THE COMMUNICATIVE ASPECTS OF TRADE MARKS:
A LEGAL, FUNCTIONAL AND ECONOMIC ANALYSIS

by

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"Where is the wisdom we have lost in knowledge?  
Where is the knowledge we have lost in information?"

From *Choruses from the 'The Rock'* by T. S. Eliot (1934)
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Abstract

The Ph.D. thesis looks extensively at the history and functions of trade marks and attempts to outline a theory for trade mark protection established on their communicative aspects. The second chapter is a historical note which looks at trade marks as traces of history and sets the grounds for a functional analysis. The third chapter deals with the proprietary aspects of trade marks, seeking to establish a theoretical deontological argument for their legal protection. The functional analysis of trade marks concentrates on their contemporary role as a fiat of information between marketers, consumers and competitors. The economic analysis is developed around the dualistic nature of trade marks, being on the one hand an essential prerequisite for competition and on the other a potentially perpetual monopoly. The balance between the two as depicted by their legal protection is being continuously re-established. The main object of this thesis is to show that it is the nature of trade marks as a multidirectional system of exchange of information that must form the basis for their protection.
CHAPTER ONE

INTRODUCTION

1.1. Defining trade marks as communicators and assets

A trade mark is a sign which is used to distinguish the products of one enterprise from those of other enterprises. Its utility in the marketplace seems straightforward: the sign communicates to the consumer the idea that the trade marked product is linked with a marketer using the trade mark. The product comes from “a” source, probably not easily traceable but still “a” source.

For the trade mark to fulfil this function the consumer must trust the conveyed idea: s/he must be reasonably confident that indeed all products marked in the same way derive from the same source or at least that there is a bond between the actual manufacturer or provider of the product and the “owner” of the trade mark that legitimises its use.

In order to protect the validity of the sign as a conveyor of this simple idea the law conferred an exclusive right to the “owner” of the trade mark: whoever is recognised by the law as lawful owner will be able to control the use of the trade mark in relation to the trade marked products. The trade mark is protected as a communicator. The owner may use it, allow others to use it, or exclude others from using it. In return the “owner” must satisfy whatever requirements are set by the law.

But because of this protection trade marks provide, together with patents, copyright, and design rights, ways of protecting elements of a product. The protected element may be protected exclusively as a trade mark or it may enjoy overlapping protection if the
requirements set by the law are satisfied. What distinguishes trade marks from the other rights is first that trade mark rights are potentially indefinite in duration and second that they are "... subject to conditions that are far from onerous". Accordingly, marketers,

"... aware of the potency of these rights, have sought to exploit them through brand-building, advertising, promotion and product development in order to create a protectable "bond" the consumer. The benefits of such investment have been enormous: customer loyalty, reliable cash flows and steady and growing market share. And as a result, the trademark has become an asset of considerable economic value".2

1.2. Some trade mark problems

Trade marks have been protected by the law traditionally as communicators of information and gradually they have become valuable assets. Due to this partial transformation and the interrelation with other rights protecting elements of a product there are many possibilities for conflict.

Firstly, conflicts may arise between the often disparate claims by a large number of interested parties: the entity that is recognised by the law as the owner of the trade mark; the entity using the trade mark with or without the authorisation of the owner; competing marketers who want to copy elements of the product that may or may not be protected as trade marks; brand owners at a local or national level demanding protection against brand owners at a wider or international level; consumers that demand absolute assurance that the message conveyed by a trade mark is true; sophisticated consumers that prefer choice over price; price sensitive consumers that do not care about choice; governmental organisations recording and/or conferring trade mark rights; governments attempting to balance the interests of their own national marketers with the pressures exercised by the governments of foreign marketers.

2 Ibid; Blackett quotes John Stuart, Former Chairman of Quaker, stating: "[i]f this business were to be split up, I would be glad to take the brands, trademarks and goodwill and you could have all the cash and bricks and mortar - and I would fare better than you".
Secondly, conflicts may arise as to the complementing or contradicting scope of rights aiming to regulate the same subject matter. A product element may be protected as a trade mark, under a patent, a design right, and/or copyright. The justification and the resulting extent of protection may differ in each case. Each time we will have to answer the question of which right will take precedence when there are contradictions.

1.3. The scope and objectives of this thesis

The list of potential conflicts can be endless; however they all relate to a very primary question: how do we establish the basis of trade mark protection? This is the question that this thesis attempts to describe by detecting some common threads in the various trade mark “problems” described above. The scope of the thesis is not to provide a definite answer on the basis of the trade mark protection but rather to underline a characteristic of trade marks that dominates in all their functions, is enmeshed in the interests of all involved parties, and also forms the hypothesis of this work. The common threads will prove that trade marks consist predominantly of information themselves but also function as conveyors of information. And if this is established then it should also constitute the rationale of any chosen basis of protection.

1.4. The tools for evaluating the hypothesis

In evaluating the hypothesis of this thesis reference is made to trade mark jurisprudence developed mainly in the United Kingdom and the United States with some references to other jurisdictions that point to the universality of trade mark questions.

Legal literature and property theories are employed as a theoretical basis delineating the deontological justification of a system of trade mark protection.

Basic economics and theories concentrating on consumption and industrial economics are used as the tools for a consequentialist review and justification of the role of trade marks in the marketplace.
Finally, the empirical part of this study is based extensively on news items and press cuttings providing a snapshot of trade mark problems and developments and a way for comparing a more current situation with the overall trade mark history.

1.5. An outline of the parts

In order to uncover the common threads that will help us come close to a conclusion the thesis is divided into four more or less self contained parts/chapters.

First, trade marks are viewed from a historical perspective. Their ancient historical lineage will provide evidence of transformations in their functions but also of very deep rooted trade mark “basics” that have survived almost unchanged. At the same time trade marks are considered as part of history themselves giving us information on the continuity of, and interplay between, civilisations.

Then, trade marks will be tested as objects of property using classical property theories. The discussion will concentrate on whether trade marks can be considered as the subject matter of property rights, the exclusionary nature of trade mark rights, and finally on who should be considered the owner of trade marks.

Thirdly, an overview of trade mark functions will be attempted focusing equally on the consumer’s understanding of trade marks on the one hand and on a two way system of communication between consumers and marketers on the other.

Fourthly, the economics of trade marks will be examined, stressing the contrasting images of trade marks as the absolute prerequisite for competition on the one hand and a powerful tool for the enforcement of monopolies on the other.

In the concluding chapter the hypothesis of this thesis will be reiterated by recapitulating the main arguments of the preceding parts and summing up the relation between the deontological and consequentialist analysis of trade marks.
The bibliography incorporates full references to all the sources mentioned in the thesis, including news items and newspaper articles.
CHAPTER TWO

A SYNOPSIS OF TRADE MARK HISTORY

2.1. Introduction

Today it is commonly accepted that the archetypes of intellectual property have deep historical roots. Suchman argues that intellectual property rights existed in primitive societies interrelated with magic rituals. Gradually, from the Greeks and the Romans onwards, property interests in intellectual creations were specifically founded first on social conventions and religious doctrines, and later on laws. Posner is more sceptical and refers to the absence of secrecy in primitive societies, which negated the prospect of concealment, and the lack either of formal rights to intellectual property or of a pattern of public subsidy of innovation. But, he is doing so mainly to support the argument that failure to remunerate innovators explains tardiness in the accretion of knowledge and economic development in primitive societies. Other writers, instead, stress that the link

1 A version of this chapter forms part of a wider essay on the history of trade marks, I. MADIEHA AZMI, S. M. MANIATIS and B. SODIPO, “Distinctive Signs and Early Markets: Europe, Africa and Islam”, in A. FIRTH (ed.), Perspectives on Intellectual Property (Volume 1) - The Prehistory and Development of Intellectual Property Systems (London, Sweet & Maxwell, 1997), which provides a more complete historical sketch and looks at trade marks and market regulation, from a wider socio-cultural perspective, in Europe, pre-literate societies in Africa and Islamic jurisdictions, and concludes that despite the, often, extreme, societal differences the gap between earlier and modern functions of marks, or between functions in diverse societies, is probably narrower than we tend to believe. In all cases trade marks are used to convey information. And in most cases the information relates to the type, quality and characteristics, of a product or the reputation of a trader.


of culture with rights may be comprehended only after considering the exchange structure of primitive "gift" economies. So, the rights covered by the term "intellectual property" can be identified as part of a creative activity, private in its expressive aspect and commercial in its public exchange function. This duality sets the basis for conceiving intellectual property rights as an evolution within the framework of natural rights.\(^5\)

However, despite anthropological and historical research, trade marks have suffered from what has been described as

> "... a touching absence of curiosity among English lawyers. Institutions which are in the very heart of modern business life, the fountain heads of not ungrateful streams of litigation, are accepted as though, like the image Ephesus, they fell direct from heaven for the benefit of a deserving profession".\(^6\)

F. I. Schechter adds that,

> "... nowhere is the obscurity of the origins and at the same time the "touching absence of curiosity" concerning these origins more apparent than in the field of the law of trade-marks".\(^7\)

Although this was written as early as 1925, unfortunately, it describes a wider attitude of scholars and practitioners towards the history of trade marks. The work of Schechter endures as the main comprehensive study of the origins of trade marks. The majority of other commentaries on the historical roots of trade marks are fragmentary, often obsolete, and based primarily on earlier publications.

Nevertheless, the ambition for a detailed and original research would require the qualifications of an anthropologist rather than those of a lawyer. Accordingly, this chapter does not pretend to be an in depth comparative analysis of the history of trade marks.

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\(^6\) E. JENKS, Select Essays in Anglo-American Legal History, iii, at 51, as quoted by F.I. SCHECHTER in The Historical Foundations of the Law Relating to Trade-Marks (1925), at 3.

\(^7\) SCHECHTER (1925), at 4.
marks. Its scope is to provide a short review of the relevant literature and a draft historical and cultural sketch. In parallel it aims to highlight the progressive changes of the notion and the functions of trade marks rather than provide a meticulous chronological chart.

Since the development of trade marks' functions and historical chronology forms part of a very intricate web, classifications are inevitably arbitrary. Diamond, divides his review according to historical periods. McClure, talks about the “early formative” period, the “formalist”, the “legal realist”, and finally the “modern” periods. Some classify trade mark functions under “proprietary” and “regulatory”, or “merchant” and “production” marks, others under diverse headings.

This synopsis is divided into three sections: the antiquity, the middle ages, and the modern period. The middle ages are liberally extended from the disintegration of the Roman Empire in western Europe up to the end of the eighteenth century. The third period coincides with the industrial revolution and the ensuing demand for a more inclusive and effective protection of industrial property.

2.2. Antiquity

Many authors dealing with the history of trade marks concur that the branding of animals is the earliest form of marking. There are numerous indications of the practice of branding animals ranging, geographically, from wall paintings in ancient Egypt, to cave drawings in south-eastern Europe, and evidence of ear-cut branding of cattle in

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10 DIAMOND (1965), at 266, citing W. H. BROWNE, A Treatise on the Law of Trade-Marks and Analogous Subjects (1898), submitting, at 5, that “brand” derives from the Anglo-Saxon verb meaning “to burn”.
11 G. RUSTON, “On the Origin of Trademarks”, 45 TMR 127 (1955), at 128-129, claims that the simple design-marks used for branding could be either an origin of the ancient alphabets or proof of an existing system of “picture-writing”.

18
Madagascar, and chronologically, from the late Stone Age, to the contemporary branding of cattle, timber and so on.

A second valuable source of knowledge is pottery. Pottery, as a craft, has developed independently throughout the ancient world. There is evidence of mark affixing on pottery from prehistoric settlements at Tordos in Transylvania, Corinth in mainland Greece, on jars and tools buried in tombs of the First Dynasty at Abydos in Egypt, and at the palaces of the Minoan period in Crete, where there are also specimens of seals and similar devices used to indicate on the jars the sort of their contents, quantities, and often the origin of the product. Similar examples are found in China, where the name of the maker, or of the place of origin, of clay or porcelain pots was imprinted on the surface of the pots together with the name of the ruling Emperor.

Inscriptions on bricks found in Egypt and Mesopotamia are another testimony. The inscriptions give the names of the manufacturer/entrepreneur and/or the actual maker, of the owner of the building where the bricks were used, and sometimes of the ruling king. Often they are accompanied by signs evidencing and certifying the approval of the competent official asserting that they were properly dried, over the necessary period of two to five years, and therefore safe to use.

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12 B. RUDOFSKY, Notes on Early Trademarks and Related Matters, in E. JACOBSON (ed.), Seven Designers Look at Trademark Design (Chicago, P. Theobald, 1952) at 38; notching of this type is practiced today not only by "primitive" societies but also by modern farmers in, for example, Scotland.

13 RUSTON (1955), at 134.

14 SCHECHTER (1925), at 20, mentions the ruins revealed at Korakou.

15 RUSTON (1955), at 130-131. In Cyclades and Crete in the Aegean, and in Egypt important civilisations have already been developed by 3500 B.C. Indications of origin on containers in the Minoan palaces could be an indication of regional protectionism: they were used for enforcing tariffs on imported products; see also M.H. WIENER, The Nature and Control of Minoan Foreign Trade (c.1993, Imprint).

16 A.S. GREENBERG, "The Ancient Lineage of Trade-Marks", 33 Journal of the Patent Office Society 876 (1951), at 878. The extensive use of stamps of family or house marks in China is a development which deserves further research.

Similar illustrations of trade mark use are the archaeological findings of ruins of masonry in, among other sites, Egypt, Olympia and other locations in Greece, and Damascus in Syria. They consistently provide the names of the manufacturer and/or the actual maker, and often the names of the ruling king and the owner of the building where the bricks were used. Most of these signs record the name of the stone-cutter and/or of the individual worker, probably as evidence of labour in order to calculate wages.

The use of trade marks escalates in the course of time coinciding with the expansion of trade, and the development of civilisations in Greece and Rome.

2.2.1. The Greeks and the Romans

The Greeks marked most of their works of art with the name of the sculptor, or in the case of pottery with the names of the maker and/or decorator. There is also evidence of device marks such as figures of Hermes, bees, lions’ heads, and so on. Greeks also marked products destined for exportation in order to indicate their origin. For example jars containing the famous wine of Thasos were marked; the mark consists of the name

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18 RUDOFSKY (1952), at 3-5.
19 BROWNE (1898) at 8, cited by DIAMOND (1965), at 270. See also PASTER (1969), at 553, stating that during Solomon’s reign Phoenician builders and mechanics painted signs of origin on the stone blocks in vermillion paint to prove their claim to wages.
20 GREENBERG (1951), at 877, mentions that Hindus were consistently marking their goods when trading developed between India and Asia Minor during 1300-1200 B.C.
21 ROGERS (1910), at 30, citing also KOHLER, Das Reht des Markenshutzes (1884, Wurzburg). Rogers also mentions an early instance of counterfeiting: Greek inscriptions found on Etruscan vases could be either the result of widespread trade or of unauthorised copying of renowned marks. See also W.H. BEWCHAMP, History of Ancient Pottery: Greek, Etruscan and Roman - Based on the Work of S. BIRCH) (London, J. Murray, 1905) at 519-520. T.B.L. WEBSTER in Potter and Patron in Classical Athens (London, Methuen, 1972), provides a historical index based on potters and painters, the depicted subjects, and buyers, including patrons in Athens, ordinary purchasers in Athens, and traders who purchased for the export trade. At 77 and 286, for example, he refers to a vase found in the Sicilian city of Gela, which was probably commissioned, in about 510 B.C. by a Sicilian in Athens. The vase represents the death of the tyrant Hipparchos and it is suggested that another Sicilian subsequently bought the vase influenced by the depicted subject, having the local Sicilian tyrant in mind.
of the island as a denomination of origin and a device indicating the wine maker and the name of an official guaranteeing the quality of the wine.  

The Etruscans and Romans used marks in a similar manner. Famous cheeses and wines were marked either with names or devices. They also marked extensively many sorts of pottery (bricks, jars, etc.) with the names of their makers, and/or of their workshops as places of manufacture, or simply the names of the workers who actually made them. These were accompanied by simple devices (such as moons, circles, squares and so on), the names of their owners, dedications to deities, acclamations used in games or references to historical events and other significant personal or public episodes.

Among the range of products for which marks where used by the Romans there are some which deserve particular mention. First is the case of Roman oil lamps, which were traded throughout Europe. It appears that the mark of the most famous maker, “Fortis”, was counterfeited extensively in places such as France, Holland, Germany, Spain and Britain. At the end it became a generic name for a variety of lamps. Another example confirming the diversity of branded goods, is the affixing of the name of the doctor who formulated and produced an eye ointment and marked the packaging of his preparation with his name. Signs of shops and trade names, mostly carved on stone, were commonly used by Greeks, Etruscans, and Romans.

22 RUSTON (1955), at 132.

23 RUSTON ibid cites a writer stating: “[t]he Etruscan cheese was marked with the sign of the moon”. Rogers states that the cheese of Luna was marked with the picture of the city, ROGERS (1910) at 31; note that “luna” means “moon”. Although Ruston’s interpretation of Roger’s passage is vague most of the subsequent writers follow Ruston.

24 RUSTON (1955), at 132-133, where another occasion of counterfeiting is mentioned: imitations of Roman potteries, in fact made in Belgium, were imported in Britain as if of true Roman origin. See also ROGERS (1910), at 30-31 and DIAMOND (1965), at 270-271. Diamond, making a cross reference to Ruston, reports the innovative Roman potter Lupus who used the design of a wolf’s head as a trade mark. The meaning of “Lupus” in Latin is “wolf”.

25 RUDOFSKY (1952), at 5-6.

26 DIAMOND (1975), at 271; a good example of the degeneration of a famous trade mark to genericity.

27 GREENBERG (1951), at 879.

28 GREENBERG ibid, at 880. RUSTON (1955), at 133, maintains that amongst the signs found in Pompeii and Herculaneum were that of a goat for a dairy and a man beating a boy for the services of a school master. ROGERS (1910), at 31, gives the example of the Elephant Inn in Pompeii with the sign
2.2.2. Legal provisions in antiquity

The plethora of trade mark usages is not, however, supported by an analogous abundance of legal provisions.\(^{29}\) It is probable that the administration, if any, of trade mark application and use relied on customs of traders and self imposed rules that governed each sector of commerce. Such has been the conventional practice regarding other forms of intellectual property.\(^{30}\)

Under Roman law\(^{31}\) there existed two kinds of action conceivably related to the marking of goods. First, under the *Lex Cornelia de injuriis*, c. 81 B.C., there existed the potentiality of public prosecution of anyone who took the name of another for profit; albeit there is no evidence that the same applied to trade marks. And second, under the *actio injuriarum* and/or the *actio doli*, a right was accorded to the purchaser of falsely marked goods to bring an action based on injury or deceit and intent. But this right did not extend to the rightful owner of the mark. Therefore apparently there is no traceable cause of action for a trade mark proprietor.\(^{32}\)

In any case our understanding of the actual Greek and Roman legal systems is far from complete and the lack of evidence of a trade mark action as such is not conclusive.

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\(^{29}\) RUSTON (1955), at 134, mentions that under the *Jus Gentium* - the Roman Commercial Law - there were two kinds of action related to the marking of goods. The first was public prosecution against anyone who took the name of another for profit, under the *Lex Cornelia*; however, there is no traceable evidence to establish that the same applied to trade marks. The second was protection available to the purchaser of falsely marked goods, under either the *Actio Injuriarum* or the *Actio Doli*; but, again, there is no evidence that these actions were available to the rightful owner of the mark.

\(^{30}\) STREIBICH (1975), at 6, states that the enforcement of intellectual property rights was the exception rather than the rule and refers, as an example, to a case where all the other entrants, apart from the winner, to a literary competition in Athens, were disqualified because they copied the works of other authors.

\(^{31}\) Note that under the *Jus Gentium* (law of nations) and/or by the introduction of trading practices the *Jus Civile* (the law the Romans initially applied exclusively amongst themselves) became progressively applicable to *cives* (Roman citizens) and *peregrini* (foreigners) alike. See A.M. PRICHARD, Leage's Roman Private Law (London, Macmillan, 1967), at 56-59.

\(^{32}\) E. POUILLET, Traite des Marques de Fabrique et de la Concurrence Déloyale en tous Genres (Paris, Marcall & Godde, 1912) at 2, citing KOHLER (1889), at V t. 2, 805. See also RUSTON (1955), at 134.
"That no trace of such an action is found in the commentaries of the Roman jurists is not surprising considering the fragmentary condition of those commentaries at present, especially as it is certain, from existing writings and inscriptions, that there were many legal institutions of the Roman Empire, concerning which we have no juristic commentaries. Jurists and schools of jurists have their prejudices, and there are institutions which have been favoured or neglected in juristic commentaries, from purely artificial reasons. A nation is always richer in legal institutions than is indicated by its legal and judicial writings, however full and complete they may be. It would not be the less certain, that there existed manufacturers’ marks and a system for their protection in Rome, if we had the originals of the Roman jurists’ writings before us, instead of the compilers’ extracts of them, and if we found nothing on the subject in them."33

Finally, we must remark here that many Greek or Latin words function as modern trade marks. Nike, for example, the ancient Greek personification of Victory is used for sports equipment, Nivea, deriving from Latin niveus - meaning snow white - is used for toiletries. Flora is used for margarine, Kouros, the typical male figure in Greek sculpture, is used for men’s toiletries. The whole pantheon of the Olympians is used for almost every imaginable product. Finally, Mars is used for chocolate bars, only that this time, and as if to underline the ongoing transformation of language, the name derives from the Mars family rather than the god of war.34

2.3. The middle ages

The expanding trade mark use during the historical period up to the disintegration of the Roman Empire is followed by a steep decline in western Europe which persisted almost to the twelfth century. During the same period in Byzantium there is evidence of continuity in respect of masons’ and other craftsmen marks.35 In western Europe the main trace of marking was upon weaponry, sword blades in particular. These were initially manufactured in the Rhineland by the Germans who, continuing a regional Roman

33 KOHLER (1889), at 41, cited by ROGERS (1910), at 32.
35 DIAMOND (1975), at 270.
tradition, marked the blades with makers' marks and then exported them all over Europe. The remaining parts, in order to create a complete sword, were added by local craftsmen. The same tactic of marking weaponry was followed in England by the Saxons at the later part of the period.36

Diamond combines the decline in western Europe with the weakening of all forms of learning, the lack of notable innovations and a stalemate of growth of trade which stagnated in a "primitive", regional form. Illiterate and poor craftsmen and merchants with a localised trade, and no reason or means for marking their products.37

During the period after the twelfth century knowledge, innovation, economy and trade prospered and expanded. Trade marks responded with a parallel growth. Having more room to grow the trade mark prototypes thrived. The first identifiable grouping is that of personal, house or family marks. Such marks, originally distinguishing each one's possessions, gradually evolved to means for identifying also the individuals possessing the goods, their families and their houses. And for those who pursued a commercial activity these marks consequently denoted their existence in that particular field, individualising them from the rest of the other traders, innkeepers, yeomen and so on. This process transformed the coats of arms, signets, and all similar signs to shop-signs and trade marks.38

The same house marks, or other marks devised independently, continued to serve as proprietary marks - designating the owner of the goods. The goods varied from animals, tools, valuables and any object subjected to trade or transport to virtually everything susceptible to marking, even humans in the case of prisoners and slaves.39 For instance it has been reported that, early in the fourteenth century, balls of wax salvaged after a

36 RUSTON (1955), at 135.
37 DIAMOND (1975), at 272 and RUDOFSKY (1952), at 13. In this way the extent of use of trade marks can be seen as an indicator of growth and social wealth.
38 RUSTON (1955), at 136-137; DIAMOND (1965), at 272.
39 DIAMOND, ibid, at 273.
shipwreck were sorted between their owners according to the affixed marks,\textsuperscript{40} or that the Sheriff of Devon seized tuns of wine, looted by pirates but later recognised from their affixed seals at a local inn, and returned them to their Spanish owner.\textsuperscript{41} The picture of the proprietary mark is completed with the British peculiarity of marks cut in the skin of the swans' beaks. The Crown granted the swan marks to nobles, as evidence of privilege, who could then claim ownership of the royal birds.\textsuperscript{42} In general, the proprietary function of the trade mark which qualified as prima facie and often conclusive evidence of ownership all over Europe, in statute and case law alike, remained predominant in the minds of the legal profession and, to some extent proved prejudicial for the conceptualisation of trade marks and the understanding of their varied functions.\textsuperscript{43}

2.3.1. Appellations of origin

Here, we will look first at the appellation of origin marks which after the twelfth century covered a wide range of products and geographical regions. Clothiers in England adopted such marks which eventually were transformed to designate fabrics of superior quality.\textsuperscript{44} Manufacturers of tapestries in central Europe marked their products with personal marks, indications of city - origin and later with seals guaranteeing quality.\textsuperscript{45} Wine, of course, continued to bear denominations of origin and the case of the innkeeper who was hanged, by the Elector Palatine, because he passed off cheap wine as

\textsuperscript{40} DIAMOND, ibid, at 273.
\textsuperscript{41} SCHECHTER (1925), at 28, 1346 being the year of the incident. At 34 he refers to another case of similar use: British merchants who had properly registered their marks in Florence and were able to reclaim their goods when the buyer, an Italian trader in Florence, went bankrupt.
\textsuperscript{42} SCHECHTER, ibid, at 35-37.
\textsuperscript{43} SCHECHTER, ibid, at 34.
\textsuperscript{44} SCHECHTER, ibid, at 94-95.
\textsuperscript{45} DIAMOND (1975), at 273.
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_Rudesheimer_ is an anecdotal account of criminal punishment depending on the erratic stance of rulers and judges.⁴⁶

Note too that modern rights to appellations of origin are established on deeply rooted traditions. The name of _Vinsanto_, for example, is established in Greece, as the name of the wine originating from the Greek island of Santorini (Santo-Erini). But the Italians in Tuscany also produce a wine variety known as _Vino Santo_, produced under the same process, using semi-dried grapes. In deciding who has the right to the name as an appellation of origin the parties had to go back to the fifteenth century and establish that the _Vinsanto_ was already known then throughout the ports of Levante (south-eastern Mediterranean) as a wine from Santorini. According to a Florentine tale the Tuscany wine was known as _Vin Pretto_, until 1439, when the Greek Patriarch had lunch with the Pope and tasting the divine wine said “… _ma questo e vino di Xanto_”, referring to a wine from another Greek region. The others thought that he claimed that this was a _Vino Santo_ (holy, in Italian) and so the wine was baptised.⁴⁷

Registers of “origin” trade marks were common, especially in cities which were big transport centres or where “guilds”, manufacturers’ and traders’ unions, had developed, like Dantzig, Antwerp, and Florence.

2.3.2. Marks of craftsmen and artists

Some trade marks were created independently from house marks. For example in the thirteenth century bell founders started to mark their products.⁴⁸ Similarly, it became the rule for carpenters, stone masons, tile manufacturers, potters and other artisans to mark

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⁴⁶ RUSTON (1955), at 140-141. The French had also adopted severe punishments against passing off of wine in an attempt to protect the quality of French wines and the resulting goodwill.

⁴⁷ See: The Vinsanto of Santorini (Athens, Boutari (Fani) Foundation, 1995); G. TACHIS, Il Libro del Vin Santo (in Italian) (Firenze, 1988); and S. KOURAKOU., VinSanto Tales and History of a Wine Variety (in Greek), Kathimerini, June 30, 1996.

⁴⁸ DIAMOND (1975), at 274, illustrates this with the example of Swiss bellfounders; RUSTON (1955), at 138.
their products with their names or initials and/or simple designs. Artists “reinvent” the Greek and Roman habit of signing all their artistic creations with production marks combining indications of origin and the pride of the artist.

The “absence of any notion of property in literary work”, at least property perceived formally as a legally enforceable right, and the fact that the only way of preserving the classics and the texts of the Church was by copying them, compelled the pioneers of printing to adopt marks in order to distinguish their editions and protect their goodwill. Petitions for printing privileges, mainly from the printers rather than authors soon followed. Monograms and devices such as a dolphin and an anchor or a printing apparatus were used. The preface to the 1518 Aldus edition of Livy vividly depicts the antagonism between trade mark owners and counterfeiters.

“Lastly, I must draw the attention of the student to the fact that some Florentine printers, seeing that they could not equal our diligence in correcting and printing, have resorted to their usual artifices. To Aldus’s Institutiones Grammaticae, printed in their offices, they have affixed our well known sign of the Dolphin wound round the Anchor. But they have so managed that any person who is in the least acquainted with the books of our production, cannot fail to observe that this is an impudent fraud. For the head of the Dolphin is turned to the left, whereas that of ours is well known to be turned to the right.”

In our days the heads of crocodiles and polo horses are known to suffer likewise.

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49 RUSTON, ibid, at 138-139.

50 DIAMOND (1975), at 274. PASTER (1969), at 556-557 refers to G.H. PUTMAN, II - Books and Their Makers During the Middle Ages (1897), at 409, who cites a German decree of 1512, concerning Durer, the use and copying of his signature; “...a certain foreigner, who sells engravings..., has, among others, certain ones bearing the signature of Albrecht Durer,...it is ordered that he shall obliterate all such signatures, and keep no more such engravings in future, and if he shall neglect so to do, he shall be brought before the Council for fraud". The work of Durer as an artistic creation was open to the copyist, but Durer should retain for himself the right to put in the market genuine Durer printings and exploit his fame.


52 In 1534 printers started to obtain protection from the Crown in Britain; similar privileges were introduced sooner or later all over Europe. Statutory protection was introduced for the first time in 1710 in Britain. For a review see R.L. PATTERSON, Copyright in Historical Perspective (Nashville, Vanderbilt University Press, 1968).

53 Cited by ROGERS (1910), at 35-36.
2.3.3. Trade marks and guilds

We now move on to the monopolistic use of exclusive marks by members of guilds, the localised and specialist unions of craftsmen. Forming such unions was a common method of organising and regulating industry and trade. Guilds were capable, because of the initially limited and territorial development of trade in the Middle Ages, of exercising a rigid monopoly against importation of products similar to the products of their own members, erecting barriers against newcomers in the craft, and fixing monopolistic prices. The efficacy and ethics of the guild system have been often contested.

"Under a careful scrutiny of contemporary evidence of gild life and activity, the charming picture of the gilds [sic] as "organised to maintain the Just Price" ... exalted though highly theoretical canons of "fair trade" soon fades out."

The obvious means to distinguish members of such organisations and to police the exertion of the monopoly was to formulate a mark for each guild and oblige the members to affix it upon their products. Initially they preferred to use exclusively a single guild mark, a practice stressing the power of the guild and the insignificance of the individual manufacturer/trader who was able to trade only under the rules set by the guild. Later they conceded to the combined affixation of the guild mark together with a

54 A.P. EVANS provides a lucid description of the “guild system” in “The Problem of Control in Medieval Industry”, XXXVI Political Science Quarterly 610 (1921).
56 F.I. SCHECHTER, “Trade Morals and Regulation: The American Scene”, 6 Fordham Law Review 190 (1937), at 193, fn. 11. SCHECHTER (1925) also states, at 164, that policing marks, apart from fortifying the guilds’ monopolies, also enforced “measures” and some minimum quality standards for food and drink products and ensured the stability of the coinage (goldsmiths’ marks). As to the monopoly enforcement aspect, Schechter bases his criticism on, amongst others, C. GROSS, The Gild Merchant. A Contribution to British Municipal History (Oxford, Clarendon Press, 1890). For an opposing view see A.J. PENTY, A Guildsman’s Interpretation of History (1923), who at 102 comments on a socialist leader of his time and talks about, “... the conspiracy against things medieval”. On how the reminiscence of “the good old times” influenced the formation of a labour movement in England see, N. CARPENTER Guild Socialism (New York, Appleton, 1922), at 39-50.
57 CARPENTER ibid, at 91, quotes Penty declaring, in 1906, as the true principle of the Gild System that, “... the individual craftsman should in all matters relating to his craft be subject to the control of the craft
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personal production mark. This would enable the guild or the state authorities to trace the origin of defective goods, punish their producers, enforce territorial restrictions, police price fixing, and penalise daring competitors.\(^{58}\)

The regulatory trade mark developed progressively in two offshoots. First to trade marks used in wider state schemes of regulating industry at the national level, as in the cases of the cloth or the cutlery trade in the UK. And second, to the closest ancestor of the modern trade mark: \(^{59}\) the mark that incorporates the notion of goodwill and is gradually liberated from the guild system to become again an active asset rather than an obligation. \(^{60}\)

As a telling example of the transformation we can refer to a case of licensing. In the first years of the nineteenth century a successful grocer in Cheapside found that his signboard “mark” - a grasshopper - was being extensively copied and that it was difficult to stop the counterfeitors; so he channelled his exasperation to a positive economic reaction and licensed the use of his mark to a number of other aspiring grocers who purchased for themselves a part of his good name in the market. \(^{61}\)

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58 SCHECHTER (1925), at 47 and generally at 38-62. At 39 he cites the authorities of M. de GAILHARD-BANCEL, Les Anciennes Corporations de Métiers et la Lutte Contre la Fraude dans le Commerce et la Petite Industrie, talking about “marques de fabrique obligatoires” in France and D.R. PELLA, Marcas de Fabrica y de Comercio en Espana, describing the guild marks of Barcelona. These are two of numerous other similar references and instances of ordinances, statutes, cases, etc. exhaustively presented by Schechter.

59 “In addition to ... "gild jurisprudence", we have seen germs of modern trade mark law in statute law and also in the conciliar law, i.e. the law developed by the King’s Council and the Star Chamber. All three of these sources of modern trade mark law, and especially “gild jurisprudence”, had by the seventeenth century, made contributions to trade mark law of much greater significance than that of common law itself”: SCHECHTER (1925), at 125.

60 SCHECHTER ibid, at 95-96 discussing the contribution of the cloth trade: “... still leaves us far from the notion of property in trade-marks ... as a legal possession, which may be bought and sold and transmitted”. But at any rate it brings us to the point where trade marks are used not only as the means for identifying defective products but also the good qualities of the source of production. “In this light trademarks are already being regarded by administrative courts ... as assets of value that are worthy of protection.”

61 SCHECHTER ibid, at 134-135, citing J. LARWOOD & J.C. HOTTEN,, History of Signboards (1908) (see English Inn Signs - A Revised and Modernized Version of History of Signboards, New York, Arco
2.3.4. Legal provisions during the middle ages

In the Middle Ages period there is an abundance of formal regulation. The resentment of Kohler about the inadequacies of the United States trade mark law - in the first quarter of our century - when compared to a statute of Parma of 1282, is sufficient indication of the wealth of legal provisions. Since similar provisions existed all over Europe, it is worth citing here the representative, inasmuch as innovative and inclusive, general provision of Parma,

"... that no persons in the trade or guild shall use the mark of any other person in such trade or guild, nor place such mark, or a similar one, upon knives or swords, and if any person in such guild has continuously used a mark upon knives, swords, or other steel or iron articles for ten years, and any other person is found to have used, within one or two years, the same mark or an imitation thereof, whether stamped or formed in any other way, the latter shall not in future be allowed to use such mark upon knives, swords, or other steel or iron articles, under penalty of ten pounds of Parma for each and every offence, and that regardless of any compromise or award of arbitrators which may have been made".

