



Trademarks as an indicator of innovation and industrial change

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Abstract

As innovation becomes an ever more central issue for the development of firms and world economies, so the need for improved assessments of innovative performance grows more urgent. This paper suggests that trademark analysis can contribute in capturing relevant aspects of innovation phenomena and the process of industrial change. We propose trademarks as a complementary indicator in the portfolio of available empirical tools of innovation studies and industrial dynamics. Our empirical exploration is based on a study of community trade marks (CTM), an intellectual property right granted in the European Union, and draws on recent research on trademarking trends in Portugal. Quantitative as well as qualitative data, including survey data from a representative sample of Portuguese manufacturing and services firms, are used to identify the advantages and limitations of this indicator.

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1. Introduction

The business of branding products has long been part of ordinary economic life. Trademarks are the outcome of establishing recognisable designations and symbols for goods and services, as well as firms' identi-

ties. They play a crucial role in the process of marketing innovations, being instrumental in differentiating the attributes of goods and services in the marketplace. These characteristics make trademarks a potential indicator of product innovation and sectoral change. Moreover, recent developments in the institutions for the international regulation of trademarks, as well as the increasing availability of digital databases, have increased the case for using trademark statistics as a new source of information in industrial and innovation studies.

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Trademarks are of interest for social science research for at least three reasons: they confer the exclusive right to use a brand, therefore enhancing companies' ability to appropriate the economic returns on new and existing products; they are an important aspect of contemporary culture world-wide; and they constitute a source of qualitative and quantitative information on socio-economic activities. This paper focuses on the third of these features. It does not address the more complex issue of the contribution of trademarks to welfare, which might be considered an urgent question for political economy in its own right.¹ More specifically, the paper assesses the possibilities and problems of using trademark data when analysing the introduction of new or improved products in competitive markets. Along with a methodological reflection, the paper offers a concrete empirical application of the indicator to the EU-15 countries² together with an in-depth study of an intermediate European economy, Portugal, for which we analyse: (i) statistical data on trademarks for the period since 1980; (ii) survey data collected from a representative sample of 724 firms in 2003; and (iii) information from thematic workshops held with entrepreneurs, managers and consultants. Data for the EU-15 countries was obtained from publicly available documents of the Office for Harmonization in the Internal Market (OHIM), which is responsible for managing community trade marks (CTMs). The lessons learned from the Portuguese case synthesise and elaborate on a study recently published by the Portuguese Patent and Trademark Office, INPI (Godinho et al., 2003).

We argue that trademark-based indicators provide a partial measure of the innovative *output* of profit-oriented organisations. In its most simple formulation innovation can be understood as the introduction into the market of a new idea, product or production process. As an intellectual property right (IPR), trademarks are designed to differentiate certain products from those provided by other firms. In this context, the filing of new trademarks by economic actors partially reflects the introduction of new offerings aimed at persuading potential buyers that the range of their problems is not being solved by the supply of solutions currently avail-

able in the market. In this way, since companies have to pay fees to register and renew their rights in national and international offices, the effort involved in filing for a new brand name or logo reveals an economic decision that is worth investigating. Furthermore, given the growing demand from governments, firms and academics for more reliable information on innovation, we find here an opportunity to test trademarks as a complementary indicator to the more traditional measures of innovative activity, namely R&D expenditure and patents. Trademarks are used by a wider set of business firms, capturing change in service activities as well as in small and medium-sized enterprises (SMEs).

Trademark-based indicators show promise for advancing research agendas concerned with (i) the rates and directions of product innovations in different industrial sectors, (ii) international patterns of specialisation, (iii) links between technological and marketing activities; and (iv) the evolution of economic organisations and structures. However, simple counts of trademarks are affected by various sources of bias, such as difficulties in data consolidation (e.g. one brand can be protected simultaneously by a combination of words, symbols and 3D design), sectoral differences (the international trademark classification system follows the characteristics of the product and not of the industrial sector; cf. Appendix), and weaknesses in international comparability (given, for example, the different export markets and niches targeted by firms from different countries). All of these issues cannot be completely explored here. The full assessment of trademarks as indicators of innovative activity and industrial competitiveness requires further research, including econometric analysis and in-depth case studies.

The paper is organised as follows. Section 2 discusses what a trademark is from both the IPR and economic perspectives. The third section addresses the conceptual and analytical issues that arise when we consider trademarks as an innovation indicator and a tool for assessing structural transformation. This is followed, in Section 4, by an analysis of the use of CTMs in the EU-15 countries. Section 5 presents detailed data on the use of trademarks in Portugal, based on a survey of a representative sample of Portuguese firms. The final section concludes by summarising the main findings and identifying avenues for further research.

¹ For a recent book related to this subject see Klein (2000).

² The data, for the period 1996–2002, does not include the 10 new member states.

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