

# 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)



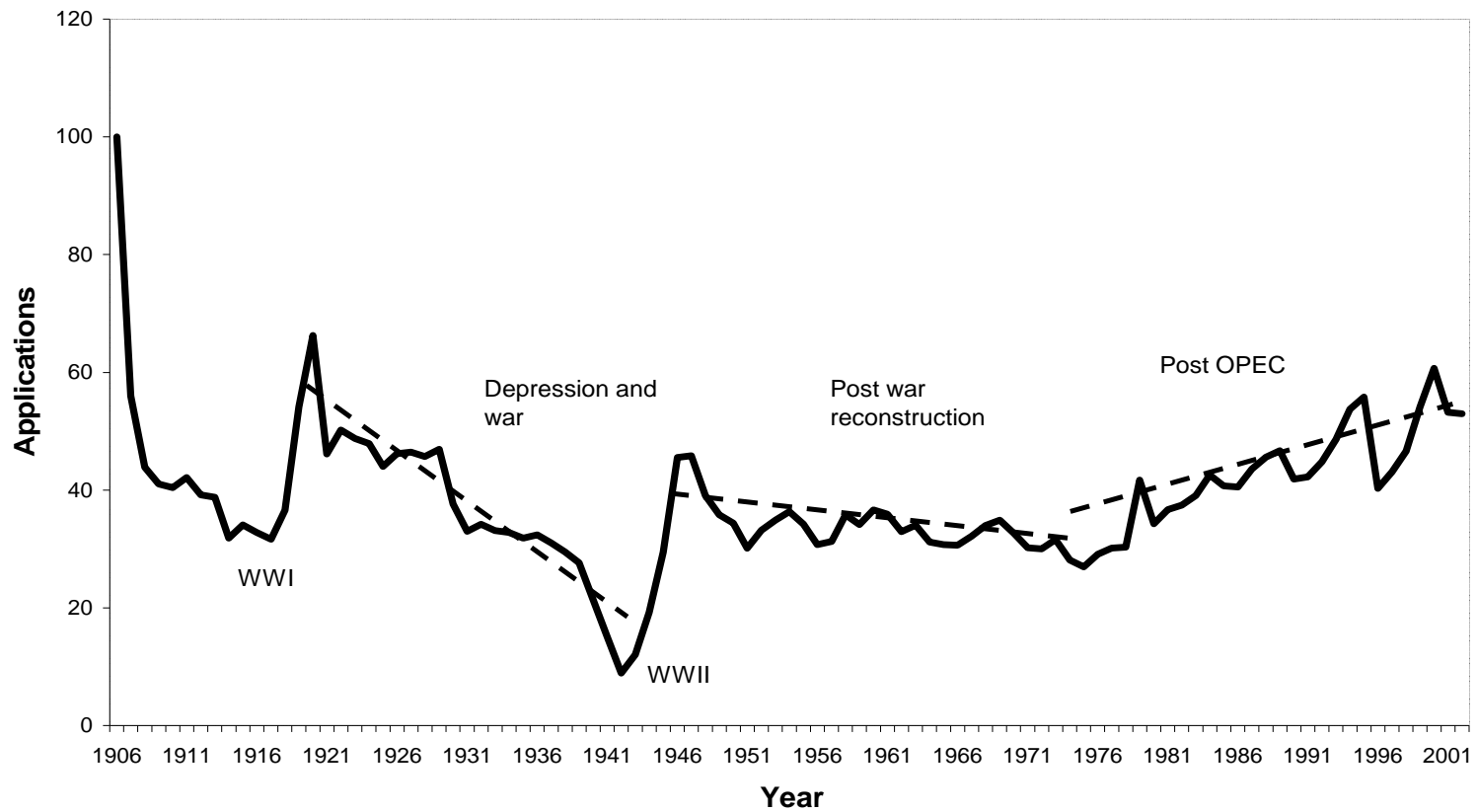
# OVERVIEW

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

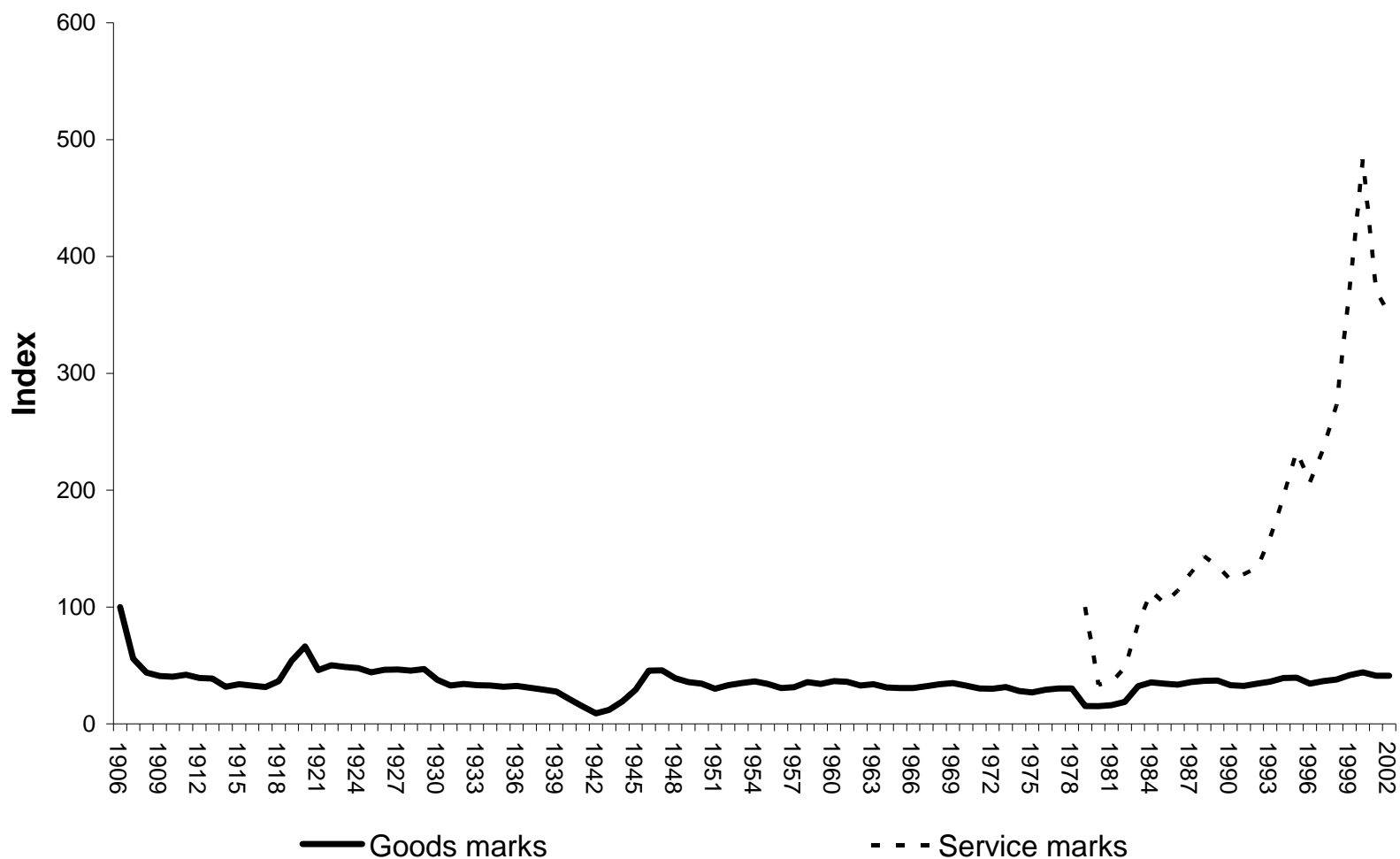
- ★ The relative use of trade marks and registered designs over time & by industry;
- ★ The importance of trade marks and designs for companies competitive advantage; and
- ★ Relation between trade marks, designs and company value.