However, the enforceability of such statutes is a different story; copying others' marks and counterfeiting was routine activity, despite the institution of court and other proceedings as a result of the establishment of guilds’ monopolies. The gap, following

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Pub., 1985) quoting at 31-32 from C.A. GOEDE, Memorials of Nature and Art Collected on a Journey in Great Britain during the Years 1802-1803 (1808). The distinction between the initial post-counterfeit advertisement of the grocer stating that "... the genuine Grasshopper is only to be found before his warehouse" and the post-licensing shop signs of the licensees advertising that "... they are genuine descendants of the renowned and matchless Grasshopper" is remarkably apt to demonstrate the transformation of a trade mark once it is licensed.


63 SCHECHTER (1925), at 105-106.

64 SCHECHTER ibid, at 105, specially fn. 2.
the dissolution of the guild system, was covered by a transitional period of state-granted monopolies leading to the rise of the "modern" trade mark.\textsuperscript{65}

\subsection*{2.4. The modern times}

Industrial revolution brought with it a huge increase in trade, but this time in a massive international level, and with a corresponding boom in the retail trade.\textsuperscript{66} Transportation of goods between trading nations far apart was now feasible, advertising flourished and initiated the creation of a global market in which international players-marketers pressed for national and international protection of their investment, enhancement of their prominence and fortification of the new establishment. In the power struggle for a post in the market place,

"... trade marks and trade names have become nothing more nor less than the fundament of most marketplace competition".\textsuperscript{67}

\subsection*{2.4.1. United Kingdom}

Considering the history of the common law approach to trade marks in the United Kingdom there are two things that we must keep in mind. First, we must note that, historically, courts of equity could award injunctions but not damages; the award of damages was in the competence of common law courts. Thus trade mark owners, who primarily desire injunctions against further infringing use rather than compensation, turned

\begin{thebibliography}{99}
\item[{\textsuperscript{65}}] P.H. BEHRENDT, "Trademarks and Monopolies - Historical and Conceptual Foundations", 51 TMR 853 (1961), at 855-856 where, stressing the monopolistic function of the Middle Ages trade mark, he concludes that: "[a]ll these medieval and early modern marks ... had two things in common. First, there was a preexisting monopoly and the trademark was only its adjunct, and designed to permit its enforcement. Secondly, and with some qualification for the later monopolies by grant, adoption and use of the mark were not within the free choice of the individual trader but were imposed, enforced and supervised by a higher authority, such as the guild or, in the subsequent period, the revenue receiver or collector".
\item[{\textsuperscript{67}}] CORNISH (1996) at 517. See 515-527 for the complete historical sketch.
\end{thebibliography}
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first to equity courts.\(^{68}\) Second, we must underline the distrust of the judiciary towards business, coupled, uncomfortably, with its reluctance to intervene in the marketplace, unless there is a statutory obligation.\(^{69}\) As with unfair competition, general principles, such as unjust enrichment, or abstract intangible rights, like personality right or the right to privacy, rarely, if ever, form the cornerstones of decisions, in sharp contrast with the sanctity of “laissez faire” and contractual agreement. Denigrating unfair competition as an “idiosyncratic notion” most succinctly encapsulates this attitude.\(^{70}\)

The first cases under English law were based on deceit on behalf of the consuming public; fraudulent intent was one of the elements of the action. Despite earlier “passing off” cases, the first recorded straightforward trade mark infringement case was brought in 1742 before an equity court, where the request of injunctive relief was denied, since the essential fraudulent intent of the defendant to draw the customers of the plaintiff was not established. The defendant used the plaintiffs mark on the same type of goods, namely playing cards but the court was, adversely for the plaintiff, influenced by the

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\(^{68}\) See SCHECHTER (1925), at 137-145 and CORNISH ibid, at 517.

\(^{69}\) “... to draw a line between fair and unfair competition, between what is reasonable and not, passes the power of the Courts”: per Fry L.J., in Mogul Steamship Co. v McGregor (1889) 23 QBD 598, at 625-626. In that way we face a vicious circle, dispensing all too easily the flexibility of common law as a legal device for the creation and, “common sense”, adjustment of rights in order to correspond with ever changing social needs and realities. More recently in Ex p. Island Records, [1978] 3 All ER 824, L. Denning M.R. hinted at an indirect adoption of unfair competition reasoning; in that case a performer injured by a breach of the Dramatic and Musical Performers’ Protection Act 1958 could not claim damages but could restrain a repetition of the breach. This opening of the door to unfair competition was partially blocked by L. Diplock in Lonrho Ltd v Shell Petroleum Ltd [1981] 2 All ER 456; see P. ELLIAS & A. TETTENBORN, Case Comment, 40 Cambridge Law Journal 230 (1981), at 231: “... a spreciously simple private law question. A commits a crime, knowing that he is thus causing loss to B. Can B sue A? Orthdoxly [sic] no, unless the crime is a tort against B or the statute creating it gives a private right of action. But what if B does not frame his action as one for breach of statutory duty, invoking instead the tort of causing loss by unlawful means?”. The answer in Lonrho would be emphatically negative. Later, in Rickless & others v United Artists Corp. & others, [1987] FSR 362, the Court of Appeal held that the 1958 Act conferred a civil right of action on performers. For the classic deliberation on unfair competition in the UK see G. DWORKIN, “Unfair Competition: Is the Common Law Developing a New Tort”, [1979] EIPR 241, and for a more recent analysis see A. ROBERTSON & A. HORTON, “Does the United Kingdom or the European Community Need an Unfair Competition Law”, [1995] EIPR 568.

\(^{70}\) Per Deane J., at 88 of Moorgate Tobacco Co. Ltd v Philip Morris Ltd and Anor (1984) 59 ALJR 77. DWORKIN (1979) asserts, at 242, “[u]nder English law there is no law of tort in the sense of a general theory of liability - but rather a law of torts. The facts of any grievance must be fitted into an existing nominate tort or torts if they are to stand much chance of success in the courts. It is also appreciated that, even so, existing torts are gradually widened and developed and occasionally new torts are created. The torts concerning unfair competition have complied with this pattern ...

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extent of the monopoly granted under a royal chart.71 Up to 1824 there is a series of
similar cases,72 until the first persuasive authority at common law, of Sykes v. Sykes.73
There it is established that the action for deceit could be based on the injury of the
competitor. Some years later in Millington v. Fox,74 it is re-affirmed that equity courts
were more flexible on the requirement to establish fraud: it was sufficient to prove
deception of the public75 even by a defendant who was acting in innocence. Finally it is
necessary to mention Hall v. Barrows,76 where Lord Westbury stated that the name of
the manufacturer might in time become a mere trade mark or sign of quality, and cease
to denote that any particular person is the maker77 and defined trade mark as

"... a brand which has reputation and currency in the market as a well-known
sign of quality; and that, as such, the trade mark is a valuable property ... and
may be properly sold with the works".78

Due to political reluctance to intervene actively in the market it was only in 1862 that
wider protection was introduced by statute.79 The Merchandise Marks Act endowed the
consumer and the administration with the apparatus of criminal law but still there was
no civil, economic ground for the competitors to initiate proceedings. This created more
pressure from marketers, resulting in the 1875 Trade Mark Registration Act establishing
a registration system for marks for goods, which would coexist with the common law

71 Blanchard v Hill (1742) 2 Atk. 485. SCHECHTER (1925), at 136-137 discounting the importance of
the case.
72 See CORNISH (1996), at 517.
73 (1824) 3 B & C 541.
74 (1838) 3 My. & Cr. 338.
75 In equity, fraud was used in a very wide sense based on a the circular defmition that equity would
characterise as fraudulent any conduct which it was prepared to restrain: C. WADLOW The Law of
76 (1863) 4 De G J & S 150, 12 WR 322.
77 Ibid, at 155.
78 Ibid, at 157-158.
79 The Merchandise Marks Act 1862. The Report of the Trade Marks Bill Select Committee, PP 1862
(212) XII shows that the pressure on parliamentarians was exerted by industrialists and traders who
wanted a set of secure and known to all rules in the jurisdiction and also access to international
protection which would only be offered by foreign states under the condition that their nationals were
granted analogous protection in Britain; there was also popular outcry against the widespread
adulteration of precious metals and other products.
and equity protection of goodwill.\textsuperscript{80} This rapprochement survived the successive Acts broadening the scope of protection Acts of 1876, 1877, 1883,\textsuperscript{81} 1888, 1905,\textsuperscript{82} 1919,\textsuperscript{83} and finally the 1938 Act; much later, in 1984, the registered trade mark regime expanded to cover marks for services, following in part the recommendations of the 1974 Mathys Departmental Committee.\textsuperscript{84} Registered trade mark protection still co-exists with passing off,\textsuperscript{85} after the introduction of the 1994 Act which harmonised trade mark laws throughout the European Union. Finally under the 1968 Trade Descriptions Act it is an offence to apply a false trade description to goods or services. This, however, does not attribute a direct right to the consumer who can only inform the relevant authority, who must then act.

2.4.2. United States

In the United States the approach towards trade marks was initially with that adopted in the UK, but later diverged on the issues of unfair competition and the effect of registration. Trade marks form a perfected and important part of a general tort of unfair

\textsuperscript{80} CORNISH (1996), at 517-518, states that the goodwill earned from actual trading was a stronger right than the right resulting from registration. Methods of protection were cumulative.

\textsuperscript{81} The Patents Designs and Trade Marks Act. To tie the Act with the courts approach James L. J., in Massam v Thorley's (1880) 14 Ch.D. 748, described the object of a trade mark as indicating a warranty that the marked product has come from the particular manufacturer of the goods with which the customer has been hitherto pleased.

\textsuperscript{82} Including the first comprehensive definition of a trade mark, introducing the prerequisite of actual use, and not recognising trade mark licensing of a mark, because then the supposed connection in trade would not be accurate: see A. FIRTH, Trade Marks - The New Law (Bristol, Jordan, 1995), at 26-38.

\textsuperscript{83} The 1919 Act divided the registry into Parts A and B. Registration in Part B allowed protection for marks which existed in the market but could not overcome the rigorous qualifications for registration in Part A nevertheless successfully existed in the market.

\textsuperscript{84} The 1938 Act provided for the defensive registration of well known marks and established the right of Part A owners to refuse the use of their marks in comparative advertising. The first provision was watered down by the lack of the court's enthusiasm to enforce it - see W.R. CORNISH Intellectual Property (London, Sweet & Maxwell, 1989), at 458-459 and the references therein - and the real difference between Parts A and B was relaxed by the subsisting possibility to use the passing off action. It also provided for a system of "registered users", adopting a different approach from the 1905 Act and the case law of Bowden Wire v Bowden Brake [1914] RPC 385.

\textsuperscript{85} In Lee Kar Choo v Lee Lian Choon [1967] 1 AC 602 (J.C.) the plaintiff relied on passing off since trade mark infringement could not be established despite the fact that a significant part of his mark has been copied. For a historical survey of passing off and its relation with trade mark protection see the review of Diplock L. in the defining case of Erven Warning B. V. v J. Townend & Sons (Hull) Ltd [1980] RPC 31 (H.L.).
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competition which supplements the protection accorded to the fruits of one’s labour which do not fall under patents, copyrights or trade marks.86

In 1791, after a series of fraudulent incidents in the sail cloth trade, Thomas Jefferson, then a Secretary of State, reported on the petition of the sail cloth manufacturers, that protection could be provided by

"... permitting the owner of every manufactory to enter in the records of the court of the district wherein his manufactory is, the name with which he chooses to mark or designate his wares, and rendering it penal in others to put the same mark to any other wares".87

The first US Federal Act of 1870 and consecutive statutes, until 1905, attempted to establish a balance on the question of constitutionality. The Constitution conferred directly on the Congress the power to legislate on patents and copyrights but not on trade marks. In order to intervene, Congress chose to attenuate the constitutional provision that enabled it to legislate on commerce with foreign nations and federal trade between the constituent US states.88 The first comprehensive act, the 1905 Act, catered for the "technical common law marks" used in interstate commerce but left much to be

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86 This additional quasi-property right was recognised in *International News Service v Associated Press* 248 US 215, 2 ALR 293 (1918). On the existing link see, for example, P. NIMS, "Developments in the Law - Trade-Marks and Unfair Competition", 68 Harvard Law Review 814, (1955). J. Duer delineates this in *Amoskeag Mfg. Co. v Spear & Ripley* 4 New York Superior Court (2 Sandf.) 599 (1849), a 1849 case, at 605: "[h]e who affixes to his own goods an imitation of an original trade-mark, ... endeavors, by a false representation, to effect a dishonest purpose; he commits a fraud upon the public and upon the true owner of the trade-mark". And J. Pitney declares that "... the common law of trade marks is but a part of the broader law of unfair competition". *Hanover Star Milling Co. v Metcalf* 240 US 403 (1916). See also, BEHRENDT (1961), and Mc CLURE (1979).

87 T. JEFFERSON, Complete Works (1854), vii, at 563, as quoted by ROGERS (1910), at 41. See also SCHECHTER (1925), at 130-134 for a detailed picture.

88 On the "commerce power" delegated under Art.I, Sec. 8, cl. 3 see J. Mc. CARTH, The Law of Trade Marks and Unfair Competition (Rochester, Lawyers Co-Operative Publishing Co., 1984) at 135-137. On the history of Art. I, Sec. 8, cl. 8, the "patent clause", see the two first parts of the serialised survey of P.J. FEDERICO, "Origin and Early History of Patents", (Parts I&II) 11 Journal of the Patent Office Society 292 and 358 respectively, (1929), where it is stressed that the international character of industrial property and the need for protection of US nationals in other countries that, in a quid pro quo approach, demanded similar protection for their nationals in the US, were decisive factors for its adoption.
regulated by existing common law rules. It is worth citing here a classic definition by Judge Learned Hand stating that a merchant's

"... mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognised that, unless the borrower's use is so foreign to the owner's as to insure against any identification of the two, it is unlawful".

The 1946 Trade Mark Act ended the debate on the extent of protection. The Act simplified registration and broadened the scope of protection but much of the old case law remained valid. Finally it is tempting to mention some early decisions which view trade marks as guarantees of quality and strip their owners of their monopoly, because of their "unclean hands", under the assumption that

"... those who come into a court of equity, seeking equity, must come with pure hands and a pure conscience".

89 R. CALLMANN, The Law of Unfair Competition, Trademarks and Monopolies (Deerfield, Callaghan &Company, 1984) ch. 25, 4. This was coupled with the slow reaction of the law to intervene and regulate an already existing economic reality despite the demand of traders and consumers.

90 In Yale Electric Corp. v Robertson 26 F2d 972 (2d Cir. 1928).

91 E.S. ROGERS in his first hand chronicle, "The Lanham Act and the Social Function of Trademarks", in Law and Contemporary Problems 173 (1949), at 180, characterised the Act as the creation of: "... the bar association committees and business generally".

92 For the co-existence of common law rights, with state registers and statutes and a federal registration system and the complications arising, see McCARTHY (1984), ch.1. It is uncertain whether the "philosophy" of protecting only trade-marks in actual use and protectable under common law was ever followed in reality because of the liberal interpretation of the requisites from the courts. See M.H. DAVIS, "Death of a Salesman's Doctrine: A Critical Look at Trademark Use", 19 Georgetown Law Review 233 (1985), at 234, where it is argued that the price that the marketer has to pay for the monopoly on his trade mark is "... determined by the common law doctrine of trademark use, which requires that the potential trademark owner take the risk of developing the trademark with no assurance of ownership of the mark. The owner thus must first demonstrate the competitive worth of the goods or services to which the mark is attached without any prior exclusive claim to the mark". With the relaxation of the rule this duty was not discharged. The 1988 Trademark Law Revision Act introduced an "intent to use" provision, complying with market realities.

93 Fettridge v Wells, 13 How Pr 385, cited in Worden v California Fig Syrup Co. 187 US 516 (1903), at 531. In the latter case the plaintiff company was so grossly misrepresenting the ingredients of his product - senna instead of figs - that it lost its right to a remedy. For a comment on the doctrine of unclean hands, and its arbitrary character, see I.P. COOPER, ""Unclean Hands" and "Unlawful Use in Commerce": Trademarks Adrift on the Regulatory Tide", 71 TMR 38, (1981).
In Independent Baking Powder for example, the owner of the trade mark who had secretly substituted one of the ingredients of the marked product was denied relief when a competitor took on the same mark.

2.4.3. France

In France, an example of a civil law jurisdiction, a dual system of protection has been formulated following the introduction in the 1832 Civil Code of the notion of unfair competition. The decrees of 1803 and 1809 against "contrefaçon" provided for civil remedies and criminal penalties if the infringed mark had been deposited and the action "en concurrence déloyale" provided for the remaining cases. The paired system survived the 1857 Act which protected a notion of a mark distinguishing a corporation, an individual, or both. As to the question of strength of rights, the first user had a stronger right than that based on registration. But contrary to the underlying ethical reasoning of trade mark rights based on unfair competition, French trade mark law moved rapidly towards the antithesis of a model of formal registration under the

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95 A similar result was reached in Mulhens & Kropff, Inc. v F. Muelhens, Inc. 38 F2d 287 (S.D.N.Y. 1929); in the similar facts of Reuter (R.J.) Co. Ltd. v Muhlens [1954] RPC 102, in England, the opposite result was reached. Despite the fact that the courts later avoided such solutions fearing that the result would be even more confusion for the consumers - Ames Publishing Co. v Walker Davis Publications Inc. 372 F. Supp. 1 (E.D.Pa. 1974) and US Jaycees v Philadelphia Jaycees, 639 F2d 134, 209 USPQ 457 (3d Cir. 1981) - the approach was reaffirmed in Menendez v Faber, Coe & Gregg, Inc. 345 F Supp. 527, 174 USPQ 80 (S.D.N.Y. 1972) and Urecal Corp. v Masters 413 F. Supp. 873 (N.D.Ill.1976), cases where the misrepresentation was blatant.


97 For a summary of the emergence of unfair competition in France, see G. SCHRICHER, "Unfair Competition and Consumer Protection in Western Europe", 1 IIC 414 (1972), at 414-417; unfair competition rules initially aimed to establish the "sporting" rules that competitors had to respect in their hunting expeditions for customers.

98 "D'ordinaire, il y avait deux marques: l'une qui était celle de la corporation, et qui par cela même, était collective; l'autre qui était celle du maître, et qui, naturellement était individuelle. Il la choisissait à son entrée dans la maitrise, et elle était en même temps le symbole de la condition sociale qu'il acquerrait et comme son anneau de mariage." E. POUILLET, Traité des Marques de Fabrique et de la Concurrence Déloyale en Tous Genres (Paris, Marchal & Godde, 1912), at 6, see also 6-10.

99 Although when an unused registered mark was subsequently used by another this was not considered as first use. The priority of first use was thus transformed to a priority of first occupation. See the decision of the Cour de Bordeaux, 15 April 1924, 1924 Revue Internationale pour la Propriété Industrielle et Artistique 49, and BEIER (1975), at 296.
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auspices of a trade mark administration which was very liberal on deciding what is capable of registration. The acknowledgement that the liberal registration system has become an irrelevancy and a burden to the market because of the huge accumulation of registrations, led to the 1964 Act,100 which introduced use requirements and sanctions against non use, but re-established registration as a prerequisite for protection.101 Finally, after some minor reforms and updates, we arrive at the 1991 and then the 1994 Acts conforming to the requirements set by the European Union.102

2.5. Conclusion

By now, it must have become clear that trade marks have been evolving steadily since the early stages of civilisation corresponding to social and economic needs at one historical point or another. Its has been shown that the concept of a trade mark has a multitude of roles to fulfil. However, the gap between earlier and modern functions of marks, or between functions in diverse societies, is probably narrower than we tend to believe. In all cases trade marks are used to convey information. And in most cases the information relates to the type, quality and characteristics, of a product or the reputation of a trader.

We have seen that proprietary interests in trade marks have been recognised and gradually have become enforceable and that trade marks have been regulated to a greater or lesser degree. So, now we have to turn to the concept of property in relation to trade marks.


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CHAPTER THREE

TRADE MARKS AND THE CONCEPT OF PROPERTY

3.1. Preface

“Intellectual property” is a term used to describe a wider field of law which includes trade marks as well as patents and copyright. In general, intellectual property

“protects applications of ideas and information that are of commercial value”.1

A common characteristic shared by all types of intellectual property is that the rights conferred are “essentially negative”.2 They are excluding others from certain activities, a characteristic of any other property right as it will be shown below.

In respect of trade marks the UK Trade Marks Act 1994 explicitly provides that a

“... registered trade mark is a property right ....”.3

Passing off, the alternative way of protecting trade marks as distinguishing features encapsulating and depicting goodwill protected against deception by an action in passing off,4 also evolves around property. Passing off can be explained

2 Ibid.
3 Section 2(2). See also section 5(1) of the trade mark harmonisation Directive 89/104/EEC.
4 In passing off “[t]he principle of law may be very plainly stated, that nobody has any right to represent his goods as the goods of somebody else”, per Halsbury L.C. in Reddaway v. Banham [1896] A.C. 199, at 204.
So, in order to establish a theoretical framework for this thesis, inevitably we have to look at the concept of “property” that is an inherent part of the concept of “intellectual property”. The attractiveness is obvious: the concept of property is broad and based on a plenitude of justifications; accordingly it may provide concrete, but structurally flexible, foundations for a comprehensive trade marks theory. And interestingly, the writers who dismiss the application of property theories in intellectual property often bypass trade marks.6

Property can be anything, ranging from robbery7 to the guardian of every other right.8 It is like an iceberg: more complicated than it looks and with much of its significance submerged.9 So the boundaries between the most down to earth and commercial of intellectual and industrial property rights - therefore the most tangible fraction of the


6 M. BARETT, for example, in “The “Law of Ideas” Reconsidered”, 71 JPTOS (1989) 691, at 736, submits that “... notwithstanding numerous cases and secondary references to a property theory for idea recovery, there is very little evidence that such a theory in fact is applied by the [US] courts “. However, most of Barett’s arguments originate from patent or copyright cases. Similarly, E.C. HETTINGER, in “Justifying Intellectual Property”, 18 Philosophy & Public Affairs 31 (1989), acknowledges that property institutions shape a society, and sets out to determine what sort of ownership we ought to allow for “... noncorporeal intellectual objects, such as writings inventions, and secret business information”. Trade marks fall outside this definition of intellectual property. P. DRAHOS, in A Philosophy of Intellectual Property (Aldershot, Dartmouth, 1996) includes trade marks in his overview but does not make a discussion specific to trade marks.

7 P.J. PROUDHON (trans. B.R.TUCKER), in What is Property? An Enquiry into The Principle of Right and Government (New York, H. Fertig, 1966) at 10-11 where the contention that property is theft is analysed.

8 See J.W. ELY Jr., The Guardian of Every Other Right (New York, Oxford University Press, 1992), for a contrast to Proudhon’s line of inquiry.

3.2. Introduction

The endeavour to employ property theories for the legitimisation of trade mark rights will include, at a first stage, the “setting” of trade marks within classical property theories. This will be followed by the choice - or the framing, for the more ambitious - of a theory which has to fulfil a threefold objective, it must: constitute, in principle, a satisfactory theoretical basis of property rights; form the link between property and intellectual property in general; and, finally, incorporate trade marks in its paradigms.\(^\text{11}\)

Here, as well as in chapter five dealing with the economics of trade marks, two types of arguments are utilised. One is premised on “natural” rights or ethical principles, and is part of what we call deontological argument. The other comprises consequentialist arguments which look \textit{ex post} at the societal effects of property.

An example of how an intellectual property right can be viewed and characterised under this dual system is copyright, as an author’s right in the first case, considered as

\[\ldots\text{the legal vindication of a person’s moral right to property in the fruits of her labor},\]\(^\text{12}\)

and as an economic right in the second, considered as a right that


\(^{11}\) See L. BECKER, Property Rights - Philosophical Foundations (London, Routledge and Kegan Paul, 1977), at 23 where the “general” justification is for property in general, “specific” is the justification of a specific sort of property rights and the “particular” justification links a particular right, on a particular thing, with a particular person.

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"... exists solely to provide necessary economic incentives for the production of creative work".13

In the case of trade marks we will develop more extensively in this chapter the deontological aspect, leaving a more detailed consequentialist analysis for the chapters on functions and economics of trade marks.14

Any choice of a property theory will be, partially, arbitrary, because it will be the result of a right based argument, a moral point of view

"... showing that an individual interest considered in itself is sufficiently important to justify holding people to be under a duty to promote it".15

This definition constitutes a twofold answer to those16 who would argue as to the need to link property and trade marks at a theoretical level since trade mark rights are

13 Ibid, at 425. U. Suthersanen pointed out to me that the 1956 UK Copyright Act succinctly depicts the dichotomy. Part A is for copyright protection of authorship based creative works linked directly with the author’s personality, and in continental terms her/his individuality. Part B is for entrepreneurial effort protecting investment rather than creation; in other words granting rights to the producer, the subject matter of the right cannot be easily attributed to an author’s personality.

14 In a similar vein of argument, modern supporters of capitalism define morality as a matter partly of motivation and partly of outcomes, liberally mixing deontological and functional justification. See for example the view of Lord LAWSON as expressed in a review of one of his speeches, "A Paean of Praise to Capitalism", Financial Times, September 4, 1993. The result may be the same but the moral argument will be strong and autonomous only if the two are examined separately.

15 J. WALDRON, The Right to Private Property (Oxford, Clarendon Press, 1988) at 3. For a definition of basic rights as "... those moral constraints that impose minimal demands on the forbearance of others such that individuals can pursue projects amidst a world of similar beings, each with his own life to lead, and each owing the same measure of respect to others that they owe to him"; see L. LOMASKY, Persons, Rights, and the Moral Community (New York, Oxford University Press, 1987), at 83.

16 See for example J. LAHORE, "The Herschel Smith Lecture 1992: Intellectual Property Rights and Unfair Copying: Old Concepts, New Ideas", [1992] EIPR 428, concluding at 433 that he prefers a general law of unfair copying than "... an ever increasing range of property rights within or analogous to intellectual property". See also A. KAMPERMAN SANDERS, Badges of Trade: The Protection of Trade Marks and Related Intangibles in Unfair Competition Law (PhD thesis, Queen Mary and Westfield College, 1995) at 4-5 and 57-82. At 64-65 it is mentioned that "... the economic value of the sales device as a matter of law can only depend on the protection that is awarded to it, whereas the recognition of assets of commercial value as property depends upon commercial and economic value. This is not only legal reasoning in a vicious circle, but it also makes it impossible to create certainty in the law. The boundaries to be drawn in order to determine whether or not a business asset is economically valuable enough to be worthy of protection as a property right can not be defined as a legal rule because the ratio decidendi and obiter dicta are based upon recognition of legal notions of economic value translated into the pre-existent entity: "property". Finally F. COHEN in "Transcendental Nonsense and the Functional Approach", 35 Columbia Law Review 809 (1935),
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irreversibly recognised as property rights. First, property theories offer invaluable deontological arguments even when what we seek are pragmatic solutions. Second, defining the property owner and delineating the property right could alter the respective positions of state, consumers, and marketers, as players in the trade mark field.

The fact that our era has been heralded as post-industrialist, meaning that the production, use and flow of information will precede, in economic importance, the production of physical goods does not detract from the importance of property theories since property in, and control of, information and channels of communication will be pivotal and trade marks, as will be shown in chapter four, are tools for communicating information.

A right over some object means that the right holder can determine the object's destiny, therefore rights endow the right holder with power, yet rights themselves do not stem

dismisses the "supernatural" character of property found on trade names and symbols and, at 816, states that "[t]he effect of this theory, in the law of unfair competition as elsewhere, is to dull lay understanding and criticism of what courts do in fact. What the courts are doing, of course, in unfair competition cases, is to create and distribute a new source of economic wealth or power".


R.A. POSNER in The Problems of Jurisprudence (Cambridge, Harvard University Press, 1990) at 353-354, having assumed all people to be rational maximisers goes on to look at businessmen and consumers as the usual economic actors and legislators as maximisers of their own satisfaction rather than of the public interest as such; they want to be re-elected, they need money to sustain their campaigns, thus they seek the support of organised groups rather than unorganised individuals.

See for example chapter 1 of J. NAISBITT's, Megatrends (New York, Warner Books, 1982) and J. REIDENBERG, "Information Property: Some Intellectual Property Aspects of the Global Information Economy", 10 Information Age 3 (1988). For a more realistic and recent evaluation see K. ROBINS (ed.), Understanding Information (London, Belhaven, 1992) and especially the contributions of I. MILES & K. ROBINS, "Making Sense of Information", and I. MILES & M. MATTHEWS, "Information Technology and Information Economy", concluding at 111 that "... it becomes inappropriate to consider manufacturing and services as contrasting sectors: they are becoming more alike and they are becoming more integrated". See also F. KNIGHT, Risk, Opportunity and Profit (New York, Augustus Kelly, 1964) at 261, who in 1921 - the original date of publication - argued that the "... ubiquitous presence of uncertainty permeating every relation of life has brought it about that information is one of the principal commodities that the economic organization is engaged in supplying". In the US there is evidence that they lean towards such a view. In the field of telecommunications the administration was willing to provide a simpler and relaxed regulatory environment in return for guaranteeing "non - discriminatory access" to their networks, a step closer to the "information superhighway": see G. GRAHAM & L. KEHOE, "US Backs Open Competition Among Multimedia Groups", Financial Times, January 12, 1994.
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from that power.²⁰ Rights are the result of ethical, rational and legal reasoning. A consequentialist justification of trade marks could have been easily achieved through a functional analysis and a few references to trade theories.²¹ It would, perhaps, suffice to refer to a quote of Takhashi Korekiyo, the founder of the Japanese industrial property system, who proclaimed at the turn of the century,

"... [w]e have looked about us to see what nations are the greatest, so that we can be like them. We said "What is it that makes the United States such a great nation?" and we investigated and found that it was patents, and we will have patents".²²

Our moral points of view will differ according, amongst others, to our political beliefs.²³ One is, thus, tempted to choose from the very start a convenient theory and try simply to fit trade marks in it, by, indiscriminately, picking, from a grabbag full of abstract arguments and principles, anything that is suitable in order to justify trade marks as

²¹ See D.N. McCLOSKEY, The Applied Theory of Price (New York, Macmillan, 1982) at 359, where he underlines the partial failure of economics to fully legitimise property rights and states that economics as a science "... enlists the theory of self - interest to define the very object of self - interested desire". Property lawyers often concentrate on the "monopolistic" nature of intellectual property rights in order to exclude them from a purified property context; see, for example, J.E. PENNER, The Idea of Property in Law (Oxford, Clarendon Press, 1997), at 118-119.
²³ "For each form of life carries with it its own picture of human nature. The choice of a form of life and the choice of a view of human nature go together ... Each will try by their choice of examples to redefine their opponent's case away ... [this] is a reinforcement for the view that this philosophical controversy is an expression of our social and moral situation that it should have occurred in quite a different context in the arguments that have proceeded in France between Catholic moralists, Stalinists, Marxists and Sartrian existentialists." A. MacINTYRE, A Short History of Ethics (London, Routledge & Kegan Paul, 1967), at 268-269.
obviously valuable and useful.\textsuperscript{24} Alas, this would fail miserably the Aristotelian definition of the rational political animal.\textsuperscript{25}

We have come a long way far from the Aristotelian or Platonian "polis"; the citizens stopped "being" the state - since nowadays we are neither all equally informed nor do we have direct experience of the events we decide about - and the nature and the rules of the political game changed radically, but the debate on good, just, freedom, well being and the terms of social co-operation is very much alive. And, to an extent, the ideological confrontations on terms-rules and supporting principles, the attempt to preserve fragile balances between principles that contradict each other, and finally the need to adapt rights in accordance with radical scientific, economic, and social changes, are agents for legislative evolution.\textsuperscript{26}


\textsuperscript{25} ARISTOTLE, E. BARKER (ed.), Politics (Oxford, Clarendon Press, 1947), at 15: "[men] live together on terms; and they discuss those terms over and over again". See also C. DOUZINAS, Postmodern Jurisprudence: The Law of Text in the Texts of Law (London, Routledge, 1991); chapter I offers a fascinating narration of the transition from the classical polis to the postmodern megapolis. F. Jameson in a critique of post-modernism adds to the formulations and tactics of Stuart Hall's "discourse analysis" a historical qualifier: "... the fundamental level on which political struggle is waged is that of the legitimacy of concepts like planning or the market - at least right now and in our current situation"; he goes on defining market as an ideologeme for which we have to talk about in respect of "realities" and "concepts". He warns that by skirting the vast continent of political philosophy as such "itself a kind of ideological "market" in its own right, in which, as in some gigantic combinational system, all possible variants and combinations of political "values", options, and "solutions" are available, on condition you think you are free to choose among them". However a theory of ideology excludes this optionality of political theories, "... not merely because "values" as such have deeper class and unconscious sources than those of the conscious mind but also because theory is itself a kind of form determined by social content, and it reflects social reality in more complicated ways than a solution "reflects" its problem": F. JAMESON, Postmodernism, or the Cultural Logic of Late Capitalism (London, Verso, 1991), at 264-265. From a different perspective POSNER (1990), at 359, submits that "[i]t may be objected that in assigning ideology as a cause of judicial behavior, the economist strays outside the boundaries of his discipline; but he need not rest on ideology. The economic analysis of legislation implies that fields of law left to the judges to elaborate, such as the common law fields, must be the ones in which interest-group pressures are too weak to deflect the legislature from pursuing goals that are in the general interest. Prosperity is one of those goals, and one that judges are especially well equipped to promote. The rules of the common law that they promulgate attach prices to socially undesirable conduct, whether free riding or imposing social costs without corresponding benefits."

\textsuperscript{26} R. DWORGEN, Taking Rights Seriously (Harvard, Cambridge University Press, 1977), at 22-28 for the distinctions between principles and rules. The core of the difference lies on their respective weighing systems. Rules are clear-cut and when they are in conflict, then, only one can be applied. On the contrary it is necessary to combine and balance principles that contradict but apply to the
Rights, themselves, possess a dynamic edge, since

"... the existence of a right often leads another to have a duty because of the existence of particular facts peculiar to the parties or general to the society in which they live. A change of circumstances may lead to the creation of new duties based on the old right ...".  

This dynamism enables rights to develop, mature, and fulfil their historical role and undermines the concept of property rights as a theoretical device with a sole purpose to conserve the social status quo, since property is both a legal and social institution.

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27 J. RAZ, “On the Nature of Rights”, 1984 Mind 93, at 199-200. The evolution, or not, of passing off to a tort of unfair competition is a good example.

28 C. GORE, in Property-Its Duties and Rights, Essays by Various Writers (London, Macmillan, 1913) urges for a clear principle as a response to the question of property regulation with a corporate mind and conscience, and describes, at viii, all of us - property owners and property-less alike - as paralysed by a system of which we inevitably form a part. See also R.H. TAWNEY, The Sickness of An Acquisitive Society, (London, George Allen & Unwin, 1920), where, in chapter five, it is submitted that it is comprehensible that the instrument should be confused with the end, and that any proposal to modify it should create dismay. C. DOUZINAS & R. WARRINGTON in Justice Miscarried (New York, Harvester Wheatsheaf, 1994), at 249 answer to the rhetorical question of why some property rules, strange wonders of a previous age, still have meaning for us? “Property law still governs [society’s] organising formal notions via feudal concepts of estates and tenures. In this field such basic notions as rights of way depend on fictitious grants that everyone knows were never made, and yet which are treated by modern judges as though they were made and which oblige the judges to give instructions to juries (which are no longer used in this type of case anyway) to treat the non-existent as though it did exist”. See also L.H. JONSTON, “Drifting Towards Trademark Rights in
Perhaps it is not property rights themselves but the biases of property systems and the resulting allocation of wealth that are of social significance and in a way "property" is used as a banner in a battle of conflicting interests without, necessarily, being the cause of the conflict, but because it can portray it in a lucid style. In the field of trade marks, for example, the clash between consumers' and traders' interests in the market is pictured by a

"... tension between describing trade marks as property or badges of recognition [which] lies in the emphasis implicit in the former on the paramount interests of the registered proprietor while the latter raises the ascendancy of functional qualifications to the proprietor's rights".

