

The Role of Trademarks for Economic Development

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Santo Domingo, Dominican Republic, 28 April 2016

Key Take Aways

1) How much do trademarks contribute to economic activity?

- We do not know exactly
- Difficult to measure, but the contribution is significant – depending on applied estimation methodology

2) Are trademarks relevant for economic output and economic development?

- YES, trademarks spur all types of economic activities in goods and services sectors
- Trademarks frequently constitute the starting point of all types of economic activities
- Trademark-induced incentives are often at the heart of diverse international value chains and foreign direct investment (FDI) decisions

What is a Trademark/Brand (for)?

The legalistic view:

- Intellectual asset protected by intellectual property rights
- Allows for exclusive use of ‘signs’
- To protect *both* producers and consumers from deceptive competition (free-riding and opportunistic behaviour)

What is a Trademark/Brand (for)?

The business perspective – with macro-economic implications:

- A recognizable sign, design, or expression, which identifies products or services of a particular source (individuals, businesses) from those of others – *differentiation*
- Long-term intangible asset that depends on an association made by consumer – *signalling and trust*
- A means to create long-term demand, i.e., consumer loyalty – *demand side effect*
- Allow for dissemination of original and derivative (incl. innovative) products and services – *supply side and multiplier effects*

The Economics Perspective

- *Trademarks and other IPRs* are of interest to economists because they may or may not facilitate commerce, productivity growth and economic (activity) development
- Induce supply and demand side effects
- Trademarks have *three major economic merits*:
 - *Recognition*: trademarks solve information asymmetries by conveying product- or service-specific information to consumers
 - *Rewards*: exclusive legal protection of intellectual property provide individuals and organisations with incentives to undertake creative and innovative activities
 - Explicitly allow for *competition* of the ‘same’ products and services

