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A trademark is one of the most valuable types of intellectual property that a company has because it identifies the brand owner and typically consists of a name, logo, design, or symbol. A trademark is important because it allows the company to differentiate their products from others in the marketplace, which is valuable to the consumer. If exploited properly, trademarks create value for the company by providing a competitive advantage through lower marketing costs, market recognition, increased revenues, greater market share, or faster market adoption.

From an economics perspective, trademarks are appealing to the consumer because they reduce consumer search costs in buying a product. For example, consider the snack food industry where a consumer is looking to buy potato chips. If the consumer is considering Frito-Lay and store brand potato chips, the consumer may choose Frito-Lay over the store brand because the consumer has bought Frito-Lay before and thus the brand connotes an image of quality to the consumer while the consumer is unsure of the quality of the store brand potato chips. Further, even if the customer has never tried Frito-Lay before, the company has built up its brand over time and this is also recognized by the consumer. Therefore, a company with a strong brand presence may require less marketing and advertising expenditures to make a sale than that of its competitors, which provides the company with a competitive advantage and creates value for the company.

It is also true that the seller of a strong brand has the ability to charge a premium for its products because of its reputation. Starbucks is a good example of this. Starbucks can charge more for a cup of coffee compared to fast-food establishments and convenience stores due to its strong brand and its ability to differentiate its products from competing products.

Finally, trademarks can also allow the company to create market share, or allow the company to get to the market faster. The ability to create product loyalty builds market share. And, profitably getting to the market faster allows the company to build market share faster and creates increased value for the company.

We are often called upon to assist in determining the value of a trademark, or to assist in the quantification of economic damages in trademark infringement matters. Since trademarks are one of the most valuable types of intellectual property in the marketplace, companies need to understand the value of its trademark and the need to create an identity with a sustainable competitive advantage.