Therefore, for a theory forming property's justificatory base, it has to be shown that it can overcome this association and accommodate the conflicting interests, although the adjudication between conflicting rights on the one hand and contradictory rights and goals on the other is one of the most "formidable problems in rights theory".

Turning again to morality one way of reaching a compromise is to put the chosen theory under a test of "morality in the narrow sense",

"... a system of a particular sort of constraints on conduct - ones whose central task is to protect the interests of persons rather than the agent and which present
themselves to an agent as checks on his natural inclinations or spontaneous tendencies to act”.32

In a world of limited resources,33 morality should be supplemented by a combined principle of “utility” and “efficiency”, since an allocation of rights that would maximise utility and/or efficiency in the use and enjoyment of the objects protected by property rights is imperative. When utility and efficiency are in conflict then reference must be made to the concept of equal moral worth34 and to a principle of justice that property rights will not undermine the minimum required for a human existence35 in a humane way.36 This would help resolve the conflict and at the same time reconcile deontological and consequentialist justification by making ethos a catalyst on efficiency and maximisation of economic growth.

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32 J. MACKIE, Ethics (Harmondsworth, Penguin, 1977), at 106. See also G. CALABRESI & D. MELAMED, “Property Rules, Liability Rules, and Inalienability: One View of the Cathedral”, 85 Harvard Law Review 1089 (1972), stressing that “[t]he first issue which must be faced by any legal system is one we call the problem of “entitlement”. Whenever a state is presented with the conflicting interests of two more people, or two or more groups of people, it must decide which side to favor. Absent such a decision, access to goods, services and life itself will be decided on the basis of “might makes right” - whoever is stronger or shrewder will win.


34 The same approach is followed by S. MUNZER in A Theory of Property (Cambridge, Cambridge University Press, 1990), at 4. In intellectual property the limitations of efficiency and utility on property rights can be apprehended as a “utilitarian functionality” that comprises of “utility”, “user efficiency”, and “maker efficiency” and delineates the scope and extent of most intellectual property rights. For the formation of the notion of utilitarian functionality in relation to trade marks see A.S. ODDI, “Consumer Motivation in Trade mark and Unfair Competition Law: On the Importance of Source”, 31 Villanova Law Review 1(1986), at 9-25.

35 In essence a Rawlsian thesis, albeit purposely diminished in scope so as to become broadly accepted in a non “ideal” world. See J. RAWLS, A theory of Justice (Cambridge, Harvard University Press, 1971), at 178. “In fact, when society is conceived as a system of co-operation designed to advance the good of its members, it seems quite incredible that some citizens should be expected, on the basis of political principles, to accept lower prospects of life for the sake of others”; he has already mentioned at 104 that “[t]he assertion that a man deserves the superior character that enables him to make the effort to cultivate his abilities is equally problematic; for his character depends in large part upon fortunate family and social circumstances for which he can claim no credit”. Indeed in his most recent work on political liberalism, Rawls attempts to separate, up to a point, ethics from politics and re-launch his liberal theory of justice as a political theory where pluralism ensures that some minimal ethical standards are followed. Therefore it is pluralism rather than any particular theory that makes liberal justice ethical for all; see P.K. SOURLAS, “Liberalism Without Twists” (in Greek), To Vima, December 5, 1993.

36 Therefore not “minimal” and “bare” survival but an “acceptable” and “average” living: T. AIRAKSINEN, Hegel on Poverty and Violence, in KIPNIS & MEYERS (1985), at 42-45.
Trade Marks and the Concept of Property

Before starting the brief examination of property theories, some clarifications must be made. Trade marks are understood as,

"... essentially symbols or badges indicating source or origin of the goods bearing such. The word origin denotes at least that the goods are issued as vendible goods under the aegis of the proprietor of the trade mark who thus assumes responsibility for them".37

And goodwill is

"... a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of the business. It is the attractive force which brings in custom".38

A conclusive definition of property is, for the moment, evaded. The term has no definite and unique connotation, in common, legal and economic usage, referring either to the object of the legal rights or, "with far greater discrimination and accuracy", to the legal rights themselves.39 However, it is possible to single out some of its characteristics. Therefore, it will be always used as denoting a right, in the sense of an enforceable claim to some use or benefit of something,40 and primarily as a traditional right in rem, a right in a thing, and the resulting relations of the right owner with the world. This is also described as a general right, meaning a right that does not arise out of any special relationship or transaction between humans. It is not peculiar to those who have it but a right which all men capable of choice may have in the absence of special conditions

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38 Lord MacNaughton in Commissioners of Inland Revenue v. Muller & Co’s Margarine Ltd [1901] AC 217, at 223.

39 W.N. HOH Feld, Fundamental Legal Conceptions as Applied in Legal Reasoning (New Haven, Yale University Press, 1919). See also the discussion of A. REEVE, in Property (London, Macmillan, 1986), at 13-23 and 29-38. References to “ownership” will be avoided because of the term’s indeterminacy. See, however, F. SNARE, “The Concept of Property”, 9 American Philosophical Quarterly 200 (1972), at 202-204, where it is convincingly argued that usually ownership and property can be used interchangeably without confusion.

giving rise to special rights. Finally the general property right imposes correlative obligations on everyone not to interfere.\textsuperscript{41} This, necessarily,\textsuperscript{42} extrovert nature of property can be grasped, in the real world, as a right to prohibit - by force of law - or to permit the activities of others on the object of the right. Exclusivity, thus, became for many the main characteristic of property and according to F. Cohen, we could attach to property the label:

\begin{quote}
"To the world:

Keep off X unless you have my permission, which I may grant or withhold.

Signed: Private citizen

Endorsed: The state".\textsuperscript{43}
\end{quote}

Other elements of property, in an ordinary language analysis, are its transferability and the imposition of liability rules on the proprietor when liability arises from the object of the property right.\textsuperscript{44}

Finally it is stressed that the difference between tangibles and intangibles as objects of property will be considered as immaterial for two reasons. First, it was shown that rights are notions distinct from their objects. When we refer to a car as our property we refer to our right to drive, sell, protect, and so on, the car in the same way that we can affix or

\textsuperscript{41} H. HART, Are There Any Natural Rights?, in J. WALDRON (ed.), Theories of Rights, (Oxford, Oxford University Press, 1984), at 88. At 84 he describes special rights as those arising out of special transactions or relationships between individuals and confer rights/obligations to the individuals concerned.

\textsuperscript{42} Property is a public fact, or it is no fact at all, see J.F. TAYLOR, The Masks of Society (New York, Appleton, 1976).

\textsuperscript{43} F. COHEN, “Dialogue on Private Property”, 9 Rutgers Law Review 357 (1954). He is using the power to exclude as the main characteristic of property rights. W. KINGSTON in The Political Economy of Innovation (The Hague, Martinus Nijhoff, 1984), at 5, goes a bit further bringing markets into the picture by stating that “... it is not the transfer of goods which makes a market, but the uncoerced exchange of titles to these goods, guaranteed by a political authority”. CORNISH (1996) at 5, stresses that “... one characteristic shared by all types of intellectual property to date is that the rights granted are essentially negative: they are rights to stop others doing certain things".

\textsuperscript{44}
transfer our trade mark or enjoin others from using it without our permission.\textsuperscript{45} Therefore, the limitation of property theories to tangibles would only facilitate the actual portrayal of the object of property but achieve nothing else;

"... we would identify by way of metonymy the right with the material thing which is the object".\textsuperscript{46}

The de-physicalisation of property during the nineteenth century was one of the ways to modernise the concept. Until then property was considered as possession of things and, when the object of the right was not physical, it was fictionalised as physical.\textsuperscript{47} It can be argued that in the case of registered trade marks, at least, the portrayal of the object - the actual \textit{res} - of the right is feasible, without having to resort to abstract ideas; what can be more tangible, than a trade mark, as registered, or the combination of the mark and a product.\textsuperscript{48} Even in the case where intangibles cannot be easily apprehended and compared to chattels - copyrights, patents or goodwill in unregistered trade marks for example - some physical manifestation of the object of the right can be grasped in the forms of drawings, hard copies, some visible elements of the place of business or of the

\textsuperscript{44} As described by SNARE (1972).
\textsuperscript{45} R. DIAS in Jurisprudence (London, Butterworth, 1985) succinctly states, at 296-297, that the term "incorporeal ownership" is only applied to some types of claims etc. in so far as these are "things", but it does not apply to others because they are not "things"; "... "ownership" is coterminous with that of "things", which is narrower than that of rights". At 295-298 he shows that "things" of incorporeal property are not necessarily physical objects.
\textsuperscript{46} J. SALMOND, Jurisprudence (7th ed., London, Sweet & Maxwell, 1924), at 278-279. At 276 he defines ownership as "... a bundle of claims, liberties, powers and immunities".
\textsuperscript{48} "Any system of registration of rights which can be asserted against others can only function if it is possible to ascertain the scope of the rights in question. Thus legal certainty requires the trade mark to be fixed in some way, so that both the owner, the registry and anyone interested can find out what the trade mark is." D. KITCHIN & J. MELLOR, Trade Marks Act 1994 (London, Sweet and Maxwell, 1995), at 13. This is the opposite side of the same argument. Fixation is required if registration is to serve as a signpost of a property right. Equally in passing off reputation and goodwill must reside in what is often called a "badge of trade", something that can be apprehended. See A. FIRTH, Trade Marks - The New Law (Bristol, Jordans, 1995), at 30-31 and CORNISH (1996), at 536-538. In passing off problems arise when there is reputation in the UK but it cannot be associated with a "signpost" - a business - existing in the UK. See for example Anheuser - Busch v. Budejovicky Budvar [1984] FSR 413 where the lack of presence in the UK negated the possibility of damage.
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trade dress and so on. The justification of any proprietary right remains the same. Second, and most importantly, a successful justificatory modern theory of property would never rely upon the discrimination between tangibles and intangibles which in an integrated world appears irrational.

Nevertheless, the unwillingness of commentators to deal expressly with property in intangibles must be admitted and contrasted with a more liberal judicial approach which, in its extreme, declares that,

"... one man has property in land, another in goods, another in a business, another in a skill, another in reputation ...”

Many argue that an expansive definition embodying in property everything of value would transform all remedies in tort to infringement of property rights and perhaps

49 It is telling that property rights in trade marks are questioned when it is difficult to describe the trade mark as such, or when description becomes so technical that is meaningless to the common consumer. Sensory marks are such an example: Chanel applied in the UK for registration of a mark described as “the scent of aldehyde-floral fragrance product, with an aldehydic top note from aldehydes, bergamot, lemon, and neroli; an elegant floral middle note, from jasmine, rose, lily of the valley, orris and ylang ylang; and a sensual feminine base note from sandal, cedar, vanilla, amber civet and musk. The scent also being known as Chanel No 5”; registration was denied partly because this was not considered sufficient description - according to the graphical representation requirement - of the sign. Sumitomo, however, applied successfully, also in the UK, to register a mark described as “the smell of roses when applied to tyres”. In a US case, Celia Clarke 17 USPQ 2d 1238 (T.T.A.B. 1990), “registration was obtained for a “high-impact, fresh, floral fragrance reminiscent of plumeria blossom”. The problem with such trade marks is that even when they obtain registration the extent of protection is uncertain because the object of the property right is defined in very uncertain terms. On this question see S.M. MANIATIS, Scents as Trade Marks: Propertisation of Scents and Olfactory Poverty, in L BENTLY & L. FLYNN (eds), Law and the Senses - Sensational Jurisprudence (London, Pluto, 1996) and the references therein. See also the discussion on functionality in fn. 255 of chapter four.


52 WALDRON (1988), at 33, for example, argues that the proliferation of different kinds of incorporeal property caused despair to the jurists attempting precise definitions.

53 Per Malins V.C. in Dixon v. Holden (1869) L.R 7 Eq. 488, at 492.
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deprive the word of any useful meaning. This may be true, but abstract property theories can form an ethical justification also for remedies in tort enabling us to transcend artificial legal barriers. Inevitably the exact nature and extent of property rights will be under continuous periodical evaluation resulting in re-definitions.

Finally it must be stressed that although most of the argumentation will be for or against private property, this does not mean that property and private property fall under the same definitions and line of arguments. The different notions will be dealt separately wherever necessary; in particular in chapter five where the monopolistic character of trade marks will be examined. There are two reasons, though, that much of the discussion will be on private property. First the logical priority that the creation of any notion of common property has to follow the existence of private property. Then comes the fact that the controversy surrounding the institution of private property, that started with Plato advocating, in The Republic, the abstention of the state rulers from any form of private property, which after all caused only trouble and disharmony, and


S.D. WARREN & L.D. BRANDEIS, “The Right to Privacy”, 4 Harv.L.R. 193 (1890), at 193. See also the dissenting opinions in Boardman v. Phipps [1966] 3 All.E.R. 721. At 759 Lord Upjohn states that “... information is not property at all; it is normally open to all who have eyes to read and ears to hear”, whilst Lord Hodson dissents and states that “... we are aware that what is called know how in the commercial sense is property which may be very valuable as an asset ... [thus] confidential information ... can be properly regarded as property”. The two approaches can be compared with International News Service v. Associated Press 248 US 215 (1918), where the quasi-property status of information - in this case news - was recognised, leading to the recognition of a sui generis tort of unfair competition. For the current “common sense” approach of common law reference must be made to Jacob J.’s comment in Hodgkinson & Corby Ltd v. Ward Mobility Ltd [1995] FSR 169, at 174-175 that in common law “[t]here is not tort of copying. There is not tort of taking a man’s market or customers. Neither the market nor the customers are the plaintiff’s to own. There is no tort of making use of another’s goodwill as such. There is no tort of competition”. Some may argue that anything worth copying is worth protecting but “[a]t the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular”; for a comment on the last case see A. FIRTH, “Cushions and Confusion” [1994] EIPR 494.

Aristotle responding, in Politics, that private property is the means for well being, dominate the discourse on property and have produced the huge bulk of arguments.57

3.3 The justification based on labour

3.3.1. Locke’s property theory and the leap to private property

It must be emphasised from the outset that Locke himself avoided expressly defining property. By stating that

“Lives, Liberties and Estates, ... I call by the general name, property ...”,58

he indicated that he used property as referring to a whole bunch of rights loosely connected and defined.59

Locke perceived property as the result of intuitive human behaviour. He used both “natural Reason” and “Revelation” to prove that humans, once born, have a right to survive and, in order to do so, must appropriate what “Nature” has to offer for their subsistence,60 the means for their survival. The act of appropriation is the beginning of transformation of the fruits of nature to the consumables, necessary for human preservation and to the goods which will also “increase the common stock of mankind”,61 since the exchange economy has taken, by then, a step beyond the state of

57 For Plato common property was the fiat and proof of a well run state whilst Aristotle felt that prosperity of individual households would mean increased production and wealth for the whole state; see E. BARKER, The Political Thought of Plato and Aristotle (New York, Dover, 1959). This dominated the political theory of the west; for some what is “... lurking in much of the “political” debate over property is an implicit theory of history”: A. RYAN, Property (Milton Keynes, Open University Press, 1987), at 92.


60 LOCKE (1967), at 303-304, II.25.

61 Ibid, at 312, II.37.
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nature, where the goods are granted from God to the people in common and primitive humans live isolated satisfying only their immediate needs.62

The same exchange economy which, according to Rousseau,63 finished off equality for good, for Locke, launched humanity to progress and, as we will see below, made possible the compliance with the limitations on property.64

Human labour must be exerted for the appropriation and the combination of that labour with Nature's offerings and, accordingly, the value added - or more succinctly an inherent value acknowledged and manifested only through labour - is the dominant moral underlining of the institution of property.65

The leap from appropriation and possession to the justification of private property and the two qualifications imposed: the "enough" and "as good" condition and the "non-waste" requirement, provoked a lot of interpretations.

62 Ibid, at 303-304, II.25. See also ARISTOTLE (E. BARKER ed.) (1967), at 6, who states that "... who is unable to share in the benefits of political association, or has no need to share because he is already self-sufficient - is no part of the polis, and must be either a beast or a god".

63 The "little piece of yellow Metal" (ibid at 312, II.37) for Locke served as a means to quantify property without the danger of wasting or decay. Rousseau, on the other hand, in his second discourse on The Origin of Inequality attributes most of the evils inflicted to society to the fact that due to the exchange system it was useful for a single person to have provisions for two. See J. ROUSSEAU (R. MASTERS & E. KELLY, eds), volume three, of the The Collected Writings of Rousseau (Hanover, University Press, 1992). It is worth referring here to Becker's description of the transformation towards a "market" based on the household as a consumption and production unit. "The household production function framework emphasizes the parallel services performed by firms and households as organizational units. Similar to the typical firm analyzed in standard production theory, the household invests in capital assets (savings), capital equipment (durable goods), and capital embodied in its "labor force" (human capital of family members). As an organizational entity, the household, like the firm, engages in production using this labor and capital. Each is viewed as maximizing its objective function subject to resource and technological constraints. The production model not only emphasizes that the household is the appropriate basic unit of analysis in consumption theory, it also brings out the interdependence of several household decisions: decisions about labor supply and time and goods expenditures in a single time-period analysis, and decisions about marriage, family size, labor force attachment, and expenditures on goods and human capital investments in a life cycle analysis." See G. BECKER, An Economic Approach to Human Behavior (Chicago, University of Chicago Press, 1976), at 141.


The mixing of the can of tomato juice, that I own, with the ocean, that I do not own, and the ambivalent result of my action - do I own the ocean or have I wasted my tomato juice - is the most popular of the arguments striving to undermine Locke's theory.66

Aristotle, who obviously gave food for thought both to Locke and Hegel with his definitions of natural products as contrasted to makings, may be providing an answer to Nozick's provocative question.

"[I]t is impossible that anything should be produced if there were nothing existing before. Obviously then some part of the result will pre-exist of necessity; for the matter is a part; for this is present in the process and it is this that becomes something. But is the matter an element even in the formula? We certainly describe in both ways what brazen circles are; we describe both the matter by saying it is brass, and the form by saying that it is such and such a figure; and figure is the proximate genus in which it is placed. The brazen circle, then, has its matter in its formula."

He goes on questioning whether

"... is there, then, a sphere apart from the individual spheres or a house apart from the bricks? Rather we may say that no "this" would ever have coming to be, if this had been so, but the "form" means the "such", and is not a "this" - a definite thing; but the artist makes or the father begets, a "such" out of a "this"; and when it is begotten, it is a "this such".67

The clarity of the importance of the "formula", as described by Aristotle, is the cornerstone of a functional justification of intellectual property.

66 R. NOZICK, Anarchy, State and Utopia (New York, Basic Books, 1974), at 174. Of course, at 174-175, he qualifies his didactic example by stating that labouring refers to the value added by the improvement but then "why should one's entitlement extend to the whole object rather than just the added value one's labour has produced". In the same line see: WALDRON (1988), at 184-191, arguing that there is a conceptual mistake in mixing two different things, labour and objects or J. PLAMENATZ in Man and Society (London, Longman, 1992), volume one, at 246-247, wondering what will happen to the second labour applied to the object where a first labour has been already applied. For an inclusive overview of critiques on Locke see SIMMONS (1992), at 264-278.

Despite the fact that the tomato juice example has been constructed so as to adapt the labour theory to a theory of historical entitlement, limiting the government's power - always ephemeral - to intervene in the sphere designated by the individuals' rights - which will last for ever - it is true that the leap of Locke towards private property is difficult to understand.

One interpretation is that the general right argument, based on subsistence, is for any property regime. The argument for private property, based on the idea that the labour input to an object, is an argument for a special right, independent of its background. So, arguably, it is at this point, that Locke fails to offer a general theory of private property.

Others go far enough to read labour theory as a theory for property that is originally social or collective or that the

"... fundamental and undifferentiated form of property is the natural right and duty to make use of the world to achieve God's purpose of preserving all his workmanship ...",

and that the public good - a notion expanding that of preservation - allows re-arrangements of private property rights in order to satisfy the public good.

Other commentators discover in Locke an early advocate of capitalism and consequently of the distribution of property along the class dividing lines: property, of unlimited amounts, is not just a limitation of governments but on the contrary limited

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68 “Individuals have rights, and there are things no person or group may do to them”: NOZICK (1974), at ix; unless these rights are violated.
69 Although he genuinely attempted it. He wanted to show how it became possible for every man to possess a "private dominion", LOCKE (1967), at 304, II.26.
70 WALDRON (1988), at 139-140.
governments were created by societies that wished first to protect their individual members' properties.\textsuperscript{73} For them Locke was an advocate of private property as an end in itself and not as the means of well being. His "astonishing achievement" was that he based property rights on natural law and then removed all natural law limits.\textsuperscript{74} Labour adds value to things but since value to humans is individualistic enjoyment or advantage then value, for Locke, is necessarily private.\textsuperscript{75}

All the contradictory interpretations of Locke’s property theory are reinforced by contradictions in his writings which are confusing, at least for us, ordinary readers.\textsuperscript{76} It is indeed intriguing that Locke has been read as “the father of modern socialism” until 1928, then he became a liberal, then an illiberal and recently a pragmatist who preferred to leave to government the definition of property.\textsuperscript{77}

It is Locke who has written that,

“God gave the World to Men in Common; but since he gave it them for their benefit, and the greatest Conveniences of Life they were capable to Draw from it, it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the Industrious and Rational, (and Labour was to be his Title to it;) ....”,\textsuperscript{78}

\textsuperscript{73} PLAMENATZ for example based his criticism on the contradictory Lockeian definitions of "consent" of individuals who are initially out of society but decide to become members, on their own "free" will and in order to protect their property. Therefore, “... if Hobbes was wrong in treating morality as obedience to positive law, human or divine, Locke was no less wrong when he said that men are moral merely as men and not as members of society”; see PLAMENATZ (1992) volume one, at 346.

\textsuperscript{74} C.B. MACKPHERSON, The Political Theory of Possessive Individualism (Oxford, Oxford University Press, 1962), at 199; see chapter 5 in general. But see also A. RYAN, “Locke and the Dictatorship of the Bourgeoisie”, 13 Political Studies 219 (1966), at 226 where he cautions the reader about the misleading notion of absolute property and argues that: “... no sort of absolute ownership is involved in either life, liberty or goods, on all of which there can be claims”.

\textsuperscript{75} H.C. MANSFIELD Jr., On the Political Character of Property in Locke, in A. KONTOS (ed.) Powers, Possessions and Freedom, (Toronto, University of Toronto Press, 1979), at 23.

\textsuperscript{76} MACKPHERSON (1962) asserts, at 247-248, that Locke is himself confused.


\textsuperscript{78} LOCKE (1967), at 309, II.34.
and the same philosopher who stated that,

"... by this grant God gave him not Private Dominion over the Inferior Creatures, but right in common with all mankind; so neither was he Monarch, upon the account of the Property here given him ..." 79

and that the industrious and rational, when their subsistence was not in danger, ought to "preserve the rest of mankind", 80 but then went on, again, that property is "for the benefit and sole Advantage of the Proprietor", 81 failing to develop our guardianship responsibilities.

It is submitted however that it is obvious that Locke without being the founder of modern capitalism 82 could not also have been the strongest advocate of common property systems; perhaps it is so obvious that it is often overlooked. One can contrast Locke with Rousseau, for example, who started from the same starting point of a human right to preservation but concluded that the unlimited right to property for some negated the right to subsistence for many of the rest.

"Such was ... the origin of society and laws, which gave new fetters to the weak and new forces to the rich, destroyed natural freedom for all time, established forever the law of property and inequality, changed a clever usurpation into an irrevocable right, and for the profit of a few ambitious men henceforth subjected the whole human race to work, servitude, and misery". 83

So, placing Locke in his historical context is the first step in understanding him. He was first a politically involved citizen and only then a reluctant philosopher. He was strongly

79 Ibid, at 175, L24.
80 Ibid, at 289, II.6.
82 It seems that RYAN (1966) is right to an extent at 247 where he refutes Macpherson for attributing to Locke the fatherhood of absolute property upon class lines; there are no strict class lines in Locke. WALDRON (1988) may be rightly sceptical on Tully's interpretation, but absurdly self-confident when he characterises some of the arguments as silly, at 158. See TULLY's response (1993), at 122-125.
opposed to the legitimisation of the absolute monarchy regimes of his time, where the monarch was the proprietor of all property in the kingdom, and property rights of individuals existed only as an act of grace of his part. In a way, property constituted the means for the citizen to confine the monarch's absolute power but this view was heavily influenced by philosophy, church - we must not ignore the theological influence which converts Locke's theory in a way that is difficult to conceive today - and the political realities of the English ruling system. The claim that the Lockeian concept of private property was different from the modern concept, which is mutually exclusive with common property, and that his linguistic analysis is possible only in the context of the normative theological vocabulary that was available to him, may provide the only valid way to interpret Locke.

Another characteristic of Locke was that in his main works he was dealing with his ideological opponents Filmer and Hobbes who have laid the foundations of the seventeenth century monarchy. Although Filmer was the one directly attacked by Locke, Hobbes was by far more significant and the intellectual vigour of Locke's second treatise might have targeted his writings on the covenant between the individual and Leviathan, the mortal God, which was Hobbe's solution to the state of nature, in reality always a state of war. Property's legitimacy was rising from the power of the sovereign, and not from an individual right of the citizen.

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84 LASLETT (1967) is offering a short and excellent reconstruction of Locke's life and personality, at 16-45.
86 LASLETT (1967), at 92, asserts that for Locke men are God's property and this is a most central common sense proposition. See also LOCKE (1967), at 288-289, II.6.
87 See chapter three of TULLY (1993), especially at 115-118 where the problem of "individuation or distribution" of property in Locke is being analysed. See also S. BUCKLE, Natural Law and the Theory of Property (Oxford, Clarendon Press, 1991), at 149. He underlines the supremacy of "self-interested self-preserving behaviour" in the Two Treatises and contrasts it with the different "self-sacrifice" behaviour commended by Locke in the Essays on the Law of Nature.
89 L. STEPHEN in Hobbes (London, Macmillan, 1904) is offering a vivid representation of Hobbes's political philosophy, especially in chapter 4 where he is dealing with the notion of the state and the
All the above hint that Locke's standing was somewhere in the middle of the loci chosen for him by his posteriors, though not in the sense that he was a "half way" political theorist of his time. His thoughts were original and distinct and the unifying theme, for property, was that society should for practical reasons - a consequentialist and historical approach - reward labour with property, but more importantly ought to do so for ethical necessity - a normative justification. The history of property is a different thing from the reason for its existence, but Locke appraised his preceding generations for the then existing private property system and then used history as a justification for the development of property as a concept and justificatory property theories.

The examination of Locke's two qualifying conditions and finally of the notion of labour will enable us to follow his theory better.
3.3.2. Two qualifications: "No Waste" and the "Enough" and "as Good" condition

"God has given us all things richly ... But how far has he given it us? To enjoy. As much as any one can make use of to any advantage in life before it spoils; so much may he by his labour fix a Property in. Whatever is beyond this is more than his share, and belongs to others."96

Locke limited our entitlement to property, positing, not only that we do not have the right to abuse it,97 which for some is a manifestation of dominating property, but imposing a positive right to use it, otherwise it returns to the commons and is left to the others to exploit it. One can argue that use is very widely defined and contains any advantage that the property can give, but this is a logical consequence in Locke's outright acceptance of the exchange economy, and is further qualified by the right of those in dire need to appropriate the objects that can satisfy that need.98 Some of the critics point that it would be rare to find people in dire need in a thriving Lockeian private economy.99 But what would happen if, for some reason, the economy was not thriving? Would then Locke's argument be valid? If we insist on using hindsight or hypotheses then why not relocate Locke to modern times and substitute his theological morality with radical social conscience; the effect could be quite extreme indeed. It is apparent that if we are willing to treat history and philosophy in such a way we can prove anything we like from them.100

Perhaps the way Smith regards labour and property is the most valid guide for advancing Locke's property theory. Smith at one stage is

96 LOCKE (1967), at 308, II.31. As far as trade marks are concerned the picture of inexhaustibility can be more easily conceived. C. THOMPSON, in "Tips From the Top", Financial Times, October 18, 1993, is telling us that "... it is amazing how much difference type faces and letter styles can make". But it is also amazing how many different type faces and letter styles exist. The crucial question is how many of the different types are attractive.

97 We could destroy it only by using it. LOCKE (1967), at 185, I.39.

98 Ibid, at 188, I.42.


100 LASLETT (1967), at 105.
... concerned that no outside agency - government or labour or employer organisation - should interfere with the free right of someone to sell their labour [makes] the independent labourer, and his freedom to change jobs, the centrepiece of his story.\textsuperscript{101}

but recognises that

... in every part of Europe, twenty workmen serve under one master for one that is independent ... [and that] ... the workmen desire to get as much, the master to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.\textsuperscript{102}

"For this Labour being the unquestionable Property of the Labourer, no Man but he can have a right to what that is once joyned to, at least where there is enough and as good left in common for others."\textsuperscript{103}

The "sufficiency"\textsuperscript{104} requirement should, if all else fails, protect Locke's theory from being labelled immoral as tolerating, if not advocating, inequalities. The enough and as good condition can be seen as a provision for equal opportunities leading to an allocation of goods that is "desert-based" but "non-competitive" and a person can get as much as he is willing to work for.\textsuperscript{105} It is suggested that this interpretation can be accepted, keeping always in mind that Locke's property and political theory is dealing with a notion of property that in economic terms is either in its initial primitive stage or in its infantile period of early capitalism. His belief, for example, that

... No Man's Labour could subdue, or appropriate all: nor could his Enjoyment consume more than a small part\textsuperscript{106}


\textsuperscript{103} LOCKE (1967), at 306, II.27.

\textsuperscript{104} As named by MACPHERSON (1962), at 211.

\textsuperscript{105} HUGHES (1988), at 298.

\textsuperscript{106} LOCKE (1967), at 310, II.36.
today in the age of the "post-perfect world", 107 that has witnessed the fall of communism, has felt the disillusionment about limitless "laissez faire" and has run into an ideological vacuum, 108 seems naive. 109 The nucleus of the argument for the "sufficiency" proviso is existent and valid although it needs further development in order to satisfy our basic morality test.

3.3.3. The Lockeian labour

It is easier, and appropriate, to start building the association between trade marks and a labour property theory by showing that trade marks - as any other idea - require some form of labour. 110 But what kind of labour is required for the Lockeian justification? Idea-producing for example may not be the hard form of labouring that deserves property reward. 111 But it is submitted that the classification of labouring activities, to more or less pleasurable, is important only when we examine property in its consequentialist or instrumental reasoning. Thus, if society wishes to induce some necessary to the public good, but still disagreeable, activities, then it may offer as


108 See also R. GILPIN, The Political Economy of International Relations (Princeton, Princeton University Press, 1987), at 64, arguing that, due to the economic changes brought by the international division of labour and the global distribution of economic activities, "... the inherent stability of the international market or capitalist system is highly problematic; it is the nature of the dynamics of this system that it erodes the political foundations upon which it must ultimately rest and thereby raises the crucial question of finding a new political leadership to ensure the survival of a liberal international economic order".

109 "Today, the only things where there is enough and as good left for others have no market value": A. CARTER, The Philosophical Foundations of Property Rights (New York, Harvester Wheatsheaf, 1989), at 19. But, surely, this is not an argument against the Lockean provision itself. WALDRON (1988), at 209-218, dismisses the significance of the sufficiency provision but to do that he is re-using his general arguments against the Lockean property theory in general and especially against Tully's interpretation.

110 This is a mirror argument of that, ideas are legitimate objects of property rights being the fruits of intellectual labour. D. BAIRD, "Common Law Intellectual Property and the Legacy of I.N.S v. A.P.", 50 U. Chi. L. Rev. 411 (1983), at 412-413.

111 From the outset we have to say that the meaning of labour was often confused with the resulting work. In France, for example, it was during the middle ages that people started looking for "travail" instead of "oeuvre". Interestingly "travail" derives from the latin "tripalium", meaning a kind of rake that was used in torturing: G. MILLER, interviewing Le GOFF, in "Labour, the Original Sin" (in Greek), To Vima, Sunday, 26 August, 1993.
reward bigger slices of the bundle of property rights that can be exercised on the object of the activity. A common justificatory basis does not mean that property law will regulate all objects or that all should be regulated in the same way. The debate on the genetically engineered onco-mouse and its cousin developed for hair growth is such an example from the field of intellectual property.

The deontological justification, though, should be separate from the consequentialist. In practice this seems a technicality. For example it has been argued that the exclusive entitlement to use a trade mark requires attributing artificial scarcity to it, which in turn simply reflects a public policy. The analysis may be correct but it is one sided, what if exclusivity is deserved irrespectively from any value created or the other way round? Similar questions arise in other areas of intellectual property; for example should copyright be accorded exclusively to works of a minimum artistic merit, or is the exclusion of discoveries from patentability justified?

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112 HUGHES (1988), at 302-305 makes a lengthier analysis before dismissing the avoidance view of labour. Here the discussion in relation to the property element of trade marks will be completed in the following chapters dealing with the functions and the economics of trade marks. On the same subject see also: D. ELLERMAN, “Property and the Theory of Value”, 16 Philosophical Forum 293 (1985), at 293-295 where he argues that even Locke himself was confusingly using concurringly a labour theory of property with a labour theory of value.


114 Though not independent. The social and legal connotations of property are so much inextricably linked that it is almost impossible for legal scientists to, credibly, claim that they distanced themselves from the values they describe. The requirements of H. KELSEN (M. KNIGHT trans.), in Pure Theory of Law (Berkeley, University of California Press, 1967) at 68 and 101-102 are very difficult to satisfy. It may be correct that “… the judicial error of discussing abstract questions is slight compared to the error of interpreting legislative enactments on the basis of a courts preconceived views on “morals” and “ethics”,’’ per J. Black in The Mercoid Corp. v. Mid - Continent Investment Co. et al. 60 USPQ 21 (1944), at 28, but it applies only to those legal scientists who have to apply enacted legislation - and then only in the process of interpreting the legislation. It does not apply to those who create or propose new legislation. See also G. TEUBNER, Law as an Autopoietic System (Oxford, Basil Blackwell, 1992) who, at 79, describes law and the economy as two autonomous, hermetically sealed, communication systems that nevertheless intereact on the basis of the image that each one has created for the other.

115 W.P. KRATZKE for example in “Normative Economic Analysis of Trademark Law”, 21 Memphis State University Law. Review 199 (1991), at 203-204. Trade mark law “... should accord a user an exclusive entitlement only when exclusivity creates more value than would be created by not according a user an exclusive interest".
Ideally deontological and consequentialist justification will coincide, but when there is conflict both must be weighed with caution if we want public policy to be both effective and legitimate. This is a necessary stage in a “rights argument” also because people should be rewarded if they add value to other people’s lives, regardless of “whether they are motivated by such rewards”; in many cases materialistic reward is not the exclusive incentive.

