

The Trademark Ecosystem



Global perspectives on filing,
infringement and common challenges

Executive Summary

The trademark has evolved. From its origins in the 13th century in France where it was used by bakers to identify their bread¹, to modern day names, smells, motions and colors. Much of this transformation has occurred in the last few decades, driven and shaped by a growing global economy, emerging markets entering the intellectual property space, and the relative ease with which businesses of all sizes can dip their toes into the international market thanks to online global commerce.

In addition, the rise in the number of channels that organizations are operating in, such as ecommerce driven marketplaces and social media, means there are more active trademarks in more places than ever before. When you consider the increased competition as a result of the expansion of the market, trademark attorneys, creative agencies and marketers alike are running into challenges when creating and filing unique marks across jurisdictions that work both commercially and legally.

What this means is that the trademark filing landscape has also evolved, with more marks being filed today than in the past. According to the World Intellectual Property Organization (WIPO)², the number of trademark application filings is rising exponentially, with a 30% spike in 2017 compared to the year before. This rise equates to roughly 9.11 million applications filed.

Looking at the landscape overall, these 9 million new marks are now part of the 75.6 million active trademarks worldwide—according to SAEGIS® on SERION®. As more marks enter the market, the challenge and complexity increases.

Trademarks represent the promise to the customer. But that's not the whole picture. Behind the scenes, a lot of work goes into developing names and transforming them into trademarks and in some cases the essence of a company. And the more trademarks there are, the more work is required to find unique space.

The trademark filing process, from screening and clearing, to filing and registration to watching and brand protection, requires a significant investment of skills, time and money. But these processes need to be carried out thoughtfully because not doing them, or not doing them properly, can have severe consequences. If a proper search isn't carried out, for example, there's the danger that a proposed mark is being used by another organization. This could lead to a failure to secure the trademark, causing delays in getting to market. If the brand is filed, it is still infringing on another organization's intellectual property and could lead to customer confusion and possible litigation.

It is also important to watch trademarks to ensure that other brands aren't infringing on your intellectual property. Again, having conflicting marks could lead to customer confusion, decrease in customer trust and ultimately negatively affect your brand equity and revenue.

Getting this all right is becoming more important because of the intensively competitive market that businesses are operating in today and the corresponding increasing value of intellectual property around the world. The impact of infringement caused by third parties or due to the clearing process not being carried out properly can be harsh and far reaching.

With the trademark ecosystem, there needs to be a balance between marks that are searched, cleared, filed and watched, and the challenges that in-house trademark counsel and trademark attorneys face, including budgets, time constraints and the lack of the right technology.

To understand more about these challenges, as well as the environments in which trademark professionals operate, CompuMark—a flagship brand of Clarivate Analytics—commissioned independent research into the state of the trademark industry, surveying trademark professionals in six countries.

This is the third annual research report from CompuMark looking at the state of the industry with a particular emphasis on Europe and North America. Following on from our 2017 research, the report details the findings and presents an overall view of the industry, trademark filing behavior and infringements.

1 <https://gizmodo.com/the-strange-medieval-origins-of-modern-logos-1670331631>

2 https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2018.pdf

Key Findings

Steep rise in trademark filing activity

There's been no slowdown in global trademark activity. In fact, 47% of respondents said they filed more trademarks in 2018 than they did last year. Interestingly, this figure is up from our 2017 research in which 43% of respondents stated an increase in filing behavior.

Looking at specific figures, this year 30% of respondents filed up to five trademarks, while 47% said they filed 6-20 marks, and 17% filing 21-50. Only 4% of respondents said they filed more than 50 trademarks in the last year.

With more marks comes more responsibility—in both searching and clearing the marks, but also in watching them once they are registered.

Infringement is here to stay

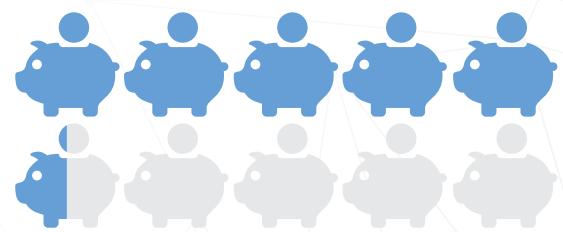
It's not only the number of trademarks being filed that is on the rise. This year, one-third of respondents said infringement was on the rise from last year, with 81% of respondents having experienced infringement in 2018.

