introduction of international trade mark conventions, agreements and protocols. The Madrid Protocol, for example, allows for the filing of an international trade mark application, in one office, in one language, with a single fee (per country) and a mutual recognition of rights.

# FIVE COMMON MISCONCEPTIONS OF TRADE MARK REGISTRATION

**Intellectual property and trade mark rights are specialised areas of law, that many people misunderstand.**

## 01 A business registration protects a brand

Many businesses confuse business or domain name registrations with trade marks, leading them to start businesses without first checking for registered trade marks. Unintentional trade mark infringement cases form the majority of IP disputes involving small businesses. There's some evidence that 10% or more of registered business names in Australia overlap with registered or pending trade marks, making this an issue likely to impact tens of thousands of businesses.

In these cases, business owners have often already made a significant investment in their start-up and are now faced with costly rectifications involving legal and rebranding costs, plus potential liability to pay compensation and legal costs for the company whose rights they have infringed. These hard costs will compound the reputational damage and loss of business resulting from having to walk away from a business name.

## 02 DIY is a quick fix

In recent years, the number of do-it-yourself trade mark registration services has rapidly increased. While on the surface these mostly online services seem cost effective, many sites are unable to dispense specialised legal advice, something that is often hidden in disclaimers.

Many of these low-to-no service operators can offer basement pricing because they use a one-size-fits-all approach to trade marks, which does not acknowledge the complexity of trade mark applications. Without the right legal advice, a low cost option can quickly become a costly mistake. Using a trade mark attorney lowers the risk of an application going wrong.

## 03 Narrow definitions are good enough

Business owners often do not realise that a trade mark application is unable to be materially changed once it is made, making it important to consider the right degree of protection from the outset. This can include colours, fonts or other important design elements that, if not properly covered, could be exploited by other businesses to mimic a brand.

Trade mark classes refer to the specific goods or services that a trademark is associated with. By only registering in one class, there's no room to move in terms of getting rid of that good or service. The mark would be rendered invalid, sending the business owners back to the drawing board.

It is important for business owners to talk through the goods or services that their business is actually going to deliver, and record them under their application. Whilst it is relatively easy to get right, there is no middle ground. If a mistake is made, the business owner is more often than not left with nothing and needs to start again from the beginning.

When registering a trade mark, considerations include:

1. Ensuring goods and services accurately describe what the business does, or intends to do; and
2. Filing an appropriate mark that will provide the protection most relevant to the business and its circumstances.

## FIVE COMMON MISCONCEPTIONS OF TRADE MARK REGISTRATION

### 04 Register a name in haste, repent at leisure

Businesses, and particularly smaller businesses, will often either inadvertently or intentionally register business and domain names without adequately checking for registered trade marks.

Many business owners believe that the likelihood of being detected by other companies is relatively small and is something they can worry about later. According to the Australian Small Business Commissioner:

*"In relation to IP disputes involving a small business, trade mark infringement is the most likely situation, particularly where a small business unintentionally infringes an existing IP right and the owner enforces that right."*

Policing trade marks is serious business for big brands. They mobilise dedicated teams to report any potential breaches and study trade mark applications very closely. Some big brands go as far as hiring private investigators to monitor businesses that could potentially tread on their trade mark's toes. It is simply not possible to fly under the radar and avoid detection.

### 05 Set and forget trade marks

Even when a trade mark is successfully registered, the brand it protects is unlikely to remain static. As a business grows, new product lines emerge, new imagery is employed and a new tagline may evolve.

Every time key elements of a brand change, there is a need to audit the changes and register further trade marks to retain the protections and avoid infringing on other businesses. Setting and forgetting trade marks is a risky proposition.

## TRADE MARKS TIPS

# When building a new business...

### Remember:

01

Consider your trade mark and brand strategy at the start. It should be part of the first conversation when business structures, expansion plans, business plans and potential exit strategies are being contemplated.

It is an essential part of the discussion with a business owner about structure.

02

Search extensively – check the following:

- Company name (ASIC)
- Business names
- Trade mark database – both name and proposed key image/logo
- Domain names – identical and phonetically similar
- Social media (Facebook, Instagram, LinkedIn etc.)

THAT'S A WRAP

# Moving forward in a fluid marketplace

It's easy to misunderstand the power of the innocuous ™ or ® symbols that live next to the logos we see in the market every day. Many business owners, and the advisors creating their brands, are confused about the rights registered trade marks provide in terms of defining a brand's badge of origin, defending it from competitive threats and avoiding inadvertent infringement.

Future proofing a brand to capture and build its value with minimal risk of infringement is relatively easy:

1. Have the trade mark conversation at the start of the brand creation process;
2. Utilise image and word searches; and
3. Register trade marks across a range of goods and/or services that accurately reflect the business in which the brand operates.

**Market position, as identified in a brand's badge of origin, will be the differentiator between the survivors and thrivers, and those who fall behind.**

## Find out more

This report was compiled by the trade marks and intellectual property experts at Redchip Lawyers.

We love learning about businesses and their brands. If you'd like to discover more about trade marks or discuss the intellectual property that lies in your business, get in touch with a member of our team.

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## WHO WE ARE

# Driving business momentum.

At Redchip, people often tell us that we don't seem like lawyers. We make a point to have real conversations with our clients in everyday language. Because at our core, we know that success is built on relationships.

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