Another way to differentiate between types of labour is according to the amount of the activity that has to be exercised in order to obtain a property right. It can be argued that property rights are recognised, in the sphere of ideas, only when a certain amount of labour has been exercised. In the case of patents, for example, a test of novelty and inventiveness is applied in order to obtain a patent and delineate the object and the limits of the property right. These tests may have more to do with the necessity to depict, with clarity, the object of the right than set a minimum amount of labour that has to be exercised; contradictory property claims are not welcomed in any system of order.

Even when we shift the argument and claim that property rights are recognised on the particular invention etc. not as a reward for its required amount of labour but rather as a credit to the whole system of intellectual and industrial property, this conforms only to the historical Lockeian justification of property and becomes the main line of argumentation in the attempt to justify property rights “economically”.

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117 See for example W.R. CORNISH, Intellectual Property (London, Sweet & Maxwell, 1989) where the test of novelty is said to be elusive, at 83, and then he assesses, at 126, that the inventive step has been adopted by many patent systems in order to find a solution in the cases that the invention “… is not greatly different from what is known already” and also to shield the system from fence-post claims.

118 Here we have to repeat a classic distinction between trade marks and the other forms of intellectual property. Trade mark exclusive rights, to a great extent and at least in theory, find their justification in the complementary objectives of fair trade and consumer protection. See for example D. SHANAHAN, Australian Law of Trade Marks and Passing Off (Sydney, Law Book Company, 1990), at 1.

119 An often referred to anecdote illustrates what happens when self motivation for an activity is lacking and we view ourselves as working to get a reward; then we will no longer find that activity worth
So what kind of labour did Locke require for a property right to be recognised. The criteria are not strict: gathering, hunting, cultivating and reaping are considered to be "labouring" activities. He went far enough to use the terms "actions" and "labour" as suggesting the same thing. Nevertheless the connection of all forms of labour is not that they result in "physical exertion" but that themselves are the results of free and intentional human choice; the only juxtaposition he makes is between labour and play, an activity that despite being free and intentional does not fall under labour. Still, there must be some decisiveness enshrined in the action, serving as a manifestation of our will to create and protect our property rights by dominating the object of the right. Therefore the "internal" labour of organising a plan, reflecting on an invention etc. needs some external action which will be the apprehensible productive part of the whole process and at the same time the medium of enriching the common pool of goods, ideas and so on. Pointing to a fruit does not create property rights, picking up does.

Concluding, it is submitted that although the Lockeian justification of property had strenuously taken the step towards private property, at least in its modern conceptualisation, and anyway not in the form of an "uncaring individualism", it has to offer the moral criterion of labour and has developed the utilitarian need of society to doing in its own right. An old man, harassed by the taunts of neighbourhood children, devised a scheme. He offered to pay each child a dollar if they would all return Tuesday and yell their insults again. They did so eagerly and received the money, but he told them he could only pay 25 cents on Wednesday. When they returned, insulted him again and collected their quarters, he informed them that Thursday's rate would be just a cent. Forget it, they said, and never taunted him again. Quoted by A. Kohn, "Creativity and Intrinsic Interest Diminish if Task is Done for Gain", Boston Globe, 19 January 1987.

120 LOCKE (1967), at 316-317, II.44
121 SIMMONS (1992) at 271 is connecting this with the thought that it is our intellectual nature that makes us "capable of dominion": LOCKE, ibid, at 180, I. 30.
123 SIMMONS (1992), at 272-273 analyses this idea. We bring things within our purposive activities by using them in productive ways. Occupying the land does not suffice if some labour is not exercised. See K. OLIVERCRONA, "Appropriation in the State of Nature: Locke on the Origin of Property", 35 Journal of the History of Ideas 211 (1974), at 225. On the same question see also BECKER (1977), at 33-34.
124 See SIMMONS, ibid, especially at 273.
125 As described by BUCKLE (1991), at 149.
remunerate labour. By establishing the labour rationale and linking it with limitations on appropriation, Locke’s theory offers a strong argument in favour of property, if not a fully developed theory of private property.

Having briefly drafted a sketch of the Lockeian justification we can now turn to its relation with trade marks. In respect of Lockeian property it is submitted that trade marks require labour, they come from a “common”, and they seem to satisfy the “enough and as good” and “no waste” conditions.

3.3.4. Trade marks as Lockeian “labour”

The first logical step in our attempt to link trade marks and Lockeian property theory is to establish if any Lockeian labour is exercised in creating a trade mark, since labour is the cornerstone of the theory. So initially we have to examine if any labour, at all, is spent in the creation of a trade mark.

There are three aspects from which we can apprehend the trade mark labour. First it is the esoteric stage of planning the creation of a trade mark. Then comes the stage of applying the trade mark and putting it in the market; it is then when the action of appropriating publicly something previously not owned takes place.\(^{126}\) Finally - although not in a chronological order - labour can be looked at from the angle of labour invested in building the goodwill that the trade mark symbolises.

The first stage may indeed necessitate a massive amount of labour and investment. Trade mark proprietors employ agencies, specialists, advertisers, designers - almost anyone and anything conceivable - in their attempt to create a trade mark that is meaningful and can capture the imagination and the spending power of the public\(^ {127}\) and

\(^{126}\) In the case of trade marks what is appropriated is letters, numerals, sounds, shapes, symbols etc. in a specific distinctive connotation; the appropriation relates to the distinctive connotation rather than the sign as such.

\(^{127}\) A word trade mark, for example, has to be at least euphonious, easy to remember, evocative and meaningful in its communicative objective, Y. PLASSERAUD, “Selection and Protection of Marks”,
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at the same time satisfy the existing legal tests. Often the result of such campaigns is commercially questionable, but surely, according to the Lockeian labouring standards, the effort invested to the mark-creation would be a sufficient cause to recognise property rights in the object of labour, the trade mark.

Things get more complicated when we deal with other intellectual property rights. In the world of science, for example, the investment and the competition of business on research is tremendous. The days of the lone scientist - inventor are, almost entirely, gone, and patents are awarded to businesses that can afford the speculative investing risks on inevitable inventions. Nevertheless, this is a discussion on balances within a property system rather on a general labour justification of property.

What the trade mark creator is achieving with labour is simpler: she either isolates from the existing visual, acoustic, or any other sensory perceptible common wealth appropriate words, sounds, designs etc. or composes, according to, again common to all, phonetic, artistic, acoustic, or other sensory methods a new sign which serves as a mark.

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28 Industrial Property 70 (1989), at 72. Put another way the criteria for selection are based on the following factors: a proposed mark should be easy to learn and remember, suggest the product class, support a symbol or slogan, suggest desired associations, avoid undesired associations, be distinctive and finally be available and legally protectable, D.A. AAKER, Managing Brand Equity - Capitalizing on the Value of a Brand Name (New York, The Free Press, 1991), at 196.

128 British Telecom for example have paid almost fifty million UK pounds for their new logo and its implementation. At the other extreme some companies "... spent little more than the cost of reprinting their stationery"; see L. KELLAWAY, “What's in a Name?”, Financial Times, October 28, 1993, and S. BAYLEY, “Top Marques”, The Times Magazine, February 19, 1994, for more examples. It is worth referring here to T.D. DRESCHER, “The Transformation and Evolution of Trade marks - From Signals to Symbols to Myth”, 82 TMR 301 (1992) asserting at 303 that "... trade marks, especially in the form of brand names, can become extremely valuable corporate assets". Indeed, according to the director-general of the Institute of Directors, defending their decision to spend sixty thousand UK pounds on redesigning their logo, "... we do our radical policy papers no favour by producing them in banal papers": L. KELLAWAY, “IoD Urges End to “Enterprise Deficit””, Financial Times, February 24, 1994.


130 J. PRANISKAS in Trade Name Creation: Processes and Patterns, a 1968 linguistic study of 2,000 brand names, quoted by W.M. LANDES & R.A. POSNER, in “Trade mark Law: An Economic Perspective”, 30 Journal of Law & Economics 265 (1987), at 271 (fn.11), established that they were formed on the same linguistic principles as other words.
But what is the kind of embodied labour when the trade mark consists simply of the name of the marketer? In chapter three below, dealing with the functions of trade marks, it is shown that a trade mark in an exchange economy is a necessary tool for the manufacturer or trader of non monopolistic products. Now, the link of the producer with her\his tools is something that can be easily apprehended, although not necessarily sanctioned.\textsuperscript{131}

Locke, himself, stated that

\textquote{\ldots every man has a Property in his own person ... The Labour of his Body, and the Work of his Hands, we may say, are properly his},\textsuperscript{132}

and a human is the

\textquote{\ldots master of himself, and Proprietor of his own Person, and the Actions or Labour of it}.\textsuperscript{133}

So first of all, one may combine the use of a name, as part of one’s own person, with the action of one’s own labour and the result will be a persuasive Lockeian argument for granting a property right to the name of the labourer not only as an extension of her\his person but also as a necessary personification of her\his labour.

We can, furthermore, argue that using a name is one of the sequence of

\textquote{\ldots different degrees of Industry ... apt to give Men Possessions in different Proportions},\textsuperscript{134}

leads to the similar conclusion that a mark - be it invented, a name or any other device - is an ingenious process in the legitimate quest for more property and thus it becomes a

\\textsuperscript{131} It is tempting to quote here Marx who remarked that in a craft system "\ldots the worker and his means of production remained closely united, like the snail with its shell" in K. MARX (B. FOWKES, trans.), volume 1, Capital, (New York, Vintage, 1977).
\textsuperscript{132} LOCKE (1968), at 305-306, II.27.
\textsuperscript{133} Ibid, at 316, II.44.
\textsuperscript{134} Ibid, at 319, II.48.
"natural", in the Lockeian sense, object of property rights. The weakness of this argument lies in its circularity: we use property to justify what creates it, and that may be a successful but strenuous, for the legitimisation of property, exercise. The use of trade marks as a marketing novelty, nevertheless, enables us to move on to the third evidence of labour in trade marks, leaving the second for the end.

Business goodwill has been long recognised as a valuable asset and in the early nineteenth century it has been associated with the actual place of business, being simply, reading it almost as a real property right. The argument is that, since someone has built, spending labour, amongst other factors, a reputation, it is ethical for her/him to expect that a property will be awarded to safeguard this reputation. The general argument of Locke could lead us to the same conclusion: the core of the Lockeian argument is that labour creates a right to property and it does not take a too big leap to move from property on a trade name to property on a reputation. It is better though to avoid interpreting Locke too liberally. It suffices here to say that what is worth stealing may be worth protecting but what is worth protecting is not always property.

We have now reached the crucial point of making the claim to a mark, by now the result of labour or an extension of one's person in connection with one's labour, public. There are two ways of achieving this, depending on the formal requirements and custom. The first is by actually putting the mark in the market. This can only be done by relating it to some particular product, because otherwise the property claim would be too feeble and

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135 Per Lord Eldon in *Cruttwell v. Lye* (1810) 34 Eng. Rep. 129, at 133. See also the unequivocal statement of Lord Lindley in *Inland Revenue Commissioners v. Muller and Co's Margarine Ltd* [1901] AC 217 (H.L), at 223, that "...it is very difficult ... to say that goodwill is not property ... [it] is bought and sold ... [it] may be acquired ... in any of the different ways in which property is usually acquired ... [its proprietor] may vindicate his exclusive right to it ... by process of law". For comments on this case and further references see VANDEVELDE (1980), at 335.

136 So reputation is protected against deception under the tort of passing off or more directly under a trade mark registration system.

137 In passing off names such as Harrods - *Harrods Ltd v. Harrod (R) Ltd* [1924] RPC 74 - or Annabel's - *Annabel's (Berkeley Square) v. Schock* [1972] FSR 261, obtained protection.
lacking the decisiveness we described earlier. It would be similar to the argument that watching a rabbit gives a right to its meat. The other way would be by some form of registration but this should also be followed by actual use because otherwise the “no waste” condition would be breached as we will see below.

What has happened in the whole process is that the trade mark creator has appropriated and then, in a way, returned the mark to the commons, making them a richer place, because either a brand new addition has been made or a new connotation has been attributed to an existing part of the commons; at the same time a property right in the new addition or connotation has been recognised. This sequence of actions will be easier understood if we turn to the commons and examine them before and after the appropriation.

3.3.5. The “Commons” for trade marks

“Wealthy traders are habitually eager to enclose part of the great common of the English language and to exclude the general public of the present day and of the future from access to the enclosure.”

It is true that it is a troublesome exercise to compare the Lockeian world of Nature containing the “Meat and Drink, and such other things”, with the commons of words and ideas. What must be established is that the world of ideas falls within the Lockeian perception of “commons”.

Ideas are capable of universal possession, their vital characteristics are non exclusivity in use, probably absolute non scarcity, and minimal costs of transfer and replication;

138 Sir H. Cozens-Hardy MR, in Crosfield & Son’s Appn (Perfection) [1909] RPC 837, at 854. For a more current representation of a similar sceptic approach see British Sugar Plc. v. J. Robertson & Sons Ltd [1996] RPC 281.

139 LOCKE (1967), at 303, II.25.

all the above are in evident contrast with physical objects.\textsuperscript{141} Things get more complicated when we add to the above the fact that the societal value of an idea or information is multiplied in direct analogy to the occurrences of its use. This, unfortunately, does not happen to other consumables, unless it constitutes a miracle. I can read a book and leave it in perfect order for my fellow human but I cannot do the same with the food and drink that I consume, and, as a result, if I want to feed myself I have to prevent others from depleting my provisions, whilst I do not have to do the same for an idea for a medicine. Consumption is not fatal for ideas and information and therefore rationing is not necessary. We can safely assume that the stock of ideas and information represent a primary resource for societies and that the value of the stock depends on its spreading among the members of society rather than in its safeguarding.

The matter of exchange value is of course a different question. In the case of physical goods the answer may be traced in the demand - rational or not it does not matter - combined with their scarcity. For objects of intellectual property rights - trade marks apart - the answer lies in the substitution of the notion of inherent scarcity with that of fictional scarcity as a generator of value. Fictional scarcity is created by secrecy; an idea that is kept secret might worth millions, and become worthless, albeit only for its "proprietor", once it is published.\textsuperscript{142} In antithesis, it is a trade mark kept secret that is worthless, since the expectation of its creator is to make it notorious. So what attributes value to a trade mark is the exclusivity of its linking either with a particular product or line of products or with a specific origin, defined in the widest possible sense, of a product, the associations conveyed to the consumer, and the information carried,

\textsuperscript{141} T. Jefferson, in one of his letters to Madison, likened ideas to fire; they were expansible over all space and to air and incapable of confinement or exclusive appropriation: as mentioned at 67 and fn. 13 in Jefferson and Property Rights by J. YARBROUGH in E. FRANKEL PAUL & H. DICKMAN (eds), Liberty, Property, and the Foundations of the American Constitution (Albany, State University of New York Press, 1989).

\textsuperscript{142} Although the question will be fully developed in part three below some repetitions could not be avoided. See R.J. ROBERTS, "Is Information Property?", 3 Intellectual Property Journal 209 (1988), at 210-211.
through it, in both directions - marketer to consumer and vice versa. In essence use in trade is what attributes value to a trade mark.

Exchange value, though, was convenient but irrelevant to a Lockeian property theory as we have seen above. Not least because he believed that "God has given all things richly". Now, this natural wealth is much more easily reconciled with the abundance of res that are capable of becoming trade marks than the prosperity, as envisaged by Locke, of the commons of physical objects. The commons of ideas, language, etc. conform better with these descriptions and may satisfy, much more than physical objects, the notion of "inexhaustibility" that validates morally his property theory. Still, it can be argued that ideas for trade marks are limited. Combinations of existing words or coinage of new ones, for example, may not be infinite since only a small number of linked phonemes - sound groups - enter the spoken language, and linguistic change is neither a quick nor an easy process. Yet, in comparison with anything else that is valuable and scarce, the supply of ideas will always remain enormous and

143 See chapter three above on the functions of trade marks.

144 "Trade mark rights, not surprisingly, are generally confined to the commercial arena.": FIRTH (1995) at 38. For example in passing off a political party could not gain protection for their name under passing off, Kean v. McGivan [1982] FSR 119; on the other hand a professional organisation is deemed to be involved in some sort of trade activities, BMA v. Marsh [1931] RPC 565. The question of whether infringing use must be in the course of trade is important because if any use could constitute infringement then the scope of the property right would be extended substantially. See Mothercare v. Penguin Books [1988] RPC 113, for a straightforward negative answer under the 1938 Act. Bravado Merchandising v. Mainstream Publishing [1996] FSR 205 seems to widen the scope of protection under the 1994 Act whilst British Sugar v. James Robertson [1996] RPC 281, is a successful acrobatic exercise in limiting the scope of protection without disagreeing with Bravado; see also FIRTH (1995), at 40-41 and E. GREDELEY & S.M. MANIATIS, "People you know yet you can't quite name ..." Fair or Foul in the "Wet Wet Wet" Case?, [1996] Entertainment Law Review 99.

145 1 Tim. vi. 17, in LOCKE (1967), at 308, II.31.

146 HUGHES (1988), at 315.


148 See the general presentation, at 57-88 for the phonetic, and 133-154 for the semantic changes, of R. ANTITALA in Historical and Comparative Linguistics (Amsterdam, J. Benjamins, 1989).
continuous. Trade marks are an important but minuscule, in terms of size, sector of the ideas world. Therefore we may conclude that the commons of language and ideas are a perfectly sized Lockeian state of nature providing the essentials for the creation of trade marks.

Finally we have to ensure that these commons, in their state of nature are not owned, otherwise their components cannot become legitimate objects of property. We have seen above that the order of this initial stock is very similar to Locke's state of Nature for other consumables, and initially is held in common. The initial stock is free for all to use, but what happens with property rights? It is submitted that appropriation is possible only for new ideas built on the basis of the common stock, because only they incorporate the labour that has to be exerted. The "idea", if we are strict in our interpretation, would cover only coined and arbitrary marks; if our criteria are relaxed it could also cover suggestive marks. But, in any case, the "idea" covers the linking of a sign with a particular product rather than the sign as such. Therefore property rights in them can be accepted since they will not affect the initial "commons".

Of course some of the signs which could constitute a trade mark are limited; solid colours not spatially confined are one example; it has been widely argued in the US that according to a "colour depletion theory" colours will, soon, not be available as signs for trade mark use, if rights to solid colours are recognised. However this does not create a problem if what is covered by the property right in a colour as a sign is the link of a particular product with the solid colour rather than the solid colour as such. For the UK initial cautious approach on colours under the 1938 Act see Unilever Plc's TM [1984] RPC 155 and Smith Kline & French's Application [1976] RPC 511. For the American liberalised approach see Owens Corning Fiberglass Corp. 774 F2d 1116, 227 USPQ 417 (C.A.F.C. 1985) and Qualitex Co. v. Jacobson Products Co., Inc. 34 USPQ2d 1161(1995); see also M.S. SOMMERS, "Owning your Own Colour", Trademark World, May 1995, 18. Confirming that appealing symbols for particular products are limited T. PAVIA & J. COSTA, in Gender Dimensions of the Alphabetic Characters With Implications for Branding, in J. COSTA (ed.), Gender and Consumer Behavior (Thousand Oaks, Sage, 1994) examine the phonetic symbolism of letters find that products named C, L, and Y are strongly associated with women. In reality KL, MCM, and Y are actual trade marks for fragrances for women. MCM was an innovative combination of the aggressive letter M with the feminine C aiming at professional women. So a property right in Y for women's fragrances would deplete the commons of attractive letters for products targeting women.

Of course the extent of protection and the concise definition of the object of property are significant in establishing the effect of the exercise of the right on the commons. In passing off, for example, property on the shape of a product, in particular if the shape is functional, would devastate the "commons" for the particular product; see for example Edge v. Nicolls [1911] RPC 582, and Reckitt & Colman v. Borden [1990] RPC 340. Jacob J., on the other hand, delineates the limits of the property right under the 1994 Act commenting on section 10 and setting that it "...requires the court to assume the mark of the plaintiff is used in a normal and fair manner in relation to goods for which it is registered and then to assess a likelihood of confusion in relation to the way the defendant uses..."
The question of the type of property right recognised cannot be answered definitively because of the difficulty to interpret the Lockeian theory in accordance with our understanding of private property. But since the creation of new ideas satisfies the criterion of labour and it is possible to define the commons, from where trade marks derive, there is no reason why trade marks cannot be objects of the elusive Lockeian private property right if they can fulfil the two provisions set by Locke.

3.3.6. The “Commons” after the appropriation and the two conditions

Ideas are not destroyed by consumption, therefore property rights in them do not need to be, and cannot be, absolutely exclusive. It would be impossible, if anything else, to police the exclusivity. Ideas are also easy to divide, transform, and adapt. These characteristics allow us, in essence, to notionally carve of them distinguishable segments and attribute accordingly separate property rights without destroying the total. The action of carving may be shown in copyright by referring to the rules requiring that a substantial part of the work must be copied to constitute infringement, therefore copyright on a novel relates only to one distinct expression of an idea for a novel not to the core idea itself. In patents, there is a general rule that only the inventions that have been embodied into technical applications are patentable, thus, and to the extent that the patent relates to the conception as such, discoveries, scientific theories and mathematical methods are not patentable. In trade marks, property rights are confined to marks which are capable to create an association in the mind of the customer between


151 It must be obvious by now that the terms of ideas, words, information are used as denoting similar notions. The truth is that words and ideas are the content of information which, in turn, is the act of delivering a message: F. MACHLUP, Semantic Quirks in the Study of Information, in F. MACHLUP & U. MANSFIELD (eds), The Study of Information: Interdisciplinary Messages (New York, Wiley, 1983), at 642. It is submitted that for our purposes the successiveness of the terms is not conceptually confusing.

152 Ladbroke v. Hill (1964) 1 WLR 273, at 291: “The law has not found it possible to give full protection to the intangibles.”

153 To prove infringement it must be shown that the plot and not a simple starting idea has been copied.

154 CORNISH (1996), at 177.
the mark and specific products, but they do not confer property on the signs constituting the marks.\textsuperscript{155}

If the idea-expression distinction was more authoritatively developed by the courts,\textsuperscript{156} it would serve as an excellent tool to envisage the commons before and after the appropriation. The idea remains in the common pool of knowledge, property rights are attributed to each expression and the expressions that incorporate new ideas are split, permitting the return of the idea-section to the commons whilst leaving the individual expression to the property sphere of the creator.\textsuperscript{157} Apparently the carving of ideas-expressions facilitates the creation of new ideas, since the commons is always augmented either directly after the expiration of intellectual property rights\textsuperscript{158} - though not in the case of trade marks which can be protected indefinitely\textsuperscript{159} - or indirectly.

The reader should note here that what is suggested, at this point, is not that granting of property status to patents, copyrights and - we must add trade marks - inevitably leads to the "... encouragement of individual effort by personal gain";\textsuperscript{160} such a leap would also require a functional analysis of each intellectual property right separately. It is submitted

\textsuperscript{155} Rules on distinctiveness, generic and descriptive marks etc. and requirements for actual use, common in many trade mark systems, are telling examples. R. BROWN in "Advertising and the Public Interest: Legal Protection of Trade Symbols", 57 Yale L. J. 1165 (1948), is stating, at 1206 that: "In an acquisitive society, the drive for monopoly advantage is a very powerful pressure. Unchecked, it would no doubt patent the wheel, copyright the alphabet, and register the sun and moon as exclusive trade-marks". It is submitted that the checks also represent the inability of humans to patent the wheel etc.

\textsuperscript{156} CORNISH (1989), at 289.

\textsuperscript{157} HUGHES (1988), at 310-314. Although his examples are strained - he is looking at historical cases of copyright as if current law would lead to the same results - he, too, reaches the same conclusions. Section 48 of the UK 1977 Patents Act serves also as an example: section 48(3) provides that a patent cannot be used in order to hinder development of new ideas deriving from the first patent.

\textsuperscript{158} Property rights in patents and copyrights are in that sense like long leases. Trade secrets can last indefinitely but according to our interpretation they lack property status since they have not been made public.

\textsuperscript{159} So trade marks rights should be limited only to the extent that are used in the course of trade. In principle use not in a trade mark sense should not fall within the property exclusion zone and equally protection should temporally coincide with the actual use of the trade mark by the proprietor.

\textsuperscript{160} Mazer v. Stein 347 US 201, 100 USPQ 325 (1954).
though that if we accept the Lockeian criterion of labour\textsuperscript{161} then the granting of property rights will not necessarily drain the world of ideas but to the contrary will enrich it to the extent that the “enough and as good condition” is satisfied.

The non-waste condition is more delicate and controversial. We have seen that the object of property must not be wastefully destroyed and although it is difficult to follow what Locke exactly meant, and even more so to adapt it so as to fit a contemporary property theory, the requirement must be present if we want the theory to be rightful. An idea that is not used will never spoil like food but deterioration can be perceived if seen against a “social backdrop”.\textsuperscript{162} It is the backdrop that suffers - being excluded from the idea - in the same way that the spoilage of food is preventing other potential consumers from appropriating it and thus has to be returned to the commons before it becomes unusable for personal consumption or exchange in the money-economy.

Similarly patents have to be used, trade marks to be applied in the market and so on, not only because society will suffer\textsuperscript{163} but also - according to Locke’s reasoning - because other individuals are not able to seize what should be in the commons but instead is becoming unusable.\textsuperscript{164}

When we look at the more developed economies it seems that, although defensive patents and trade mark registrations exist, market competition and legal rules tend to satisfy the principle. Time limitations of intellectual property rights are one of the more

\textsuperscript{161} Put otherwise: if we accept that “… sacrificial days devoted to such creative activities deserve rewards”; ibid.

\textsuperscript{162} HUGHES (1988), at 328.

\textsuperscript{163} NOZICK (1974), at 181, argues that a scientist who discovers and appropriates a new substance does not deprive anyone else. It would not be possible since the new substance was not there in the first place. This suits the “enough and as good” provision but fails the spoilage provision which for Nozick is superfluous, at 176. In respect of registered trade marks non use will render registration liable to revocation; in passing off assignment of a mark in gross without the goodwill - breaking the link with use - would be considered abandonment of the mark, which returns to the commons: \textit{Star Industrial v. Yap Kwee Kor} [1976] FSR 256.

\textsuperscript{164} NOZICK, ibid, expands the new substance example in order to justify limitations on the inheritance of physical goods because “… as time passes, the likelihood increases that others would have come across the substance”. 
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direct means to reset the equilibrium in the commons. Giving or - more often - threatening to give compulsory licences for patents have a similar effect. Especially for trade marks where the right can be infinite and the imposition of compulsory licensing would only create confusion in the market, the use-requirements are a powerful incentive to actually apply the mark.

But if we bring into consideration the less developed economies and the pressures and conflicts between the two when questions of trade, trade agreements, and technology

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165 See HUGHES (1988), further expanding Nozick’s substance example.

166 CORNISH (1989), at 205 supports that in industrialised countries it is the threat of invoking compulsory licences that works as an incentive for the patentee to use his patent.

167 Section 26 of the UK 1938 Trade Mark Act. See also Imperial Group v. Philip Morris [1982] FSR 72 setting that the use must be real. Test marketing was not enough. Similar provisions exist in several states. See for France, A. CHAVANNE & J. BURST, Droit de la Propriété Industrielle (Paris, Dalloz, 1990), at 658-674 and as an indication see Gluckssee Milchgesellschaft v. Besnier, 1982 Ann. Prop. Ind. 147, where an international mark for milk and milk products was expunged since it was applied only on cheese. For a review of the general situation in Europe prior to harmonisation see Use to Maintain Rights in EC Countries (London, ECTA, 1987).

168 See, for example, the authoritative study on patents of F. MACHLUP, An Economic Review of the Patent System, Study No. 15 of the Sub-Committee on Patents, Trade marks and Copyright of the US Senate, 1958, at 42-43.

169 See A. P. BRAGGA, “The Economics of Intellectual Property Rights and the GATT: A View from the South”, 22 Vanderbilt Journal of Transnational Law 243 (1989), at 258-261 briefly presenting the pros and the cons and, at 264, concluding that “... unilateral actions designed to force LDCs to reform their intellectual property systems may backfire ...”, for a contrary view see R. McQUISTON, “Developing Countries are Undermining Corporate America’s Capacity to Market its Creativity, a Call for a Reasoned Solution by the United States Government in Light of the Continuing Deterioration of the International Trade Mark System”, 14 Syracuse Journal of International & Commercial Law. 237, (1987). For an “historical” overview see A. OXLEY, The Challenge of Free Trade (New York, Harvester Wheatsheaf, 1990), in particular at 100-111, where the incentives for and the results of a closer collaboration between developed and developing are being presented. Finally see C.J. ARUP, “The Prospective GATT Agreement for Intellectual Property Protection”, 4 AIPJ 181 (1993), arguing, at 182, that the new methods of dispute resolution in IP which will make protection a matter of public as well as private international law will mean that “... international standards and processes will reach far into the domestic law formation of the contracting parties”, referring to a more general theory expressed by Y. DEZALAY, in “The Big Bang and the Law: The Internationalization and Restructuration of the Legal Field”, 7 Theory, Culture and Society 279 (1990). Inevitably, at an initial stage the balance of inconvenience will be against developing countries, based on the usual arguments about incentive rewards and so on, but it remains to be seen what will be the reaction of developed economies when the rest will start invoking public international measures for the protection of their own intellectual property. Kingston in W. KINGSTON (ed.), Direct Protection of Innovation (Dordrecht, Martinus Nijhoff, 1987), argues, at 23-24, that Model Laws proposed to the third world countries are based on the, now, confounded assumptions that protection of inventions would reduce the time needed by poor countries to reach the technology levels of rich ones and also that such laws would advance the inward flow of investment; in reality there was a basic incompatibility between indirect protection of innovation and the realities faced by such economies. For a similar argument see J. HILLS, Economics as Ideology, The World Bank and Privatisation (unpublished paper, 1995) arguing that the anglo-american model
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transfer arise,\(^{170}\) it seems that the intellectual property system is either deficient or not ethically valid. The cry of those in defence of poorer regimes - in terms of economic indicators and strength of intellectual property protection - that intellectual property rights should be granted only when their proprietor is actually using them seems valid.\(^{171}\) Contradictory claims on property could be avoided under a system of compulsory licensing of those intellectual property rights that are not put into production\(^{172}\) or the setting of quality standards when internationally known marks are used for dumping purposes.\(^{173}\) In intellectual property the days of the empire seem to have gone by and owners of international trade marks should take advantage of the newly introduced legal regimes and support them by obtaining registrations rather than

"... to sit back and await unauthorised imports, which can be attacked with the big stick of the ITC. At present the level of US and European registration of trade marks in developing countries is very low. If these registrations are not forthcoming, it may take more than threats, promises and diplomacy to get those countries to raise their IP standards higher in the future".\(^{174}\)

It is this kind of conflict that was described above, which has to be resolved through public policy, which in turn can be drawn only after a thorough unbiased consequentialist analysis combined with a review of all deontological arguments.

\(^{170}\) See, for example, J. PHILIPS, "Some Thoughts on the Transfer of Technology", Vol. 22, Nos 4-5, The Inventor.

\(^{171}\) H. JEWRY, Criticism of the International and National Intellectual Property Systems in Zimbabwe and Developing Countries, a mimeo of the University of Zimbabwe (14 March 1988), as quoted by U. KUMAR, in "Benefits of the Industrial Property System and the African Developing Countries", 16 (3) World Competition 71 (1993), at 71 (fn.7). For the contrary view see R. RAPP & R. ROZEK, "Benefits and Costs of Intellectual Property Protection in Developing Countries", 24 Journal of World Trade 75 (1990), where it is argued that the benefits by far overcome the costs.

\(^{172}\) Since "... by far the most important reason for taking out patents in developing countries is to import to these countries and be protected from imitator’s imports": H.E. GRUNDMANN, "Foreign Patent Monopolies in Developing Countries: An Empirical Analysis", 12 Journal of Development Studies 186 (1976), at 186. See also the complete discussion of KUMAR, ibid.

\(^{173}\) Colgate Palmolive v. Markwell [1988] RPC 283 is a good example.

Locke overlooked such problems but has nevertheless written that only God could be,

"... Proprietor of the whole World, [and] may deny all the rest of Mankind Food, and so at his pleasure starve them, if they will not acknowledge his Soveraignty, and Obey his Will".\(^{175}\)

Advocates of private property using a Lockeian justification should keep this quote in mind.

### 3.3.7. Concluding remarks

Concluding it is submitted that it is difficult to satisfy all of Locke’s requirements, albeit this has more to do with disparities that Locke failed to examine, than with the original labour rationale which has become part of most property theories. The two qualifications also form a powerful basis that has to be developed further in order to satisfy our basic moral criteria. It has been shown that trade marks fulfil the labour requirements and potentially can satisfy the two provisions.

### 3.4. The justification based on personality

#### 3.4.1. Hegel’s Property Theory

Hegel offers a classic, complementary, alternative to Locke’s property theory.\(^ {176}\) It is complementary for two reasons: first, because for Hegel it is work that brings out humans’ “creative and intelligent capacities” rather than consumption,\(^ {177}\) and second

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\(^{175}\) LOCKE (1967), at 187, I.41.

\(^{176}\) Locke’s theory has been contradictory but easy to understand. Hegel’s “... intricacy of ... thought is the theme of the commentator and the experience of the student”, as perceived by CAIRNS (1949), at 503. Therefore a schematic approach cannot be avoided.

\(^{177}\) See A. RYAN, Property and Political Theory (Oxford, Basil Blackwell, 1984), at 120, interpreting Hegel’s alarm on the division between property owners and property-less - who cannot fulfil their citizenship role - developed in Jenaer Realphilosophie - excerpts in R. PLANT, Hegel (London, Allen & Unwin, 1973). Ryan’s ideas are developed further in A. RYAN, Hegel on Work, Ownership
because an interpretation of Locke's theory that points to a logical sequence of property rights that people have initially in their bodies and labour and only then to the object of the labour is bringing Locke closer both to the property theory based on "deserts" and the Hegelian starting point.

Hegel was clearer on the kind of right we have in ourselves, departing from Locke's individualism. We possess our bodies in a natural way, but they are not our property; if they were, then their alienation or destruction would mean the collapse of the two notions - object of property and proprietor - and their simultaneous tearing down. Setting that our capacity for rights, together with our ethical life and religious feelings are inalienable Hegel lays minimum moral standards and at the same time avoids some inconsistencies.

His scope was to enable us to gradually grasp mentally the truth about "Right, Ethics and the state", which we recognise and enact in our everyday life through the "law of

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178 A line of argument that probably started with J.S. MILL (W. ASHLEY ed.) in Principles of Political Economy with some of their Applications to Social Philosophy, (London, Longman's Green, 1909); Mill went a step further from Locke and influenced many of the future commentators, including Becker.

179 See C.J. BERRY, Property and Possession; Two replies to Locke - Hume and Hegel, in PENNOCK & CHAPMAN (1980), at 90-91.

180 A body should be "... the willing organ and soul-endowed instrument of mind": G.W.F. HEGEL (T. KNOX, ed.) Hegel's Philosophy of Right (Oxford, Oxford University Press, 1952), at 43, par. 48. All references to Hegel will be to this work, unless stated otherwise.

