

Do Australian companies value trade marks and designs? A look at the evidence

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(based on joint work with Paul Jensen, Hielke Buddelmeyer, Bill Griffiths, Kim Weatherall, Jongsay Yong)



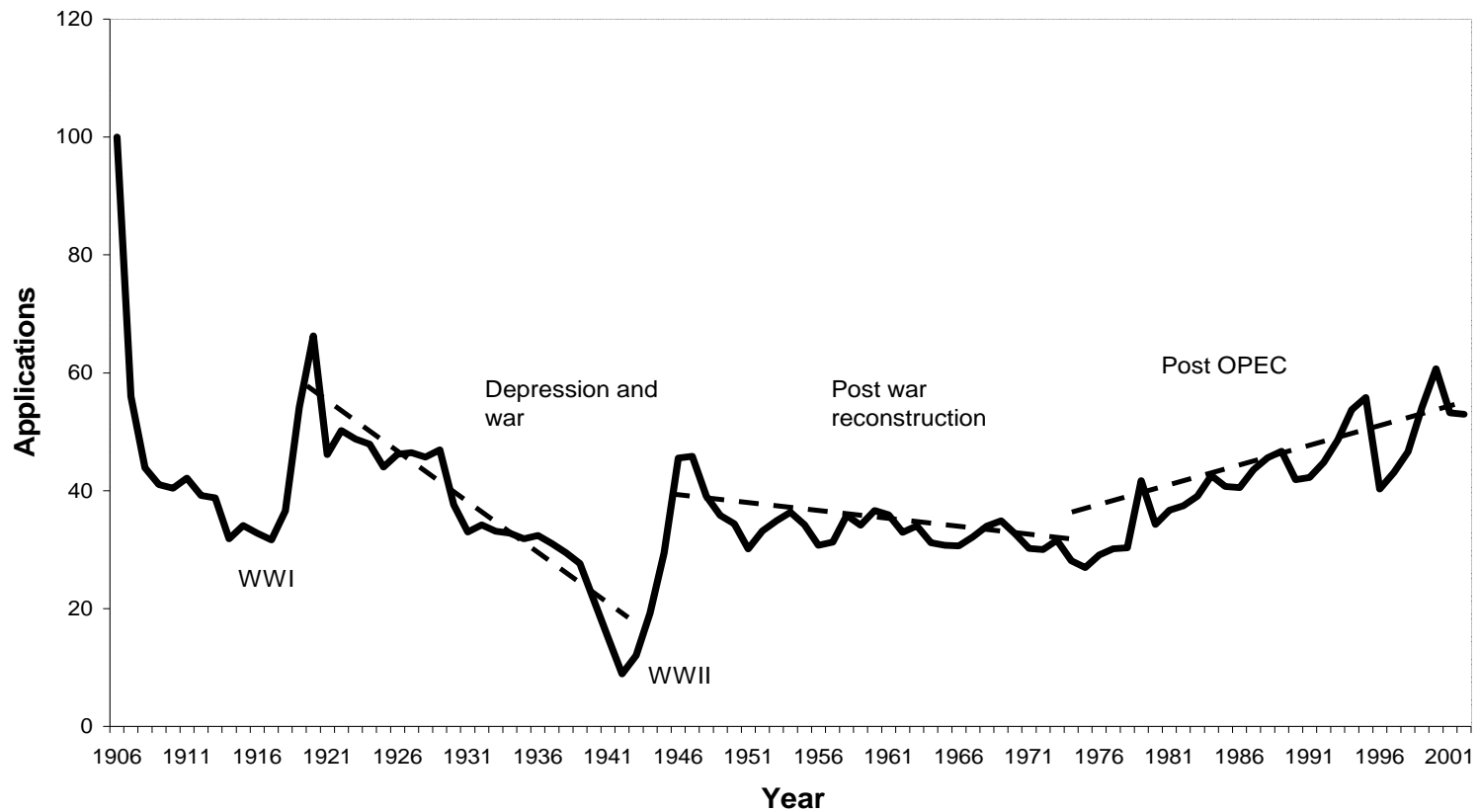
OVERVIEW

This seminar presents empirical evidence from surveys and economic databases on:

