

WHY PROTECT TRADEMARKS

In the modern world there is a desire by most manufacturers to sell their products and offer their services by means of a mark or a brand. Before the industrial revolution, traders displayed marks of various kinds to distinguish their products. The hallmarks of Goldsmiths and the marks of Sheffield's Cutlers have their own marks to distinguish their goods.

Most legal systems therefore developed registration to protect the imitation of marks and names. ¹

Trademarks have a variety of functions. Cornish summarizes the functions into three broad categories: -

1. Origin Function – marks deserve protection so that they may operate as indicators of the trade source from which goods or services come or are in some other way connected.
2. Quality or Guarantee Function – marks deserve protection because they symbolize quality associated by consumers and certain goods or services and guarantee that the goods or services measure up to expectation.
3. Investment or Advertising Function – marks are ciphers around which investment in the promotion of a product is built and that investment is a value, which deserves protection as such, even when there is no abuse arising from misrepresentation either about origin or quality. ²

Bainbridge observes that Trademark serves two main purposes. First to protect business reputation and goodwill and secondly to protect consumers from deception, that is to prevent the public purchasing inferior goods or services in the mistaken belief that they originate from another trader. In regard to Consumer Protection the law becomes an effective weapon against counterfeit and inferior goods, which is considerably strengthened by the criminal sanctions imposed in regard to the fraudulent applications of Trademarks. Another way of justifying the system of Trademark is that it gives effect to the concept of Unfair Competition, which has in Sri Lanka been statutorily recognized. The overriding purpose of Trademark Law is to ensure that Trademarks serve to distinguish the goods or services of one undertaking from those of another and consumer protection however desirable it may be is only a little more

¹ Cornish Intellectual Property 3rd Ed. P.516.

² Cornish Op cit p.527 F. Schechter The Historical Foundations of the Law relating to Trademarks Ruston on Original Trademarks (1955) 45TM Rep. 127 Diamond The Historical Development of Trademarks (1975) 65 TM Rep. 265).

than a by-product of Trademark Law. This was emphasized by Lord Nicholls in Scandcor Developments A B v Scandcor Marketing A B³ when he stated, “inherent in this definition is the notion that distinctiveness as to business source (the goods of one undertaking) is the essential function of a Trademark”.

The basis of a Trademark is to show a connection between the undertakings and their goods or services and to distinguish them from other undertakings. This concept has far reaching implications particularly in regard to Character Merchandising and in relation to memorabilia in Elvis Presley (1997) RPC 543. In this case Laddie J “when a man buys poster or a cup bearing an image of a star he is buying a likeness, not a product from a particular source. Similarly the purchaser of any one of the myriad of cheap souvenirs of the Royal Wedding bearing pictures of Prince Charles and Diana Princesses of Wales wants mementoes with likenesses, is likely to be indifferent to the sources⁴

In the Common Law before the Trademark Registration Acts were introduced Trademarks were considered an aspect of property In GETm⁵ Lord Diplock observed:

“The right of property in a Trademark has special characteristics. One, which it shared with Patents and Copyrights, was that it was a monopoly, that is to say it was a right to restrain other persons from using the mark. But it was an adjunct of the goodwill of a business and incapable of separate existence dissociated from that goodwillsince the only right of the proprietor of a Trademark was to prevent its use by other persons, the original remedy for the protection of his right was an injunction to restrain infringement.....”

“The right of property of this character calls for an accommodation between the conflicting interest of the owner of the monopoly, of the general public as purchasers of goods to which the Trademark is affixed and of other traders”.

“The interest of the general public requires that they should not be deceived by the Trademark. It ought not to tell a lie about the goods. Two main kinds of deception had been the subject of consideration. They were misrepresentations (a) of the character of the goods to which the Trademark was attached and (b) as to the origin i.e. that they were the product of some other manufacturer”.

³ (2001) U.K. H L 21

⁴ Bainbridge Intellectual Property 5 ed. p. 532).

⁵ (1972) 2 All ER 507 at 518 – 519

The basic assumption in a competitive economy is that the consumer benefits by being able to choose among a wide variety in the quality and price of the goods and services. However when there is a range of products offered a consumer could only choose rationally if he knows the relevant differences between the goods. For this purpose it would be necessary to acquire all the appropriate information which would be weary and time consuming and costly as far as the consumer is concerned. Furthermore the consumer may not be able to check or test the qualities before he purchases and may have to purchase the goods on trust. The seller may emphasize the various qualities of the price, which differentiate from one product of those of the competitors but a seller could always exaggerate such qualities. As the consumer cannot always trust the information, which he receives he may buy things of lower quality. However the law of trademarks gives the State some control over the quality in the market and the efficiency and genuineness of the goods in the market⁶