181 HEGEL (1952), at 53, par. 66. But could it be possible to establish property rights in parts of ourselves, could we for example sell one arm and keep the rest, which can still function? Hegel set, at 43, par. 47, that our bodily organisms are "... universal in content and undivided". See the discussion of A.T. SMITH, "Stealing the Body and its Parts", [1976] Criminal Law Review 622, P. MATTHEWS, "Whose Body? People as Property", 36 Current Legal Problems 193 (1983) - concluding that instead of applying property rules it is public policy that has to regulate the market of human spare parts - and finally the unpublished paper of S.R. MUNZER, An Uneasy Case Against Property Rights in Body Parts, presented at W.G. HART Legal Workshop, 1993, IALS; Munzer following a Kantian analysis of dignity rejects the legitimacy of the, yet undefined, market for human parts.

182 A telling, for the pedagogic character of his theory, detail of his life is the fact that, in 1808, he accepted happily a place as a teacher at the high school in Nuremberg. It provided him with a stable income and a link with science. F. WIEDMAN (F. PREVEDOUROU trans.), Hegel (in Greek) (Plethron, Athens, 1985), at 47.
the land”, “in the morality of everyday life, and in religion”. The nucleus of the theory lies in the existence of “personality”, that provides the means to start the journey out from oneself - only when that is completed can a person claim to know herself “as united in its innermost being with the truth” - and is identified as the force “... which struggles to lift itself above this restriction [of subjectivity] and to give itself reality, or in other words to claim that external world as its own”, enabling the individual to realise itself and thus “... translate his freedom into an external sphere in order to exist as an Idea”. Human spirit can attain self consciousness only after the separation from “... nature, society, God and fate” and the realisation of the human will. At the end, those dichotomies do nothing more than create mirror images - since the truth is unique - and personality returns to society, the only place where the new-found freedom can be relished. In this long venture between creation, alienation, and re-appropriation of

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183 HEGEL (1952), at 3. The Preface is further evidence of the pedagogy of his work. But see K. MARX, (B. LYCOUDIS trans.), A Critique of the Hegelian Philosophy of State and Justice (in Greek) (Papazisis, Athens, 1978), at 139. He characterises as an anomaly the theorem that the highest synthesis of the political State lies in property of land and the life of family.

184 HEGEL, ibid. RYAN in PELCZYNSKI (1984), is describing the process of creation, alienation and reappropriation of the world as follows: “Geist or Spirit creates a world which is initially blankly alien or other, object not subject; this world, though it is the creation of Geist, is not seen to be such until it is wholly understood, until Geist has so to speak recapitulated in understanding its creative achievement and comes to see the world not as object but subject.” See G.W.F. HEGEL (A.V. MILLER trans.), The Phenomenology of Spirit, (Oxford, Clarendon Press, 1977), at 10-12.

185 HEGEL (1952), at 38, par.39.

186 Ibid, at 40, par.41.

187 TAYLOR (1979), at 15. Taylor’s discussion in 14-31 can help us understand Hegel’s principle of embodiment.

188 For the fundamental link between individual and society see RYAN, in PELCZYNSKI (1984), at 133 and K.H. ILTING, Hegel’s Concept of the State and Marx’s Early Critique, in PELCZYNSKI (1984), at 100 onwards.
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reality and history, human personality must be objectively witnessed in the real world otherwise, in its subjectivity, it will be “a contradiction and a nullity”.

Societal acknowledgement is made possible by the actualisation of human personality, which has many facets and sources. Nevertheless the action of appropriating has a twofold particular significance. As an absolute right because a person is giving to external things an end, destiny and soul, all deriving from human will. They are thus made worthy not as “ends-in-themselves” but as the steps towards self realisation. And second as a private property right because, it becomes “the personality” of a “unitary will”. Property is

“... the means whereby I give my will an embodiment, [and] must also have the character of being “this” or “mine”. This is the important doctrine of the necessity of private property”.

So property, initially or at a certain stage, in Hegel’s theory, has to be private. But by enacting this in his more general philosophy he is a more exhaustive advocate of private property than Locke. Apart from that Hegel makes clear in his didactic preface, that, as a philosopher, he is dealing with “... what is”, because “... what is, is reason”, so private property being an, arguably, universal institution is part of reason and has to be

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190 HEGEL (1952), at 38, par.39.
191 And some of them may collide with property: See HUGHES (1988), at 336.
192 HEGEL (1952), at 41, par.44. At 236, par.44A it is added that: “... the thing as externality, has no end in itself; it is not infinite self relation but something external to itself”. See also D. KNOWLES, “Hegel on Property and Personality”, 33 Philosophical Quarterly 45 (1983), at 48-49 and WALDRON (1988), at 356. This can also be seen as a further argument against slavery in furtherance of Hegel’s views on slavery, at 48, par.57.
193 HEGEL, ibid, at 236, par.46A.
194 Some, like CARTER (1989), at 96, argue that this is a kind of gloss that enables Hegel to put the cart before the horse.
deal with.\textsuperscript{195} Even if we disagree with his conclusions on private property, his reasoning may be valid for a wider justification of property.\textsuperscript{196}

Both the absolute and the private right are parts of the Abstract right, meaning the body of abstract principles, such as the right to life, to property and personal liberties; concepts that underline all positive and rational legal systems.\textsuperscript{197}

Appropriation for Hegel starts with the necessities of life but he goes a step beyond Locke by side-tracking from the Lockeian natural and historical justification.\textsuperscript{198} There is something more in property rights than instinctive human behaviour and this can be found neither in use nor in exchange-generated wealth.\textsuperscript{199} The significance of property lies in its being one of the ways to develop and understand our personality, the expression of our will to occupy, the means of setting the boundaries between proprietor and the rest of society\textsuperscript{200} and finally a way for society to express respect for the individual’s personality through the recognition and respect of property rights.\textsuperscript{201} It is

\textsuperscript{195} HEGEL (1952), at 11.
\textsuperscript{196} See WALDRON (1988), at 373-375.
\textsuperscript{197} As defined by Z. PELCZYNSKI, The Hegelian Conception of Right, in Z. PELCZYNSKI (ed.), Hegel's Political Philosophy: Problems and Perspectives (Cambridge, Cambridge University Press, 1971), at 8.
\textsuperscript{198} For Hegel the “animal” desire for the bare necessities for life would be a necessary - but not sufficient - condition for self consciousness. D. KOJEVE, Introduction a la Lecture de Hegel (Paris, Gallimard, 1944), at 11, as quoted by BERRY in PENNOCK & CHAPMAN (1980), at 95 and fn.13. Hegel wants to establish that there is “... a deeper ethical significance in [the human] in ... ownership of property”, see WALDRON (1988), at 352.
\textsuperscript{199} HEGEL (1952), at 49, par.59.
\textsuperscript{200} Although Hegel was strongly opposed to Enlightenment’s view of the man “... as the subject of egoistic desires, for which nature and society provided merely the means for fulfilment”, C. TAYLOR, Hegel and Modern Society, (Cambridge, Cambridge University Press, 1979), at 1.
\textsuperscript{201} S. AVINERI, in Hegel’s Theory of the Modern State (Cambridge, Cambridge University Press, 1972), at 136, states: “[t]hrough property man’s existence is recognised by others, since the respect others show to his property by not trespassing on it, reflects their acceptance of it as a person”. Now we may or we may not agree with such a showing of respect for the individual, but we must not overlook the fact that it is only one - though essential - mechanism by which individuals recognise each other. RYAN (1984), at 131, asserts himself that “[p]roperty is only one way in which modern man finds himself at home in the modern world”. WALDRON (1988), at 348, fn.9, is dismissive of this approach, but he overlooks property’s complementary character. However, he does visualise the Hegelian property as “... a stage in a process of individual and social development".
perhaps telling to note here the progress on the recognition of women rights in general, their rights on property and the parallel expansion of property rights.  

Here it must be emphasised that, for Hegel, there are no defined particular property rights that are essential for the development of personality, but rights in general certainly are. People are free - and rational - to choose the kind of property to obtain and the social role they attempt to fulfil.

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202 The reference here is to a pattern of parallel - but not necessarily coinciding chronologically - development. The question of women and property is controversial, as any dealing with inequalities, but can offer a valuable insight to the notion of property and accordingly to the understanding of intellectual property. See first the moderate view of C.M. ROSE, who in “Women and Property: Gaining and Losing Ground”, 78 Virginia Law Review 421 (1992), adheres to the view that allocation of property is only an aspect of our society, sets from the outset, at 423, that she is “... not arguing that women would be better off in a world without property or entitlement generally”, and, at 431-433, offers a description of a non-market “economy” of domestic relations, an alternative that coexists with the market economy. Her views can be contrasted with the more radical feminist approach of S. COONTZ & P. HENDERSON, in Property Forms, Political Power and Female Labour in the Origins of Class and State Societies, in S. COONTZ & P. HENDERSON (eds), Women’s Work, Men’s Property (London, Verso, 1986), suggesting, at 111-112, that “... the roots of female subordination lie 1) in the growth of an incentive for property - owning kin corporations to privatize both female productive and reproductive capacities and 2) in the greater expansionary potential of kin corporations where women were the movable partners at marriage”. Historically the evolution of women’s status as property holders in the English society is described by S. STAVES, Married Women’s Separate Property in England, 1660-1883 (Harvard University Press, Cambridge, 1990), concluding, at 229, that, looking from the middle ages to the present, “... the same struggles appear to be repeated over and over again with only minor variations of vocabulary, depending on what particular forms of property were important at different historical moments”. Is it, then, a telling detail that the large majority of inventors, trade mark owners are men? See for example P. MOUSSA, Women Inventors (Geneva, WIPO, 1991) for a number of exceptional - in both its meanings - women inventors. It is worth looking at two more historical notes that do not establish any of the two theories but emphasise the trends described by Staves: M. SALIOU, in The Processes of Women’s Subordination in Primitive and Archaic Greece, in COONTZ & HENDERSON (1986) and the conclusions of M. SALMON, in Women and the Law of Property in Early America (Chapel Hill, University of North Carolina Press, 1986), at 185-193, where the regional differences in the US are described as almost anarchic and the close more general link between economic and ideological forces in promoting legal change is being demonstrated. Finally for a contemporary problem see the paper delivered at W.G. HART Legal Workshop 1993 by A. LAWSON, Acquiring a Beneficial Interest in the Family Home: The Detrimental Reliance Test: would the next step forward for common law be a whole heartedly adoption of “unjust enrichment” on the question of women’s contribution to the family fortune? And if unjust enrichment is accepted in one field then would it be too much to expect that “unjust enrichment” could become the principle on the basis of which a general tort of “unfair competition” is adopted. Substitution of “deception” by “unjust enrichment” as the basis of passing off is proposed by KAMPERMAN SANDERS (1995), at 83-122.

203 RYAN in PELCZYNSKI (1984), at 124.

204 See HEGEL (1952), at 35-36, par.33, for the interrelation of the individual and the truth that can be found in the “... universal ... characterised as something inward, the good, and also as something outward, a world presented to the will; both ... are mediated only by each other”.

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3.4.2. Some qualifications on Property

Hegel, dealing with poverty and its relation to property, expanded the subject matter of property. Summarising his argument we can say that in the reality of the exchange economy what we own is the value of the object and not the object itself.\(^{205}\) The value can be quantified as monetary value. But our skills, labour etc. can be contracted\(^{206}\) and their value can be represented in the same way, and generate income, therefore they, too, can be seen as property assets.\(^{207}\) In that way property requirements are more easily satisfied and there is a chance for all of us to develop our personalities.\(^{208}\)

Of course we cannot alienate the whole of our labour because then we would be made slaves, because we would

\[\ldots\text{ be making into another's property the substance of [our] being, [our] universal activity and actuality, [our] personality}.\]^\(^{209}\)

Nevertheless, in modern societies, there are people in the fringes of property, when property is seen as wealth: the very rich and the very poor, who do not or cannot work.\(^{210}\) There is also a class of absolutely propertyless “rabble” for which property benefits are irrelevant.\(^{211}\) Hegel had no obvious answer on that. It is not even clear if he perceived the existence of the propertyless as another threat to civil society or as a class

\(^{205}\) See HEGEL’s discussion of Exchange, ibid, at 62-63, par.80.
\(^{206}\) Ibid, at 57, in par.71, titled “Transition from Property to Contract”, is holding that property may express not only the subjective will of the owner but may be part of a collective will, as in the case of contractual relationships.
\(^{207}\) Commodification is a valid notion in the case of “facts” as the content of information. The argument is that facts once put in the market are commodified and thus ex-post propertised.
\(^{208}\) The sketch is crude, but for a better analysis see RYAN in PELCZYNSKI (1984), at 134-136, and AIRAKSINEN in KIPNIS & MEYERS (1985). See also WALDRON (1988), at 384-385, and finally HEGEL (1952), at 237, par.49A, “... men are equal, but only qua persons, that is with respect only to the source from which possession springs”. Now, this could mean that opportunity to property would suffice, but Waldron successfully argues that then the whole ethical necessity of property would not be valid. Some actual form of property is demanded.
\(^{209}\) HEGEL (1952), at 54, par.67.
\(^{210}\) HEGEL (1952), at 123-124, par.185.
\(^{211}\) Ibid, at 149-150, par.243-245.
to which the chance to develop their personality is refused, because of the lack of property. But he blamed the rules of the economy rather than property rights themselves and although he was prepared to impose constraints on the institution of property he did not talk extensively about inequality and distribution of property.²¹²

If we place property in the wider context of Hegelian philosophy then it may seem unfair to accuse Hegel of indifference, on the problem of the propertyless. At the projected stage of Hegelian human completion, property, having completed its pedagogic role, will be one of the many aspects of life in a society where

"... to have no interest except in one's formal right may be pure obstinacy, often a fitting accompaniment of a cold heart and restricted sympathies. It is uncultured people who insist most on their rights, while noble minds look on other aspects of the thing. Thus abstract right is nothing but a bare possibility and, at least in contrast with the whole range of the situation, something formal".²¹³

Projected, so as to satisfy the criteria set at the beginning, the Hegelian property theory is allowing us to set two basic rules. First of all property may stem from but is not a prerequisite of personhood. It is, at least intuitively, evident to all of us that property objects, such as wedding rings, houses, etc., that are

"... closely bound up with personhood because they are part of the way we constitute ourselves as continuing personal entities in the world".²¹⁴

²¹² For the analysis on the comparison between Hegel’s influential and Marx’s more radical approach on the question see for example: P.G. STILLMAN, Property, Freedom, and Individuality in Hegel’s and Marx’s Political Thought, in PENNOCK & CHAPMAN (1980), at 130, RYAN in PELCZYNSKI (1984), at 138-139, and R.N. BERKI, Perspectives in the Marxian critique of Hegel’s Political Philosophy, in PELCZYNSKI (1971), at 199; at 202 it is stated that according to the Marxian critique of Hegel his flaws lie in "... his being an idealist philosopher in the first place, in his making everything in his philosophy revolve around reason, or the "Idea".

²¹³ HEGEL (1952), at 235, par.37A

²¹⁴ See M.J. RADIN, "Property and Personhood", 34 Stanford Law Review 957 (1982), at 959. Radin provides a more systematic analysis of the relation between property and personhood, and concludes that some property rights, according to our deeper social convictions, can be ascertained as personal; these rights ought to have stronger protection against governmental invasion and attacks from conflicting “fungible” property claims of others. Personhood, in that way, is only strengthening some property rights.
are not self luminous but are always determined by human personalities and actions. And second, property rights cannot be used as “trumps”, to block other human rights. Hegel also provides that “the specific characteristics” of private property may have to be subordinated to the higher interests of society.\(^{215}\)

Recently, probably in the apparent need to rediscover political ideologies and resist the onslaught of law and economics, some are putting forward the claim that Hegel has given us a thoroughly social theory of property.\(^{216}\) Indeed, Hegel’s “social conception of property rights” can be contrasted with the more individualistic and materialistic approach of Locke;\(^{217}\) an example are his views on alienation, and the expansion of Locke’s provisions on the right to subsistence.\(^{218}\) But Hegel’s expressed concern on poverty and the boundaries of property was limited, especially when we compare it with his elaborate property theory. So property’s social character can be determined today, only within the entirety of Hegel’s philosophy and, to an extent, with the hindsight of Marxist critique and politics.

Nevertheless the limits of property, until that moment of completion, can be drawn by examining the ways of creating and exercising property rights. Their respective assessment elucidates Hegel’s qualifications on property better than the expressed limitations.

\(^{215}\) HEGEL (1952), at 42, par.46. So if society was at war with poverty then property rights could be subordinated? His views on Plato’s ideology, the fundamentality of property and the statement that the exceptions cannot be grounded in chance, private caprice or advantage seem to deny this. Most of the commentators use the “trumps” metaphor of Dworkin.

\(^{216}\) M.G. SALTER, in the unpublished paper Property Law as Public Law? Hegel’s Social Theory of the Rationale for, and Limit of Property, presented in W.G. HART Legal Workshop 1993 strongly advocates that. A telling comparison can be found, at fn.29 of the paper, between COHEN’s (1954) definition of property and Hegel’s statement, at 121 of System of Ethical Life, H. HARRIS & T. KNOX (eds) (Albany, State University of New York Press, 1979) that “...property enters reality through the plurality of persons involved in exchange and mutually recognising one another. Value enters in the reality of things and applies to each of them as surplus”.

\(^{217}\) H. BROD, in Hegel’s Philosophy of Politics (Oxford, Westview, 1992), at 68.

\(^{218}\) HEGEL (1952), at 277, par.240A.
3.4.3. Some Hegelian ways of exercising property rights

In a way similar to Locke, Hegel demands that a physical relation between the person and the object must exist, like taking possession or use.\textsuperscript{219} This is a consequence of the belief that personality must be externalised. He asserts that,

\"... the inner act of will which consists in saying that something is mine must also become recognisable by others.\"\textsuperscript{220}

Starting with possession,\textsuperscript{221} there are three ways that it can be manifested: direct physical grasping, formation of the object and merely marking it as ours.

Physical grasping can only be temporary, since it coexists with the actual grasping. So an abandoned apple is anybody's apple in contrast to the fruit that is in our physical possession and which is ours.\textsuperscript{222}

Possession by formation will last longer, since our will that is incorporated to our work will give the object an "independent externality". We give to the object a further facet which relates closely to our will.\textsuperscript{223} The hut that our labour built is ours because the action of building represented our will and was witnessed as such by society. The hut will be respected even for a reasonable period of absence.\textsuperscript{224} Marking has a similar effect, being a "representative" and "indeterminate" mode of expressing our will,\textsuperscript{225} and

\textsuperscript{219}Ibid, at 45-46, pars.51-52, and 237, par.51A. See also WALDRON (1988), at 363-365.

\textsuperscript{220}HEGEL ibid.

\textsuperscript{221}HEGEL is dealing with possession, at 46-49, pars 54-58, ibid.

\textsuperscript{222}Ibid, at 46-47, par.55.


\textsuperscript{224}In the case of registered trade marks non use for a certain period of time would jeopardise registration almost in all jurisdictions throughout the world. In respect of passing off absence from the market for a considerable period of time would negate protection; see for example Norman Kark \textit{v. Odhams} [1962] RPC 163, which sets the general principle that use at one period does not lead to indefinite protection; and Berkeley Hotel \textit{v. Berkeley International} [1972] RPC 673, where protection was granted despite temporary closure of the business for relocation, and Ad-Lib Club \textit{v. Granville}
"... the notion of a mark, ... is that the thing does not count as the thing which it is but as what it is supposed to signify." \(^{226}\)

Therefore the marking of our animals with a personal sign will express our will to dominate the animals even when they are mixed with the animals of the neighbours.

Use of the object draws it further away from the total of independent objects and converts it to a status of subordinance to our will, because

"... the use of the thing is [our] need being externally realised through the change, destruction and consumption of the thing" \(^{227}\)

So humans are once more using nature to satisfy their needs only this time in a more systematic way, than in the Lockeian norm. Hegel, too, emphasises the importance of non-wasteful use, which from the ethical aspect is the "most important thing about an individual's ownership". \(^{228}\) Hegel himself forcefully states that:

"[t]he relation of use to property is the same as that of substance to accident, inner to outer, force to manifestation. Just as force exists only in manifesting itself, so arable land, is arable land only in bearing crops" \(^{229}\)

This statement has two supplementing interpretations: the obvious one that the owner of the land is also the owner of the right to cultivate and reap the land, and a second, that the owner of the arable land can claim, or at least ethically justify, property rights only if the land is cultivated. In the legal sense this may seem nebulous, but in philosophical terms it is a strong and clear argument; function-less property is itself an enemy of

\(^{225}\) [1971] FSR 1, where notoriety and willingness to get back in business assisted the goodwill to survive a five year period of not trading.

\(^{226}\) HEGEL (1952), at 49, par.58.

\(^{227}\) Ibid, at 239, par.58A. This "definition" of marking serves as an excellent link of the Hegelian property theory with trade marks.

\(^{228}\) Ibid, at 49, par.59.

\(^{229}\) HEGEL (1952), at 239-240, par.62A.
property.\textsuperscript{230} This is very similar to the idea that a private enterprise will create substantial income for its shareholders only when a large part of its profits are reinvested to the enterprise.\textsuperscript{231}

Let us turn now to the relation of property with intellectual property and trade marks.

### 3.4.4. A clearer view of “Intellectual Property”

Fortunately Hegel has a much more direct approach to intellectual property. He indicates that

\begin{quote}
"... mental aptitudes, erudition, artistic skill, even things ecclesiastical ... inventions, and so forth, become subjects of a contract, brought on to a parity, through being bought and sold, with things recognised as things".\textsuperscript{232}
\end{quote}

He questions the reasoning of calling “such abilities” “things”, because although they are part of business dealings there is also

\begin{quote}
"... something inward and mental about [them], and for this reason the Understanding may be in perplexity about how to describe such possession in legal terms, because its field of vision is as limited to the dilemma that this is “either a thing or not a thing” as to the dilemma either “finite or infinite”.\textsuperscript{233}
\end{quote}

So the problem is easy to solve and its nature is legalistic rather than ethical. Hegel simply describes here the need of the courts to physicalise the object of property.

He also examines the more complex issue of ideas as something internal to the free mind. The question then posed is how they are going to be separated from it and where our will is going to be embodied. Otherwise the entire of the free mind will have to be alienated

\textsuperscript{230} TAWNEY (1920).

\textsuperscript{231} See J. FINNIS, Natural Law and Natural Rights (Oxford, Oxford University Press, 1980). At 172, he is arguing that the private owner of a capital good has a duty to put it in productive use.

\textsuperscript{232} HEGEL (1952), at 40-41, par.43.

\textsuperscript{233} Ibid.
and the personality will be enslaved. He thus dichotomises between ideas and their expression. Expressions can be embodied into something external, which in turn can be alienated. So ideas are not from the beginning the object of property rights but are turned into such after

"... the mediation of mind which reduces its inner possessions to immediacy and externality".234

Therefore the embodiment does not only facilitate the physicalised grasping of the expression but essentially satisfies the Hegelian need for objective witnessing and materialisation of personality.

He also touches the process of human mediation for intellectual objects of property. In the case of works of art he brings out the peculiar case of regarding the work of a copyist as his own property, and distinguishes works of art from literary works and inventions. There the mechanistic tool of the language on the one hand and the mechanical content of the inventions on the other are contrasted with the "en bloc" nature of art copies, making easier the understanding of the notion of a copy.235

He goes even further in commenting on the transitional stages between all the extremes of mind creations. So the labour which the copyist put into his creation has a more personalised character, that is lacking from the labour that uses the mechanistic and universal tool of language. Therefore it contributes to the building of personality and may attract property rights.236 A comparison can be drawn with the common law rule that in

234 Ibid. HUGHES (1988) at 337, submits that for Hegel intellectual property does not need a justification by analogy to physical property. Nevertheless the justification remains the same in substance. An example of a border line case would be confidential information, defining it, linking it with intellectual property, and delineating the related rights.

235 For a surprising parallel see L.A. GREENBERG, "The Art of Appropriation: Puppies, Piracy, and Post-Modernism", 11 Cardozo Arts & Entertainment Law Journal 1 (1992), arguing that pictorial, graphic and sculptural works, because of their unique status as material entities, require a different copyright analysis from that applied to other copyrightable subject matter, in the light of artists following radical appropriation strategies.

236 HEGEL (1952), at 54-55, par.69.
copyright infringement the decision on whether the part taken is substantial has more to do with the quality than the quantity of the part taken.\footnote{237}

The essence of the rights lies in the provision that when the creator alienates a copy of his work he is not conferring at the same time the right to reproduce copies of the work. This would mean alienation of the "... universal ways and means of expression".\footnote{238} Thus the new owner of the copy shares the intellectual creation and the creator and owner of the original withholds his integrity and wealth generating "capital assets".\footnote{239}

Hegel's brief discussion could be an excellent addition to the armoury of the supporters of intellectual property monopolies, because he introduces the functional, but disputed, argument that the protection of intellectual property is

"... the purely negative, though the primary, means of advancing the sciences and arts",

as a natural consequence of his philosophical arguments.\footnote{240}

Finally Hegel recognised that formal legal protection is often limited and that the treasuring of intellectual property is then left to honour. His final caustic remarks are reserved for the scholars' ability to avoid plagiarism and abide by honour.\footnote{241}

\footnote{237} As set in University of London Press v. University Tutorial Press [1916] 2 Ch. 601, at 610.
\footnote{238} HEGEL (1952), at 54-55, par.69. HUGHES (1988) makes a shorter description at 338. In this sense copyright laws providing for the protection of moral rights are closer to the Hegelian ideal than the laws that identify copyright with economic rights only.
\footnote{239} HEGEL, ibid, at 55-56, par.69. This is how he describes the intellectual creations as benefits of learning.
\footnote{240} Ibid, at 55, par.69. For that approach see also A.S. WEINRIB, "Information and Property", 23 University of Toronto Law Journal 121 (1988) arguing that the assignment of property rights is the result of the expectation that they will achieve a more desirable result, and that "... the law of property is thus purposive ... [serving] as an incentive to encourage conduct we consider desirable by regulating the actions of others in relation to that protected interest".
\footnote{241} HEGEL, ibid, at 56, par.69. He, ironically, submitted that either plagiarism has ceased to be dishonourable or any trivial idea could be held original.
We have seen that the Hegelian justification of intellectual property rights in general does not require the uneasy expansions of Locke's theory. Things get more difficult when we turn to trade marks.

3.4.5. A more complicated view of trade marks

It is the problem of how much and what kind of labour is needed, that resurfaces in the case of trade marks. Only that now it is expressed as not only whether but also how much specific property rights contribute to the building of personality and how personality is manifested on each object of property.

Arguably, the contribution of trade mark creation to the intellect is not that significant so as to deserve the status of property object. This, though, is not supported by an analysis of the functions of trade marks and Hegel's understanding of the notion of the mark as a symbol that signifies the owner of the object and attributes property rights. Furthermore the criteria that may be set for the originality of intellectual works are often irrelevant.242

Starting with the historical prime functions of trade marks it is well established that amongst them is the indication of ownership.243 So, in the same way, the marking of a thing changes its character, the use of a word, sign, etc. as a mark is transforming it into a symbol, by attributing to it a further function.

Now if that is agreed, how can I signify something as my property if I do not own the symbol used as the signifier, to the extent, at least, that it serves as signifier? In passing off cases, for example, the property protected is that in goodwill rather than that in the

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242 Whicher, as quoted at 11 of J. FROW's article on the changing faces of originality, "Repetition and Limitation: Computer Software and Copyright Law", 29 Screen 4 (1988), states that, "... when the creative process is re-examined by the wisdom of judicial hindsight, it is, like a conjuror's trick that has been explained to children, almost always a disappointment. There is, we discover, no magic to it after all. It's only work".

243 See chapter two on the history of trade marks.
name or the marked object;\textsuperscript{244} protection requires that whatever depicts the goodwill to the customer is protected, so property in the mark or other goodwill depicting and distinctive indicia is established, at least in judicial practice.\textsuperscript{245} The defendant, will always have to show that despite her/his use of the plaintiff's distinctive indicia s/he effectively distinguishes her/his goods or business from the goods or business of the plaintiff. This is often impossible,\textsuperscript{246} and even when it is possible then the defendant will have to face other non-proprietary common law rules such us injurious falsehood or rules on comparative advertising etc.

Slightly adjusting the discussion on what is appropriated and what is left in the commons, we can say that it is the capability of the symbol to denote a particular proprietor that becomes the subject matter of property in the trade mark. This is the point where personality is realised as required in the Hegelian property theory, and where we dichotomise between idea - the sign as such - and expression - the sign used as a mark. It is a logical sequence that human will is first embodied into the mark and then into the marked object, even if, in the case of passing off, the goodwill already exists in some form. Because, in a more developed economy one of the trade marks' roles is to mark and express the ownership of a source of products and not necessarily ownership of the products themselves. In the retail stage, ownership of the goods may lie either with the retailer or with the manufacturer. Nevertheless as it was put in an early, unreported but quoted, case, a clothier was claiming that

"... whereas he had gained great reputation for his making of his cloth, and by reason whereof he had great utterance to his great benefit and profit, and that he used to set his mark to the cloth, whereby it should be known to be his cloth,

\textsuperscript{244} As we are asked to do by Lord Diplock in \textit{Erven Warning B.V. v. J. Townend & Sons (Hull) Ltd} [1980] R.P.C. 31 (H.L.), at 93.

\textsuperscript{245} J. Pitney in \textit{Prestonettes Inc. v. Coty} 264 US 359 (1924), at 368, is making a similar point stating that trade marks are classed among property rights as an "instrumentality" to the "... man's right to the continued enjoyment of his ... goodwill".

and another clothier perceiving it, used the same mark to his ill made cloth on purpose to deceive him...”

The emphasised words are an example of the sequence presented above.

The exact characterisation either by courts or by statutes of the exclusive right in a mark is not particularly clear. “Fuliginous obscurity” is a well known expression, apt to describe several aspects of common and statutory law on the protection of trade marks especially when we add to that the European aspect and the two way influence between common and civil law, but it does not invalidate Hegel’s property theory as long as the exclusivity is recognised in some form. This is even more so because we have seen above that Hegel accepted the limitations of law, believing that some questions cannot be finally settled either in principle or by positive legislation.

Now, the choice of the marking symbol must not be irrational. This means first that it must not contradict with prior established property rights, otherwise the property system would fall apart. Rights in trade marks would be without power and value if we were allowed to claim the marks already used by others. Rules on conflicts between applications for registration with already established rights in marks which exist in all trade mark laws are a good example.

Second it must be capable to convey the link of the mark with the personality; limitations on descriptive and generic marks are meant to satisfy this. Obviously the claiming of the mark “Orange” for the trading of oranges falls within the same category with the expectation that my claim that “I want people to identify me with the World

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247 As quoted by Lord Halsbury in Magnolia Metal Co. v. Tandem Smelting Syndicate Ltd [1900] RPC 477 (H.L.).


249 For trade marks in particular this will be shown in chapter five below on the economics of trade marks.
Trade Marks and the Concept of Property

Trade Center" will confer to me property rights in the Center, whereas I do not have any.250

Finally, it must have an internal link with the proprietor, making her/his will recognisable. The link can be creation, use, etc., but an arbitrary claim will not suffice. Trade mark rules requiring use as a pre-requisite for, or a condition, of registration and the wider protection available to signs that have no other meaning apart from that of the mark help us illustrate the existence of that internal link.251 Common law protection exemplifies the link created by grasping; as long as the mark is used then the will of the proprietor is recognised and the property right respected, abandoning the mark will bring it, in the majority of cases back to the commons.252 Registered trade marks, on the other hand possess an independent externality, given to them by registration and similar to that acquired by working on or marking the object of property. Therefore the property right recognised in respect of registered trade marks is more concrete.253

A property theory based on personality is also fertile ground for evolving goodwill as the creative reason for property rights in trade marks. An individual who leaves a mark on the world has built a public image, part of which is her/his reputation and history.254 For a trader the public image is what we call the goodwill, and this is captured in the

250 The World Trade Center example is used by HUGHES (1988) at 343. Don't forget though that Windsor Castle and the World Trade Center are among the properties that have been actually "sold" by people that claimed their ownership.

251 Reference is made here to decisiveness test set by Locke.

252 A nice comparison can be drawn with Hegel's view that when a public memorial loses its character as a symbol then it is open to appropriation. See also the statement of Eve J. in Pink v. Sharwood (J.A.) & Co. Ltd [1913] 30 RPC 725, at 725 that "... if, hereafter, the plaintiff should recover and resume business, he will resume with the benefit of his former reputation, but the goodwill which he will then assume will be a goodwill he will then start to create, and not the goodwill of the old business revived and resuscitated". Cases where goodwill survives the cessation of the business are an example of the strength that creation, extensive use, etc. of the property objects gives to the rights on them, and are making the Hegelian property theory even stronger.

253 Registration takes here the role of creation or marking. We can say that we add to, or create for, the mark a new dimension or that we mark the mark as ours in its new dimension.

254 HUGHES (1988) at 339-341, interestingly starts his whole conversation on the varying degrees of personality in intellectual property, by building the concept of "persona." He suggests that literary works and works that involve the building of an individual’s public image are particularly receptacle for a personality justification of property. It is submitted that although this is only one - and not very clear - aspect of intellectual property, it is of particular significance for the case of trade marks.
adopted trade mark. Thus the trade mark is one of the intellectual property capital assets but it is more the result of a process of learning and developing the personality through good and fair trading rather than literal learning. The weak point of this approach is that in the cases where trade marks are so closely linked with the goodwill they represent that they became inseparable. Something that is difficult to reconcile with the possibility of assignment or devolution of trade marks, irrespective of goodwill.255

3.4.6. The role of the consumer and some concluding remarks

We have seen by now that trade marks can fit in more than one ways into the Hegelian property theory. And that even if, for some commentators, trade marks lack the “nobility” of other intellectual property rights they encapsulate in return the core reasoning of Hegel’s property theory.

We have also to emphasise here his idea that property objects and rights can also be defined through contractual relationships, because this can form the link between trade mark owners256 on the one hand and other trade mark owners, marketers, and consumers on the other. Hegel claims that property is also

“... an existent as an embodiment of the will, and from this point of view the "other" for which it exists can only be the will of another person. This relation of will to will is the true and proper ground in which freedom is existent”.

This means that reason will make everybody realise that human needs can only be satisfied through multilateral agreements advancing the interests of all the parties to the agreements.258 So the fair trader will not take the mark of another because he realises

255 See for example section 22 of the 1938 UK Trade Marks Act.
256 See for example the cases on infringing a trade mark by importing a reference and the real need to refer to the competitor’s product.
257 HEGEL (1952), at 57, par.71.
258 This is similar to A. Smith’s approach that a producer gains by contracting with the consumer; it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.
that this will put in danger his claim of ownership of his own goods, marks or goodwill. Therefore, traders in general will have to recognise "... each other as persons and property owners", and respect the marks adopted by each one of them.

But today a parallel main function of trade marks is to convey information. This has no effect on their status as property objects - because all the ethical discussion remains valid - but brings into the picture the consumer.

We have seen above that it is the consumer's understanding that gives meaning to trade marks. If the consumer does not respect the conveyed message, then trade marks will lose their ability to distinguish between different traders as sources of a product. Their role will diminish to signifiers of physical property, and their owners will lose the mark's most valuable asset. In that way the relationship between the trader and the consumer acts as a catalyst that triggers a series of reactions. This in turn, gives the consumer the ability to codetermine the kind and extent of property rights in trade marks. As it will be shown in the following chapters that will examine the market functions of trade marks markets already understand this.