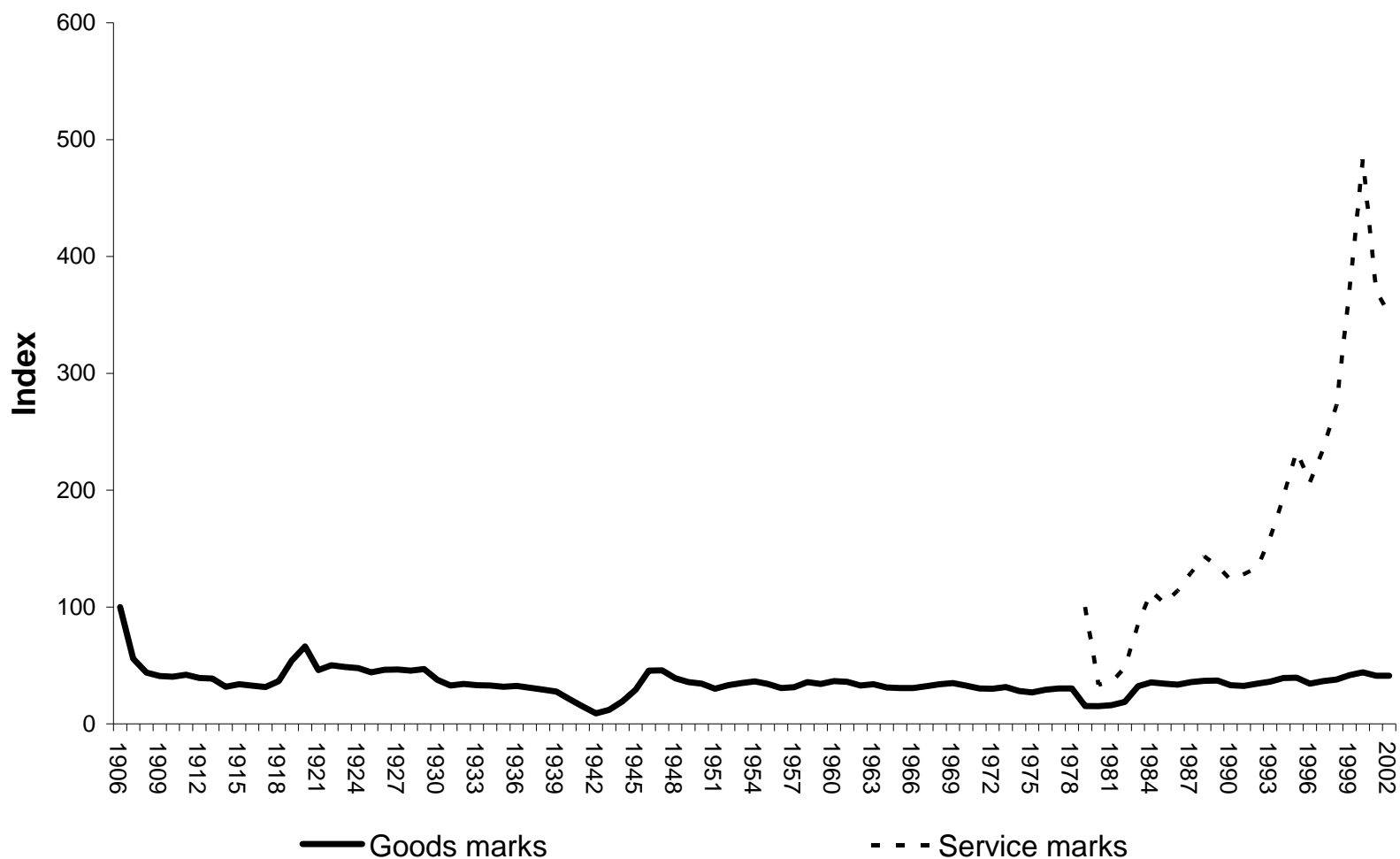
- ★ The relative use of trade marks and registered designs over time & by industry;
- ★ The importance of trade marks and designs for companies competitive advantage; and
- ★ Relation between trade marks, designs and company value.