The research also shows that infringement isn't just a one-off occurrence. Forty-percent of respondents experienced 1-10 instances of infringement in the last year, while 22% experienced 11-20 cases, and 12% experienced 21-30 cases.

Filing, infringement on the rise... are budgets being matched?

Budgets, or lack thereof, remain a major challenge within the trademark ecosystem. More marks require more work in getting them cleared and registered in the first place, and then in watching them.

Forty-one percent of respondents said their budgets remained the same, not matching the increase in filing activity. However, 54% of respondents said their budgets had increased from the year before. This is a major rise from 2017 figures; just 30% of respondents in last year's research said their budgets increased. The jump to 54% in 2018 is a staggering one, perhaps reflecting the importance being placed on the entire process, from clearing through to watching.

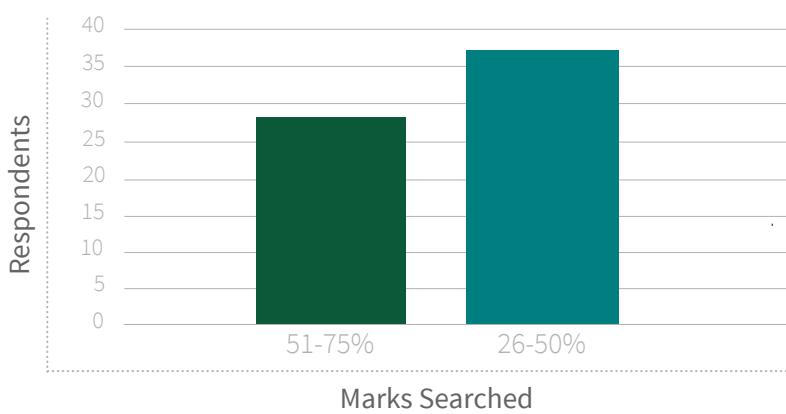


54% of trademark professionals say budgets increased in 2018

Prioritizing filing and watching

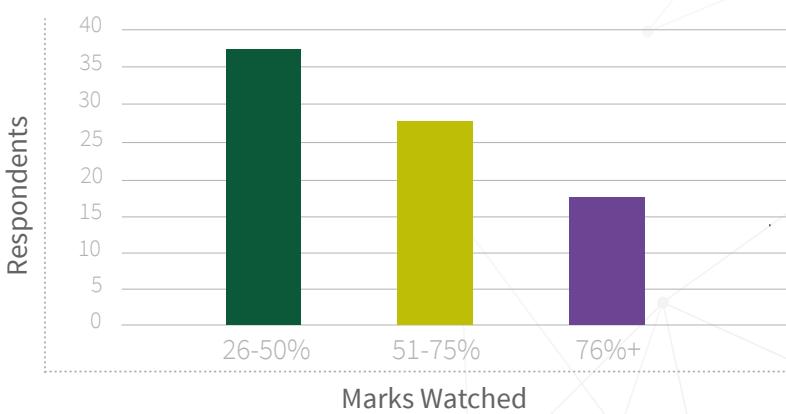
Thirty-eight percent of respondents said they searched between 26% and 50% of their trademarks before filing, while 28% said they searched between 51% and 75% of marks. Budget plays a major role in this decision, with 28% of respondents saying budget helped them prioritize which marks to search. A further one-quarter (24%) said it was investment in the brand that was important, while one-fifth (19%) said it was anticipated revenue from the brand that helped them prioritize.

Figure 1. How many trademarks are searched?



This changes when it comes to watching behavior. The number of marks actively being watched reflects the number of marks being searched prior to filing—38% actively watched between 26% and 50% of their trademarks, 28% watched 51% and 75% of marks, and 17% watched more than 76%. When asked about how they prioritize which marks to watch, anticipated revenue (23%) was the most cited element, followed by investment in the brand (22%) and budget (21%).

Figure 2. How many trademarks are actively watched?