3.5. Some comments on the justification of property

We have briefly examined, with a rights argumentation method, two mainstream property theories. It was established that under both theories intellectual property and trade marks are justifiable objects of property rights. Nevertheless both theories could

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259 HEGEL (1952), at 57, par.71.
260 F. LAWSON & B. RUDDEN in the Law of Property (Oxford, Oxford University Press, 1982) are stating, at 33, that property of goodwill is of an odd kind because only the person who has transferred can be placed under a duty to respect it. This is true only if we view goodwill in isolation from trade marks and passing off, as their analysis shows.
261 See chapter four on the functions of trade marks.
262 And the respect of a rational consumer will lie at the same place with her/his trust. See the discussion of Akerlof's seminal article of in fn. 127 in chapter four below.
263 But the markets may be unable or unwilling to regulate this co-determination; see M. COHEN, "Property and Sovereignty", 13 Cornell LQ 8 (1927), claiming that controlling and moderating our consumptive demands cannot be left to those whose dominant interest is to stimulate such demands.
not predict the development of society and economy and inevitably to an extent fail to
fulfil the morality standards that were set at the beginning of this chapter; so, often we
had to take hypothetical steps forward.

The labour theory has been developed further by many writers, albeit in contradicting
directions but the criterion of labour became the starting point for most property theories
based on deserts and it contains too much substantial truth to be brushed aside.\textsuperscript{264} The
two qualifications on property, even as incomplete discussions on the limitations of
property, posed challenging questions on the restraints that should be imposed on trade
marks rights that cannot be ignored.

Hegel's justification, based on the expansion of personality to external objects, has
similar weaknesses. It is only in the general philosophical system of Hegel, that
provides the most complete and ethically developed view of property.

The arguments of both theories are independently sound. A general property theory has
to include them and co-ordinate them.\textsuperscript{265} But the co-ordination of the "ingredients"\textsuperscript{266} of
a right of property must not fail to comprise three essential standpoints.

First that after the establishment of minimum morality standards, public policy
intervenes and determines the balancing of property rights, social needs and goals.
Inequalities - the existence of which is the main anti-property argument - cannot be
ignored. However, inequality, for Hegel and Locke, would exclude or trump property
rights only when they deny the essentials for the development of human personality or
the physical necessities for survival. So, the conditions provided by them would satisfy

\textsuperscript{264} Ibid. Although he believes that the essential truth is that property induces labour, and labour induces
productivity.

\textsuperscript{265} It can be argued that the Lockeian justification becomes inactive when the more fundamental
Hegelian is valid. Even then they supplement rather than exclude each other. See R.S KING, The
"Moral Rights" of Creators of Intellectual Property, 9 Cardozo Arts & Entertainment Law Review

\textsuperscript{266} Meaning the analogies between labour, development of personality, strength of individualistic and
social will, morality, utility and efficiency, that have all to be present in a property theory.
with difficulty the minimum test of morality that was set at the beginning of the chapter. Accordingly, after that initial stage, each property right has to be examined separately. So having looked at property theories and trade marks, we must turn to an economic analysis.\textsuperscript{267} Inequalities will be presented as asymmetries of information and conflicting interests on rights of access to information at the following chapter. Although the hierarchy, between the rights, is a question that has to be answered according to the prevailing social and economic policy,\textsuperscript{268} thirty years ago it was put forward that,

"... the public interest state ... represents in one sense the triumph of society over private property."

Despite current debate on the extent of the public interest state it has to be reminded that it is, still, the extent and not its existence that is re-examined.\textsuperscript{270} The tools that the state has for the regulation of property, such as the imposition of taxes on income derived from property or on property as wealth, are not being questioned,\textsuperscript{271} despite the fact that

"... big government is out of favour. Economies and financial markets are being deregulated. Taxes are being cut. The need for equality is denigrated... [but] [w]ill financial instability, high unemployment, trade friction and international debt crises eventually discredit the new "hands off" philosophy, as they did in the 1930s, and lead to re-regulation and aggressive public sector intervention?\textsuperscript{272}

\textsuperscript{267} L. BECKER in The Moral Rights of Property Rights, in PENNOCK & CHAPMAN (1980), at 196, summarises a similar approach: "... a much richer set of considerations is needed ... in order to apply the utility argument - and the anti-property argument - to questions of specific and particular justification".

\textsuperscript{268} As to the difficulties arising from the relation of law and political philosophy on the matter of property see L. BECKER, "Too Much Property", 21 Philosophy and Public Affairs 206 (1992).


\textsuperscript{270} The term "public interest" is wider than "welfare". See the critique of R. HARRIS, in Beyond the Welfare State (London, I.E.A., 1988), at 22-26.

\textsuperscript{271} MUNZER (1990) makes an interesting discussion on the moral problems and the justifications of takings, especially at 436-441.

\textsuperscript{272} M. PROWSE, in The Wheel’s Full Turn, Financial Times, February 15, 1988, an apprehensible review of economic theories on intervention.
The existence and the extent of the tort of unfair competition is one of trade marks' regulatory tools, which determine the degree of responsibility imposed on the trade mark proprietor to use trade marks within the rules of the property system. The regulation of anti-trust is the other complementary regulatory tool.

The second point is that today, as a result of new global technologies, we have a better conception of a world that is fragmented and diverse. In that diversity, property, on its own, may be devoid of any meaning if it is not seen in a particular context. The two property theories described above are part of a western method of thinking, which may be expanding but is in no way unique or dominant. In the discussion of Hegel's theory for example it was hinted that for him the concepts of reason can be concrete only when

"... they contain features derived from the knowledge of actual conduct or institution". 273

Leaving aside that there are other fundamentally different understandings of reason it must be stressed that even "concrete reason" will vary for each segment of society, if not for each individual. Accepting this diversity and acknowledging the possibility of alternatives, will make easier for the mind to

"... [take] a long, attentive and sober look at itself, at its condition and its past works, not fully liking what it sees and [sense] the urge to change". 274


274 Z. BAUMAN, Postmodernity, or Living with Ambivalence (Oxford, Polity Press, 1990), at 272. It is one of the contribution of postmodernism to western thinking that apart from proclaiming diversity it has re-emphasised the need to examine things constantly. My attention to this definition has been drawn by the draft of a fascinating paper of K. GREEN, S.70 (1) (g) in the "Masculine" Economy: Enrichment or Impoverishment?, a paper presented at the W.G. HART Legal Workshop, I.A.L.S. 1993. The paper shows that the alternative worlds meet and influence each other; the story of Draupadhi, in, G.C. SPIVAK In Other Worlds : Essays in Cultural Politics (New York, Methuen, 1987), on the power of the unarmed, imprisoned, impoverished and violated woman who confronted her interrogators with the last remaining thing that she owned: her will, enshrined in a naked body. The alternative incomprehensible - for the armed guard - world of the woman leaves him in a state of confusion. Well, the Hegelian personality in its perfection does not require any actual property to express itself and certainly a personality does not need property to develop itself.
Trade Marks and the Concept of Property

We have also seen that Hegel and Locke avoided to define property, in their ethical discourses, in a formalistic manner. They preferred to look at the ways of creating and exercising property rights. Even exclusivity, which seems a common denominator, is challenged by claims that the notion of property needs expansion to become an individual right not to be excluded by others from the use or benefit of something, instead of a right to exclude.\(^{275}\)

When we turn to the real world we also see that even legally defined property\(^{276}\) functions in diverse ways for different people. The contrast between attachment to property and the behaviour of the small farmer on the one hand and the land speculator on the other can be realised in trade mark terms as the divergence between the family firm, for which the trading name is integrated within human personality, and the private enterprise that deals with trade marks as with any other capital asset. Today, legal regulation of property shows that there is a trend towards a more commercialised concept, an example could be the lowering of the limitations on the licensing of intellectual property rights but at the same time there are developments to the other direction, as is the debate on whether copyright should expand to cover more moral rights.

So, pluralism must not be disregarded and, as the analysis of the functions of trade marks will show, although the general context of trade mark theorisation has become

\(^{275}\) MACKPHERSON (1978) at 201. This would expand property significantly, since "... lending the support of the state to the assertion of control over access to ... benefits, the courts have it in their power to create property"; see K. GRAY, "Property in Thin Air", 50 Cambridge L.J. 252 (1991). This can be illustrated in intellectual property terms by the question of compatibility of intellectual property creations, then "... is there a right to make one's product compatible with another's"? See the analysis, on the costs and benefits of compatibility, of J. FARRELL, in "Standardization and Intellectual Property", 30 Jurimetrics 35 (1989), at 36-39.

\(^{276}\) Even legal "definitions" of property vary. See the analysis, on the different meanings of property in tax and company law, of G. TEUBNER, Law as an Autopoietic System (Oxford, Basil Blackwell, 1992) at 113-115.
part of the western mainstream, there are references to alternatives, even when the alternatives seem utopic.277

The final point has to do with the definition of property that was avoided at the beginning of this chapter. It is submitted that property rights are a bundle of rights and interests. According to the subject matter, a specific combination of the applicable rights are attributed each time. The subject matter must from the outset fulfil some deontological criteria - in our case the criteria set by Locke and Hegel. Therefore the only meaningful definition of property is for property rights in each specific subject-matter. In the case of trade marks property will mean the right to use exclusively a name, symbol etc. to denote a relation between a good or a product and an identifiable person.

The relation can vary from denoting ownership to implying a guarantee of quality, depending on the market values and the legal provisions. In most cases the property right will not cover the sign as such but only the sign in relation to specific communicative aspects; in essence it will take the form of a qualified monopoly, which expresses the power conferred by the property right. Public good and the rights and relationships of other persons with the trade mark proprietor will define the extent of the property right and the resulting monopoly, because although,

"... in a qualified sense the mark is property, protected and alienable, ... as with other property its outline is shown only by the law of torts, of which the right is a prophetic summary." 278

But then even the adversaries of property theories for trade marks are admitting that

"... the word "property" has been sometimes applied to what has been termed a trade mark at common law. I doubt myself whether it is accurate to speak of

277 Not least because branding, arguably, stimulates the creation of universal classes defying pluralism of expression. "People in places as diverse as Paris and Hong Kong, Khartoum and Tokyo, New York and Brasilia wear, drive and drink the same brands"; J. McDermott, Corporate Society (Boulder, Westview Press, 1991), at 141.

there being property in such a trade mark, though no doubt some of the rights which are incident to property may attach to it".279

But we have said enough on the, according to property, moral justification of trade marks and keeping in mind that

"... perhaps we should dispense with the search for a deep justification for property rights (from metaphysics, moral psychology, natural rights ... or whatever) and focus on the behavioral surface: the observed, persistent, robust behavioral connections between various property arrangements and human well-being broadly conceived".280

279 Per Lord Herschell in Reddaway v. Banham [1896] RPC 218, at 228.
280 BECKER (1992), at 206; chapters four and five will attempt to do so.
CHAPTER FOUR

THE FUNCTIONS OF TRADE MARKS

4.1. Introduction

4.1.1. Defining the consumer

"The consumer has become a god-like figure, before whom markets and politicians alike bow. Everywhere it seems, the consumer is triumphant. Consumers are said to dictate production; to fuel innovation; to be creating new service sectors in advanced economies; to be driving modern politics; to have it in their power to save the environment and protect the future of the planet. Consumers embody a simple modern logic, the right to choose. Choice, the consumer’s friend, the inefficient producer’s foe, can be applied to things as diverse as soap-powder, holidays, healthcare or politicians. And yet the consumer is also seen as a weak and malleable creature, easily manipulated, dependent, passive and foolish. Immersed in illusions, addicted to joyless pursuits of ever-increasing living standards, the consumer, far from being god, is a pawn, in games played in invisible boardrooms."

1 Y. GABRIEL & T. LANG, The Unmanageable Consumer (London, Sage Publications, 1995), at 1. Chapter 1 on the emergence of contemporary consumerism provides a good account of the transformation in the West of “consumption” - a notion distinct from “custom” - from “destruction”, “exhaustion”, and so on, to its recent meaning of “living life to the full”. They alternatively identify consumerism as “a moral doctrine in developed countries”, the “ideology of conspicuous consumption”, “an economic ideology for global development”, “a political ideology”, “a social movement seeking to promote and protect the rights of consumers”. Since all these notions often coexist consumerism can be understood as a phenomenon which describes social reality but also shapes our perceptions of social reality. Consumerism is the outcome of a complex interplay of forces comprising political ideology, production, class relations, international trade, economic theory, cultural and moral values. The judicial definitions of “a” - each time average in relation to a particular product - consumer portray this diversity. See also D. MILLER, Consumption as the Vanguard of History, in D. MILLER (ed.) Acknowledging Consumption (London, Routledge, 1995) at 12 onwards for a polemic against the economists perception of the consumer. Miller acknowledges that consumption as a topic cannot be usefully defined. It must be followed as a dialectic between, on the one hand, the specificity of regions, groups and particular commodity forms and, on the other hand, the generality of global shifts in the political economy and contradictions of culture. For a
"But the class of goods which are sold and the circumstances in which they are sold have to be taken into consideration. The goods in question are made up in penny packets, and are chiefly purchased over the counter by washerwomen, cottagers, and other persons in a humble station of life."

"[E]xperts and many educated persons, and most persons engaged in the trade, and no doubt wine waiters and the like, know what Champagne should be...

"There is ... in my view, a considerable body of evidence that persons whose life or education has not taught them much about the nature and production of wine, but who from time to time want to purchase Champagne, as the wine with the great reputation, are likely to be misled by the description “Spanish Champagne”.

"I am satisfied that ... inspection of the labels on the bottle would dispel any initial belief that the bottle contained “Champagne” as that word is generally understood. However that may be, I speak of the average member of the public, whether educated or uneducated in the matter of wine. But there is another section of the public. There is the simple unwordly man who has in mind a family celebration and knows that champagne is drunk for celebrations. ... Since the simple man I have in mind will know little of champagne prices, he is likely to suppose that he has found champagne at a price of £2.45."}

"Now all the healthcare professionals I heard struck me particularly as not only caring but also careful people."}

"[P]eople are rational maximizers of their satisfactions - all people (with the exception of small children and the profoundly retarded) in all of their activities (except when under the influence of psychosis or similarly deranged through drug or alcohol abuse) that involve choice."


2 Edge & Sons Ltd v. Niccolls & Sons Ltd [1911] RPC 582, at 593.
4 Ibid at 127.
7 R.A. POSNER, The Problems of Jurisprudence (Cambridge, Harvard University Press, 1990), at 354. At 355 he underlines first that “rational” denotes capable of suiting means to ends, rather than mulling things over, and second that much of our knowledge is tacit.
"[C]onsumers seemed homogenous and passive in the face of the onslaughts of the culture industry. There seemed to be little role for resistance to the powers of production. Consumption was a seductive form of captivity." 8

4.1.2. An example of a world without trade marks

How would the world be without trade marks? Imagine you are a passenger at Victoria wanting to travel to Gatwick; you know that there are three alternative services, that compete on price, time and comfort, but the trains in the station have no markings. The value of being able to choose between alternatives suddenly diminishes, until the time that “Gatwick Express”, “Thameslink” and “Network South-East” appear on the platform. But even that is not enough because if you are in a hurry what you need is co-ordinated information as to which train departs first, which train arrives to Gatwick first, and at what price each service is provided. So trade marks, as distinguishing indicia, make choice of alternatives possible, but to function effectively trade marks require additional reliable and co-ordinated information; otherwise the efforts put into creating and offering the alternatives are spent in vain. 9

4.1.3. Trade marks as conveyors of information

In the second chapter of this thesis we have looked at the early historical aspects and functions of trade marks. From the three facets of trade marks, as objects of property, conveyors of information and tools of monopoly, here we will concentrate to their communicative nature. It is submitted that trade marks, being a medium of communication, can be defined only by reference to all the communicating entities and after taking into account the communicative environment. 10 Furthermore the

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9 The train example was adapted from J. KELLY, “But Which One Goes First?”, Financial Times, January 24, 1994.

10 L. WITTGENSTEIN, Philosophical Investigations (Oxford, Blackwell, 1958), asserts, at 20, that the meaning of a word can only be found in its use within language. Therefore trade marks either as property or means of communication require both trade mark owners and consumers in order to
communicative character of trade marks supplements and validates their status as objects of property, since an object can only be conceived in its discourse, otherwise it is simply irrelevant. In other words if the justification of trade marks as property provides the established background of "morality" for trade mark protection then trade marks' functions, and predominantly their communicative nature, provides

"... the causality between morality and discourse [which] is neither contingent nor temporal, but co-instantaneous", and the

"... features of discourse [that] insure the public acknowledgement of a purportedly inward-based discourse as socially and ideologically authoritative".

It is from this viewpoint that trade marks' contemporary functions are examined. It is also submitted that trade marks are moving away from their stage of adolescence. Apart from the identification of a product, its characterisation as satisfactory or not and, resultingly, the stimulation of further sales, trade marks also dominate innovative marketing and their market functions and value are expanding to cover some of the ground traditionally occupied by other intellectual property rights. In practice this expansion could make the controversy over origin and quality almost irrelevant.

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Trade marks’ growth is twofold. First, the sheer extent of their marketing power, combined with their potential for perpetual protection, make them the most potent intellectual property weapon in the competition for obtaining and then securing a place in the market. Second, in a cultural industry, increasingly characterised by simulation, trade marks now occupy a new place in the intellectual property establishment next to traditional copyright, as a legal right which may be equally suitable to govern the emerging modern form of authorship.

The review of trade marks’ functions in modern society and economy will be completed with the economic analysis in chapter five. There we will move from the consumers perception of trade marks to the paradox of a monopoly that exists for the benefit of competition.

Here, the description of trade marks’ functions will follow four stages. First trade marks will be examined as communicators of information and indicators of origin, incorporating the signification of actual ownership of a product. Then they will be viewed, in more detail, as indicators of consistent product characteristics and quality. It will be argued that this supplements the indicator of origin aspect and in addition makes trade marks agents for product diversification. This, in turn, will lead us to an advertising and marketing function that can be independent from the product itself, and incorporates a surplus social value. In reality, the categorisation is purely artificial, because their three facets may be of differing value, for each of the market participants, at different times, in different lines of business, and for different products, but they are “...somewhat correlative”, since, not only, they stem from the same source but, also,
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they are all directed to the inter-dependences of consumers and marketers. Finally, the transcendental character of trade marks, within the general context of intellectual property rights, will be introduced.20

4.2. Trade marks: communicators and indicators of origin

4.2.1. Codes of communication

Since we will keep on coming back to the communicative character of trade marks, we have to stress from the outset that the starting point of a trade mark theory is that people do not convey ideas. Instead they convey signs, sounds, and symbols which represent ideas. These are organised in common codes, which are part of the humans system of communication.21 The form of these codes depends on human capabilities to perceive and interpret them; for instance, they range from the use of language to the employment of skills in emitting, perceiving and identifying odours by chemical means.22 The odours get trade mark protection, being the means for providing a banking service and thus unregistrable, see Bank of America [1976] FSR 582. Today credit cards are used for associating credit businesses with the provision of other products or services, such as telecommunications, cars and so on, and generate new sales for both. Ford, for example associated with Barclays and created Ford - Visa - Barclaycard, whilst General Motors builds a new image for the Vauxhall subsidiary by putting in the market GM - Visa. The incentive for both is the common desire to understand more about their clients (through the credit card application), reward brand loyalty (through a system of rebates), and recruit new customers (through rebates and extra advertising): namely the three marketing “r” of the nineties, “retention” of existing customers, “recruitment” of new ones and “relationship” building with all: see S. WORTHINGTON, “Car Groups Gamble on Playing the Right Card”, Financial Times, January 13, 1994.

20 Some of the discussion which follows has been repeated in A. KAMPERMAN-SANDERS & S.M. MANIATIS, “A Consumer Trade mark: Protection Based on Origin and Quality”, [1993] EIPR 406 that dealt with a “consumer’s trade mark”. It was submitted then that a liberal understanding of trade marks should provide for direct recognition of the interests of all the market participants. In this chapter trade marks’ functions are developed in more detail.


example is chosen because it is topical and depicts the variety of communicative codes that trade marks can employ.23

Two in particular associations of trade marks and communication codes will be of relevance to our description of trade marks' functions after adopting the widest definition of a sign - one of the defining elements of a trade mark - as,

"... something which stands to somebody for something else, in some respect or capacity".24

The first has to do with the social character of signs and trade marks. The meaning of the sign is confined to its place in the communication code, and the same is true for trade marks. Their meaning and value are owed to their actual use in the markets as communicators. The value of property in a trade mark that is not put in actual use is insignificant and property rights as such are theoretically difficult to establish since their exercise becomes undesirable. Equally it is problematic to enforce their monopoly power when use that should establish the monopoly in the market place is not exercised in the first place.

But we will also try to show that a trade mark is an index, meaning a sign that points to something else "... by virtue of a causal relationship".25 The existence of trade marks, for example, is an index of existence of the product and, at a different communicative level,

23 The UK Registration No. 2000234 of "the strong smell of bitter beer" in respect of dart flights is a good example and exemplifies the hyperbole in the change of the Registry's attitude on issues of registrability. See S.M. MANIATIS, Scents as Trade Marks: Propertisation of Scents and Olfactory Poverty, in L. BENTLY and L. FLYNN (eds), Law and the Senses: Sensational Jurisprudence (Chicago, Pluto Press, 1996) and the references therein and L.B. BURGUNDER, "Trademark Protection of Smells: Sense or Nonsense", 29 American Business Law Journal 459 (1991). An example of using smell as a trade sign is that of Ralph Lauren; they use their "Summerhouse" fragrance not only to soothe their customers but also as a trade sign, since the smell signifies to customers a Ralph Lauren shop: see J. BARTLETT, "Purchase Tacks", Time Out, October 13, 1993, 34, where it is supported that music and lighting have similar relaxing and distinguishing effects.

24 C. PEIRCE, Collected Papers 1931-1958 (Cambridge, Harvard University Press, 1931), as cited by G. COOK, The Discourse of Advertising (London, Routledge, 1992), at 69; Cook at 60-93 provides a short but very clear and accessible presentation of the works of Saussure and Peirce and the dimensions of the sign in language and paralanguage. Another important definition is that of a sign which comprises of a word as a signifier and a concept as the signified.

25 COOK (1992), at 61.
becomes an index of wealth, power, and so on in respect in some occasions of the consumer and in others of the marketer.

A brand is something more than a name. As a columnist succinctly described it:

“You are reading an article by John Kay. But John Kay makes the transition from name on the masthead to brand only when attaching it to the contents persuades you to read the article, or pay attention to it - and if you would ignore the same piece if it appeared under someone else’s name. Once that happens - but only when it happens - I have a brand with a value.”

For a representative of the drinks industry, brands

“... are our most important assets. Through them we communicate the quality of our products to consumers. They represent a huge investment of time, effort and money, that can be diluted, weakened, even destroyed by those who copy them.”

For a beer consumer a brand may mean taste for the cognoscenti, cost for the price cautious, allegiance to a group of drinkers for the Newcastle United fan, a fashion statement for the trendy club goer, or simply a generic indication of alcoholic strength for the hardened drinker.

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28 Some gin drinkers in the UK swiftly realised that the majority of market leaders dropped the strength of their gins from 40% to 37.5% alcohol per volume, in order to improve their profit margins; accordingly they switched, despite a price premium, to Beefeaters who stuck with the 40%. Beefeaters sales volume increased by 25%. Still it would be interesting to establish exactly how many gin drinkers apprehended the change, since Beefeaters has a small overall share of 6.6% of the gin market; see P. TAYLOR, “UK’s Gin Drinkers Prefer the Hard Stuff”, Financial Times, May 18, 1994. Drinkers “sophistication” is also portrayed in the attitude of Sauza and Jose Cuervo, the biggest tequila producers in Mexico, towards low quality un-branded tequila; they believe, in contrast to the fears of the Tequila Chamber of Commerce for the future of Tequila as a denomination of origin, that branded and unbranded products can live side by side, one for high quality neat products and the other for mixers: D. FRASER, “Tequila Refines Its Image”, Financial Times, May 19, 1994.
4.2.2. Use of a mark as proof of ownership

Today, when we talk about the purpose of trade marks as indicators of origin, we have to distinguish this origin function from the application of a mark with the scope to denote actual ownership of a product before it reaches the consumer. The marking of cattle, timber and other goods kept or transported in bulk are examples of inter-temporal trade mark use that enables us in the course of trade to single out the proprietor of a product. A contemporary example is the recording of the marks of merchandise to be transported by sea, often referred vaguely in the bill of lading as “general merchandise”. In such cases, usually tally clerks issue a mate’s receipt,

“... a record or tally of their date of loading, identification marks, individual package, numbers, their weight and/or measurement, and any defect or comment about the condition in which the goods are received”.

Usually the mate’s receipt is prima facie evidence of ownership of the product. When the marked commodity is put in commerce the same ownership mark may facilitate the allocation of incoming payments.

A contemporary and innovative, albeit inhumane, use of signs for marking people in order to communicate membership and the influence, if not ownership, that some organisations exercise over their members, is the practice of Yakuza, the Japanese version of Mafia - both well known marks on their own - to mark its members with tattoos, a benign sign of membership and/or ownership, and lopped off fingers, a sign of punishment. Since such marks are very costly to get rid off they acquired a premium value as well protected enduring symbols, until the law enforcement authorities, taking

29 See also chapter 2 above on the history of a mark’s ability to signify the proprietor.
advantage of medical developments, offered plastic surgery to turn Yakuza members to state witnesses.32

4.2.3. Consumption and consumerism

"I don't like coffee without caffeine, nor, I may add, trade marks without origin. So much for Kaffee Hag..."33

This statement, of a staunch advocate of the predominance of the origin function, on the character and origin of coffee is evidence that a market economy caters for the satisfaction of all tastes, although origin may not be for trade marks what caffeine is for coffee. If all consumers had identical tastes then, assuming that richer consumers would be willing to pay more for higher quality products, markets would be partitioned according to a straightforward rule: the top quality product offered in the market is bought by all consumers above a critical income level, the second highest quality product appeals to a band stretching below this critical level and above the new critical level set for this product and so on. A category of marginal consumers would lie on the boundary between these two, or any other two consecutive, bands and would be indifferent between buying the higher quality product at its - higher - equilibrium price, or buying the second highest, or any following, quality instead.34 But tastes vary and one of the markets' functions is to satisfy the consuming needs of all participants.

32 See D. GAMBITTA, Symbols and Property Rights, a paper presented at the 1993 W.G. HART Legal Workshop, at 13, and the references therein to D. KAPLAN & A. DUBRO, Yakuza. The Explosive Account of Japan's Criminal Underworld (New York, MacMillan, 1986), at 14 and 26. As to the criminals' understanding of the role of branding in marketing reference is made to Luciano's biography who presented the need for naming his new organisation, the "Siciliana union"; he argued that, unless the organisation is given a name, the whole set-up will disappear; a guy don't walk into a car show room and say "I'll take the car over there, the one without a name"; see M.A. GOSH & R. HAMMER, The Last Testament of Lucky Luciano (London, MacMillan, 1975), at 146.


34 See A. SHAKED & J. SUTTON, Natural Oligopolies and International Trade, in H. KIERZKOWSKI (ed.), Monopolistic Competition and International Trade (Oxford, Clarendon Press, 1984), at 37-43, for the description of such markets and a market with an "infinite" property where "... competition between "high quality" products drives their prices down to a level at which not even the poorest consumer would prefer to buy certain lower - quality products at any price sufficient to cover unit variable cost".
Consumption has become a strong pillar of economic growth; it is a dominant component of gross national product in developed countries, where it is calculated that a 1% change in consumption is five times the size of a 1% change in investment. A structural link between consumption and gross national product is a feature of traditional economic theories, although causality within their relation and the positive economic effects of consumption are disputed.35

The dominance of consumption labelled the western world as a consumerist society, and attributed to consumerism two main meanings. That of a social movement, seeking to strengthen the rights and power36 of buyers in relation to sellers,37 and second of a society whose highest priorities are the acquisition and consumption of material goods and services,38 and where, as in a theatre of consumption,39 goods are acting not only as satisfiers but also as communicators.

35 For a survey of theories on consumer's behaviour independent influence on macro-economic fluctuations see R.E. HALL, The Role of Consumption in Economic Fluctuations, in R.J. GORDEN (ed.), The American Business Cycle: Continuity and Change (Chicago, University of Chicago Press, 1986). At 255 he concludes that "... in the compromise economy (which does not have a theory to go with it), random shifts in consumption are an important source of overall fluctuations". For the economical results of over-consumption see K. RASLER & W. R. THOMPSON, "Relative Decline and the Overconsumption - Underinvestment Hypothesis", 35 International Studies Quarterly 273 (1991), who argue that over-consumption is a result rather than the underlying cause for our relative economical decline, and present, at 273-283, a review of consumption theories. For a tangible example see G. GRAHAM, "Consumers and Industry Set to Spur US Growth", Financial Times, December 29, 1993, one only of the plethora of similar pieces of news that dominate the media. Here it is tempting to quote a view that is valid for the entirety of references to economics: "... it is easy to be fervent in advancing simplistic theories of economic behaviour. It is much more difficult to work up passion over the view; ... that the industrial world is quite diverse and complex, requiring complex theories if it is to be understood": F. SCHERER & D. ROSS, Industrial Market Structure and Economic Performance (Boston, Houghton Mifflin Company, 1990), at 571.

36 The juxtaposition between rights and power is made because often what the consumer really misses is the enforceability of existing legal provisions. P.G. SCHRAG, in Counsel for the Deceived (New York, Pantheon, 1972) presents a series of such cases. Setting the ground for his references he states, at 3, that in the late sixties although "... the rights of consumers were being rapidly expanded, enforcement of those rights was almost non-existent".


38 T.H. QUALTER, Advertising and Democracy in the Mass Age (Houndmills, MacMillan, 1991), at 39. For an alternative view see S. LEBERGOTT, Pursuing Happiness: American Consumer in the 20th Century (Princeton, Princeton University Press, 1993), the message according to the book review of A. St GEORGE, "We Are What We Consume", Financial Times, September 28, 1993, is that: "... to make yourself rich, you must not increase your money but decrease your greed. Consumption, not income, is the key to your wealth"; in the US, and at 1982 prices, one hour's work earned 50c of personal consumption; in 1929, $2.75; in 1960, $6.50; and in 1990, $9.75.
In most commercial activities, both definitions of consumerism are experienced in two ways. In a qualitative way, the capacity to determine the form, nature, and quality, of the products put in the market to satisfy the needs of the consumer, is gradually moving from the producer towards the consumer. From a quantitative aspect consumers are gaining power because, from the eighteenth century onwards, they are matching their desire to consume with a more widely dispersed ability to do so. The demise of barriers within a consumer's society required and caused changes in attitude, ideology and economic thought, prosperity, standards of living, commercial techniques, promotional skills and finally legislative approaches, and involved, in these changes, the state, marketers and consumers, alike. It must be further underlined that


40 The sovereignty of consumer in her/his trading relations with marketers is encapsulated in Smith's celebrated quotation that "... it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest": A. SMITH, The Wealth of Nations (London, Methuen, 1950), vol. I, at 18.

41 N. ABERCROMBIE, in The Privilege of the Producer, in R. KEAT & N. ABERCROMBIE (eds), Enterprise Culture (London, Routledge, 1991), developed a model of the publishing industry that may be valid in general, outside the field of cultural industries. At 172-173 it is submitted that the loss of authority is wider than a re-balancing exercise between consumers and producers. From a sociological point of view it is argued that regimes of production are associated with the forces of rationalisation whilst consumption with undisciplined play and disorder. As it is shown below often consumer's behaviour is determined by intrinsic criteria that make it unpredictable. The fact that leather feels nice to some consumers, is not easy to predict or rationalise. Social conventions enable us to inject some predictability into human behaviour; the want of cleanliness may be the result of personal intrinsic choice, of belief to medical advice, or of adherence to the social norm.

42 But see T.W ADORNO & M. HORKHEIMER, in the abridged version of The Culture Industry: Enlightenment as Mass Deception, in J. CURRAN, M. GUREVITCH & J. WOOLLACOTT et al. (eds), Mass Communication and Society (London, E. Arnold, 1977), arguing, at 350, that the result of the standardisation and the illusory consumer's power is, "... the circle of manipulation and retroactive need in which the unity of the system grows ever stronger". Real power stays with those whose economic hold over society is already strong. For a Marxist perspective see S. EWEN, Captains of Consciousness (New York, McGraw Hill, 1976). Finally see J.K. GALBRAITH who, with The Affluent Society (Harmondsworth, Penguin, 1974), became notorious as an economist criticising the squirrel wheel of artificially generated needs and consumption.

43 See N. MCKENDRICK, J. BREWER & J.H. PLUMB, The Birth of a Consumer Society (London, Hutchinson, 1982), at 1-9, although their subject is eighteenth - century England, their introduction offers a good general discussion, and M. AGLIETTA, A Theory of Capitalist Regulation (London, NLB, 1979), at 151-169 for the formation and evolution of a norm of social consumption. At 158 it is emphasised that for the first time in history we have been able to conceive "... a norm of working-class consumption in which individual ownership of commodities governed the concrete practices of consumption". For the traditional sociological view see C. PRESVELOU, Sociologie de la Consommation Familiale (Bruxelles, Les Editions Vie Ouvrière, 1968), concluding at 211-212 that the continuous amelioration of life standards, changes in family relationships, and the explosion of service industries call for research in the family at the social level.
consumerism, both as an ideology and a state of the economy, changes continuously, conforming with the changing faces of capitalism and society; economic and social issues, crises and resulting political trends. The relations of competitive partnership between consumers and the industry in the market place are continuously being re-established.

Finally, from an historical perspective the value of goods as communicators of the past serves as a further example of the theatre of consumption. We are able to reconstruct history from findings of consumption goods because we, as consumers of a later age, are able to attribute to them their true importance and characteristics. Remnants of consumption products become witnesses of our past.

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45 See R. MAYER, "Gone Yesterday, Here Today: Consumer Issues in the Agenda-Setting Process", 47 Journal of Social Issues 21 (1991), stating at 21, that "... the most common view is that scandals and tragedies ignite a process by which consumer problems receive media coverage, become public concerns, and finally receive the attention of government policy-makers". For the view of a marketing expert on the "need" for change in attitudes, in days where employees in larger companies spend 80% of their time on routine administrative chores and only 20% working on product innovation, see G. de JONQUIERES, quoting Prof. J. Quelch, in "A Rose by Any Other Name", Financial Times, October 6, 1993, stating that "... consumer products manufacturers tend to think they are the fount of all marketing wisdom. But in reality many have become excruciatingly myopic and arrogant". He goes on urging consumer brand managers to spend more than the average 3% of their time in direct contacts with consumers and to rely less on numerical market research data.

46 For two contrasting views on the antagonism between marketers and consumers see first S.J. LEVY & G. ZALTMAN in Marketing, Society and Conflict (Englewood Cliffs, Prentice Hall, 1975), who, at 14, highlights the antagonistic nature, referring negatively to consumerism as a movement of consumer unrest and dissatisfaction pushed purposely forward by professional agitators, but at 25, refers to marketing as a social system - thus autonomous - and define it as a set of interrelated groups, engaged in reaching a shared goal and having patterned relationships with one another. A. ETZIONI, in The Moral Dimension (New York, The Free Press, 1988), at 199, is conceiving the market - existentially and functionally - as a subsystem dependent upon "... the contextual factors, the societal "capsule"", within which competition takes place.