THE RELATIVE USE OF TRADE MARKS AND DESIGNS

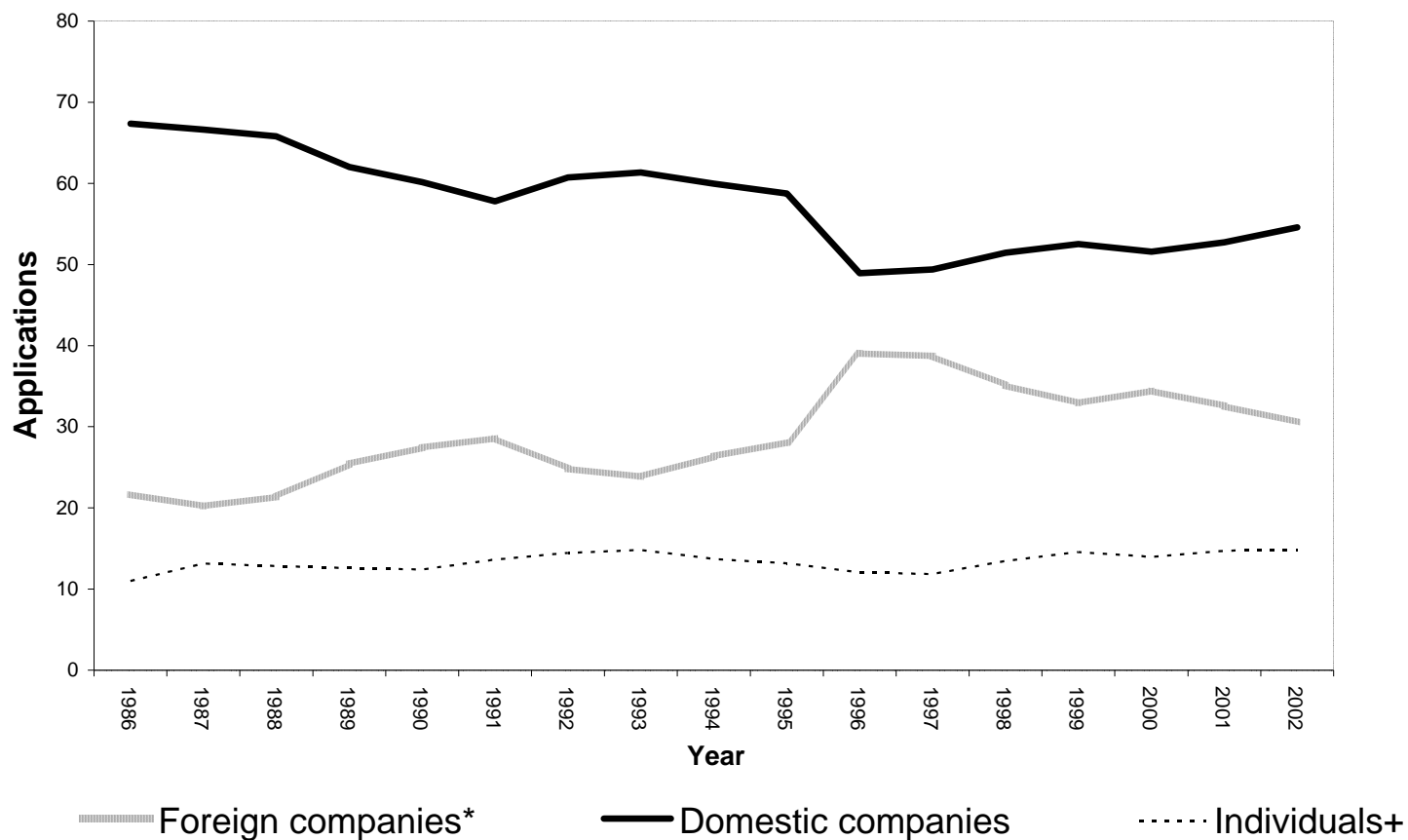
Ratio of trade mark applications to real GDP, Australia, 1906 to 2002, 1906=100



Ratio of goods and service mark applications to real GDP, Australia, 1906 to 2002, Goods mark index (1906=100), Service mark index (1979=100)



Percentage share of trade mark applications by type of owner, Australia, 1985 to 2002.



