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Brand Management Focus 2005



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The steps to effective brand management

Malaysia's success as a global trading partner means that trade mark creation and protection are more important in the country than ever. **Karen Abraham** of **Shearn Delamore & Co** provides a run-down of the brand management process

In 2004, Malaysia was again placed on the US Trade Representatives (USTR) watch list after the USTR's Special 301 Review. Despite enforcement efforts taken by the Malaysian government to curtail piracy and counterfeiting, the number of cases reported on the free flow of pirated and counterfeited goods continues to place Malaysia on this blacklist.

Nevertheless Malaysia remains a big trading partner in the global economy. Malaysia is the US's 10th largest trading partner and about \$11 million worth of exports and \$28 million worth of imports are transacted every year. Irrespective of what industry or business is involved, there is a brand behind every commercial entity and this brand needs to be carefully crafted, nurtured, developed and protected.

Brand management does not start after the brand is devised and launched. Management of a brand starts the moment a company decides it wants a brand. Management of a brand includes its creation, protection, development, maintenance, exploitation and enforcement.

Brand creation

Set it apart

The brand a company creates is what a company aspires it to be. It is a company's guarantee to the customer of the quality of the product or service they seek or have come to expect.

A brand encompasses more than the branded product or service that the brand owning company delivers. It includes a bundle of intellectual property rights (including trade marks, copyright, design rights, patents) and other intangible assets, as well as trade dress, packaging and advertising.

The first step in the branding exercise is to create and invent an authentic, novel word or device that will

set it apart from other brands in a particular industry. It could be clever, novel, catchy, aesthetically appealing, simple yet unforgettable but ultimately different, which makes it stand apart.

The more distinctive and unique the brand is, the easier it is to be distinguished from other brands and thus easier to protect.

Who is targeted?

It is important to identify which target group the brand is aimed at.

Depending on the brand base, it is worthwhile defining the product's unusual or special characteristics which no other product in the market possesses, through advertising campaigns. These special characteristics could be the selling point of the company's products in influencing purchasers to choose the company's product over another. If the company's target market are consumers of low-cost products, a company may wish to design a brand that is simple and easily identified yet distinctive.

Get clearance

Before deciding on the brand, it may be wise to conduct some clearance searches to establish:

- whether the brand is available locally; and
- whether it is available globally.

It is important to conduct a domestic search on the Trade Mark Register before using the particular mark to detect whether there are any prior identical or similar marks on the Register, to avoid using a common mark and to avoid possible actions in infringement or passing off when the company's brand is eventually launched.

It is prudent to ascertain whether the brand encompasses a common mark or trade name used globally in respect of the chosen industry or trade. This search can

easily be done on the internet. It might also be worthwhile to conduct a search on the Register of Companies to see if another company has already registered the mark as a company name. If there is a company using the new brand name or a similar name, this may cause confusion between the potential owner of the brand name and the owner of the company name.

Once the company is satisfied that the chosen brand is free from encumbrances and clear from third parties, steps must be taken to secure the proprietorship. Exclusivity or monopoly must be achieved from this investment.

The Malaysian Trade Marks Act provides an expansive definition of the word mark, but the registrability of sound marks remains controversial

Brand protection

Brand protection is essential in the creation of brand value. It safeguards the time, resources and energy that have been pooled towards brand creation and affords traders the security they need to continue investing and building their brand.

Domestically

In Malaysia, the brand may be protected by a trade mark registration. The protection afforded, subject to the marks being religiously renewed, is practically in perpetuity.

The definition of a mark under the Trade Marks Act 1976 includes a "device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof". There is no provision for the registration of non-traditional trade marks. Recently however, the Malaysian Registry held that a combination of colours can be accepted as distinctive upon evidence of extensive use by the traders and that consumers associate the products bearing the colour combination as theirs. For example, the well-known combination of the colours burgundy and gold on the label of a cigarette packet has been recognized as a distinctive mark.

The Malaysian Trade Marks Act provides an expansive definition of the word mark, but the registrability of sound marks remains controversial. The Trade Marks Regulations require that a clear and durable physical representation of the mark be submitted when filing an application, so it might be necessary for the mark to be seen. One way to fulfil this

requirement might be to write out the musical notes for the sound that is to be protected by a trade mark.

Internationally

Trade mark protection is territorial in nature. As the market for the brand expands, so must trade mark protection. Companies wishing to market their brands regionally or internationally are advised to pursue trade mark registrations in countries where there is potential for the growth of the brand.

As Malaysia is not a member of the Madrid protocol, Malaysian companies might choose to apply for trade mark protection through the Community Trade Mark (CTM) prosecution. To date 123 CTM trade marks have been registered by Malaysian companies.

In cyberspace

As the internet has become the most powerful vehicle for communication, companies might wish to secure their own domain names.