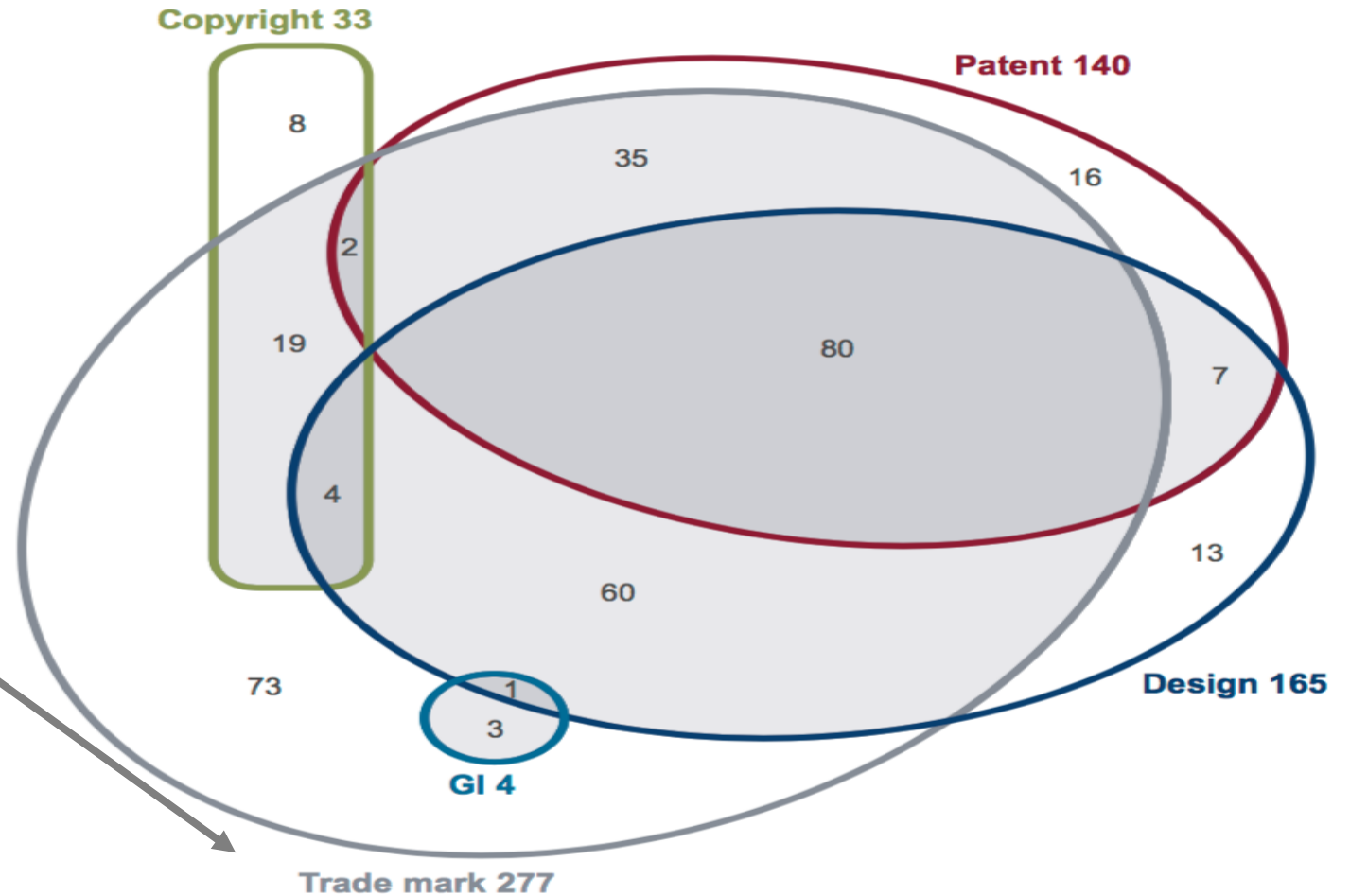
Trademarks are Literally Everywhere



- Trademarks convey information
- Allow for ‘long-distance’ trade and, therefore, specification and the utilisation of the international division of labour, i.e., globalisation
- Think of Akerlofs ‘Market for Lemons’ – used cars, opportunistic behavior, severe distrust, no exchange, no economic activity
- Trademarks create ‘quality awareness’ and trust
- Trademarks create markets – economic activity, employment, income

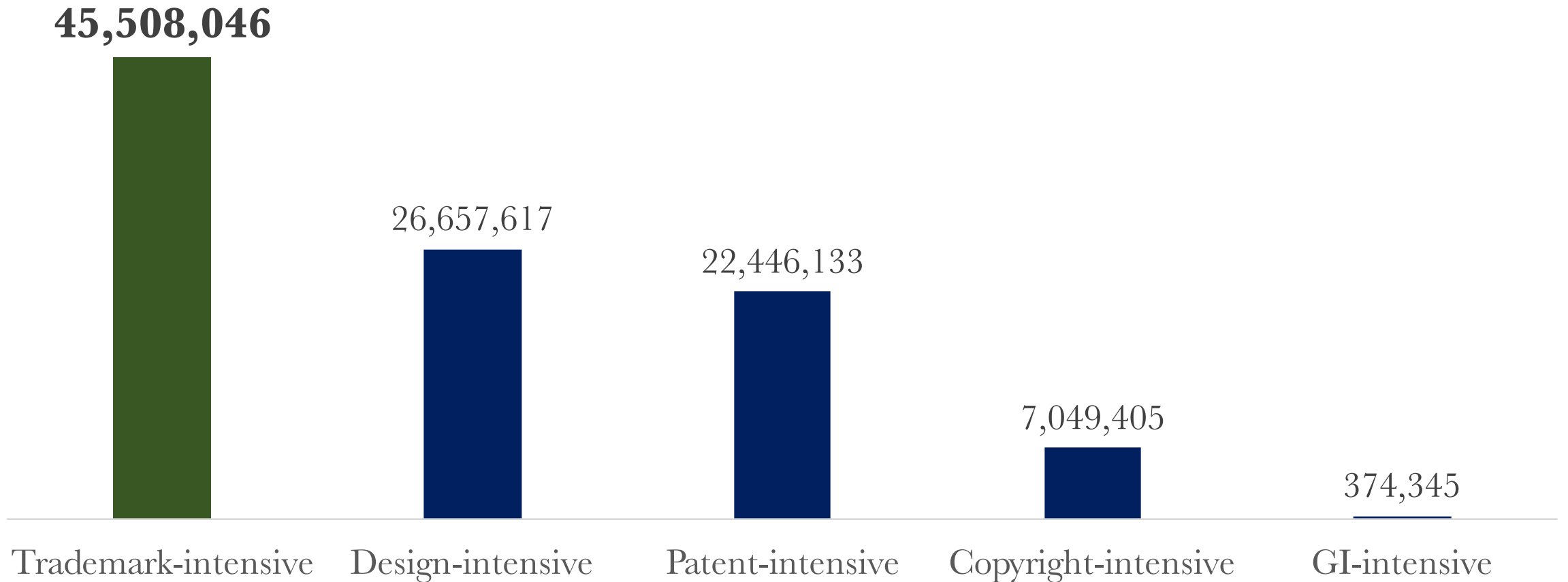
Intensity of Trademarks in EU Production