4.2.4. Trade marks as codes of communication

A fundamental consumer right and, by definition, the essence of competition is the individual's right to choose. But a trip to the supermarket proves that, in the abundance of competing consumer products, product characteristics and prices, it would be impossible even to articulate our choices without the use of symbols.

Now, assume an economy in a nascent stage where each marketer is putting only one product in the market, and a society that employs verbal symbols, such as language, but not signs that can be averbal, such as trade marks, and imagine the task confronting the customer who wants to buy coffee with caffeine, with a particular taste, suitable for the cafetiere, percolator or filter coffee-maker, and, finally, of a particular origin. In the absence of signs the customer must either describe in detail the sought product or mentally process the analytical information that should be available with each product. Multiply the spent effort with the number of purchases we make in a lifetime, keeping in mind that some are quite complicated and consume disproportionate energy, as is the

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48 In 1962, J.F. Kennedy pre-empted the media and other opinion makers when in the first, at least for the US, presidential consumer message he set the rights of consumers: the rights to safety, information, choice, and representation: MAYER (1991), at 31-32.

49 Perfect competition is "... a market situation in which (1) the number of sellers and buyers is very large and (2) the products offered by sellers are homogeneous (or indistinguishable). Under such conditions, no firm can affect the market price, and each firm faces a horizontal (or perfectly elastic) demand curve": P.A. SAMUELSON & W.D NORDHAUS, Economics, (New York, McGraw-Hill, 1989), at 968.


51 A symbol is a "... sign without either similarity or contiguity, but only with a conventional link between its signifier and its denotata, and with an intensional class for its designator": T.A. SEBEOK, Pandora's Box, in BLONSKY (ed.) (1985) at 466. Out of its context this assumption may seem an-historic since humans have been using signs before language, but is nevertheless didactic: see SEBEOK at 452-455.

52 From the outset there are two choices: one is to go to a shop that sells only coffee, a specialist's shop with a better assortment of coffees, and the other to go to a shop dealing in more commodities, a grocery shop or a super-market; see J. SAY, A Treatise on Political Economy (New York, Augustus Kelly, 1971), originally published in 1821, at 95. J. O'SAUGHNESSEY, in Why People Buy (Oxford, Oxford University Press, 1987) at 46-47, is using a shoes example. The consumer's want can be expressed in terms of her/his reasons, which in turn can be transformed into corresponding rules, but the number and the intricacy of rules and reasons is indeed extraordinary.
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case of drugs, electronics, cars, etc., and the need to employ an efficient way of communicating our desires is obvious.

Thus humans learned through social interaction to utilise together with verbal symbols, other signs as mechanisms for communication. In this series of communicative actions, trade marks enable the consumer to conceptualise in a caption the notion of a product, by individualising the connection of the product with the affixed trade mark and, from that moment onwards, identify the product in a fraction of time and with a fraction of effort from what would be needed if s/he had to use more analytical ways of communication. The whole process can be described - in semiotic and economic terms - as,

"... the formulation and encoding of messages by sources, the transmission of these messages through channels, the decoding and interpretation of these messages by destinations, and their signification. The entire transaction, or semiosis, takes place within a context to which the system is highly sensitive and which the system, in turn, affects".

The analogy is so attractive that it can become overwhelming. If communication is seen as the organising principle of every human whole and the methods of communication as determinative of the kind of society we have, then the strength of the communicative character of trade marks will lead us to believe that they can determine the nature of the markets. But, the analysis should also concentrate on the contrasting assertion that the

53 For the social character of communication see the quotation from Aristotle's On Interpretation by T. TODOROV, in Theories of the Symbol (Oxford, Basil Blackwell, 1977), at 16, "... spoken words are the symbols of mental experience and written words are the symbols of the spoken words. Just as all men have not the same writing, so all men have not the same speech sounds, but the mental experiences, which these directly symbolize, are the same for all, as also are those things of which our experiences are the images". It is in the system of signification exclusively that symbols acquire a meaning. See R. COWARD & J. ELLIS, Language and Materialism (London, Routledge & Kegan Paul, 1977), at 12-14; at 12 they present Saussure's position that "... language is revealed to be a system whose only reality is its realisations". Thus trade marks are not abstract symbols, their message is their reality.


modes of communication are determined by the structure of socio-economic relations.\textsuperscript{56} After all trade marks cannot escape economic and class factors. For example the top ten of the canned foods chart, for Britain in the nineties, looks very much like a shopping list of the 1950’s. Marketing people attribute the exceptional brands longevity to the fact that canned foods remain a working class staple and consumers at the poorer end of the market cannot afford to make mistakes by trying new lines.\textsuperscript{57} Now, contrast this with the worry that affluent consumers may react negatively to the emerging homogeneity of European brands. A shopping list in any country of Europe is almost identical to that of her neighbours, this might have created a feeling of reassurance when travelling to foreign European destinations was a novelty, but today is causing boredom and aversion to the consumers “leading edge”.\textsuperscript{58}

4.2.5. Trade marks as indicators of origin

Our imaginary consumer, now, knows that the green distinctive packet on the shelves marked with the Hag trade mark is “a” coffee that s/he desires although the characteristics that make the product desirable may be unobservable in the market place; s/he cannot smell, taste etc. the product that is packed in vacuum.

“This information is not provided to the consumer in an analytic form, such as an indication of size or a listing of ingredients, but rather in summary form, through a symbol which the consumer identifies with a specific combination of features. Information in analytic form is a complement to, rather than a substitute for, trademarks.”\textsuperscript{59}

Analytic information is needed when the product is unknown. When for example coffee shop chains wanted to introduce gourmet coffee in the American market they had first to

\textsuperscript{56} G. MURDOCK & P. GOLDING, Capitalism, Communication and Class Relations, in CURRAN et al. (eds), (1977), at 13, responding to the above mentioned quotation.

\textsuperscript{57} C. Sanbrook of Marketing, as quoted by R. GREENSLADE, “Putting Your Brand on to the British”, Life & Times, The Times, June 29, 1992.

\textsuperscript{58} See the results of Nielsen - Checkout Top 100, as presented and commented upon by A. MITCHELL, in “One Europe One Taste?”, The Times, November 10, 1993.

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educate the consumer and create a desire for good coffee. This was achieved by extensive advertising, free tastings, lectures, and use of every possibility for publicity. These are costs that traders can avoid once their initial customer base is created.

Now, a significant element of products' characteristics is their origin, as denoted, for example, by the Hag trade mark, which we define as concrete and/or abstract. Concrete origin means that the trade mark refers to the actual producer or trader of the product. Sometimes this is considered material enough to influence the consumer's choice. The trade mark may refer to the physical producer of the product or to a number of affiliated producers - as in the case of champagne names and other wine marks - or may contain some other traceable information about the producer or marketer like location - British beef is an example - or opening hours. On the other hand a trade mark may incorporate references to origin or function which, in truth, are irrelevant. Responding to potential investors the managing director of British Aluminium admits that there

"is nothing quite like it, and no other organisation that analysts can compare it with ... British Aluminium is a wonderful name ... but it does suggest a producer of the commodity: actually it does not make one gram".

Abstract origin, relocates trade marks from the one product - one producer parallel coexisting markets to the real economy. Abstract origin has more to do with the function of trade marks as indicators of quality and it means that the product obviously exists because someone produced it, however, the identification of the actual producer is immaterial for the consumer. It is either the existence alone of a brand or the

60 See "Labels that Tell a Story", Financial Times, August 14, 1993. By de-codifying two letter combinations appearing on champagne labels, the cognoscenti can identify the status of a given champagne producer: NM refers to one of 250 champagne houses, CM to one of 42 co-operatives and MA to one of thousand BOB (buyer's own brand) brands.

61 Although some times the law reaches its limits, as in the case of the American wine producer who put in the market a made in the USA Chateau La Feet for $5 and faced the opposition of the French Chateau Lafite, worth $100, unfortunately the case did not go to court, because the threat of protracted court proceedings made the Americans think again: D. REEVES, "French Stamp on Grape Impostor", The Independent, November 29, 1993.


63 The signification of blurred origin in international markets can be achieved by two methods. First by using the same mark but different labelling or getup, an approach followed by Brannigans to market crisps in Spain, when they switched the picture of the male baker, printed on the package of the
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signification of consistency that may influence the choice of the consumer. It is at this stage of deciding before buying that marketing comes into play and influences the adoption of goals by consumers by helping them visualise what it would be like - "what it really would be like" - to achieve the state of affairs as described by their goals or by dramatising the consequences of neglecting a particular goal.

The examination of the mechanisms for indicating either concrete or abstract origin will contribute to a better understanding of the interrelation of trade marks and consumption. Here we turn first to concrete origin.

4.2.6. Why concrete origin is important

It is often supported that consumers in general

"... in very few instances ... really know what they want", but our imaginary consumer is the "mythical", ordinary, reasonable and rational person who having already set some goals, trusts her/his own past experiences with the same crisps, with that of a female one. The second method is by using established national marks but adopting a harmonised approach to packaging, by using similar visual devices, typography and colours, as for example does Unilever with All, Omo, Persil, Presto, Skip and Via: see N. BUKLEY, "More Than Just a Pretty Picture", at the Exporter section of Financial Times, October 13, 1993.

According to him goals and wants are interacting with beliefs in order to create consumer's disposition to buy. This disposition is to be followed by three alternatives: wanting without buying (because the want is latent and/or passive or there are some exclusionary reasons), buying without deciding (according to habit and/or intrinsic preference or by picking indiscriminately), and deciding before buying (in this case the nature of the choice criteria may be intrinsic, technical, legalistic, integrative, adaptive, and economic). His research is impressive because his theory on brand choice is the result of over a thousand "protocols" of consumers choice of particular products.

See O'SAUHGNESSY (1987) at 4-5. According to him goals and wants are interacting with beliefs in order to create consumer's disposition to buy. This disposition is to be followed by three alternatives: wanting without buying (because the want is latent and/or passive or there are some exclusionary reasons), buying without deciding (according to habit and/or intrinsic preference or by picking indiscriminately), and deciding before buying (in this case the nature of the choice criteria may be intrinsic, technical, legalistic, integrative, adaptive, and economic). His research is impressive because his theory on brand choice is the result of over a thousand "protocols" of consumers choice of particular products.

Ibid.

V. PACKARD, in The Hidden Persuaders (London, Longmans, 1957), at 13, casting doubt on the evidence of market research for two reasons. First consumers cannot be trusted to act rationally and predictably and second they are not very keen to admit that they may act irrationally. But to deny any rationality it would mean that all decisions are based on a game theory. Given the diverging results of various research projects on consumer behaviour one cannot avoid contemplating that the consumer is, to some extent, an anarchist telling one thing to market researchers and enforcing another in his purchasing behaviour.

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products, shares the experiences with friends and experts, and benefits by analysing the information on competing products, acquired from her/his visits to retail outlets, advertising material, consumers' guides etc.69

S/he then decides as to the particular product s/he wants to obtain and ventures to purchase it. At that point, trade marks fulfil two separate functions.

First they enable the consumer to link all the information with the relevant individual product. Being able to trace a common origin,70 signifies, in the model developed by the consumer, that the marked product will have the same characteristics with the previously examined identical product that was identically marked. Since they share the same source, a particular Sony television set will be identical to the one with the same mark that was checked in the electronics shop, Hag coffee in the green coloured packet will have the same taste with Hag coffee in the same packet that was purchased in the past. The relevance of origin in this case is limited to the satisfaction of consumers' 


68 The goals set are in accordance either with need or desire. Needs, as a notion, correspond with the classical school of economic thought and desires with the neoclassical one. D. LEVINE, in Needs, Rights and the Market (Boulder, Lynne Rienner, 1988), at 9, points out that “... the subtle distinction between need and desire marks a watershed in the development of economics. Each concept expresses a basic idea about human motivation that provides the organizing principle for a whole conception. Both ideas are fundamental, yet neither seems wholly satisfying. One - need - eliminates any meaningful idea of a market economy, while the other - desire - looks on market outcomes as functions of whim and choice rather than necessity”. O'SAUGHNESSY (1987), at 9-10, presents these goals as a number of actions satisfying alternatives: we rather be healthy rather than ill, loved rather than hated, insiders rather than outsiders etc. What is unique is the importance each one of us attributes to satisfying each particular choice in correlation with the others, “the multiple life goals”, and their ordering and subordination: the author’s obvious example we all want to be healthy but some of us often drink and smoke wanting to become insiders to a particular group, and after doing that some of us prefer to become outsiders again because of the prevailing damage to our health. In this continuous reordering Marlboro may mean acceptance, appeal etc. at the one moment and lung cancer at the other, as it does in a US campaign that used ex-models of tobacco adverts that are now lung cancer sufferers and turned to anti-smoking campaigners.

69 P. SMITH & D. SWANN, Protecting the Consumer - An Economic and Legal Analysis (Oxford, M. Robertson, 1979); at 132-149 they present the various sources of information; especially at 141-144 they talk about what is expected from the rational consumer.

70 In real economy the tracing of actual origin may be difficult because a trade mark “... may be affixed to goods by a manufacturer thousands of miles away from the consumer, or by an importer or jobber who has not manufactured but merely selected the goods and put them on the local market, or by a commission merchant who has not even selected the goods or rendered any service relating to them except to sell such as may have been sent to him by the owner”: SCHECHTER (1929) at 815-816.
expectations in respect of products' characteristics; quality is one of the relevant characteristics. In the next stage trade marks assist the articulation of the consumer's choice to the trader.71

After the purchase of products the reference to their concrete origin is important, for the consumer, in the case of servicing, possible redress for defective goods and so on. In such occasions further reference must be made to the small-print of the label or the documentation accompanying the product, but still the existence of the trade mark serves as a signpost for the direction that the consumer has to turn to. This is even more true in cases of sales by post or tele-sales where it is more difficult for the consumer to trace the origin of the product and ask for guarantees and after sales service.72

For the trader the trade mark works as a constant reminder of existence, a powerful, and relatively cheap, way of advertising if the mark has an eye catching appeal, generates income from further services related to the product and enables the manufacturer or marketer of a product to fulfil guarantees and other similar obligations.73

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71 Support for this empirical description may be drawn from G. KELLY, The Psychology of Personal Constructs (New York, W.W. NORTON, 1955), quoted by D. EDWARDS & S. JOHNSON, The Meanings of Products in Consumers' Lives: The Grid Approach, in OLSON & SENTIS (eds) (1986) at 259: "Grid Research proposes that consumers are trying to understand their experiences with products by building models of the experiences". They then use their models to make the decisions that they believe will allow them to maximise their opportunities to fulfil their "needs and desires".

72 Computerised shopping, in particular, is expected to revolutionise the retail business in the near future, see A. FISHER, "Tapping into Convenience", Financial Times, November 11, 1993, where J. Hollis, of Andersen Consulting, states that the retail sector in the UK is about to experience a tremendous shakeup. Changes will effect products' prices as well as the life-style, habits, etc. of the consumers; this of course would include trade marks, however it is submitted that trade marks as such will not suffer, the only difference being that they will be used in an alternative or additional service provided to the consumer. Obviously things are more complicated when sales by post are crossing national boarders. Part of the European Commission's efforts for the creation of a single market is to ensure that the consumer enjoys the same protection, terms and service throughout the Union irrespective of the place of business of the marketing entity.

73 Here are two examples of the importance of the trade mark for the marketer. First in Sony K.K. v. Saray Electronics (London) Ltd [1983] FSR 302, the unauthorised grey-importers of Sony products were passing off their services as being part of the Sony guarantee. The court held that they had to mark all Sony merchandise with labels making clear that they were not guaranteed by Sony. In D. MOMBERG, "The "Entrapped Trademark"", [1998] EIPR 65, a new function is described: drugs may be prescribed through "Managed Health Care Systems", trade marks will be relevant in determining whether the right drug is administered (all the parties involved have an interest in ensuring that the "System" works effectively); problems for marketers of pharmaceutical products arise from the extent of the ability of the "System" to incorporate and prescribe alternative branded drugs.
In a cyclical way, after the consumption of the product the trade mark will be a constant signifier of satisfaction or disappointment with the particular product and accordingly influence future purchase decisions.

Direct indication of origin is also important for certification marks, denominations of origin and trade marks that refer to a whole group of producers. In the case of certification marks the consumer is influenced by the authority of the certification body that awards the mark and guarantees particular product properties. Usually certification marks are distinct from the manufacturers’ or traders’ marks affixed on the product. In a way certification marks are a very good model of a mark that is independent of direct product origin and may become a commodity in itself.74 For a European example we can refer to the eco-flower, a mark comprising of a flower with first twelve, and now fifteen, stars as petals, attributed by each member state’s competent authority; the mark is valid through-out the Union as a certification of the ecological characteristics of each product. Interestingly, the eco-flower has caused a wave effect to the regulation of advertising since only products bearing the mark will be allowed to be advertised as eco-friendly.75 It has to be stressed here though that the proliferation of eco-labelling schemes is in turn becoming a barrier to market entry, particularly for products originating from developing economies.76

Collective marks and denominations of origin are significant when the consumer desires a product with specific characteristics attributed either by geographical location or

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74 The various national standards or certification marks and the EEC blue flags indicating clean beaches are good examples of such marks. Their value and “commodisation” can be seen in allegations that resorts in the UK which did not fulfil minimum standards switched to blue flags of a lighter shade awarded by a UK private organisation with lower standards for sea water and that in continental Europe several local authorities misled the awarding body in order to obtain the certification: August 93 Which Holiday?, and the BBC2 Nature television program of July 27 1993. For a pre-1994 discussion of certification marks in the UK see N. DAWSON, Certification Trade Marks - Law and Practice (London, Intellectual Property Publishing Limited, 1988).

75 The program started with dish and clothes washing machines and has expanded to almost everything else. Hoover was the first to apply the mark on three of its models.

76 More on the subject of hidden barriers to entry will follow in the next chapter; the worries and the priorities of the World Trade Organisation on eco-labelling were reported by F. WILLIAMS, “Eco-labelling Tops Agenda for New Group”, Financial Times, July 13, 1994.
common practices of groups of producers.77 To differentiate between a trade mark and a
generic name can be difficult. Churnton - the name of a new British cheese - was
invented in order to conjure up homely images of traditional cheese making. Albeit, the
cheese is currently produced by a single company and is targeting the “own label”
segment of the market. The situation is different in France where branded regional
cheeses abound and the retailing sector is more fragmented.78 At a different
communicative level, but still related to the concrete origin of a marked product,
Emperor Akihito had to consent to eat in public foreign rice in order to ease the
suspicions of the public over the quality and purity of imported rice, following a
disastrous Japanese crop. For general sale the government required the blending of
foreign and domestic rice, so consumers could not be in a position to discriminate
against imported crops.79

Indeed, the importance of geographical origin offers a very good example of the
conflicting interests enmeshed into a trade name. Producers on the one hand want to
compete in a fair environment that allows them to profit from their reputation for high
quality, either by charging higher prices or by capturing a larger sector of the market; at
the same time they also demand to be allowed to compete in the production and trading
of more products. The consumer on the other hand demands more choice but also
trustworthy information. And society as a whole may have an additional agenda, for
example to preserve small farms for environmental, political or economic reasons. The

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77 The champagne cases are good examples of a collective mark that is at the same time a denomination
of origin. See in general L. BENDEKGEY & C.H. MEAD, “International Protection of Appellations
of Origin and Other Geographic Indications”, 82 TMR 765 (1992), and M. KOLIA, “Monopolising
is particularly interesting to compare different approaches on champagne: see B. BROWN, “Generic
Term or Appellation of Origin - Champagne in New Zealand”, [1992] EIPR 176. See also M.
LEHMANN, “Unfair Use of and Damage to the Reputation of Well-Known Marks, Names and
Indications of Source in Germany. Some aspects of Law and Economics”, 17 IIC 746 (1986), at 755
and B. DUTOIT, “Unfair Use of and Damage to the Reputation of Well-Known Trademarks, Names
and Indications of Origin in Switzerland and France”, 17 IIC 733 (1986), at 735-737. Examples of
hybrids between a certification and a collective mark are the wool-mark and the seal of quality
awarded by the Amsterdam Operators of Relax Business to those of its members that satisfy
independently set and controlled health and hygiene criteria, see “Netherlands”, Trademark World,


79 E. TERAZONO, “Japan's Consumers Spurn Rice Fit for an Emperor”, Financial Times, March 10,
1994.
law, then, has to balance all these, often contradictory, interests and reach a compromise.80

Origin is also directly influencing consumer’s choice in the case of promotional goods where the consumer acts more on an emotional than a cognitive level. S/he wants to make her/his allegiance to a sports team, a social or political organisation and so on known to the public. For that reason s/he uses all sorts of garments and gadgets portraying the favoured insignia. The valuable part of the product, the commodified idea, is the mark itself; indication of origin relates to the origin of the insignia as such and not to the origin of the marked product. It is debatable if the sophisticated consumer who knows about the modern practice of licensing,81 would buy a promotional product if s/he knew that there was no connection with the proprietor of the insignia and that the proprietor would not benefit in any material way,82 even when the genuine item carries a

80 We all want to trust the information conveyed by the words “Parma Ham”. For the general public the words signify a particular type of ham. For the purists and the local Italian producers, however, Parma ham is the ham produced in the Parma region of Italy, according to the local tradition, and, according to tradition, sold from the bone. The trader and the non - purist consumer want to narrow the definition and expand its scope: traditional Parma ham is genuine even when sold in pre-cut slices. The UK courts preferred the second approach, in particular after hearing evidence that Parma producers wanted themselves to control pre-sliced ham in the market. See Consorzio del Prosciutto di Parma v. Marks & Spencer Plc, [1991] RPC 351, and N. DAWSON, “The Parma Ham Case: Trade Descriptions and Passing Off - Shortcomings of English Law?”, [1991] EIPR 487, concluding at 490 that “… judgments in the case suggest that far from English law being defective in this area, on the contrary Italian law is over-protective of geographical denominations in regulating how products may be sold to the consumer”. Parma Ham producers failed again more recently when they tried to rely on Council Regulation 2081/93 and Commission Regulation 1107/96: see A. COLLINSON & I. DAVIES, “European Community Law Can Save Your Bacon”, Trademark World, March 1998, 20. See also SWISS MISS Trade Mark [1997] RPC 219 and Chocosuisse Union de Fabricants Suisses de Chocolat v. Cadbury Ltd [1998] RPC 117.

81 For such a lucidly expressed doubt, see Tavener Rutledge Ltd v. Trexapalm Ltd, [1977] R.P.C. 275, at 280.

82 For a clear statement see a US case, Boston Professional Hockey Ass’n v. Dallas Cap & Emblem Mfg 510 F2d 1011 (5th Cir. 1975), at 1012-1013 the court of appeal notes that “… the argument that confusion must be as to the source of the manufacture of the emblem is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem ... Where the consuming public had the certain knowledge that the source and origin of the trademark symbol was in the Toronto team, the reproduction of that symbol by the defendant constituted a violation”. See also the discussion of P.E. MIMS, “Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks”, 63 Texas Law Review 639 (1984), and P.D. SUPNIK, “Designations of Source - Are they Necessary to Support Entertainment Industry Merchandising Rights?”, 5 Cardozo Arts & Entertainment Law Review 363 (1986), at 391-400, for an exhaustive enumeration of US cases.
disproportionate price premium.\textsuperscript{83} It is estimated that "spectator wear" alone, meaning pure leisure products, like bomber jackets, casual sweaters and sports bags, bearing insignia, constitute up to 50% of big football strip manufacturers.\textsuperscript{84} Character merchandising cases are equally good indications of trade marks transcendental character; there issues are more complicated with trade mark law having to deal with questions on personality and publicity rights.\textsuperscript{85}

From all the above both the consumer and the marketer appear to benefit from the existence of trade marks and their reference to concrete origin. The consumer cuts research costs,\textsuperscript{86} avoids confusion, and communicates her/his desire to the marketer; in turn the marketer has a method of learning what the consumer wants and a system to distinguish her/his product from those of the competitors and put it in the market with a chance to address a "non confused public".\textsuperscript{87} For further practical evidence as to the value of channels of direct communication between marketers and consumers one can refer to the nineties practice of creating "care-lines" that allow the consumer to communicate with the manufacturer at the latter's expense; the lines assist the effective communication of complaints, build brand loyalty, provide a route for early warnings in cases of problems with product quality, and allow the parties to trace customer satisfaction.\textsuperscript{88}

\textsuperscript{83} See for example the complaints and exploitation accusations about the high prices and the frequent design changes of the football outfits replicas, in G. MEAD, "Football Clubs Accused of Exploiting Young Fans", Financial Times, August 26, 1993.

\textsuperscript{84} C. GARDNER, "Styles of Play", Design, January 1993, at 18, for the case of Umbro.


\textsuperscript{86} See also chapter 5 on economics.

\textsuperscript{87} James Burrough Ltd v. Sign of Beefeater Inc. 540 F2d 266 (7th Cir. 1976). For the very close link of the trade mark, its owner, and the product and the rationality of the accorded protection see also Bowden Wire Ltd v. Bowden Break Co Ltd [1914] RPC 385, at 392: "The object of the law is to preserve for a trader the reputation he has made for himself, not to help him in disposing of [it] ... as a marketable commodity".

\textsuperscript{88} Flora, the margarine manufacturer, was lucky to have already established such a care-line and thus be able to respond quickly and directly to the public on the false rumours that her product contained pig.
Next, we will test the validity of this conclusion in more complicated market conditions, because until now our description involved a consumer that had to deal with choices and experiences of individual products stemming from identifiable producers. But what happens when, for example, the consumer is faced with a choice of Virgin Cola (exclusively distributed by Tesco), Safeway Cola, and Sainsbury Cola, incidentally all made by Cott, a Canadian soft drinks company, which also puts in the market its own brand of Cola.89

4.3. Trade marks: indicators of quality

4.3.1. Product differentiation

If products were homogeneous they would also be perfect substitutes of each other in the minds of the consumers, and there would be no need to identify them with the use of trade marks. Any purchase would satisfy their needs. Allocation of payments could be made via a quota system linked to each producer’s output. But in the real market the consumer differentiates between - and the producer competes in - similar products according to price, product characteristics and conditions surrounding their sale.90

Such attitudes help ensure the consumer that the manufacturer really cares about the product quality and the satisfaction of the consumer, and inspire her/him with trust and confidence about the brand. See D. SUMMERS, “Show the Customers You Care”, Financial Times, January 13, 1994. To underline the importance of help-lines it has been reported that, responding to an advertising spoof of Britvic, thirty thousand people have called in the first day of advertising to report stockists who were stocking the “unauthorised” Tango. Ironically the product had to be recalled a week after due to cases of fermentation: D. SUMMERS, “Britvic Censured Over TV Advert”, Financial Times, July 7, 1994.

N. BUCKLEY, “Cola War Hots Up as Safeway Launches Own Label Drink”, Financial Times, October 31, 1994. Indeed Cott chose to fight a world-wide guerilla cola war against the Coca and Pepsi Giants: they provide the product for in house brands for ninety major retailers in Canada, the US, the UK, France, Spain, and Japan; in addition in Canada, their home market, they also market their own brand of Royal Crown Cola. In Canada a 750ml bottle of President’s Choice (the retailers’ Loblaw’s generic brand supplied by Cott) sells for 49 cents compared with 79 cents for Coke or Pepsi, whereas Cotts’ sales in the first quarter of 1994 where 67% higher: B. SIMON, “Upstart Cott Shakes Up Cola Kings”, Financial Times, June 15, 1994.

90 For markets were homogeneity prevails see SCHERER & ROSS (1990), at 17-18. At a given price “… products are differentiated when, owing to differences in physical attributes, ancillary service, geographic location, information, and/or subjective image, one firm’s products are clearly preferred by at least some buyers”; this is a condensed definition for product differentiation. The economist originally behind the characteristics approach is K. LANCASTER, in “A New Approach to Consumer Theory”, 74 Journal of Political Economy 132 (1966).
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In the category of product characteristics we include exclusive patented features, trade marks, trade names, peculiarities of the package or container, and finally singularity in quality and/or get up including design, colour or style. Conditions surrounding their sale incorporate the convenience of the seller’s location, the general tone or character of her/his establishment, the way of doing business, the reputation for fair dealing, courtesy, efficiency, and all the personal links which attach the customers either to the seller or those employed by her/him. Advertising should also be added to the conditions surrounding the sale of a product.

All these elements of differentiation can be conceptualised by a brand which is

"... the product or service of a particular supplier which is differentiated by its name and presentation".

So branding - a concept that is more specific than marking - distinguishes the branded product not only from other similar products but also from products which may come under the same mark or house mark.

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91 N.J. IRELAND, in Product Differentiation and Non-Price Competition (Oxford, Basil Blackwell, 1987), at 21, says that in order to describe product differentiation fully it is necessary to limit the number of characteristics considered. He thus developed two models, one of horizontal product differentiation based on location criteria and another of vertical product differentiation based on quality variations.

92 E.H. CHAMBERLIN in The Theory of Monopolistic Competition (Harvard, Harvard University Press, 1969) offers this analytical review. Such links often are indirect but effective; Kenwood’s 1994 advertising campaign for example concentrated on transforming its staff to image ambassadors, “... Kenwood recognised that building a brand for electronic products is not easy. Shared technology means there is little difference between the products. Successful advertising must convince people that the brand is suited to their personality”. B. Griffiths, Kenwood UK sales and marketing director is reported saying “... we are trying to develop a personality for our products. We are not just a consumer electronics company, we are more like a family”: see L. KELLAWAY, “The Personnel Touch”, Financial Times, January 6, 1994.

93 J.M. MURPHY, The Brand Strategy (Cambridge, Director Books, 1990), at 1. A good example is the case of Coke as brand which consists of “... taste, refreshment, [and especially] a complex of other, less tangible benefits including consistent quality, sophistication, pleasure and relaxation”.

94 Different terms used in respect of trade marks often cause conceptual confusion. In the US context the trouble spots are somewhat different, concentrating on the terminology of: trade name, secondary meaning, generic terms, and related company; see S.A. DIAMOND, “Untangling the Confusion in Trademark Terminology”, 65 American Bar Association Journal 1523 (1979), at 1523-1524. In real markets some trade marks are so successful that they loose their product differentiating ability and become generic. One example is the case of Sana, Unilever’s original sunflower oil brand for Turkey, which became the Turkish word for margarine. Unilever paid a, small, price for its success: see J.M.
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A further way of dividing products according to their characteristics is to talk about search, experience, and credence products. Search products can be subjected to physical inspection - food items are a good example. The qualities of experience products can be apprehended only after previous use and cannot usually be observed before purchase - electronics are such an example. Finally, drugs or cosmetics are examples of credence products; usually examining their characteristics and effects, is either impossible before purchase and use or too expensive and complicated. The importance of brands is apparent in the market for drugs where the balances are very delicate. On the one hand generic drugs are a cheaper alternative promoted even in comparatively rich societies, and on the other the market is so quality sensitive that the occurrence of even one counterfeit product will create a "drug alert".

A further mode of differentiation is according to quality and variety features, between which consumers usually discriminate. For example, the speed with which a computer accomplishes a task is a feature of quality and all consumers desire higher speeds although their willingness to pay for the same increase in quality may differ. Colour is an example of a variety feature and, since some consumers prefer white over red and some have the opposite preference, all consumers, by definition, do not prefer more of a variety feature. Brands again are relevant: some are designed to confer the impression


House marks meaning marks ". . . that are used on all products the company produces, in connection with all services it provides and as shorthand for identifying the company generally": see M. ABELL, "House Marks - The Sphinx of Intellectual Property", Trademark World, September 1993, 17, at 17-18, and 23 where ICI and IBM are presented as notorious examples of house marks. Abell in presenting the position under UK law is stretching the definitional limits of house marks. For the US case on whether the addition of a house mark to a trade mark is enough to eliminate any possibility of confusion between similar marks see M.J. BERAN, "Likelihood of Confusion: Will That "House Mark" Get You "Home-Free"", 83 TMR 336 (1993). It seems that the notion of a house mark and its effects are still unclear in both jurisdictions.


See P. JOHN & D. GREEN, "Glaxo Hit by Counterfeit Drugs", Financial Times, February 18, 1994, for the case of counterfeited "Zantac".

ECONOMIDES, (1988), at 525, is supplying this aspect of differentiation: see also 530-531 for a clear description of the features of different goods. Colour of course ceases to be a variety feature if it adopts the role of a trade mark. The colour pink for insulation material had, in the US, the dual role of functioning as a trade mark and a being a variety feature: see Re Owens - Corning Fibreglass
of reliability and quality, but limited choice; at the same time the proliferation of brands allows marketers to offer the same product under a variety of guises.

4.3.2. Consumer motivation

Keeping in mind all the possibilities of product differentiation, we can describe consumer motivation as,

"... a state of need arousal - a condition exerting "push" on the individual to engage in those activities which he anticipates will have the highest probability of bringing him gratification of a particular need pattern".99

The process that we described above can be defined as purely cognitive, because it provides the answers to the questions of what rational issues are associated with the experience, what are the product attributes, what are the product benefits, what are the descriptions of events, products, and product experiences.100

In this rational process we can include in the pre-purchase issues, first, questions on budget allocation which lead to a decision on the purchase or not of a particular type of, but still generic, product. Considerations on brand and style choice and store patronage will follow resulting to the decision on the purchase of a specific marked product.101

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100 This is part of the Grid Research, results, as described by EDWARDS & JOHNSON in OLSON & SENTIS (eds) (1986) at 259. Note here that often we use the word belief wanting to signify that we have some doubt about the truth of our opinion. "... when truths are necessary truths (e.g., parallel lines never meet), they are not prefaced by the word "belief"". See O’SUAUGHNESSY (1987) at 19, and the reference therein to J.M. ADLER, Ten Philosophical Mistakes (New York, Macmillan, 1985).