In Malaysia, the body responsible for the registration of domain names is the Malaysian Network Information Centre, commonly known as MYNIC. The governance and administration of domain name disputes for the .my top-level domain is in accordance with MYNIC's Domain Name Dispute Resolution Policy (MYDRP) and Rules.

When registering a domain name, the applicant must warrant that the domain name applied for does not infringe any registered or unregistered mark in Malaysia.

Many domain name disputes have arisen due to the first-come-first-served rule in the application of domain names as well as the worldwide use of domain names without regard to trade mark classes or national registrations.

In a trade name

In the business world, where branding has earned its importance, a famous brand is always viewed as an attractive catalyst that might catapult an unknown company into an altogether famous one.

Although the Companies Act 1965 empowers the Companies Commission of Malaysia (CCM) with the discretion to accept or reject the names of companies seeking registration, CCM seems inclined to confine its discretion to prohibiting names that already exist on their register. While the Act provides that a name will be rejected if it is considered undesirable or if it closely resembles the name of other existing companies

or names that have been reserved, there are several instances where well-known marks have been registered as a company name by local unrelated parties.

Malaysia is a member of TRIPs and it is clear that Article 16 provides for the protection of well-known marks, but this is only enshrined in the Trade Marks Act. Submissions are being made to the Registrar of CCM to address this problem.

Brand exploitation

A brand can never be stagnant in this increasingly demanding world, which runs parallel with the challenging consumer.

The business enterprises of the world are increasingly dependent on the profitable exploitation of their intangible assets where intellectual property resides. The key to success is therefore to increase the brand value by broadening the brand band.

There are many ways to reach out to customers domestically, regionally or globally. Whatever the target group, the business method and business model must be drawn out.

Self-exploitation

A company could choose to self-exploit rather than to enter into a joint venture or a licensing arrangement because the proprietor might wish to retain absolute control and ownership of its IP rights.

Licensing

Alternatively, a company might wish to divest the responsibility to manufacture or market its brand through a licensing arrangement. Licensing means the brand owner can focus on managing the brand while the distribution and operational aspects of the product/services are carried out by licensees.

The advantage of licensing is that it leads to new relationships, resulting in collaboration and information sharing. Licensing is useful if the licensor wishes to expand into overseas markets that are usually inaccessible.

It is very important for the licensor to establish and maintain the brand by coordinating closely with its licensees and by having a programme for protecting and monitoring the usage of the brands.

Before entering into the commercial arrangement, it is important to determine whether the appointment will be an exclusive one, the royalty terms, and the warranties to be given by the licensor. Issues such as quality control standards and effective enforcement

mechanisms with the cooperation of the licensee must be set up to ensure that the brand is guarded from exploitation by third parties.

Franchising

Some of the most successful businesses in the world are premised upon the franchise model.

A franchise business involves granting a right to use a marketing or business model controlled by, or associated with, a franchisor. It also involves granting a right to use an IP right subject to continuing control by the franchisor over the significant aspects of the busi-

The Trade Descriptions Act 1972 is a popular and powerful tool in enforcing trade mark rights

ness. In a franchising arrangement, the franchisee is dependent to some extent on the continuing supply of technology and infrastructure access from the franchisor. This can include products, training, and assistance in marketing, production methods and know how.

The benefits of successful franchising to the franchisor are that it enables rapid market penetration, minimization of capital outlay, economies of scale and enhanced business goodwill. As for the franchisee, the benefits of franchising are that the risks are minimal, the knowledge of the business is inherited and the franchisee attains brand name recognition. Inevitably, the relationship between the franchisor and franchisee must involve the imposition of quality controls regulating the service or products to be provided or sold by the franchisee to the consumer.

All franchisors that sell their franchises in Malaysia are required to register the franchise with the Franchise & Vendor Development Division of the Ministry of Entrepreneurial Development.

Brand strategy

It is important for a company to seek a strategy for the growth of the brand.

The first step is to conduct a brand audit. Brand auditing is an exercise that encompasses the evaluation of the brand's progress, its positioning in the market, its financial worth to the company and its potential growth.

Once the audit has been completed, the company may wish to value its main brands in the market and plan ways to enhance the value of these brands to make the brand more attractive to lenders. Proper accounting systems, revenue records, and systematic identification

and recording/registration of all the company's brands and IP rights are essential. It is also important to maintain proper database records and a system for assessing and preserving the IP rights of the company. It will be useful to update potential lenders with a status report on the company's IP rights regularly.

Having identified the main brands, the strength of the brand must be preserved by building customer loyalty. If brands have fallen out of use, their trade marks need not be renewed. Rather, it might be useful to consider rebranding and re-strategizing these brands to revive them.

Companies wishing to market their brands regionally or internationally are advised to pursue trade mark registrations in countries where there is potential for the growth of the brand

Brand vigilance

It is imperative to be vigilant and to take prompt action against any misappropriation of a brand. Trade marks are often infringed when a party that is not the proprietor of the trade mark exploits them for commercial gain. Where a trade mark is not registered and is used by another, the common law tort of passing off can be relied on.