Speed to market—the biggest challenge

While the trademark landscape is ever-evolving, there remain challenges. Speed to market was cited as the main obstacle in launching and clearing a trademark, according to 49% of respondents. This was followed by lack of time (45%), clearing a mark in global markets (39%) and budgetary issues (36%). This is a slightly different picture to last year where lack of time was the biggest challenge (46%), followed by budgets (42%) and clearing a mark in global markets.

Technology stakes a claim

While acknowledging the challenges within the trademark ecosystem, technology was highlighted as a solution. In fact, 59% of respondents said that better technology would help make the process of trademark research and protection more effective. This attitude was further reflected in the fact that 56% of respondents said technology would make the name creation process smoother.

A Look Into the Trademark Ecosystem

There has been tremendous growth in the number of trademarks filed over the last decade or so. There has been eight consecutive years of growth in the number of filings and 2017 stands out as the busiest year for decades³. This increase can be attributed to a number of factors, including an expansion of China trademarks—the country was the reason behind the 30% increase in the number of trademark filings in 2017, with 5.75 million marks filed in China⁴—the proliferation of commercial activity on the internet and social media, and brands filing marks across global markets. That's not forgetting increased competition and the drive to carve out a foothold in a crowded space.

This general expansion is reflected in the research responses. Almost one-half of trademark professionals (47%) said they filed more trademark applications this year than the last. In 2017, this figure was lower with only 43% saying they believed they had filed more marks. While a further 39% said the number of marks they filed stayed the same, our figures from last year's research show that 42% of 2017 respondents believed this to be the case, signaling a definite change in the figures.

Looking at the specific numbers, 30% of respondents said they filed 1-5 marks, while 47% said they filed 6-20 marks. This was highest amongst respondents in France (60%). In addition, 17% filed 21-50 marks; a figure highest amongst UK respondents (25%).

Despite the evolution of the types of trademark applications being filed, there hasn't been a significant upsurge in applications for non-traditional marks. Just 34% of respondents said they'd seen an increase in applications for trademarks such as smell, motion and color. While this figure may be low, it will be interesting to watch this space going forward to understand if these types of marks become more popular.



of trademark professionals said they were filing more trademarks, while...



said the number of filed trademarks stayed the same

3 https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2018.pdf

4 <http://whoswholegal.com/news/analysis/article/34577/trademarks-2018-trends-conclusions/>

Changes and challenges

In an ever-changing market, the trademark process itself cannot remain static. Respondents reported that processes have changed over the last 12 months, with 45% saying it was now faster, 20% said it was slower, and 34% stated they believed it remained the same.

This reflects some of the key challenges that trademark professionals said they currently face in the filing process. The most cited issue was that the examination speed was too slow, tied with budget at 24%. This was followed by responding to office actions (20%) and client education (14%).

We also asked about the challenges they faced in launching and clearing a new mark:

1. Speed to market (**49%**)
2. Time pressures (**45%**)
3. Globalization (**39%**)
4. Budgets (**36%**)
5. Launching in a multi-channel environment (**34%**)

Interestingly, budgetary issues ranked fourth, while in our 2017 research they were the second biggest challenge. Attitudes towards budgets have certainly changed, perhaps reflecting the desire for high-quality results, both from a search and clearance perspective, as well as when it comes to watching.



45%
global figure

The trademark process is faster

54% highest in US



20%
global figure

The trademark process is slower

29% highest in UK



34%
global figure

The trademark process is the same

56% highest in DE

The Real Story of Infringement

Trademark infringement can have a devastating effect on a brand—whether that's changing a name, logo or marketing material for a launch, or taking legal action against an infringing mark. More than the monetary impact, changing marks or having conflicting marks in the media or online can quickly cause customer confusion and can reduce trust in the brand.

Mitigating the risk of infringement is an ongoing endeavor, one that begins right at the start: the name creation process. From having a short list of viable names, to filing the mark and watching it, a lot of time, energy and budget is needed to ensure your brand is protected and your marks are unique.

However, due to the resources required, it's often not easy to search and watch every single mark. In fact, only 20% of respondents said they searched 76-100% of marks before filing them. Twenty-eight percent said they searched 51-75% of marks, while 38% said they searched 26-50% before filing. Reassuringly the figure for searching 1-25% of marks before filing was the lowest at 13%.