# THE RELATIVE USE OF TRADE MARKS AND DESIGNS

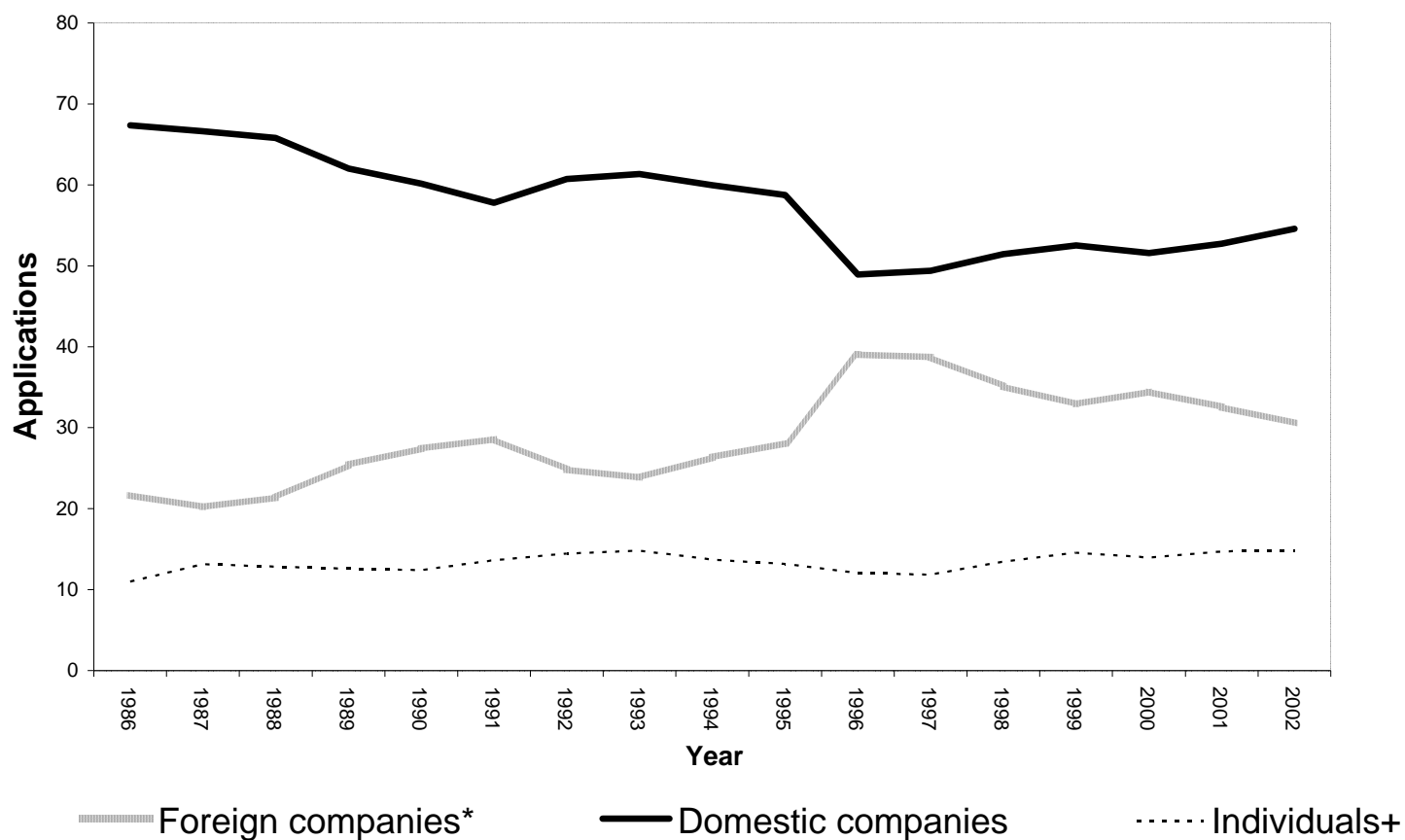
Ratio of trade mark applications to real GDP, Australia, 1906 to 2002, 1906=100



# 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 <sup>n</sup> 2002	Industry	% annual growth 1985-2002	App <sup>n</sup> 2002
Agriculture, Forestry and Fishing	6.0	984	Communication Services	<b>29.8</b>	451
Mining	2.6	187	Finance and Insurance	6.0	1,433
Manufacturing	5.3	<b>12,710</b>	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	<b>10.5</b>	521
Wholesale Trade	8.0	<b>11,803</b>	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	<b>259</b>	<b>19</b>	Communication Services	74	2
Manufacturing	33	3	Finance and Insurance	62	2
Electricity, Gas and Water	<b>114</b>	<b>6</b>	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**