As we have seen earlier historically traders applied marks to indicate the origin of marks.⁷ Such marks were proprietary or possessory marks. For instance farmers branded their sheep to identify their life stock. In medieval time marks were used in the guild structure to ensure that goods were of a satisfactory quality. With the demise of the guild and advent of the industrial revolution it was realized that marks indicated a particular manufacturer, which in turn guarantee goods of a certain standard. In the twentieth century marks changed from being indicates of origin to become valuable assets in their own right⁸. The mark itself attracted customers not as a result of any assumption of origin or quality but as a result of “advertising” quality⁹. A trademark therefore changes its function from a “signal” to a “symbol”. As a signal a Trademark triggered an automatic response to identify the producer of the goods whilst as a symbol trademarks evoke a broader set of association and identifies the product or gives a product the identity. In recent times it has been suggested by Drescher that a Trademark has acquired a “mythical status”.¹⁰

Three important reasons are given as a justification for the protection of Trademarks. They are –

⁶ (Cornish Opict 528; UNCTAD Secretariat “impact of Trademarks on the development process in developing countries” DT/B/C, 6A/C3.3 (1977) p.266).

⁷ Schechter The Historical Foundation of the Law relating to Trademarks (1925)

⁸ Eastman Photographic Material Company vs John Griffith Cycle Corporation (1898) 15 RPC 105

⁹ Brown Advertising and the Public Interest; the legal protection of Trade Symbols (1948) 57 Yale Law Journal 1165 and generally Bently and Sherman Intellectual Property ch.31

¹⁰ Drescher the transformation and evolution of Trademarks – from signals to symbols to myth (1992) 82 Tm Rep 301

1. Creativity
2. Information
3. Ethical justification (Bently and Sherman opcit 662)

Creativity

It is argued that one of the justifications for the protection of intellectual property rights is the protection of labour, which is involved in the creation of such rights. This is also one of the bases of the concept of unfair competition. However in regard to trademarks it may be difficult to contend that there is creation as in the case of patents or copyright. However this argument may be somewhat weak in that a trademark is nurtured not only by the trader but by the customer and the public as well. It is also argued as stated by Justice Breyer in the US Supreme Court in the case of Qualitex v Jacobson Products¹¹ that trademark law helps to assure a producer that it (and not an imitating competitor) will reap the financial reputation and related awards associated with a desirable product.

Information

It is argued that trademarks are a shorthand way of communicating information that purchasers need in order to make informed decisions. Information provided by trademarks is particularly important in relation to goods that a consumer cannot inspect. Trademarks also encourage the manufacturer to maintain consistent quality standards.¹² In a leading article Brown maintains that “advertising depends on the remote manipulation of symbols, most importantly of symbols directed at a mass audience through mass media or imprinted on mass protected goods¹³. Brown drew a distinction between persuasive and informational advertising and maintained that the only justification for advertising was informational and persuasive functions of marks is of dubious social utility.

Ethical justification

It is argued that by adopting another’s trademark a person is taking advantage of the goodwill generated by the original trademark owner and therefore on the principle that a person should not reap what he has not sown trademarks should be protected. It is on this basis that objections were made in respect of comparative advertising and the principle of dilution of trademarks justified.

¹¹ 115 S CT 1300 (1995)

¹² (N. Economides , “The Economics of Trademarks” (1988 78 TM Rep 523); W Landes and R Posner, “The Economics of Trademark Law (1998) 78 TM Rep 267

¹³ R. Brown “Advertising and the public interest : The Legal protection of Trade Symbols” 1948 57 Yale Law Journal 1165

Trademarks and Anti-competition

Sometimes it has been said that trademarks confer monopolies. In York Tm¹⁴ it was observed, “traders could not obtain a monopoly in the use of such words”. In Re Coca Cola Trademark¹⁵ the court observed, “this raises a spectre of total and perpetual monopoly in containers and articles¹⁶. In defending trademark rights Pattishal in his leading article “Trademarks and the monopoly phobia”¹⁷ argues that “ in the rush to destroy monopolies and promote free competition the means and basis for competition are destroyed too. Trademarks do not exist to provide incentives to create new words but instead are creatures of commerce arising through necessity and protected as such. Trademarks are analogous to the persons name and signature and forgery of one’s signature or defaming one’s character is actionable and as such trademarks also should be protected. This view has also been expressed by the Chicago Law Review article “ The Anti-competitive aspects of trade name protection and policy against consumer deception”¹⁸.

However a hostile view has been expressed by authors who are sometimes referred to as the Havard School, which stems mainly from the work of E.H. Chamberlin ‘The Theory of Monopolistic Competition’ Cambridge Mass 1962 8th Edition. He argues the protection of trademarks from infringement and of business generally from the imitation of their products is the production of a monopoly, to permit such infringements would be to purify by competition by eliminating monopoly elements.

The attack based on monopoly appears to aspire to the classical model of perfect competition and its perceived benefits even though it is entirely divorced from reality.¹⁹

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¹⁴ TM 1982 1 WLR

¹⁵ 1986 2 AER 274

¹⁶ (p275 – 7).

¹⁷ 1952 50 Michigan LR 1967

¹⁸1962 29 U Chicago LR 371.

¹⁹ Pickering Trademarks Theory and Practise – Page 83