When it comes to new marks, the priority for searching them before filing is cost. We asked how respondents prioritized which marks to search prior to filing and the top three criteria were:

- Budget – **28%**
- Investment in brand – **24%**
- Anticipated revenue from the brand – **19%**

This picture changes when it comes to existing marks that are actively watched. Only 17% of respondents said they actively watched 76-100% of their marks, while the majority (38%) said they watched 26-50%. A further 28% said they watched 51-75% of marks, and 16% only watched up to one-quarter.

The priorities for watching marks also relate to money. However, it isn't budget that was the most cited criteria for prioritizing which marks to watch, but anticipated revenue of the brand.

- Anticipated revenue from the brand – **23%**
- Investment in brand – **22%**
- Budget – **21%**

Before filing...



73%
research if a proposed mark is translatable into other languages

86% highest in Italy

While brands are trying to minimize the impact of potential infringement, it is still on the rise.

Eighty-one percent of respondents said they experienced instances of infringement in the last year. This is almost a 10% rise from last year's research where 74% of respondents said they'd experienced infringement in the last year. This represents a massive problem for brands, and the rise in incidents could indicate an upward trend.

This finding is reinforced by the fact that 33% said infringement has risen in the last two years.

Looking at the specific cases in the 2018 research, 40% experienced 1-10 cases, while 22% experienced 11-20 instances. A further 12% said they experienced 21-30 cases.

It's about the consequences

While instances of infringement are rising, it is the consequences that have a real bearing on the brand. Almost one-third of respondents (30%) have had to change the name of a brand as the result of an infringement. This figure was particularly high in France, where half of respondents said this.

In addition, almost three-quarters (73%) had to take legal action against infringements, and again, this was highest in France where this was the case 92% of the time. The cost of legal action is high and can take a long time to resolve. In the US, for example, litigation can cost between \$120,000 and \$750,000⁵, sometimes even stretching into millions of dollars, depending on the intricacies of the case.

The consequences extend further than this, however. The top three effects of infringement have all increased this year compared to last year's research. They include:

1. Customer confusion (**52%**): this is up from **44%** in 2017
2. Damage to brand reputation (**42%**): this is up from **33%** in 2017
3. Reduced customer loyalty and trust (**40%**): this is up from **34%** in 2017

Infringement is flourishing

Just as the types of trademarks being filed are expanding, so too is the types of infringement. The research revealed that infringement is being experienced across not just the traditional marks, like business names, but also social media names, industrial design, web domains and advertising campaigns. What this means for trademark professionals is that it is no longer enough just to monitor patent and trademark office (PTO) databases, but further afield too including common law sources. Organizations need to be diligent everywhere in order to keep their key brands safe, as infringement is rife everywhere.

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5 <https://www.traverselegal.com/blog/four-thoughts-before-bringing-a-trademark-infringement-lawsuit/>



of brands have experienced infringement in 2018



of UK brands have experienced infringement in 2018



of brands have had to change a name because of infringement

50% highest in France

Infringement is Everywhere

Types of infringement experienced in the last year

- 💻 Web domains **43%**
- 🏢 Business name **40%**
- 💬 Social media name **38%**
- 🖨 Industrial design **35%**
- 🛒 Online marketplaces **33%**
- taboola Advertising campaigns **32%**

