

Protecting Brands in a Borderless World

Why Australian businesses are leaving themselves exposed

The rules of business have changed. Evolving technology and globalisation are creating a highly competitive, fast-paced market that operates without traditional borders and boundaries.

The number of startups each year is increasing, and the rate at which they are growing is faster than ever before.

The geographic borders that once provided protection for brands through market isolation are eroding – 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 startups 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.**

Who should read this report

1. 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 brand 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.

2. Accountants & advisers

An accountant is often the first person an entrepreneur will turn to with a new business idea, or plans to grow an existing business. 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.

3. Graphic, industrial, product & software 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.

Key takeouts

- Technology and globalisation have created highly competitive market conditions for small to medium sized businesses (SMEs), comprising 97% 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

"[A name is] the first perception by an audience about who the brand is and what the brand represents. From day one, a brand name requires and deserves full creative consideration and legal protection." Thomas Dawson, Pull Brand Innovation

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

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.

Setting a brand apart

The distinctive heart entwined in vines that forms part of Crust Pizza's brand connotes its positioning as a pizza bar as opposed to a straight up takeaway outlet. The design aligns with an Italian pizzeria as opposed to an American chain.



And if you're looking for quality coffee in an unfamiliar locale, the blue and white colours around the Merlo word mark that features outside many cafés, tells you in seconds that they serve Merlo coffee. The customer knows the promise Merlo makes and can identify the product quickly by recognition of the logo.



The value of brand

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

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

Jim’s Mowing is worth more than \$320 million, operated by more than 250 franchisors who manage well over 3000 franchisees. 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

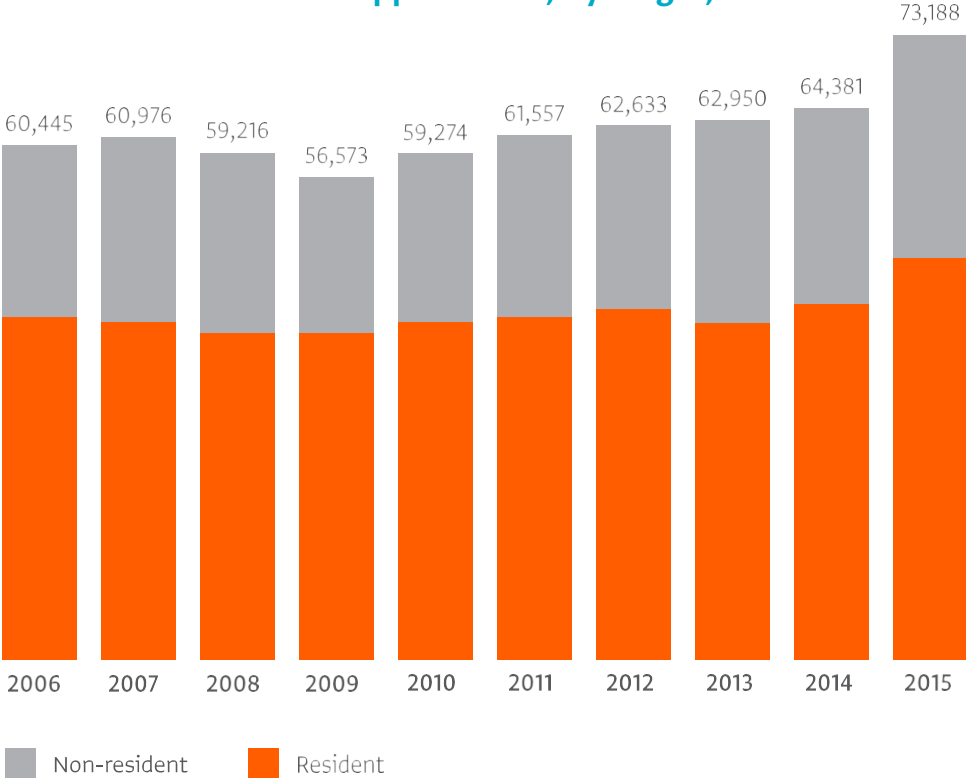
Business owners are beginning to recognise the important link between the distinctive name they give the company that houses their products and services, and the mechanisms which protect that name and everything that lies behind it.

Last year, Australia saw its greatest growth in trade mark applications in a decade, with a 14 percent rise in applications. Applications have grown incrementally year-on-year since the 1960s, reaching more than 73,000 filings in 2015. Trade mark registrations have followed a similar upward trend.

Australia is one of the fastest growing markets, on a per capita basis, for trade marks globally, sitting behind only the United States and United Kingdom.

Most Australian trade marks are applied for by residents, whilst overseas applications by Australians are made primarily in China, with India coming in at number six.

Australian trade mark applications, by origin, 2006-15



Source: <https://www.ipaustralia.gov.au/ip-report-2016>

Industry trends

Trade marks for apparatus and instruments have seen the greatest growth in the period from 2010 to 2015, followed closely by education and other services, and advertising and business functions.

