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EXPECT THE BEST

Make Your Trade-Mark A Priority - It Might Be Your Most Valuable Asset

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In a daunting world of rising competition, persistently skeptical consumer confidence, and flattening business prospects, carefully selected and nurtured trade-marks have become especially critical to the survival of enterprises of all sizes.

It has been estimated that up to 70 per cent of a company's value can be ascribed to its intangible assets, which include its trade-marks, copyrights, patents and industrial designs.

Estimates of the brand value of three of the world's top companies -- Coca-Cola, IBM and Microsoft -- have exceeded $50 billion per year for the past 10 years. In 2011, their brand values were estimated to be more than $71 billion, $69 billion and $59 billion respectively.

("Brand value" is sustainable economic profit that is attributable to the brand alone and nothing else. Its calculation, which is complex, seeks to capture that intangible value that cannot be attributed to the physical product per se but is at the heart of the purchasing decision and customer loyalty.)

Early this year, the UK Intellectual Property Office published a report which found that companies' trade-mark activities are positively correlated with better performance in the areas of productivity, employment, wages and growth rate.

In recent cases, Canadian courts have also recognized the growing value of trade-marks by awarding large amounts for damages stemming from the infringement of famous brands. For example, in *Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*, co-plaintiffs Louis Vuitton and Burberry successfully sued Chinese-based product counterfeiters for copyright and trade-mark infringement. Last June, the Federal Court awarded close to $1.9 million in damages for the trade-mark-infringing activities alone.

In the Louis Vuitton case, the Court concluded that each of three groups of defendants was liable to each of two groups of plaintiffs for $30,000 per counterfeiting activity. The total damage award was substantial, as each group of defendants were involved in multiple counterfeiting acts against each group of plaintiffs. (Let us note here that it is not just famous brands that are protected by the courts. In 2005, the Federal Court found that a *trade-mark*, "Shapes for Life," owned by a Manitoba fitness centre company, had been violated knowingly and willfully by a Saskatchewan fitness centre company using Shapes for Life as a *business name*. The court awarded the Manitoba plaintiff $100,000, reflecting the profits made by the Saskatchewan defendant by virtue of the trade-mark violation.)

Despite these results, small and medium-size business owners often fail to protect or develop their trade-marks fully. One likely reason is that these businesses usually operate under strict budgetary limitations, which require that they allocate scarce resources to finance start-up capital or assets with a faster rate of return. Some business owners might believe that registering, developing and maintaining a strong trade-mark is a privilege reserved for the "big players" that have already established their presence on the market.

While short-term realities must be taken into account, the long-term success of a business requires customer loyalty and trade-mark recognition. Developing a strong trade-mark cannot be left as a last priority, to be addressed only after such other basics as plant and equipment. By then it could be too late. To the contrary, registering a strong trade-mark is a core requirement in the establishment of a business. The maintenance and development of that trade-mark is integral in the creation and progress of that business.

Masterpiece Inc. learned this registration lesson the hard way, as illustrated by its trade-mark action against Alavida Lifestyles Inc., which ultimately ended up before the Supreme Court of Canada. Masterpiece began operating in the retirement residence industry in Alberta in 2001. It used several trade-marks which included the word "Masterpiece." The trade-mark, "Masterpiece the Art of Living," was among them. Masterpiece Inc. neglected to register any of these marks.

Alavida entered the same market near the end of 2005 (but in Ontario) and successfully applied to register "Masterpiece Living" as its trade-mark. Even though the Supreme Court ruled in favor of Masterpiece and ordered that Alavida's "Masterpiece Living" trade-mark be expunged from the registry based on Masterpiece's previous use of its trade-marks, it took years of expensive litigation. This could have been avoided if Masterpiece had registered its trade-mark promptly back in 2001.

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The success story of S.K. Matlani, a small business entrepreneur in India, demonstrates how a properly registered and maintained trade-mark can turn into a company's most valued asset. In 1985, Mr. Matlani quit his job as a bank clerk and took a trip to Malaysia to look for new business opportunities. He came across a technology for mosquito repellent mats and quickly recognized the potential for such a product in India. He built a small machine and registered the company name -- JET Home Care Products, Ltd. He then secured approximately $65,000 in U.S. funds to research and develop a unique repellent that was based on his knowledge of the region's environment, culture and mosquitoes.

Shortly after launching production, Mr. Matlani knew that his formula would be worthless unless he developed a strong brand and loyal clientele. Instead of patenting his formula, he decided to register the trade-mark "JET" in association with his mosquito repellent. (In India, as is the case in Canada, an innovator must provide full public disclosure of his or her invention in order to obtain a patent, and the patent lasts for 20 years. A trade-mark, on the other hand, can potentially last forever and there is no requirement to disclose any trade secrets.)

JET grew quickly and began competing with the largest producer of mosquito repellent mats in India. In 1995, one of India's largest industrial conglomerates was looking to enter the domestic mosquito repellent market and offered Mr. Matlani $6.5 million to purchase his trade-mark alone, leaving the factory and all other tangible assets to Mr. Matlani. Using the proceeds from the sale of his trade-mark, Mr. Matlani established Sonic Biochem Extractions Ltd. (SBE), which manufactures and sells non-GM (genetically modified) soya value-added products. SBE has become one of the leading non-GM soya product companies in India, and as of 2011 has a presence in over 30 countries.

To sum up, we would emphasize that companies looking to establish successful businesses must make their trade-marks a priority. The generous court awards in the cases of Louis Vuitton and Shapes for Life; Masterpiece Inc.'s bitter and expensive litigation experience, and Mr. Matlani's success story are only a few examples that illustrate the importance of developing and maintaining a strong trade-mark and registering it quickly. ■