In the EU, trademarks are actively used in most industries (277 out of 321 analysed by the EPO).



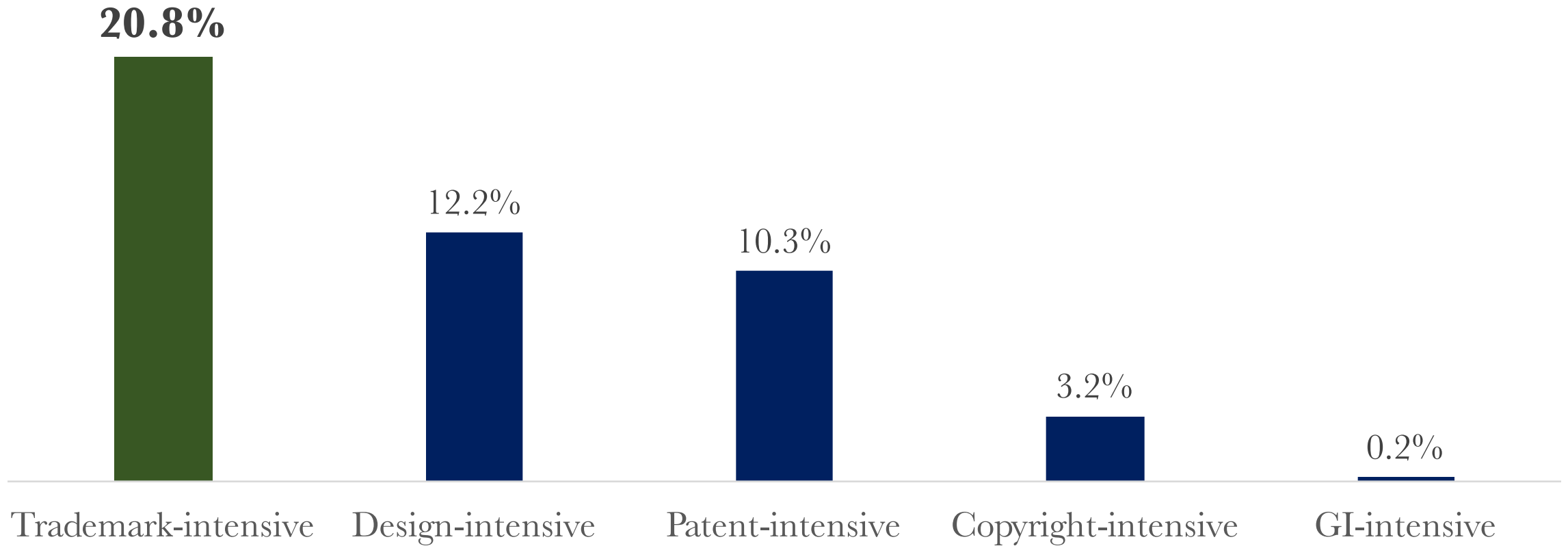
Source: European Patent Office & EU Commission.