Classes	2010	2011	2012	2013	2014	2015	Growth since 2010
Advertising and business functions	8%	7%	-1%	0%	4%	18%	5%
Apparatus and instruments	6%	9%	4%	0%	2%	18%	7%
Educations and other services	3%	6%	3%	0%	5%	16%	6%

Source: <https://www.ipaustralia.gov.au/ip-report-2016>

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 startup 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.



The market according to....

While some studies suggest that the number of trade mark applications can be correlated with economic activity - the better the economy, the more applications are made

- Redchip's trade mark attorney, Zachary Pagliano, believes Australia's historical focus on primary industries could be the reason why many business owners don't understand the importance of trade marks.



“Historically Australia’s economy has been driven by primary production and mining. Things like iron ore, coal, sheep, beef, wheat and sugar, that don’t typically require a trade mark.

“As a result, for a long time Australia hasn’t been a very brand conscious nation from a legal perspective, particularly in comparison to markets like the US.

“I have no doubt this will change, but historically there hasn’t been a big emphasis on intellectual property, and subsequently trade marks, in Australia.

“And that’s probably why there are still many people who don’t know the difference between a trade mark and a business name or company name.”



A marketplace without barriers

Today's business environment is incredibly competitive. Human knowledge is doubling every 12 months, and is predicted by IBM to double every 12 hours once the "internet of all things" is built out. 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 says 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 country 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: Who is guarding the Gardian?

The team at Gardian had been operating under the same logo since 2004, but didn't attempt to trade mark it until 2009. Gardian ran into issues when its trade mark application was opposed by two other businesses using similar names and also operating in the insurance industry.



In the time between Gardian designing its brand and filing for a trade mark, several businesses using the name "Guardian" had entered the market, one of which was a very large insurance business by the name of Guardian Insurance.

Fortunately for Gardian, the evidence demonstrating that the company had been operating for 15 years was enough to result in a mutual agreement, whereby both companies agreed to exist together under a similar trade mark. Not a win, but a draw against a much larger organisation with far deeper pockets. There were two lessons here for the client:

1. Lodge a trade mark application at the start of the business journey; and
2. Do your due diligence before starting a business to ensure existing trade marks aren't already registered.

What's in a name?

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 hugely 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 tips:

1. Fanciful

These are easily registerable. Red Balloon and Boost are, for instance, much easier to register than Online Gifts or Juice Bar.



2. Invented

Think Uber, Twitter, Winja.

3. Unrelated

Apple is a ubiquitous example (not related to computers or technology).

4. Covert and elusive

A big case was Tub Happy which was used to describe something that was easily washable, but wasn't specific to the company's business.

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 up to 10 years and can be renewed indefinitely by its owner. 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.

Competitive advantage



A registered trade mark delivers an immediate competitive advantage, in that a business owner can assume it's not something many of their competitors will have considered. It distinguishes them from other players in the market and provides a mechanism to prevent them from straying into the same market.

Structural strength



A registered trade mark can be moved around to different entities, such as a separate holding entity, 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.

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.

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.

When building a new business...

Remember:

1. 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.
2. Search extensively - check the following:
 - a. Company name (ASIC)
 - b. Business names
 - c. Business directories
 - d. Trade mark database - both name and proposed key image/logo
 - e. Domain names - identical and phonetically similar



Registering a trade mark - common misconceptions

Misconception# 1: 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 startup 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.

Misconception# 2: 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.

Misconception# 3: Narrow definitions are good enough

Business owners often don't realise that a trade mark application can't be materially changed once it's 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 are about the service that a trade mark designates. By only registering in one class, there's no room to move in terms of getting rid of that service. The mark would be rendered invalid, sending the business owners back to the drawing board.

It's 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's relatively easy to get right, there's 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.



Case study: Big brand Breville up in smoke

The owner of Smokin' Gun (a Texas style smoked BBQ business) successfully registered his trade mark, only to have household name, Breville, lodge an application for the same name across a broad range of goods. Many readers will have seen the Breville food smoker used on popular Channel 10 program, *MasterChef*.



Critical to Smokin' Gun enforcing its right to retain the name was that the owner filed for a trade mark soon after he developed the idea and knew he would be going to market. Breville filed for its application just two weeks after he filed, and then opposed his trade mark. Because he had gotten in early, claimed the correct goods and services and filed the most appropriate mark, the Smokin' Gun owner was able to negotiate terms with Breville and protect his brand and market segment.

Breville ended up lodging a much more applicable application that minimised impact to Smokin' Gun's market position. The entire issue was resolved in six months at a minimal cost of less than \$5K in legal fees.

A win for the little guy who promptly and properly filed!

Misconception# 4: 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.

Misconception# 5: 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.

Case study: A fixer upper for Fixzit

Well known franchise, Fixzit, found itself needing repairs to its brand following its misuse by a franchisee. Fortunately the franchisor had taken the right steps to fully protect the brand and could enforce its rights under its trade mark.

The franchisee was forced to stop using Fixzit's trade mark and to rebrand at their own expense. A very costly lesson learnt.



That's a wrap

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 advisers 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 the also-rans.

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