

5.2.5.5 Value Implications

Unlike non-descriptiveness and distinctiveness, graphical representation is a “yes or no” issue – it either can be fully approved of or not at all. The same must apply, accordingly, for the influence on brand value of this issue.

Hence, existing graphical representability should be awarded a five point score whereas failing graphical representability, i.e. failing trade mark protection, would result in a one or zero point score, depending on whether or not the issue would be decisive enough to be a deal breaker.⁷⁰⁷

5.2.6 Findings – Relation to Brand Value

In case any one of the absolute grounds for refusal of trade mark protection discussed previously is non-existent, protection as a registered trade mark must fail (save in the event of acquired distinctiveness), with the implication that the respective brand needs to obtain and defend its market position without the strong means of trade mark protection – a means both marking out an area in which the proprietor enjoys exclusive freedom to operate the sign(s) at hand and of defending this area by means of developed legal mechanisms.

This proves to be particularly negative for young brands. They have not yet had the chance to gain appreciable internal and external market share and recognition or identity and image respectively – a process which takes time and effort. Hence, they consist of little more than the devices, i.e. the signage, themselves, which would be, in case of failing trade mark protection, free for the public to use (that is according to trade mark law).

In case distinctiveness, non-descriptiveness and graphical representation are approved, their relation to brand value depends on whether they are simply “yes or no” issues, such as the latter, or whether there exists a scale, e.g. from low via average to high distinctiveness. As a general rule, the higher

707 For more information about the meaning of these scores cf. above at 4.1.2.1. Existing graphical representability is very likely to not be worth the maximum score of six points, as this score would mean that the respective issue is so important that the valuation client would do anything to acquire/licence in etc. the asset. Graphical representation is, however, merely one of several requirements for trade mark protection the failure of which has more intense negative effects than its existence has positive ones.

the degree of distinctiveness, the stronger the mark and the more positive the implication on brand value. In short, the more distinctive the sign, the more valuable the brand. However, it needs to be kept in mind that strong marks are susceptible to becoming generic.

The nature of the sign, be it a traditional one such as a word or one of more recent acceptance like a colour combination, does not have a direct link to brand value but an indirect one. For example, should the registration of olfactory Community trade marks be possible in the future, such marks would be extremely unique and therefore have an above-average potential to be valuable. On the other hand, as with any other non-traditional sign, consumers may in fact not necessarily perceive the smell as indication of commercial origin because they are not used to such items being trade marks or other signs of communication, let alone being allusions to a specific commercial origin. As regards fragrances, this goes in line with the fact that they are deployed in branding in order to influence the audience subliminally rather than consciously. Hence, factual circumstances speak against olfactory signs to potentially develop a high value. This statement is, in general, also valid with regard to other non-traditional marks.

5.3 Quantitative Scope of Protection – the Classes

5.3.1 System of Trade Mark Classification

The scope of protection of a registered trade mark is limited to the goods and/or services it is registered for. For purposes of legal certainty, goods and services have been divided into classes. With expiration of the first five years after publication of the registration, a trade mark is subject to cancellation upon request of any third person with respect to all classes it is not being used for.⁷⁰⁸

The system valid in Europe, both on the CTM level⁷⁰⁹ and with regard to national registrations, according to which goods and services are classified, is the International (Nice) Classification of Goods and Services for the Purposes

708 For details on use, see below at 5.7.

709 Although the European Community is not party to the Nice Agreement (as of July 30, 2008), OHIM has adopted it and makes its use mandatory for applicants.