



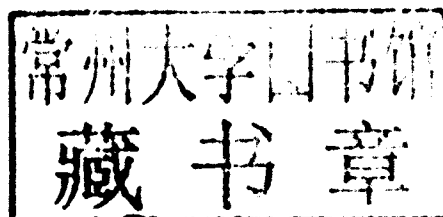
An Economic Perspective on Trade Mark Law

Andrew Griffiths

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School of Law, University of Manchester, UK



NEW HORIZONS IN INTELLECTUAL PROPERTY

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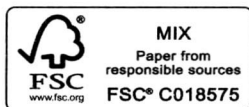
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An Economic Perspective on Trade Mark Law

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An Economic Perspective on Trade Mark Law

Andrew Griffiths

To my mother and the memory of my late father.

Preface

This book examines the contribution that trade marks have made to the marketing of goods and services and to the organization of the production and distribution of goods and the provision of services. It uses this economic perspective as a basis for analysing trade mark law. The book focuses on trade mark law in the European Union, which has been substantially harmonized pursuant to a directive of 1988. In interpreting and elaborating the provisions of this directive, the Court of Justice of the European Union has linked the legal protection of trade marks to the economic goals of the European Union and in particular to that of achieving a system of undistorted competition. This book argues that trade marks can also play a useful economic role through improving the competitiveness of firms and facilitating various forms of innovation.

This book therefore uses economic analysis to evaluate the exclusive rights that the owners of registered trade marks enjoy under the European directive and to explore some other issues in trade mark law. It argues that the law should strike an optimal balance between maximizing the value of trade marks to their owners as marketing resources and enabling third parties to make reasonable use of their communicative power. This book also considers how the legal recognition and protection of trade marks have enabled marketing to develop as a distinct form of economic activity and how the flexibility of the trade mark as a structuring device has had a major impact on the evolution of the firm and on the organization of streams of economic activity.

In writing this book, I have benefited from the help and support of many friends and colleagues. I am grateful in particular to Lionel Bently for his encouragement and to David Booton, Hazel Carty, Dennis Khong, Anthony Ogus, Frank Stephen and Jasem Tarawneh for their advice and comments at various stages. I would also like to thank the organizers of and fellow participants in an interdisciplinary Trade Marks Workshop convened by the Centre for Intellectual Property & Information Law at the University of Cambridge in July 2006, a Workshop on Trademarks and Trademark Data convened by INNO-tec and the OECD in Paris in July 2009 and various Workshops on Law and Economics convened under the auspices of the European Master in Law and Economics Programme at the Universities of Aix-Marseille, Bologna, Ghent and Hamburg.

Andrew Griffiths
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Abbreviations

The 1905 Act	Trade Marks Act 1905
The 1938 Act	Trade Marks Act 1938
The 1994 Act	Trade Marks Act 1994
AMA	American Marketing Association
BMS	Bristol-Myers Squibb
CIM	Chartered Institute of Marketing
The Comparative Advertising Directive (CAD)	Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, which codified Council Directive 84/450/EEC of 10 September 1984 concerning misleading and comparative advertising (as subsequently amended)
CSR	corporate social responsibility
CTM	Community trade mark
The CTM Regulation	Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark (codified version), which codified Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark (as amended)
The Directive	Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version), which codified First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (as amended)
The EEA	The European Economic Area
The ECJ	The Court of Justice, being the senior court in the institution officially titled 'The Court of Justice of the European Union' since the coming into effect of the Treaty of Lisbon on 1 December 2009

The EC Treaty	The Treaty establishing the European Community, which took effect in 1993 pursuant to the Treaty of Maastricht, being an amended version of the Treaty establishing the European Economic Community of 1957 (also known as the Treaty of Rome), and which (as further revised) has become the TFEU
INTA	International Trademark Association [®]
The Madrid Protocol	The Protocol to the Madrid Agreement concerning the International Registration of Marks 1989 (as amended)
The Nice Agreement	The Nice Agreement concerning the International Classification of Goods and Services for the Purposes of Registration of Marks, concluded at the Nice Diplomatic Conference of 1957 (as amended)
OECD	Organisation for Economic Co-operation and Development
The OHIM	The Office for Harmonisation in the Internal Market, which is in Alicante, Spain
The Paris Convention	The Paris Union Convention for the Protection of Industrial Property of 20 March 1883 (as subsequently revised and as amended)
PLMA	Private Label Manufacturers Association
The TEU	The Treaty on European Union, which came into force in 1993 and was revised upon the coming into effect of the Treaty of Lisbon in 2009
The TFEU	The Treaty on the Functioning of the European Union, being the EC Treaty as revised and renamed upon the coming into effect of the Treaty of Lisbon in 2009
The TRIPs Agreement	Agreement on Trade-Related Aspects of Intellectual Property Rights 1994, Apr. 15, 1994, art. 3, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C
The UK-IPO	The United Kingdom Intellectual Property Office
The WIPO	The World Intellectual Property Organisation