Balancing the Budget

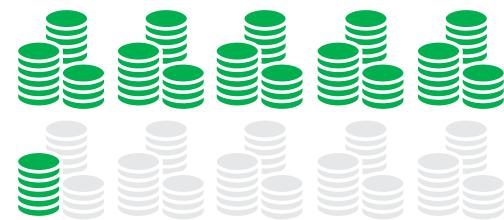
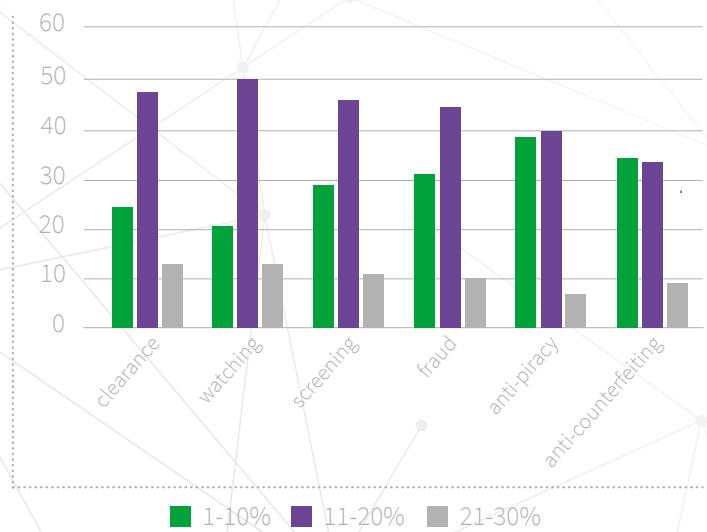
Regardless of industry, budgets remain one of the most talked about issues, sometimes creating roadblocks to success. In the trademark process, having the budget to effectively search and clear new marks, while watching existing marks is critical – because the cost of infringement can often be damaging.

With that in mind, the research revealed that budgets are changing for trademark professionals. With the increase in filing behavior, there is the expectation that budgets rise in-line with those changes. This is the case amongst respondents; 54% said their budgets increased, compared to just 30% last year who said the same thing. This is a marked difference of 80%, again demonstrating that the importance of getting the trademark process correctly done is filtering through brands. Reassuringly, only 4% said funds had decreased (compared to 8% in 2017). The figures also fluctuated when asked about static budgets; this year 41% of respondents said there was no increase in their budgets. However, this figure is significantly down from last year's 58%.

But trademark budgets are not developed or used in isolation and often form part of the wider brand protection budget. We wanted to understand from trademark professionals how their budgets—regardless of whether they had increased or remained the same—were being spent.

Starting with trademark clearance, one-quarter (24%) of respondents said they were spending 1-10% of their brand protection budgets here. A further 47% (60% in Germany) spend 11-20% on clearance.

Figure 3. Where brand protection budget is being spent



54%
global figure

of trademark professionals said budgets were on the rise

60% highest in US and France

During trademark screening, 46% spend 11-20% of their budgets on this activity, while 28% spend 1-10% of it here, and 12% spend 21-30%.

When it comes to trademark watching, 21% of respondents spend 1-10% of their overall brand protection budget here. One-half spend 11-20% on watch activities, and 14% spend 21-30%.

Other budget highlights to note include:

- 44% of respondents spend **11-20%** of budget on fraud prevention
- 40% spend **11-20%** on anti-piracy activities
- 35% spend **1-10%** on anti-counterfeiting

What this perhaps demonstrates is the trademark ecosystem doesn't operate in isolation. Just like there are numerous stakeholders in the process, there are also other elements to consider when looking at brand protection as a whole, including fraud, counterfeiting and piracy, and how these tie into trademark strategies. This is especially true when looking at trademark infringement, the impact on the brand and the intricacies of mitigating the risk of it occurring.

Stakeholders in the Process

It's not just trademark professionals that are involved in the trademark ecosystem. There is involvement from marketing, the C-suite and third-party providers, such as trademark research providers.

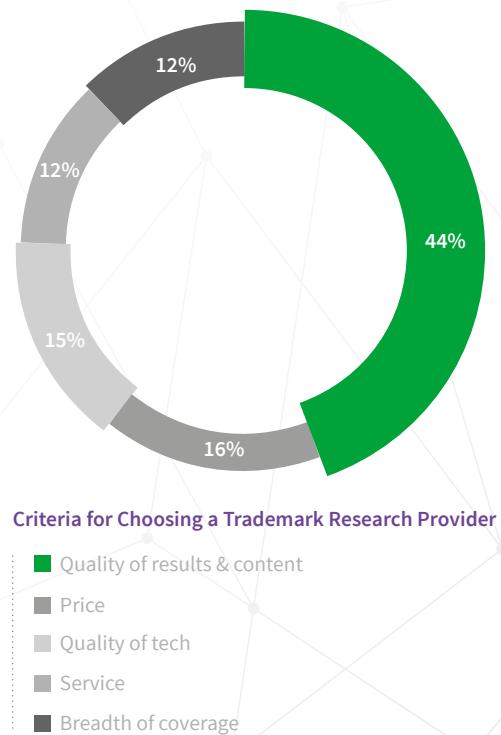
In addition, there's also overlap in roles. In an ideal world, in-house trademark counsel or external trademark counsel need to be involved early in the name creation process. Marketing and branding teams generate these names as part of wider campaigns for new products and services, or promotions. It is then up to trademark professionals to search and clear them. This process is lengthy (and often costly) and could be made smoother if trademark professionals were consulted sooner.

