

## DEVELOPING BRAND EQUITY

### **An article written by Mark Hamilton for Australian Vigneron**

There is little point in investing all the time, capital and patience necessary to develop a brand unless you can be sure that you have or can obtain adequate trademark protection for the word or words constituting the brand both in Australia and in your future export markets.

In simple terms, trademark protection can potentially be obtained where the words are not in conflict with a previous trademark registration, are not common surnames and are not otherwise offensive or inappropriate for registration for public policy reasons.

The best prospects are with made up names or combinations of words or rarely used place names or words. An excellent example is the "Penley" Estate brand which was established by leading Coonawarra winemaker Kym Tolley to reflect his "Penfolds" and "Tolley" wine heritage. His mother is a Penfold-Hyland by birth, and was a shareholder in Penfolds Wines when it was still a family company.

It is however possible to obtain trademark protection over words such as common surnames through usage, but this involves a substantial investment of time and money in a brand where the ability to obtain future trademark protection is not certain.

Upon usage of a brand commencing, a producer without trademark protection does obtain a measure of common law protection against third parties by virtue of the common law tort of "passing off" (referred to as "common law rights").

This allows a producer who has developed a substantial reputation in words involved with the supply of goods and services to apply for an injunction to restrain a competitor from "passing off" its goods and services as the goods and services of the original producer. Damages at common law can also be obtained.

These common law rights and remedies are also embodied in legislative form both in the Trade Practices Act (Commonwealth) and the various versions of the Fair Trading Act in Australian States and Territories which provide remedies for producers against third parties engaging in "misleading and deceptive conduct" in relation to trade or commerce.

Obtaining trademark protection is very expensive, especially if one wishes to obtain protection in the major export markets, before commencing brand development.

Some producers choose to obtain trademark protection in Australia first and then progressively apply in other jurisdictions as their export business commences. This approach brings with it the substantial risk that someone else (from Australia or some other part of the world) has or will apply for trademark protection which will potentially block the use of the brand in that jurisdiction.

This in turn brings with it the risk that a producer will end up having to market wine under different brands in different jurisdictions which will add substantially to the cost and complexity of the producer's business as well as diluting brand value.

An example in Australia of a producer who has been forced to market wines under another name overseas is Taylor's of Clare who are forced to market wine in the US and UK under a different brand because of the long term brand rights of Taylor's, the leading Portuguese port producer. This is even though Taylor's of Portugal do not make wine nor Taylor's of Clare make port for export into those markets.

Brand value is increasingly viewed in a global sense given the increasing pace of globalisation, especially with respect to the sale of Australian wine. Australia's wine industry has long ceased being a predominantly domestic industry with just about all participants in the Australian wine industry these days thinking in terms of a global marketplace.

Brand value is based upon a legal entitlement to sell wine under a brand name, the scope and depth of distribution together with product weight, that is, the amount of product sold under the brand.

Brands (including "virtual" brands with no winery or vineyard assets) are worth substantial sums of money on a stand alone basis as we have seen with the recent proposal to float Cockatoo Ridge Limited, a public company incorporated for the purpose of purchasing the Cockatoo Ridge brand from Yalumba. The Cockatoo Ridge brand has reportedly been selling 200,000 cases in Australia and 20,000 cases overseas, with export growth potential. It is reportedly being sold by Yalumba for \$18m.

If you are going to commit the time, money, effort and patience necessary for effective brand development then you should build your brand from the secure base of trademark protection in Australia and your likely export markets.

The need to spend money on trademark protection up front is an excellent argument to support the adoption of the so called "first rule of branding", that is, the law of brand contraction (not expansion). You should think twice about having more than one brand or too many sub-brands (that is, secondary names on labels which also require trademark protection). The key to effective brand development and protection is to keep it simple.

The marketing gurus argue in relation to the law of brand contraction that the narrower, simpler and deeper the focus of the brand in terms of product, the better.

Protecting one brand will be expensive enough. Starting with a series of brands or sub-brands has significant implications in terms of trademark costs later on as well as all the "business complexity" costs which go with having a multitude of brands and products in comparison to a limited number of high volume brands and products.

All producers should develop and maintain an ongoing relationship with a competent trademark attorney as part of the brand planning process. A realistic plan for brand protection should be developed with an adequate annual budget provision.

The trademark legislation and the caselaw relating to trademarks is complex and not easy to simplify. Disputed trademark applications can take years to resolve and involve considerable legal and trademark attorney expense. The fact that a disputed trademark application may be resolved in your favour will ultimately be of little consolation to you if you cannot afford to wait for the matter to be resolved before commencing brand development.

It is cheaper and quicker in the long run to spend some money up-front identifying a brand which can be protected and paying for that protection.