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1. Trade marks in modern commercial life

1. TRADE MARKS AND MARKETING

1.1 A Trade Mark as a Marketing Resource

This book will examine various ways in which trade marks contribute to the organization and conduct of economic activity. It will show how a trade mark provides the legal basis of a marketing resource that a firm can use to stimulate or strengthen specific demand for its goods or services (or its 'products').¹ Through registering a particular word, word combination, logo or other sign as a trade mark,² a firm (or other kind of legal person) can acquire exclusive rights which enable it to use the sign to market products of the kind designated in the registration.³ The proprietor (or

¹ This book will focus on the system that enables firms to register signs as trade marks for designated categories of products and the term 'trade mark' will be used to mean a registered trade mark unless the context requires otherwise. However, in the United Kingdom, the tort of passing off provides extensive legal protection for goodwill that has come to be focused on a sign used as a trade mark regardless of whether or not it has been registered. On the meaning of 'goodwill', see below at nn. 71–75. On the tort of passing off, see Carty, 2010, pp. 225–282.

² Section 1(1) of the United Kingdom's Trade Marks Act 1994 Act ('the 1994 Act') defines a trade mark as 'any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings'. The statute gives a non-exhaustive list of various kinds of sign which may satisfy this definition: 'A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging.'

³ A trade mark must be registered for designated goods or services on the basis that it will be used in relation to the designated goods or services. To ease searching and assessment of a proposed mark's acceptability for registration, the Trade Marks Register is divided into 45 classes, 34 for goods and 11 for services, in accordance with the Nice Agreement of 1957 (as amended), this being the 'prescribed system of classification' referred to in s. 34 of the 1994 Act. In the United Kingdom, an applicant must be using or have a bona fide intention to use the trade mark for all the specified goods or services: the 1994 Act, s. 32(3). The Directive 2008/95/EC of

‘owner’) of the trade mark can use it to give its products a distinctive identity for presenting and marketing them to potential customers. The owner can also use it as a reference point in advertising and other promotional material to convey information about the products it identifies (the ‘marked products’) and to publicize their marketing. Having exclusive control of a product identifier of this kind is likely to prove valuable as long as the marked products are and remain consistent with each other in terms of their quality and other characteristics of interest to potential purchasers and prove satisfactory to consumers in this respect. Likely consistency means that a trade mark provides consumers with a reliable basis for relating marked products on the market to their own prior experience and to other sources of information based on examination or experience of marked products.

The exclusive marketing identity that a trade mark signifies and can confer on marked products roughly corresponds to the marketing concept of a ‘brand’.⁴ Where a trade mark consists of or includes a word or combination of words, it also provides a means of specifying or defining the marked products in transactions and of referring to them in enquiries and negotiations and in advertising and other media. Trade marks are therefore something that consumers (and other potential purchasers) can use in forming and expressing their preferences and decisions and that firms can use to influence and inform the preferences and decisions of consumers. As a sign, a trade mark should provide a name or other means of product identification that is relatively easy for consumers to notice, remember and recognize. However, it is the fact that one firm can gain exclusive control over the proprietary use of a particular sign as an identifier for products of the designated kind that gives consumers a good reason to notice, remember and recognize this sign and that gives the sign value as a marketing resource.

Exclusivity means that the owner of a trade mark (or its ultimate controller if the owner forms part of a larger undertaking) has the legal ability to ensure that marked products are and remain consistent with each

the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version), which codified First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (as amended) (‘the Directive’) prescribes certain adverse consequences for a trade mark that is not used without good reason for a period of five years or more across the whole range of goods or services for which it has been registered.

⁴ On the nature of a brand and the difficulty of defining its relationship to a trade mark with any precision, see below at n. 86.