Annual rate of growth of domestic company trade mark applications by industry, Australia, 1985-2002

| Industry | % annual growth 1985-2002 | App ⁿ 2002 | Industry | % annual growth 1985-2002 | App ⁿ 2002 |
|---|---------------------------------|-----------------------|--|---------------------------------|-----------------------|
| Agriculture, Forestry and Fishing | 6.0 | 984 | Communication Services | 29.8 | 451 |
| Mining | 2.6 | 187 | Finance and Insurance | 6.0 | 1,433 |
| Manufacturing | 5.3 | 12,710 | Property and Business Services | 4.9 | 5,332 |
| Electricity, Gas and Water Supply | 8.2 | 127 | Government Administration and Defence | 2.6 | 567 |
| Construction | -0.9 | 464 | Education | 10.5 | 521 |
| Wholesale Trade | 8.0 | 11,803 | Health and Community Services | 4.5 | 826 |
| Retail Trade | 5.6 | 6,464 | Cultural and Recreational Services | 6.4 | 1,334 |
| Accommodation, Cafes and Restaurants | 0.5 | 409 | Personal and Other Services | 9.2 | 1,168 |
| Transport and Storage | 7.9 | 663 | | | |

IP stocks (years per company), 1997-2003

| <i>Industry</i> | <i>Trade mark</i> | <i>Design</i> | <i>Industry</i> | <i>Trade mark</i> | <i>Design</i> |
|-----------------------------------|-------------------|---------------|------------------------------------|-------------------|---------------|
| Agriculture, Forestry and Fishing | 12 | 1 | Transport and Storage | 18 | 1 |
| Mining | 259 | 19 | Communication Services | 74 | 2 |
| Manufacturing | 33 | 3 | Finance and Insurance | 62 | 2 |
| Electricity, Gas and Water | 114 | 6 | Property and Business Services | 14 | 1 |
| Construction | 6 | 0 | Health and Community Services | 9 | 1 |
| Wholesale Trade | 38 | 3 | Cultural and Recreational Services | 32 | 1 |
| Retail Trade | 31 | 1 | Personal and Other Services | 18 | 1 |