The majority (82%) of respondents said there was collaboration to some extent in their organization during the name creation process, while only 16% said there was none. But looking at the specific answers shows that just 38% said they were integral to the naming process, while 45% said they were consulted on an ad-hoc basis.

There is also involvement from the C-suite in the overall trademark application process, though not to any large degree. Twenty-eight percent of respondents said there was a large amount of involvement from the C-suite, while 38% said there was some involvement and a further 27% said C-level executives saw the importance of the process but weren't involved at all.

Many brands also work with trademark research providers, experts in the industry that use a combination of technology and in-house expertise to search, clear and watch trademarks. The value of these types of services is well-recognized by trademark professionals. In an industry where budgets are always a contentious issue, price was only ranked third in a list of criteria used to select a trademark research provider, demonstrating the importance of the service and the benefits it delivers to organizations.

The top five factors used to evaluate providers included:



Future Forward

The trademark landscape continues to transform, marks are evolving, applications are increasing, and infringement is an ever-present and growing issue. But just as the landscape shifts, trademark professionals and the process itself adapts to these changes. However, this doesn't necessarily occur at the same pace as the movement in the landscape.

Looking back at some of the challenges cited by respondents—speed to market, lack of time, globalization, and budgets—there is a concerted effort to overcome these obstacles and make the trademark filing process smoother.

We asked respondents what would make the name creation process better. Technology was the most cited answer (56%) followed by improved communication (55%) and involvement from the beginning of name creation (41%).

This sentiment was also reflected in elements that could make the trademark research and protection process more effective. Better technology was cited by 59% of respondents, followed by more resources (52%), bigger budgets (52%) and more time (48%). This mirrors the results from our 2017 research; however, last year more money was ranked number one, followed by technology.

The appetite for better technology has eclipsed the need for bigger budgets. This can be interpreted in two ways. The first is there is recognition that technology has a bigger role to play in supporting trademark professionals and demand for it is growing. The second is simply that budgets are slowly evolving to meet the needs of trademark professionals; something that can be seen in the fact that budgets are seen less of a challenge in launching and clearing a new mark, and that they are on the rise. It could also mean that businesses are investing more in the trademark process, perhaps as a result of rallying by trademark professionals or because brands are recognizing the importance of the process and its effect on the wider business.

Conclusion

What the research shows is a dynamic landscape, with challenges around time, budget and resources, and multiple stakeholders involved. The aim is brand protection, ensuring proposed trademarks can be registered and existing marks are protected. The behavior and prioritization of efforts around these two activities might vary, but the importance of these tasks doesn't change.

Infringement, alongside trademark filing activity, is on the rise which means brands and trademark professionals need to ensure they are doing all they can, with the resources on hand, to mitigate risk. The consequences of infringement can be damaging, impacting customer trust and brand reputation, ultimately affecting the bottom line and costing brands money.

Neither the pace of change nor the incidents of infringement are likely to abate. As a result, trademark professionals will seek more efficient ways of tackling the trademark process, from search and clearance, to filing and watching. For the most part this will include focusing on using more technology, but collaboration, more resources, bigger budgets and more time will also play a role.

Methodology

Independent survey firm Vitreous World was commissioned by CompuMark to conduct research into the state of the trademark industry, delving into the challenges faced by trademark professionals, their experiences of infringement, and their overall perceptions of the market. Online interviews were carried out at the end of 2018 with a sample of 350 in-house trademark counsel and external trademark attorneys across the United Kingdom, USA, Germany, Italy and France.

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