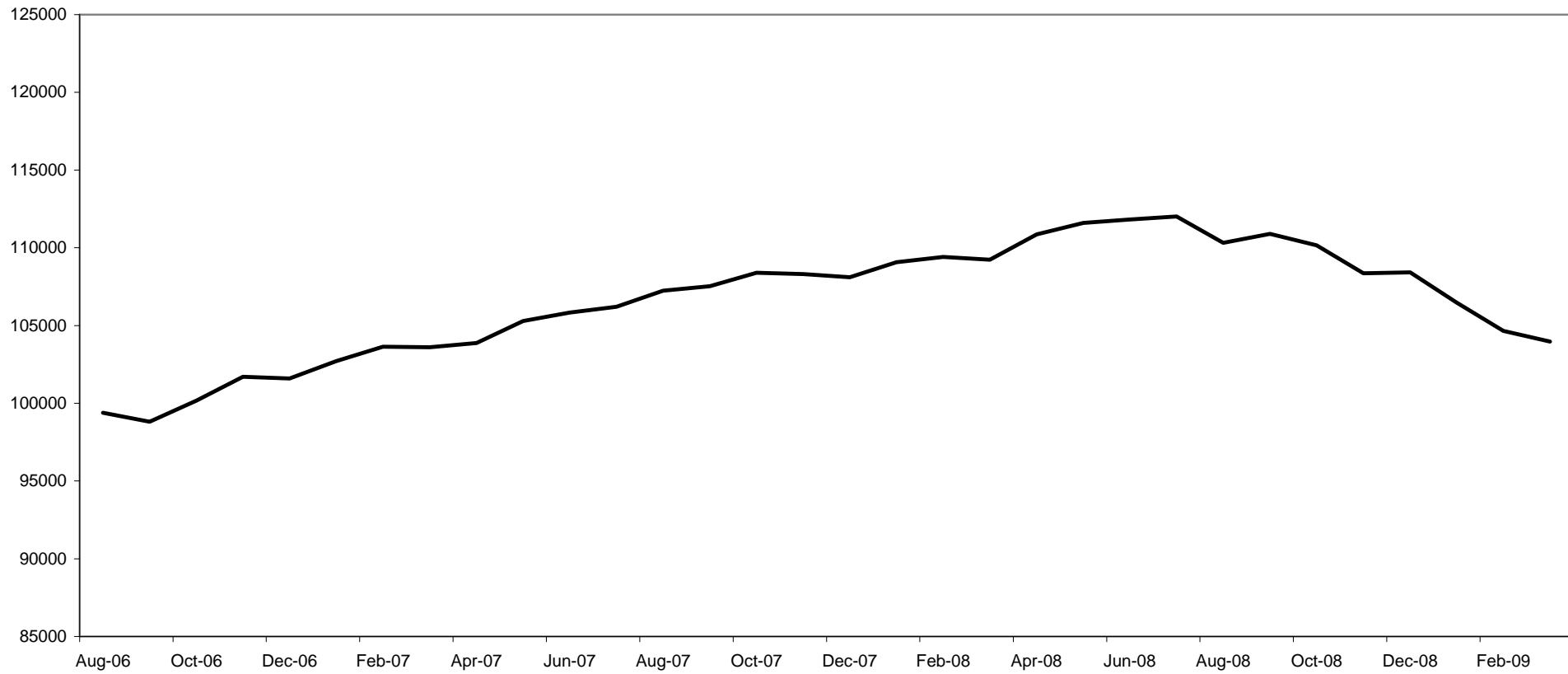
	Large	SME		Large	SME
Coal Mining	0	3	Basic Material Wholesaling	3	2
Metal Ore Mining	2	1	Machinery and Motor Vehicle Wholesaling	3	1
Other Mining & Services to Mining	0	2	Personal and Household Good Wholesaling	5	3
Food, Beverage and Tobacco Manufacturing	4	11	Finance	1	5
Textile, Clothing, Footwear and Leather Manufacturing	1	<b>18</b>	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	<b>14</b>	Business Services	1	3
Non-Metallic Mineral Product Manufacturing	1	7	Motion Picture, Radio and Television Services	<b>13</b>	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**

	<b>Large</b>	<b>SME</b>
Textile, Clothing, Footwear and Leather Manufacturing	0	<b>3</b>
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	<b>5</b>
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