Ordinarily, the proprietor will pursue an offensive action that is commercially strategic and legally effective against these brand identity thieves.

Warning notice

Before embarking on the litigation route, a brand owner can publish a warning notice in the media to publicly declare his proprietary rights in relation to the brand. The notice forewarns the trade and public that the brand, including trade mark, ancillary copyrights and industrial designs, belong to the proprietor and that he will take all necessary measures to protect and enforce the brand. The warning notice additionally serves as an advertisement of the brands of the proprietor.

Trade mark search and watching service

If a company suspects that its brand is about to be or has been appropriated by another entity, a search should be conducted to ascertain if an application for the offending mark has been made at the Trade Mark Registry. If upon the search, an identical or similar

mark is found, a watching service can be conducted to monitor the progress of the offending trade mark application. As soon as the offending trade mark is published in the *Government Gazette*, an opposition may be lodged to obstruct the registration of the mark.

Undertaking to stop

Another common pre-contentious measure is to send a warning letter to the wrongdoer to immediately cease and desist from continuing the acts objected to, failing which the trade mark proprietor will commence legal

action as well as take any necessary steps to stop them from further acts of infringement and/or passing off. These warning letters are often accompanied by an undertaking stipulating the terms that the wrong-doer has to abide by.

Non-compliance with the undertaking could result in the trade mark proprietor filing a suit for trade mark infringement and passing off, claiming for an injunction, damages, costs and a public apology.

Enforcement

Criminal action

The Trade Descriptions Act 1972 is a popular and powerful tool in enforcing trade mark rights. The registered proprietor or common law owner of a trade mark may lodge a complaint with the Ministry of Domestic Trade and Consumer Affairs (MDTCA) asserting that their trade mark has been infringed and/or passed off.

The Trade Description Order (TDO) is declaratory in nature deeming the unauthorized use of a trade mark as a false trade description. A false trade description is an indication that is misrepresentative of the source of manufacture or identity of the manufacturer of the goods.

If the trade mark used by the unauthorized entity is identical to the trade mark that is protected, the MDTCA may at its own discretion commence and conduct raids based on the complaints by the trade mark owner. If the unauthorized trade mark is not identical to the proprietor's trade mark, an application for a TDO has to be made to the High Court under the Trade Descriptions Act.

An individual who is found guilty of an offence under the Trade Description Act is liable to a fine of up to

RM\$100,000 or three years' imprisonment, or both. The MDTCA may choose not to prosecute the offences and may exercise its discretion to compound the offence.

Civil action

A civil action is usually appropriate if the identity of the counterfeiter or infringer is known, if they are operating on a large scale, and they are financially sound to be able to make good costs and damages.

The best course is to institute civil proceedings in addition to the possible criminal proceedings that the MDTCA may institute against the counterfeiter.

Alternatively an independent civil suit irrespective of a criminal action can be instituted. Relief that can be claimed includes an injunction to restrain the counterfeiter/infringer from further manufacturing, marketing, distributing or selling products or providing services bearing the trade mark, an order to hand over remaining offending products, damages or an account of profit and costs of the action, as well as an order to

reveal the source of counterfeit products if the goods do not originate from the defendant.

Brand management is essential

About 429,307 trade marks and service marks have been filed in Malaysia since 1934. Last year alone 20,744 applications were filed. This is a reflection of how crucial brands are to local and foreign companies and of the growing awareness that those brands must be taken care of. It is becoming extremely important for business persons and their advisers to create and implement effective brand management strategies and to ensure that their brands are protected.

The business enterprises of the world are increasingly dependent on the profitable exploitation of their intangible assets

*"In the beginning was the brand,
And the brand was with the company,
And the brand was the company..."*

– Karen Abraham on Brands & Broomsticks

Karen Abraham



Karen Abraham is an advocate and solicitor of Malaysia and South Australia. She is a partner of Shearn Delamore & Co and has specialized in IP litigation, frequently appearing in the appellate courts in Malaysia. She is the president of the International Association for the Protection of Intellectual Property (AIPPI) Malaysian Chapter and the past chair of the IP Committee of the Inter-Pacific Bar Association. She has designed and crafted brand management programmes for Malaysian companies and for leading multinational companies throughout the world. Karen has also designed anti-counterfeiting and anti-piracy programmes and strategies for some of the largest IP brands in the world. She has been actively advocating mediation of IP disputes in Malaysia and was recently appointed to the Panel of Neutrals of INTA. The author wishes to acknowledge the assistance of Janet Toh in the writing of this article. Janet was admitted as an advocate and solicitor of the High Court of Malaya in 2002. Her work encompasses prosecuting trade mark applications, drafting agreements and IP and IT licences including e-commerce related documentation, and advising clients on consumer laws and regulations.