**Trade mark applications per 1000 employees, by Industry and Firm Size, Australia,
1994-95 to 2000-01**

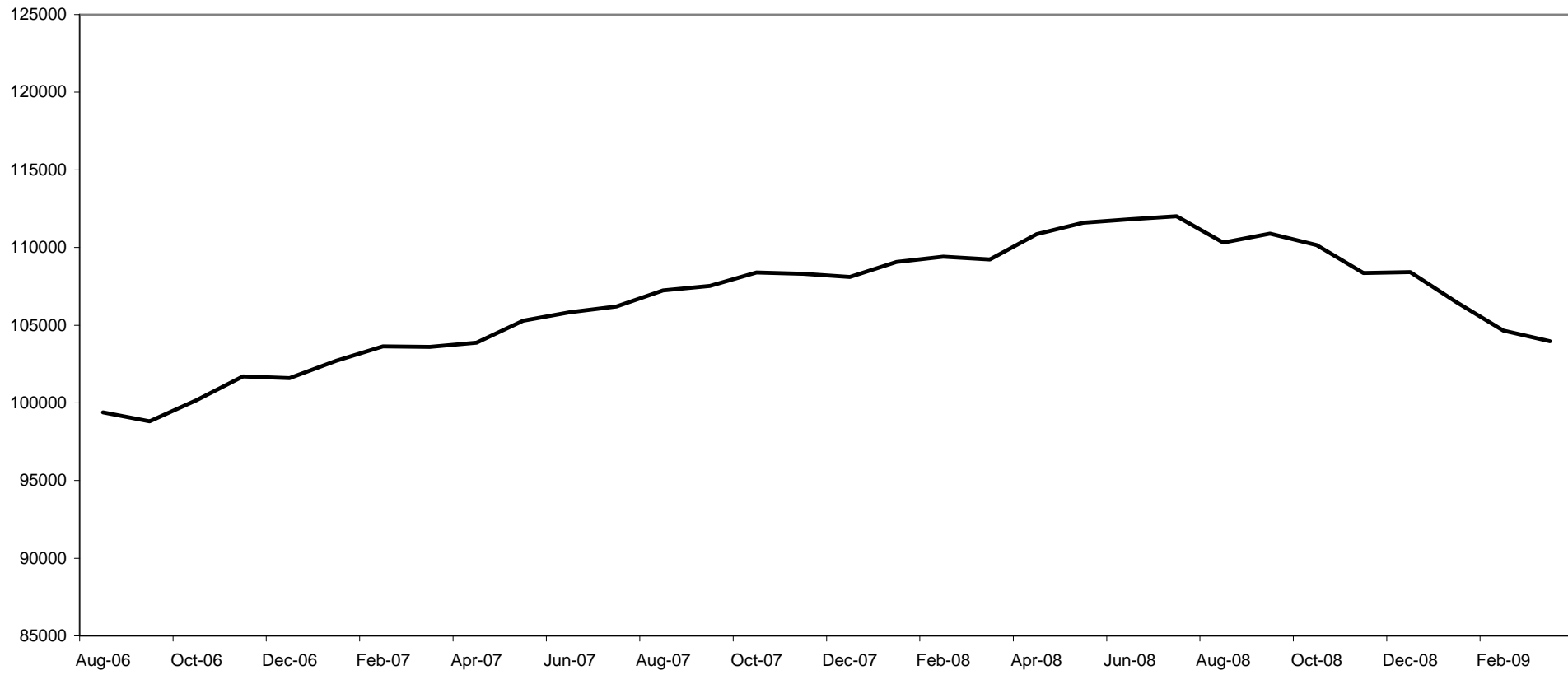
| | Large | SME | | Large | SME |
|--|-------|-----------|---|-----------|-----|
| Coal Mining | 0 | 3 | Basic Material Wholesaling | 3 | 2 |
| Metal Ore Mining | 2 | 1 | Machinery and Motor Vehicle Wholesaling | 3 | 1 |
| Other Mining & Services to Mining | 0 | 2 | Personal and Household Good Wholesaling | 5 | 3 |
| Food, Beverage and Tobacco Manufacturing | 4 | 11 | Finance | 1 | 5 |
| Textile, Clothing, Footwear and Leather Manufacturing | 1 | 18 | Insurance | 1 | 8 |
| Wood and Paper Product Manufacturing | 3 | 5 | Services to Finance and Insurance | 1 | 2 |
| Printing, Publishing and Recorded Media | 2 | 7 | Property Services | 1 | 2 |
| Petroleum, Coal, Chemical and Associated Product Manufacturing | 5 | 14 | Business Services | 1 | 3 |
| Non-Metallic Mineral Product Manufacturing | 1 | 7 | Motion Picture, Radio and Television Services | 13 | 4 |
| Metal Product Manufacturing | 2 | 3 | Libraries, Museums and the Arts | 3 | 4 |
| Machinery and Equipment Manufacturing | 5 | 9 | Sport and Recreation | 5 | 1 |
| Other Manufacturing | 4 | 3 | Personal Services | 2 | 1 |
| Electricity, Gas and Water Supply | 3 | 4 | Other Services | 0 | 6 |