Direct Contribution of Trademark-intensive Industries to EU Employment



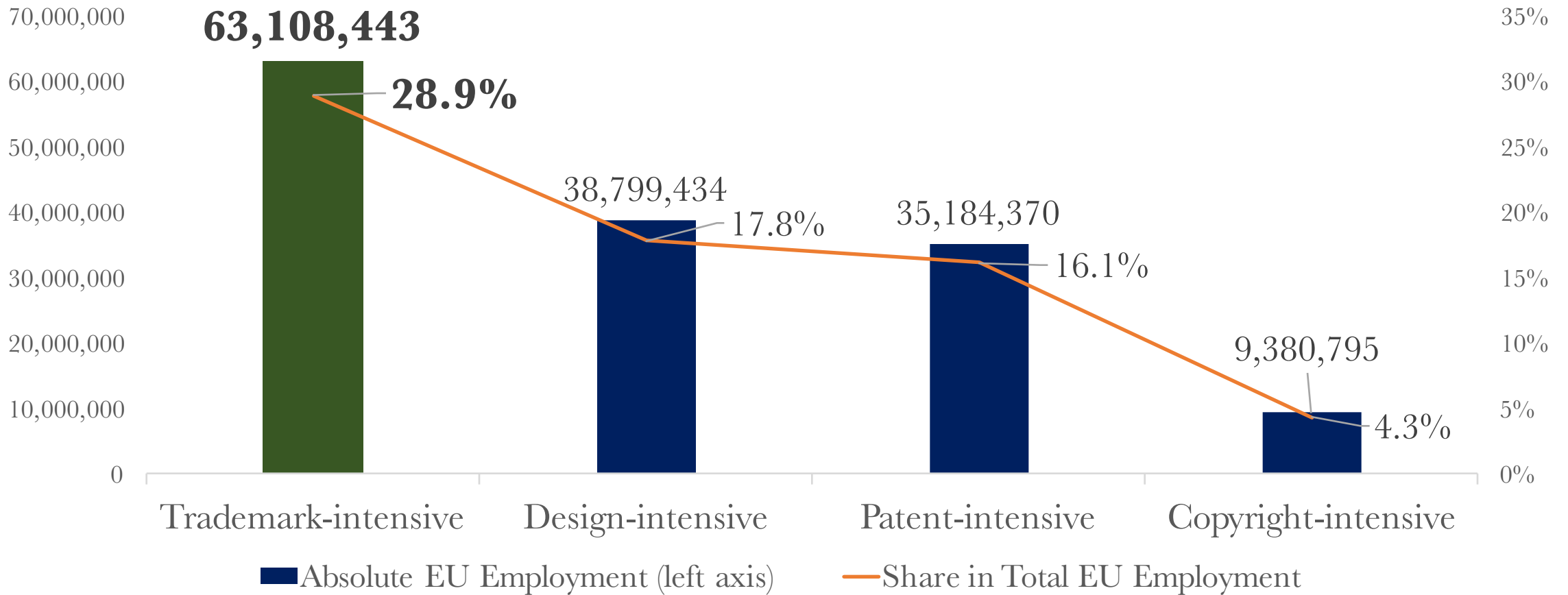
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Direct Contribution of Trademark-intensive Industries to EU Employment



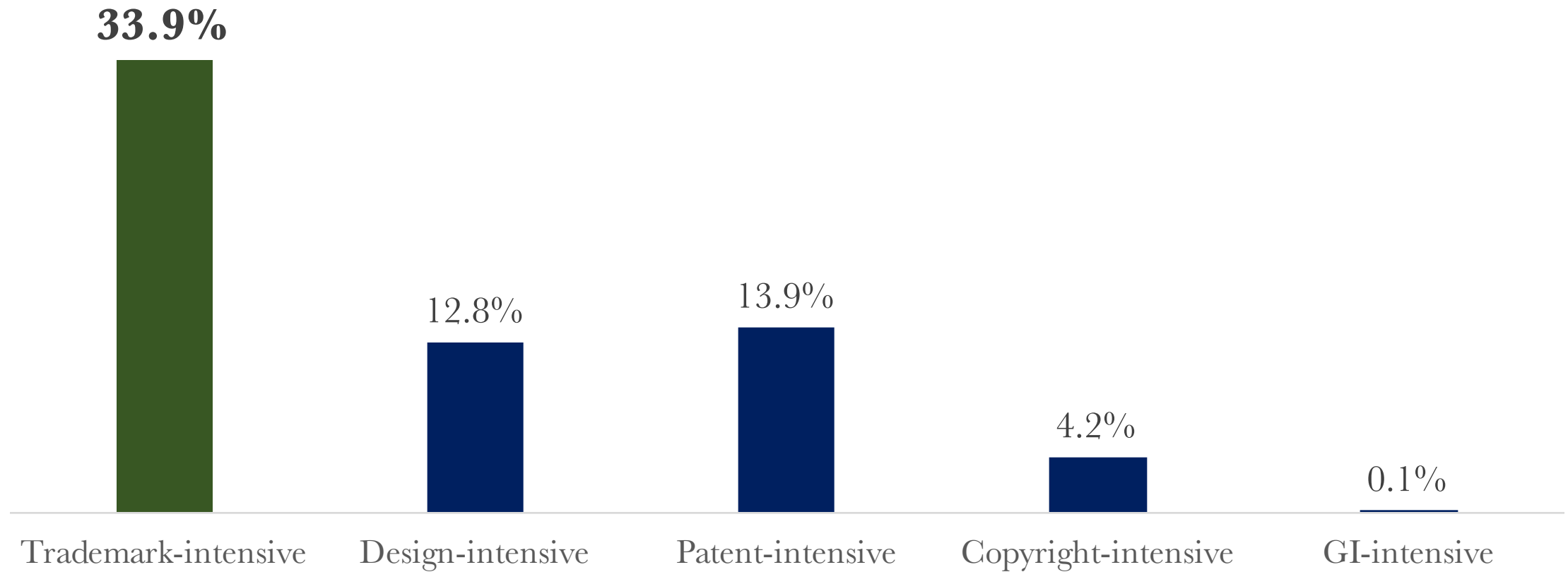
Source: European Patent Office & EU Commission.