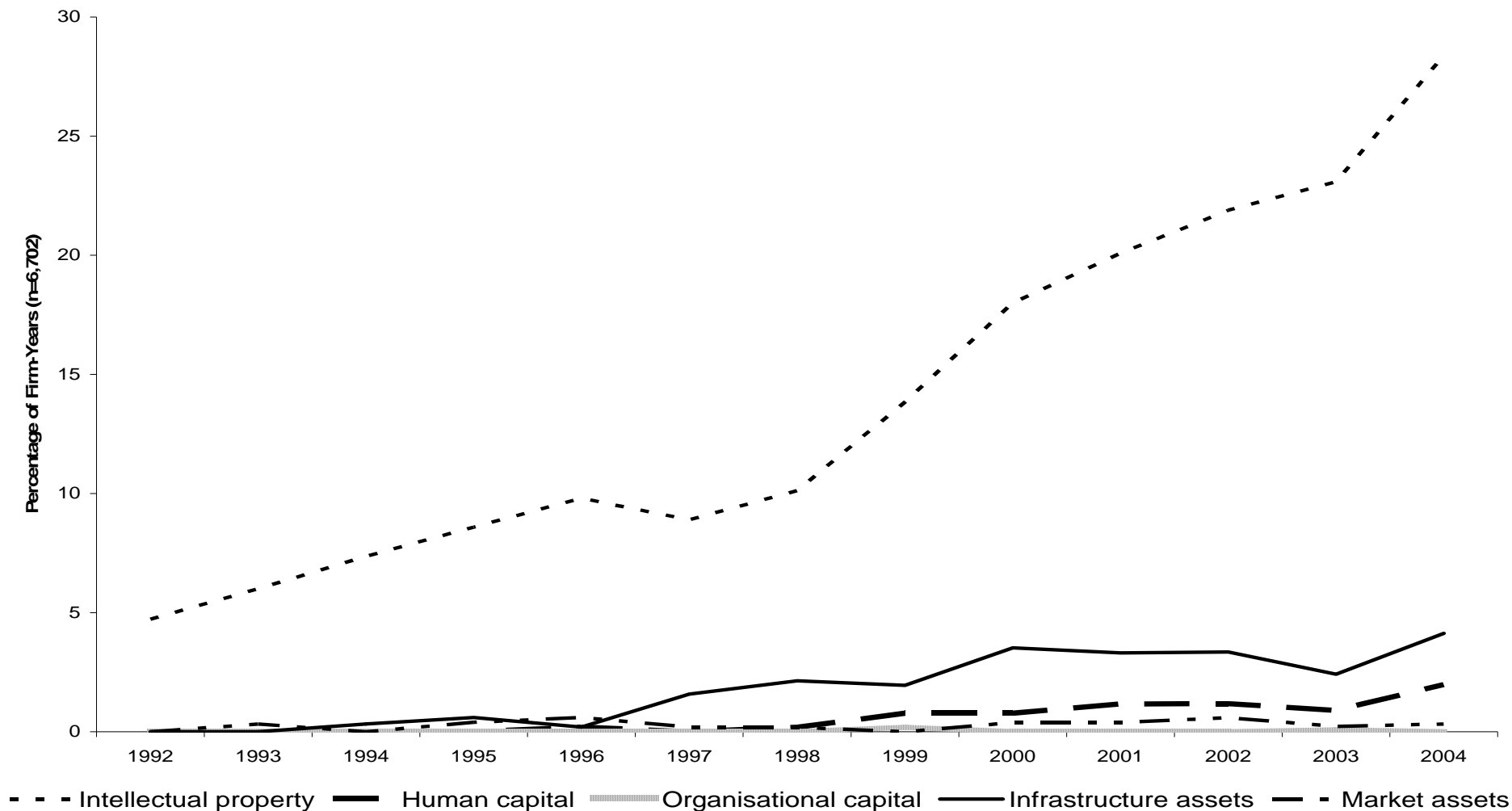
Commercial interest in:	No. enterprises	% enterprises (weighted by annual turnover)
Patents	68,169	32.1
Trade marks	144,780	<b>54.2</b>
Copyright	150,218	40.0
Design	131,950	<b>38.5</b>
Plant breeder's rights	18,929	6.7
Trade secrets	114,858	32.7
Total (any of the above)	259,942	66.4
Total enterprises 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	<b>4.7</b>		
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
- $> \frac{1}{2}$  firms have commercial interest in trade marks;  $\frac{1}{3}$  designs;  $\frac{1}{3}$  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.