

THE VALUE OF TRADE-MARKS

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What is your most valuable business asset? Sometimes it's land or buildings. It could be receivables, or a particularly valuable contract. Often, though, it is none of these things. It is something you can't see or touch – a trade-mark.

Many businesses do not even realize they own a trade-mark. Most know about the goodwill that is shown on their books, but the owners may think that they need a registration in order to have a trade-mark. This is not the case in Canada.

Before going further, what exactly is a trade-mark? It is a word, phrase or symbol that is used in association with a product. It does not protect the product itself – for that, you need something like patent or copyright. It does, however, give protection to the reputation that goes along with the product. This reputation is often the key element of value.

A trade-mark gives consumers an indication of the product they are buying, and that it will (theoretically, at least) meet certain standards of quality. For example, you can buy Coca-Cola® almost anywhere in the world and know, just by seeing the familiar label and logo, what kind of soft drink you will get.

But the value of a trade-mark goes far beyond identification. Successful trade-marks entice people to buy, and that is where the value is. The executives at Coca-Cola® like to boast that if there was a global catastrophe so that every hard asset they owned – bottling plants, land, inventory – were destroyed, they could finance the billions of dollars needed to replace it all just through ownership of the trade-mark. They are probably not far from the truth. The product that goes into a can or bottle of Coke® is almost irrelevant, in light of the recognizability of the mark.

These advantages are not restricted to multi-national companies. Indeed, trade-marks are one of the most accessible, affordable and advantageous forms of intellectual property protection that a business of any size can have.

If you have been using a name or logo with a product in your business, chances are you already have a trade-mark. In fact, use is important. Canadian law does not allow you to obtain a trade-mark unless it is actually being used in association with a product. This recognizes that the value of a mark is in the perception that is left with the public.

Even though you might already have a trade-mark, there are some things to be aware of. First, while registration is only optional in Canada, it is strongly recommended. A registered mark is given national protection, and provides more effective coverage. Without registration, for example, you might only be given exclusive use to the trade-mark within a very narrow local region, and your competitors could use your name outside of that area.

Another very important part of trade-mark law is retaining distinctiveness. Suppose a competitor is using a similar mark. If you do not take immediate action to stop this use, you can lose **your** protection. Ironically, the more successful the product becomes, the bigger your risk. If the mark starts being generically used as a substitute name for the product, you are in trouble. “Escalator,” “zipper” and “thermos” are all marks that have lost their protection in parts of the world because people started using those names as substitutes for “moving stairways,” “interlocking fasteners” and “vacuum bottles,” respectively.

Care is also needed if other businesses will be allowed to use the trade-mark, such as in a franchise or license arrangement. Remember that there must be some connection between the trade-mark and the product. If a different quality product is being sold under the same name (even with the trade-mark owner's consent), distinctiveness will be lost, and also the trademark protection.

If your business is just starting out, spend some time in choosing a trade-mark that will give maximum legal protection. A search can be done beforehand to see if any other people have registered something confusingly similar to yours. Certain marks are better than others to increase protection. For example, "coined" words that do not have a dictionary meaning are more distinctive, and are more likely to stand up against later competitors. "Exxon[®]" is more distinctive than "Standard Oil."

Finally, a trade-mark should not be confused with a provincial business name registration. In Saskatchewan, most unincorporated businesses must register their name with Corporations Branch. While that name might be a trade-mark, registration in this province does not give the advantages of registration under the federal *Trade-marks Act*. Only registration under the Canadian Act will provide national coverage.

A well recognized trade-mark can easily surpass the value of all the other business assets combined. Protecting that mark can have two benefits. First, it will obviously help ongoing marketing and sales. As well, when the time comes to sell the business, proper use and registration will help achieve the highest possible sale price.

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