Direct & Indirect Contribution of Trademark-intensive Industries to EU Employment



Source: European Patent Office & EU Commission.

Contribution of Trademark-intensive Industries to EU Economic Activity (GDP)



Source: European Patent Office & EU Commission.



Trademarks Are Everywhere

Top 10 Most Trademark-intensive Industries in the EU, in TM/1000 employees

- 1 Leasing of intellectual property and similar products, except copyrighted works
- 2 Manufacture of basic pharmaceutical products
- 3 Manufacture of wine from grape
- 4 Research and experimental development on biotechnology
- 5 Manufacture of perfumes and toilet preparations
- 6 Manufacture of irradiation, electromedical and electrotherapeutic equipment
- 7 Manufacture of other transport equipment n.e.c.
- 8 Manufacture of games and toys
- 9 Manufacture of sports goods
- 10 Other telecommunications activities

Source: European Patent Office & EU Commission.

Trademark-induced Incentives & Sources of Value-added

Investment in Product and Brand Reputation based on exclusive right

Maintenance of Product and Brand Reputation

Creation of Value-added in Heavily Diverse Downstream Sectors

Employment and income generation in R&D, product development, technology development, marketing and advertising; inhouse and external agencies

Employment and income generation in print media, commercial televisions, (sports) event management, entertainment services

Trademark-induced Incentives & Sources of Value-added

NO Investment in Product and Brand Reputation based on exclusive right

NO Maintenance of Product and Brand Reputation

NO Creation of Value-added in Heavily Diverse Downstream Sectors

LESS or NO employment and income generation in R&D, product development, technology development, marketing and advertising; inhouse and external agencies

LESS or NO employment and income generation in print media, commercial televisions, (sports) event management, entertainment services

The Economic and Social Multiplier Effect

- The economic value of Google is not generated in Silicon Valley
- The economic value of Coca Cola is not generated in Atlanta
- Think of Uber & AirBnB: trust, market transformation and local employment creation
- Think of FDI and the transfer of knowledge development of skills
- Trademarks facilitate commerce, international trade and, thus, social interaction (B2B, B2C, C2C)
- The facilitation of commerce facilitates peace...

Critique: Impact on Market Structure

- Common critique: trademarks erect barriers of entry of new competitors due to ‘brand monopolies’
- That is true: for businesses, the core function of a trademark is to create consumer loyalty, or to lock-in consumers
- But: all markets are contestable if sound regulatory frameworks prevent market concentration and market abuse practices
- The constitutional principle of a market economy is an effectively enforced *competition law*
- The erosion of trademarks would erode economic incentives in the long-run – across all industries

Conclusion

- Legal protection and legal enforcement of exclusive use of trademarks essential to provide incentives for all types of economic activities in goods and services sectors
- Trademarks create trust protect consumers from ‘deceptive’ competition
- Trademarks create markets and entail beneficial multiplier effects
- Trademarks are of vital importance for modern ideas-economies
- Trademarks facilitate social interaction and contribute to pluralist societies