Design applications per 1000 employees, by Industry and Firm Size, Australia, 1994-95 to 2000-01

| | Large | SME |
|--|--------------|------------|
| Textile, Clothing, Footwear and Leather Manufacturing | 0 | 3 |
| Wood and Paper Product Manufacturing | 0 | 2 |
| Printing, Publishing and Recorded Media | 0 | 0 |
| Petroleum, Coal, Chemical and Associated Product Manufacturing | 1 | 2 |
| Non-Metallic Mineral Product Manufacturing | 0 | 5 |
| Metal Product Manufacturing | 0 | 1 |
| Machinery and Equipment Manufacturing | 1 | 2 |
| Other Manufacturing | 1 | 1 |
| Libraries, Museums and the Arts | 3 | 0 |

Just for interest - Recent trends in trademarking

Actual



In sum – these data give us bare-bones description of use:

- Strong trend growth in trademarks – faster than GDP. Esp. service marks & foreign applicants
- Fastest growth in communications; education; personal services
- Mining has most trade marks & designs *per company*, EGW also high (function of size)
- SMEs have more trade marks *per employee*
- TCF , Petroleum, Coal, Chemical etc Manufacturing; Motion Picture, Radio TV Services are highest users *per employee*
- Manufacturing (esp. Non-metallic mineral products), the highest users of designs *per employee*.

IMPORTANCE OF TRADE MARKS AND DESIGNS FOR COMPANIES

COMPETITIVE ADVANTAGE

Enterprises with general commercial interests in IP

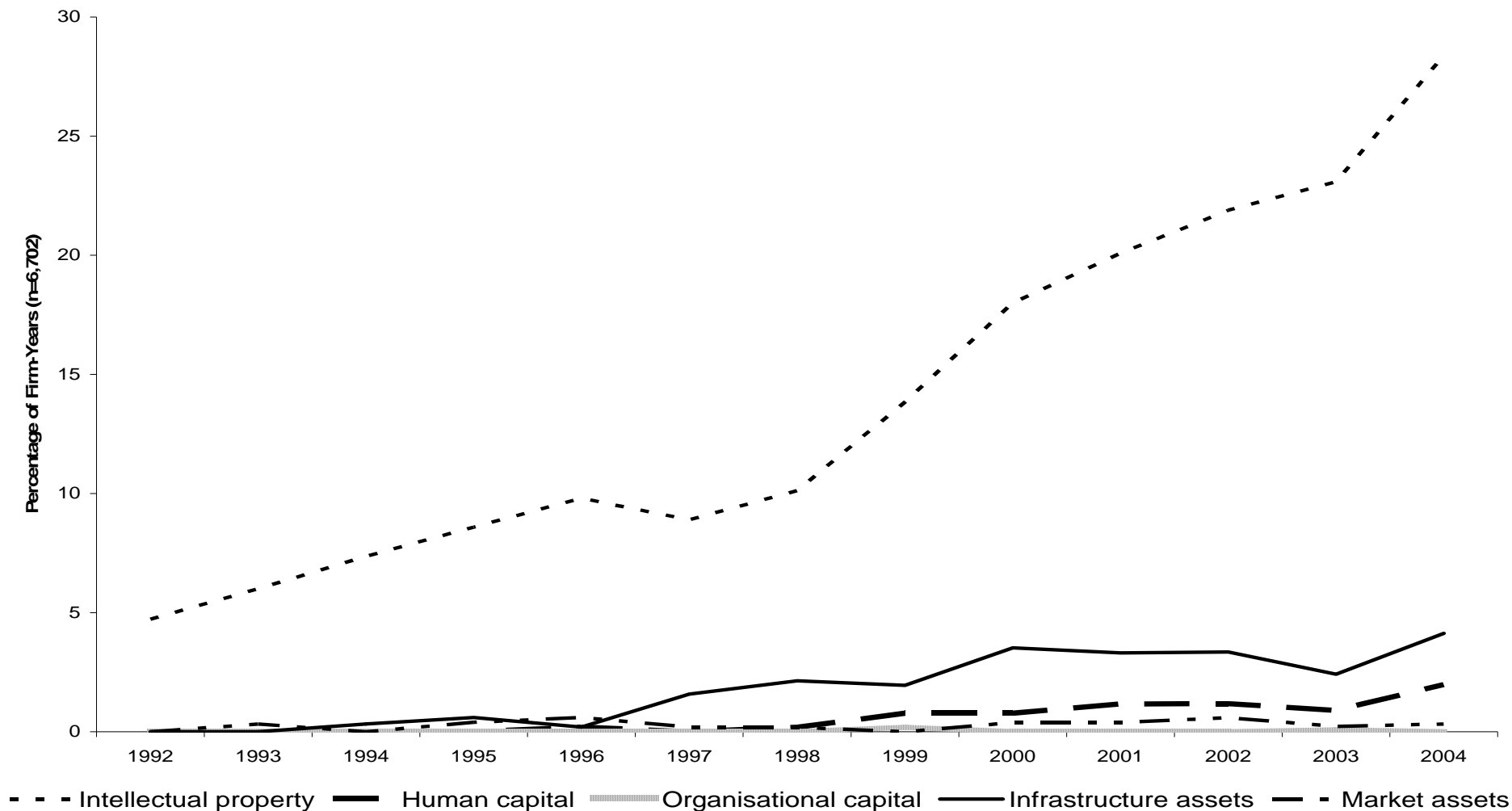
| Commercial interest in: | No. enterprises | % enterprises (weighted by annual turnover) |
|--------------------------------|-----------------|---|
| Patents | 68,169 | 32.1 |
| Trade marks | 144,780 | 54.2 |
| Copyright | 150,218 | 40.0 |
| Design | 131,950 | 38.5 |
| Plant breeder's rights | 18,929 | 6.7 |
| Trade secrets | 114,858 | 32.7 |
| Total (any of the above) | 259,942 | 66.4 |
| Total enterprises in Australia | 837,078 | 100.0 |

Average Rated Effectiveness of Mechanisms to capture profits 2001-2006

Likert scales , 1= not at all important, 7=very important

| Mechanism | Australia | US | Switzerland |
|--|------------|-----|-------------|
| Patents | 3.1 | 4.3 | 3.4 |
| Secrecy | 3.5 | 3.6 | 3.3 |
| Lead time | 4.2 | 5.4 | 5.4 |
| Moving quickly down the learning curve | 4.1 | 5.1 | 4.6 |
| Distribution & brand names | 4.2 | | |
| Organisational know-how | 4.7 | | |
| Sales and service efforts | | 5.6 | 5.2 |

Percentage of top 500 listed companies disclosing common labels for intangible capital in Annual Reports, 1992-2004



TRADE MARKS, DESIGNS & COMPANY VALUE

- Regression analysis: What determines co. profits?
- 2700 large & medium Australian companies over 16 years
- Estimate the effects on profits of last years:
 - Patent stocks (+)
 - Trademark stocks (+)
 - Design stocks (zero)
 - New patent applications (+)
 - New trademark applications (++)
 - New design applications (+)

DOES NOT REFLECT THE VALUE OF IP *PER SE* BUT IP+PRODUCT.

- Regression analysis: What determines value of listed co.?
- 300 listed Australian companies over 14 years
- Estimate the effects on (equities & liabilities) of last years:
 - Patent stocks (+)
 - Trademark stocks (+)
 - Design stocks (+)

IP registration reflects underlying innovative activity. IP registration does not cause profits *per se*.

What causes firms to apply for trade marks and designs?

- Regression analysis, 270 companies over 12 years
- Trade making applications
 - Patent applications
 - Design applications
 - Past R&D expenditure
- Design applications
 - Larger firms
 - Higher past profits
 - Patent applications
 - Past R&D expenditure

SUMMARY

- Trademark reg./GDP ↑ since mid-1970s. Esp service marks and OS co.
- Fastest growing industries: telco and education – but low numbers
- Mining and manufacture still largest trademark industries
- > 1/2 firms have commercial interest in trade marks; 1/3 designs; 1/3 patents
- Trade marks more important for profit capture than patents, secrecy
- Past IP related to profits after controlling for tangible assets.
- Trademark reg. associated with patent & design reg. & past R&D.
- Design reg. associated with patent reg. & past R&D.