Without going into a detailed description of the behaviour and the strategies available to the consumer\textsuperscript{102} we can say that they are formulated according not only to our cognitive behaviour but also according to affective, responsive, social and cultural, spiritual and symbolic, and finally electrochemical influences.\textsuperscript{103} In short, although we can in theory distinguish between cognitive behaviour and behaviour that responds to affective and/or symbolic appeal,\textsuperscript{104} the two are always combined in creating our individual need pattern, despite the overemphasis on cognitivism that has dominated research during the last decades.\textsuperscript{105} Therefore each consumer has developed a need pattern, that consists of various balancing factors and is under constant change.\textsuperscript{106} Still, general assertions will be valid up to a point, because, once the need pattern has been created, then we can expect more rationality in our hypothetical consumer's strive to satisfy it. So the economist's assertion that a very wide variety of consumer behaviour - addiction included - is consistent with utility maximisation and thus rational, is not an act of economic jugglery but an attempt for the creation of a neutral - towards the need pattern - paradigm of satisfaction of need patterns that may or may not be themselves rational, ethical, beneficial, and so on.\textsuperscript{107}

\textsuperscript{102} For the classical description of which see WILKIE, ibid, at 591-612.
\textsuperscript{103} See in general EDWARDS & JOHNSON in OLSON & SENTIS (eds) (1986).
\textsuperscript{105} See the conclusions of R.G. FOXALL in Consumer Psychology in Behavioral Perspective (London, Routledge, 1990), at 168-173. He rejects any unitary theory and attempts to link the marketer and consumer aspects of marketing, in the light of a "relativistic consumer research".
\textsuperscript{106} Huge national divergences on the criteria that influence the behaviour of consumers in Europe are strong evidence of retaining a national consumer's identity. In 1993 the EU average for the effectiveness of celebrity endorsement is 11\%, the French level is at 22\%, and the UK at 1\%. Similarly eye-catching packaging is influencing only 4\% of Dutch consumers, but 21\% of French shoppers, advertising is a key-factor for more than 50\% of Italians and French but for only 31\% of Spaniards. Results of a Mintel research on European Lifestyles, as presented by G. MEAD, in "Hunting the Euro-Consumer", Financial Times, June 28, 1993.
\textsuperscript{107} G.S. BECKER & K.M. MURPHY, "A Theory of Rational Addiction", 96 Journal of Political Economy 675 (1988). E.J. DOCKNER & G. FEICHTINGER, in "Cyclical Consumption Patterns and Rational Addiction", 83 American Economic Review 256 (1993), after discussing happiness of addicts they conclude, at 262, that consumption behaviour may end up in persistent oscillations (limited cycles). It is very intriguing that economists started to incorporate into their paradigms terms such as happiness etc. This constitutes a shift from the assertion that every chosen behaviour is rational. See for example G. BECKER, The Economic Approach to Human Behaviour (Chicago,
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Therefore demand for quality features will be stronger for experience and credence goods and products that are not purchased frequently, than for those that can be examined before purchase and are to be consumed immediately; different quality criteria, and accordingly trade mark messages, are involved in the purchases of oranges, cars, and drugs, but quality criteria as such exist in all cases, and it is almost self-evident that,

"... if ... [the consumer] is interested in origin, it is normally because origin imports an expectation about some quality".

This view is supported by the observations of consumers' associations and international organisations - such as WIPO - agreeing on the value of information on product characteristics and quality conveyed by trade marks.

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University of Chicago Press, 1976). O'SAUGHNESSY (1987), is giving flesh to that shift first by distinguishing, at 25 between latent, passive wants and exclusionary reasons for not buying: latent is a want that is dormant, passive is a want that is inhibited by an objective assessment of benefits and costs and ethical or legal reasons or incapacities may form an exclusionary reason, so an addiction theory has to accommodate the legal deterrents, etc. At 83 he sets a four steps test that determines the extent to which consumers decide wisely as well as correctly and depends on: "1. The rationality of the want itself, since it could be argued that not all wants are rational. 2. Whether the products or brands being considered include the best buy for the consumer. 3. Whether the consumer correctly perceives the relevant facts about options. 4. The degree to which the consumer rationally processes information".

The case of drugs exemplifies in particular the value of information conveyed by trade marks, since they are a product for which a consumer with a minimal aversion to risk will be prepared to pay more for a product about "... whose quality he is confident than a cheaper product about which he knows little or nothing and judges the cost of finding out more to be too great". CORNISH (1989) at 49. See also M.A. HURVITZ, R.E. CAVES, "Persuasion or Information? Promotion and the Shares of Brand Names and Generic Pharmaceuticals", 31 Journal of Law and Economics 299 (1988).


See International Trade and the Consumer (National Consumer Council, 1991) a working paper supporting, at 19, that trade marks convey information, assure that the goods are what they say they are, guarantee a measure of quality and safety and differentiate the product from others. In The Role of Industrial Property in the Protection of Consumers (Geneva, WIPO, 1983), at 9, all the above are repeated and in addition it is stressed that the law of unfair competition "... prohibits, among other things, ... untrue allegations or insinuations; thus, it helps the consumer to be correctly informed rather than misled". In the US there have been five types of consumer rights: the right to be informed, the right to choose, the right to safety, the right to be heard, and the right to recourse and redress, see M. FRIEDMAN, "Research on Consumer Protection Issues: The Perspective of the "Human Sciences"", 47 Journal of Social Issues 1 (1991), at 3. Trade marks are directly related as communicators with all five of them and in particular with the rights to be informed, choose, and seek redress.
After purchase, it is use and consumption that make the consumer confront the issues of maintenance, repair and usage costs, including accident risks, and lead, ultimately, to the disposition of the product, evaluation of satisfaction, and further decisions on re-consumption or not, customer loyalty or switching in terms of products, brands or suppliers etc. In the post-purchase period we utilise our learning abilities and adapt our behaviour accordingly. The whole stage turns around the axis of satisfaction, but it would be impossible to initiate communication or learning without the landmarks set by trade marks that provide a solid point of reference.

Take, for example, the case of dissatisfaction outcomes. Voice is the response that communicates verbally dissatisfaction to the seller; trade marks make identification of the dissatisfaction’s cause possible and enable the seller to respond. Exit means ceasing of the use and continued purchase of the product; in the absence of trade marks the consumer would not be able to consciously stop buying the product unless s/he stopped using the generic product, and, on the other hand, the marketer would not have the opportunity to correct the defect. Finally the reaction may be retaliatory meaning the making of the dissatisfaction public and/or the intentional exclusion from pre-purchase consideration of any product that comes under the same mark or the boycott of the store as a whole; lacking trade marks the consumer would not be able to do any of the above, except the boycott of a store, that has physical location as a point of reference, unless s/he was ready to devote large amounts of time and effort in identifying the product’s trade route.

Apart from all these characteristics and products’ divisions and the attempts to typify consumer behaviour we also have to consider the fact that trade mark proprietors

111 See WILKIE (1990), at 614-619.
113 As set by HUNT ibid, at 114-115. For the first two see A.O. HIRSHMAN, Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States (Cambridge, Harvard University Press, 1970).
114 Trade marks are double edged: they can bring in but also send away custom; see S.A. DIAMOND, Trademark Problems and How to Avoid Them (Chicago, Crain Books, 1973), at 240.
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usually put in the markets numerous varieties of series of products under the same mark. The rational consumer has to adapt accordingly her/his behaviour and integrate in it trade marks as indicators of abstract origin and quality. This is strengthening further the eminence of trade marks, giving them the potential to affect consumers behaviour both at the cognitive and the psychological level. And because trade marks are symbols they are capable of persuasion and/or deception, as they are independent of the objective, natural properties of the entities towards which they point. Messages conveyed by trade marks may be manipulated so as to evoke associations, which are then "... perceived as attributes" of the independent product.

The clothing industry serves as a good example. If producers and consumers had the same consciousness, clothing would be bought and produced only at the very slow rate of its dilapidation; it is fashion and advertising that accelerates the rate of consumption. Accordingly the possibilities for distinction and further differentiation are inexhaustible, since the possible number of fields of preferences equals the number

115 BLONSKY (1985) at vii. Semiologists come to the rescue of trade mark lawyers who argue that Juliet was definitely wrong, at least for trade marks, when "... she mused "What's in a name? That which we call a rose by any other name would smell as sweet": D.L. SKOLER, in "Trademark Identification - Much Ado about something?", 76 TMR 224 (1986), at 224, fn.2, is presenting some definitional and identification problems with "roses".

116 T.D. DRESCHER, "The Transformation and Evolution of Trademarks - From Signals to Symbols to Myth", 82 TMR 301 (1992), at 305. The feud as to the secret recipe of Coca Cola and its press coverage is evidence of the myth surrounding the brand. To symbolise the strength of the mark David Sainsbury has been quoted saying for his own cola drink that now "[f]or the first time a cola has been found that is as good as Coca Cola. That is a new situation for Coke"; as reported by M. THOMPSON NOEL, "Of Fish Heads, Baked Beans and Cola", Financial Times, October 31, 1994. Adapting Coca Cola and Pepsi Cola advertising themes what is even more important than "just the taste" of the product is to persuade the consumer that s/he is part of the marked product's "generation". Opposing views on colas and private labelling are represented in an exchange of letters in the Financial Times. J. MURPHY, chairman of Interbrand, is stating that "[o]wn-label products represent fair competition. Look-alikes that deliberately assume the characteristics of market-leading brands are parasites and represent unfair competition". A. JACK responds, suggesting changes to Sainsbury cola which would indeed ensure non confusion: dyeing the liquid a different colour, serving it flat, or substituting cola with "artificially flavoured sugar water". See the exchange in "Own Brand Look-Alikes Are Parasites", Financial Times, May 12, 1994, and "Green Light to Avoid Confusion", Financial Times, May 13, 1994.

117 R. BARTHES, The Fashion System (London, Jonathan Cape, 1985), at xi. The consumer acts "irrationally" because "... calculating industrial society is obliged to form consumers who don't calculate". The balance of power between producers and consumers is depicted once more under a different light.
of fields of stylistic possibles.\footnote{118} We do not claim here that physical - as opposed to price - differentiation is something detrimental to society and economy. Asserting that consumers would be better off if they had a smaller choice of goods, but at lower prices, would be an "unadmitted bluenoseism",\footnote{119} since even for the most rational consumer there are products that tempt her/him to abandon the "basic" model. As a mild critic of irrational advertising put it:

"[t]he economist, whose dour lexicon defines as irrational any market behavior not dictated by a logical pecuniary calculus, may think it irrational to buy illusions; but there is a degree of that kind of irrationality even in economic man; and consuming man is full of it".\footnote{120}

Admittedly buying a television set in the box at a warehouse is a different experience from that of buying it in a showroom where one can examine it, test the colour, sound, etc.; buying cheap is not necessarily efficient.\footnote{121} After all product diversification according to trade marks, get up design, and advertising may serve to express and


\footnote{119} R.H. BORK, in The Antitrust Paradox (New York, Basic Books, 1978), at 313. BORK is right to claim that the step from the assertion that consumers "really" do not want feature differentiation to the authoritarian conclusion that the law should keep them away from having what they are willing to pay for but "really" do not want. But see J.K. GALBRAITH, The Affluent Society (Boston, Houghton Mifflin, 1958), at 140: "[c]onsumer wants can have bizarre, frivolous, or even immoral origins, and an admirable case can be made for a society that seeks to satisfy them. But the case cannot stand if it is the process of satisfying wants that creates the wants". For a practical test see, D. SUMMERS, "Smoke Gets in Europe's Eyes", Financial Times, December 13, 1993 on the controversy over the proposed advertising ban of tobacco products in the European Union. One of the arguments of the opponents of such a ban is the fear that it might set a worrying precedent, "... tomorrow it could be fast cars, children's toys, pharmaceuticals or Black Forest gateaux". For the formation of the relationship between the Commission and the advertising lobby see A. MATTELART & M. PALMER, "Advertising in Europe: Promises, and Pitfalls", 13 Media, Culture and Society 535 (1991); advertising agencies were the first to react and organise against the "regulatory threat" from Europe. They point to the fact that decisions are taken seemingly as a result of an international debate; however the validity of the debate is undermined by the fact that the data used in the debate are usually provided by advertising agencies. The unorthodoxy of regulation based, exclusively, on data provided by the regulated is obvious. See also A. KAMPERMAN SANDERS & S.M. MANIATIS, "A Quixotic Raid Against the Tobacco Mill" [1997] EIPR 237.

\footnote{120} See BROWN, "Advertising and the Public Interest: Legal Protection of Trade Symbols" 57 Yale Law Journal 1165 (1948), at 1181.

\footnote{121} An example used by C.F. RULE & D.L. MEYER in "An Antitrust Enforcement Policy to Maximize the Economic Wealth of All Consumers", 82 Antitrust Bulletin 677 (1988), at 679, urging against a "counterrevolution" against the, then, current US antitrust stance and the return to older stricter principles.
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reinforce divergences that already exist in society, such as according to sex, age, and class, but it may also satisfy the evolution of new needs\(^\text{122}\) and enrich ways of expression.\(^\text{123}\)

But we can all agree on two things. First that,

"... a product is something that is made in a factory; a brand is something bought by a customer. A product can be copied by a competitor; a brand is unique. A product can be quickly outdated; a successful brand is timeless".\(^\text{124}\)

And second that, if trade marks, next to their utilitarian communicative value, have a further symbolic communicative value, then they can cause symbolic actions; these are often,

"... expressive actions, [and] another view of them would be this: the symbolic connection of an action to a situation enables the action to be expressive of some attitude, belief, value, emotion, or whatever. Expressiveness, not utility is what flows back. What flows back along the symbolic connection to the action is (the possibility of) expressing some particular attitude, belief, value, emotion and so on. Expressing this has high utility for the person, and so he performs the symbolic action".\(^\text{125}\)

\(^{122}\) Unilever, for example, is exploiting, in Thailand, the international goodwill accrued in Wall’s brand by putting in the market an ice cream with a lower fat content than the formulation used in colder climates, and, catering for the local taste, by introducing a red bean ice cream flavour; Unilever simply adapts to a new market and creates a new product which is dressed with the old goodwill: V. MALLET, ""Asian Delight" Tempts Thai Palates", Financial Times, May 12, 1994.

\(^{123}\) For a parallel development of design according to historical, social and artistic changes see A. FORTY, Objects of Desire - Design and Society 1750-1980 (London, Cameron Books, 1986), at 62-94. At 91-93 he stresses the common failure of historians to deal with product diversification, partly because we take diversification for granted, describes the limits set to designers by manufacturers and consumers and concludes that "... to know the range of different designs was to know an image of society". Simply by browsing old issues of The Trademarks Journal one can get a historical "feeling".

\(^{124}\) Per S. KING, of WPP Group, as quoted by D.A. AAKER, in Managing Brand Equity - Capitalising on the Value of a Brand Name (New York, Free Press, 1991). Put another way a "... marketing mix consists of the product, the packaging, the trade mark, the promotion, the advertising and the overall presentation. The trade mark is the essence of all this. It is the shorthand that permits the manufacturer to inform consumers that this product is available and stimulates them to buy it": L.M. GIBSON, The Role of Trademarks in Marketing, in 1988 Hong Kong Symposium on Industrial Property and Economic and Technological Development (Geneva, WIPO, 1988), at 64.

4.3.3. Abstract origin and brand loyalty

Now that our rational consumer has to deal with series of marked similar products a choice strategy becomes ever more intricate. Bombarded by information that cannot be processed, due to quantity and specialisation, s/he faces the task of creating “meaning out of chaos”,\(^\text{126}\) and, utilising learning, relies more on messages conveyed by trade marks, which function almost exclusively as symbols.\(^\text{127}\) Once more trade marks, in the mind of the consumer, denote the origin of the symbol rather than the origin of the marked product. Certain Rover car models, for example, may have originated from a Honda design and, often, a Honda factory that produced identical cars under Rover or Honda badges, despite the fact that 80% of Rover is currently owned by BMW.\(^\text{128}\) The actual relations are often unknown to the consumer, although s/he may realise that the differences between Honda and Rover are minor. It may seem absurd, but some people bought Rover cars because they came from Rover, others because they came from Honda, and now people buy Rover cars, produced under the control of BMW, according

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\(^{126}\) As put by G. DUCKWORTH, Brands and the Role of Advertising, in D. COWLEY (ed.), Understanding Brands (London, Kogan Page, 1991), at 60-61, where it is argued that it is our ability to associate that allows us to create meaning out of chaos. See also J.C. DRIVER & G.R. FOXALL, Advertising Policy and Practice (London, Holt, Rinehart & Wilson, 1984), at 85-93. LEISS, KLINE & JHALY (1990) are making, at 39, the point that this book is co-published by the Advertising Association of Great Britain. Accordingly their description of consumer behaviour is such so as to fit their conclusion, at 93, that advertising has “...no power beyond engendering passing interest and, perhaps, cursory comparative evaluation; it is certainly, of itself, incapable of building preference or conviction”.

\(^{127}\) What will happen when the information conveyed cannot be trusted was developed by G.A. AKERLOF in “The Market for “Lemons”: Quality Uncertainty and the Market Mechanism”, 84 Quarterly Journal of Economics 488 (1970), who built an economic paradigm based on second hand car markets. If prospective buyers do not trust the information on quality they are willing to pay a price that is lower from that of the cars offered. Car dealers will then offer the quality that corresponds with the price offered, this will trigger once more the buyers unwillingness to pay and the vicious circle ends at the lowest possible price and quality although there is a buyers market for better cars and a sellers market for better prices. In the case of trade marks, the rational consumer will refuse to pay the premium on the information carried by the trade mark, the honest marketer will withdraw from the market mark because he will not afford to remain in the market without charging a premium; gradually, the value of trade marks will degenerate since they will not be able to indicate anything.

\(^{128}\) See K. GOODING, “Rich British Ancestry Fails to Provide Independent Future”, Financial Times, February 1, 1994, for a review of Starley & Sutton history which started in 1877, became Rover in 1904, had a parallel life with Land Rover from 1948, became the Rover Group - merging with MG and Land Rover - to be sold to British Aerospace in 1989, and then sold again to BMW, in 1994. It was a marriage based on British style and Japanese innovation that made Rover’s luck change and attracted BMW: P. WILLIAMS, “Rover’s Return”, Design, April 1993, at 16.
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to Honda technology. Name associations however can be a mixed blessing: Jaguar’s image for example suffered under British Leyland. Having learned a lesson, and after regaining its older glory and becoming an integral part of Ford, it now benefits from the sheer power and extensive network of Ford; however there is not even a hint of an attempt to associate the marks Ford and Jaguar. Skoda on the other hand is trying to leave in the past its cult image as a “joke” by adopting a strategy based on the acquisition of the company by Volkswagen. Similarly South Korean companies in an attempt to overcome the association with low end electronics are buying out foreign trade marks or companies in order to use brands with other connotations. Samsung, for example spent in February 1995, US $378 million for a 40% stake in AST Research Inc., a California personal computer maker.

Tracing actual origin is difficult indeed and, albeit, futile. Accordingly the consumer develops biases towards commercial products, meaning that s/he starts to “... have consistent preferences” and develop what has become known as “brand loyalty”. Based on their loyalty, consumers identify their preferred beer even when the actual bottled beer does not correspond with the one bearing the favoured brand label, they establish their purchase of a new car on the mark of their previous car, and are prone to accept claims which are objectively debatable because they are.

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129 The advertising slogan was: “Volkswagen were so impressed, they bought the company”; see D. SUMMERS, “Skoda’s Sales Drives is No Joke”, Financial Times May 12, 1994.


131 In respect of registered marks it must be stressed again that increasingly the majority of laws worldwide are satisfied by the existence of an ability to distinguish rather than an ability to trace origin as a registrability requirement.


134 A whole series of such tests is described by D.F. GREER, in Industrial Organisation and Public Policy (New York, MacMillan, 1980), at 87-91.
positively partial towards their "own" car maker, although because of the expenditure involved they should be more aware of existing real differences. 135

Levels of brand loyalty differ according to the strength of the trade mark and the type of the product. We have already seen that quality expectations are the predominant consideration in the case of experience goods such as drugs. Due to their importance and an, inherent to the product, risk aversion, brand loyalty is also stronger in the case of drugs than other products. A study of the markets for drugs whose patents have expired has shown that trade mark holders preserve their market shares against generic entrants for a considerable period of time. 136 On the other hand, search goods like food products, may create a lesser sense of loyalty. The cost and risk of switching brands are much more trivial and this results partly to the phenomenon of supermarkets' own brands that are encroaching the markets of branded groceries. 137 The role of trade marks, in probably the "biggest postwar crisis" that brand owners faced in Europe, 138 is not diminished, because even then the trade name and the packaging of the retailer simply substitutes the marketers brand name. The consumer, aware of commercial practices, 139


136 HURWITZ & CAVES (1988), at 317-318. Courts recognise that; for example in a UK case it has been accepted that the colour combination used in relation to a tranquilliser should not be used by a compulsory licensee since consumers recognised the combination as a brand rather than a generic indication of the type of the tranquilliser: Hoffmann - La Roche v. DDSA Pharmaceuticals [1972] RPC 1. Courts do not hesitate to intervene in cases involving search goods when there is some evidence of confusion: see for example Reckitt & Colman v. Borden [1990] RPC 340.

137 See "Shoot Out at the Check Out", The Economist, June 5, 1993, where the own label threat is attributed to the consumers perception of product parity, and, for the US case, to the complicated economic relations of producers and supermarket owners. For Europe see G. de JONQUIERES, "New Challenge for Big Brands", Financial Times, June 15, 1993, arguing that private-label business is a means for the supermarkets to increase their margins. This view of UK retailers is shared by their continental counterparts since the US practice is rapidly expanding in Europe. See also B. SIMON's, unhappily titled, "The Man with No Name", Financial Times, August 5, 1993, on the success of generic products, especially in Canada.

138 P. OSTER, "The Eurosion of Brand Loyalty", Business Week, July 19, 1993, 32, at 32. It has been estimated by Nielsen that discounters in 1992 were sharing 19% of food shares by value in Belgium, with 6.6% increase over 1991. In other European countries the levels were: France 2% (100.9%), Germany 25% (11.4%), Netherlands 11% (8.9%), Spain 6% (7.8%), Sweden 6% (58.1%), UK 8% (32.4%): "A Rose by Any Other Name", G. de JONQUIERES, Financial Times, October 6, 1993.

139 In particular when recession bites, the consumer is constructively utilising her/his learning abilities: see the survey on Retail Chain Management, Financial Times, June 15, 1993. At 31, N. BUCKLEY, in "Customers Call the Tune", claims that the now price-sensitive consumer is accordingly more sophisticated; combined with the rapid growth of discount retailers this is "bad news for the retailers".
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is still trusting a name, that of a trader and/or selector, and the naming of own label products as generic is misleading. Furthermore private labels often create to the customer such a feeling of security that they allow to their owners to sell them at a premium over branded lines. From the point of marketers brand loyalty is a method of measuring of their customers attachment to a brand and

"... it reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features." 143

At the bottom level of brand loyalty we find the switcher or price buyer who is indifferent to the brand and will switch from one brand to another according to price and other characteristics. Persons who check prices of competing products and retailers, buy goods according to strictly set budgets etc., belong in this category.

140 C.M. WADLOW in The Law of Passing-Off (London, Sweet & Maxwell, 1990), at 74 is putting forward the example of "... a well-known English merchant [who] instructs a foreign manufacturer to make goods to its specification and mark them with its name", and suggests that the proper plaintiff is the importer or retailer whose name appears on the goods. Direct judicial support for this can be drawn from Imperial Tobacco Co. of India Ltd. v. Bonnan [1924] AC 755, at 760. For a review of cases see WADLOW, at 76-86.

141 A "generic term" is the name of some product or service. It is totally lacking in distinctive character. Then the "own brand products" are not generic but products that carry a trader's than a manufacturer's mark. Once a mark, any mark, is affixed the product ceases to be generic. Marks & Spencer are not trading in generic products, but in products that they either manufacture or choose; consumers trust the Marks & Spencer name for manufacturing or choosing. This may be shifting competition from the supermarkets' racks to high street retailers but is not creating generic products. Three of the six principles of the business philosophy of Marks & Spencer, as propounded by Simon Marks and Israel Sieff, in A. BRAGGS, Marks & Spencer 1884 - 1984 (London, Octopus, 1984), at 11, are: 1. To offer customers, under the company's own brand name St Michael, a selective range of high-quality, well designed and attractive merchandise at reasonable prices. 2. To encourage suppliers to use the most modern and efficient techniques of production provided by the latest discoveries in science and technology. 3. With the cooperation of these suppliers, to enforce the highest standards of quality control." However, it must be noted that in many jurisdictions retailers cannot obtain trade mark protection for retail services as such. They have tried to obtain protection on the basis, for example, of the advice they provide to prospective customers. However there is some scepticism as to the distinctness of the service, partly because it is very difficult to identify the price charged for it - although one way would be to compare the prices charged by retailers and out of town "generic" stockists. The difference would be the premium charged by retailers. See J. OLSEN, "Cinderella Spurned: a Retailer's Lament" [1987] EIPR 266, and FIRTH (1995) at 7-8. For a review of services that could fall under "retail" see Dee Corp's Applications [1989] FSR 266; in Hong Kong protection against passing off has been granted in order to protect the reputation as a buyer, see Penney v. Penneys [1979] FSR 29.

142 This is the case especially in Britain; see G. de JONQUIERES & N. TAIT, "A Trolley Full of Troubles", Financial Times, May 6, 93.

At the second level we have the habitual satisfied buyer who will not sacrifice any particular effort in order to look out for new brands. An example is the customer who may consider to try the new highly advertised and strikingly different product, but will not bother to switch and try other products that are already in the market.

The satisfied buyer with switching costs is at the third level. A typist for example who has no particular complaint from WordPerfect and, having spent some time to learn it, will probably stick with its upgraded versions. A customer of a bank will not easily close an account with one bank and open another with a competitor, even when mildly dissatisfied; in a way, and because of the time and inconvenience involved and the similar level of services provided in an overcrowded market, the customer is almost held to ransom from her/his bank.

At the next level is the customer who considers the brand a friend and will act more on a psychological and less on a cognitive level; a favourite restaurant may change chefs, become out of fashion, move up-market and raise prices but this will not change some customers loyalty, unless changes are dramatic. People can resist fashion changes and buy for decades the same perfume or frequent the same store.

Finally the ideal loyal buyer is the committed buyer. Like the car enthusiast that will go to any length to find spare parts for the outdated model that has become part of her/his life, or the Macintosh devotee who keeps on asking if everything is Mac compatible and can spend time to persuade her/his fellow personal computer users to join the club of Mac customers.144

The different levels of loyalty combined with the individual need patterns of consumption create the most fertile field for the intervention of advertising and targeting of particular types of consumers. Thus, the economical rationality of brand loyalty will be examined later combined with the discussion on advertising, but brand loyalty as such illustrates in many cases that consumers do not care any more for the concrete

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144 The idea for the layers of the loyalty pyramid belongs to AAKER (1991), at 39-41.
origin of the product, which in reality they cannot even trace. But the existence of a particular mark, or even of any mark as long as a mark exists, is enough to shape their behaviour. The influence of the mark arises first from the belief that the same mark connotes consistent quality and second from the “aura” of trade marks and their advertising function.

4.3.4. Trade marks as guarantees of quality

We have seen that trade marks often lead the consumer to think that, s/he does not need to investigate the attributes of the brand s/he is about to purchase because the trade mark is a shorthand way of communicating that these attributes are the same with those enjoyed at an earlier stage. Therefore most of the commentators agree on an extended definition of trade marks’ functions that embodies, if not a guarantee, at least a quality assurance role. Accordingly the perceived quality of the branded product adds value

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145 J. McCarthy, Trademarks and Unfair Competition (Rochester, Lawyers Co-operative Pub. Co. 1984) at 3.3 acknowledges that consumers are unable to differentiate between products based on trade marks function as indicators of origin, therefore consumers suppose that the imposition of the same trade mark indicates at least “... a single albeit anonymous source”. See also Mc Dowell’s Appliance [1926] RPC 313, at 337, where commenting on the possibility of deception Lord J. Warrington states that it is not crucial “... whether the public do, or do not, know what that source is”. Shredded Wheat Co. v. Humphrey Cornell Co. 250 Fed. 960 (2d Cir. 1918) reaches the same conclusion, that consumers do not care about the real identity of the manufacturer.

146 Because in the consumer’s mind the existence alone of the mark will indicate that someone is putting the product under her/his aegis.


148 E.W. Hanak III, “The Quality Assurance Function of Trademarks”, 65 TMR 318 (1975). Even in the earlier articles on the subject the issue of quality assurance has been discussed. For example H.W. Wertheimer, in “The Principle of Territoriality in the Trade Mark Law of the Common Market Countries”, 16 International Comparative Law Quarterly 630 (1967), at 649 states that the guarantee function “... of the trademark is not independent of the origin function. It is nothing else but its reflex”. F. Brown in “The Economic Role of Industrial Property”, [1979] EIPR 265, at 270 accepts the indication of quality, but only as “purely associative”. J.R. Lunsford, in “Consumer and Trademarks: The Function of Trademarks in the Market Place”, 64 TMR 75 (1974), at 95 describes a quality function as the primary function of trade marks. S.P. Ladas is less enthusiastic, in “Trademark Licensing and the Antitrust Law”, 63 TMR 245 (1973), but provides a definition that accommodates both, and is used in this thesis as the ideal trade mark definition. D. Shanahan in “The Trademark Right: Consumer Protection or Monopoly”, 72 TMR 233 (1982) acknowledges that trade mark law is often the only efficient way of consumer protection. V. Mangini in “Competition and Monopoly in Trademark Law: An EEC Perspective”, 11 IIC 591 (1980), at 610-612 accepts the dual character and pinpoints the patchy attitude of the ECJ, which in early 1980 cases was indirectly addressing the question. Cornish (1989) accepts that there is almost always a quality function and claims, at 50, that “... modern trademark systems have rarely done much to ensure that the mark must
to the product at least in five interacting ways: it may become the pivotal reason for buying a product, it allows the marketer and consumer to differentiate between products, it allows the charging of price premiums, it facilitates distribution, and it facilitates the exploitation of new markets by introducing brand extensions.\(^{149}\) Again, perceived quality can be a double-edged weapon; its loss can turn out to be irreversible. A telling example is the US beer wars where Schlitz lost much of its market shares in parallel with a growing image problem; the process was initiated by a simple change of the methods of transport and proved irreversible despite the later "correction" of the product. It was in the context of this marketing war that the president of rival Anheuser-Busch said that:

"[o]ur competition has changed their ingredients and processes in a quest for higher profits and a greater return on investment. But when it comes to quality you can only fool the consumer for a short time. Consequently, we chose to let

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\(^{149}\) See AAKER (1991) at 87-88.
our earnings decline rather than lessen our quality. After all, we are in the business for the long term.\textsuperscript{150}

In this "naïve"\textsuperscript{151} psychological approach towards consumer behaviour, consumers regard trade marks as qualities' predictors; they instinctively turn to the names that have satisfied them in the past and avoid to buy products that failed to do so.\textsuperscript{152} This pattern would be easy to understand as long as satisfaction is directly related to personal taste or objective quality criteria. The choice of coffee, for example, can be based on the blended varieties of its composition, and this is a matter of taste even when taste is capricious or based on fashion trends.\textsuperscript{153} On the other hand the nature and quantity of ingredients, including features or services provided with the product, and conformance to specifications could be objective quality criteria if they could be verified without undue costs and efforts.\textsuperscript{154} Complications arise with quality assertions that incorporate factors like search costs and risk aversion.

Quality is only one of a bundle of product characteristics and is directly linked to the price that each consumer is willing to pay for her/his "total" optimum of characteristics. Quality expectations will vary according to ability to pay and willingness to take quality risks\textsuperscript{155}; different levels of quality have to exist in a market that caters for more than one

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\textsuperscript{150} For the full story see AAKER ibid at 78-84. Beer lovers, though, must keep in mind that it was Anheuser-Busch that tried to keep off the markets the superior in quality and original in name, Czech Budweiser beer, for the case in England see \textit{Anheuser-Bush v. Budejovicky Budvar} [1984] FSR 413. Thus the, ever since much used, phrase of August Busch on consumer deception must always be read, especially by beer lovers, with some mistrust, if not, disbelief.

\textsuperscript{151} This incorporates the obvious meaning but also that given by F. HEIDER in The Psychology of Interpersonal Relations (New York, Wiley, 1958), presented by MONACO & KAISER in HARRIS (ed.) (1983) at 266, as "... the knowledge of behaviour that has accumulated over the past two thousand or more years and has been recorded, informally, in our literature".

\textsuperscript{152} Consumers regard past experience as a predictor for their current choices: P. NELSON, "The Economic Consequences of Advertising", 48 Journal of Business 213 (1975) at 213.

\textsuperscript{153} We can borrow the expressive title of G.J. STIGLER & G.S. BECKER, "De Gustibus Non Est Disputandum", 67 American Economic Review 76 (1977); they claim that tastes are more stable than we think, since they simply disguise other more rational influences on our behaviour.

\textsuperscript{154} See AAKER (1991), at 85 where he distinguishes between: perceived quality, as a perception by customers; actual or objective quality, as the extent to which the product or service delivers superior service; product-based quality, as the nature and quantity of ingredients, features or services included; and finally manufacturing quality, as conformance to specification, the "zero defect" goal.

levels of income and needs’ patterns. Competition and universal product standards are incompatible; the setting of a central authority which would determine the socially desirable variations of qualities and prices and the optimal allocations of consumers’ goods is much too utopian to develop. This, of course, does not mean that there will be no minimum standards of merchantability. An individual may be willing to take the risk of buying a cheap and defective car but the cost of defectiveness will spread to others, so the state provided for a certificate of road-worthiness and a car can only be put in the public roads together with the certificate.

So marketers inevitably market products with diverse characteristics, quality levels and prices and the consumer will have no fear to lose under the condition that s/he is adequately informed. Evidence of acceptance of the quality assurance function on behalf of marketers is the pressure exercised for the expansion of passing off or the introduction of an anti-dilution rationale in trade mark protection that will override the need to prove confusion. An interesting historical note, though, illustrates the strained

156 D.D. FRIEDMAN, in The Machinery of Freedom: Guide to a Radical Capitalism (LaSalle, Open Court, 1989), is making at 44 a nice contrast between government monopoly and consumer protection. He is claiming that consumers whose “... relationship to the industry is a very small part of their lives, will never know what prices they would have been paying if there were no regulation”. Well none would be willing to pay the price of her/his liberty for total regulation apart from those who would control it, but the argument that regulation is often defective is not an argument against regulation itself. See the reply to this extreme “Chicago school” view, by S. BROECK, “Economic Deregulation and the Least Affluent: Consumer Protection Strategies”, 47 Journal of Social Issues 169 (1991): at 186 it is concluded that “... in [banking, telephone, and natural gas] industries, deregulation markedly reallocated costs to low-income households, significantly increasing related expenditures as a proportion of their incomes”. These groups were not able to avoid rising prices or benefit from the lowering prices from some of the services provided.


158 For the original introduction of trade mark dilution see SCHECHTER (1929); for a comparative survey of dilution theories see F.W. MOSTERT, “Trademark Dilution and Confusion of Sponsorship in US, German and English Law”, 16 IIC 80 (1986). For two opposing views see M.W. HANDLER, “Are the State Antidilution Laws Compatible With the National Protection of Trademarks?”, 75 TMR 269 (1985), arguing for the disastrous potential of an antidilution statute, and B.W. PATTISHALL, “Dawning Acceptance of the Dilution Rationale for Trademark - Trade Identity Protection”, 74 TMR 289 (1984), arguing for the need to protect distinctive trade marks from being used on non-competing products, because of their fame and quality connotations. For the median view, see J.E. MOSKIN, “Dilution or Delusion: The Rational Limits of Trademark Protection”, 83 TMR 122 (1993), where both opposing theories for the rationale for protection are presented but it is submitted that the widening of what constitutes an infringing act already covers the essential basis of a dilution theory. T. MARTINO in Trademark Dilution (Oxford, Clarendon Press, 1996) argues at 82-85 that the danger of dilution theory is not that it calls for too wide protection - “a zone of exclusivity” - but that it would accord too much protection for too many marks. At 84 he suggests that “it would be more efficient simply to classify marks by distinctiveness and to make classification
balances between conflicting interests and proves the unpredictability of the direction of legislators' next moves on the question. In October 1987, in the US Senate the dropping of anti-dilution doctrine was offered as a trade-off for dropping a “consumer rights” provision which would amend s.43(a) of the Lanham Act, to allow individual consumers to file federal court actions based on false and deceptive advertising. Although they essentially form two sides of the same coin, “consumer rights” have been characterised as the Armageddon of dilution, at the time. Dilution came back in 1995 and this time became part of the Lanham Act. The owner of a famous mark will be entitled to protection against use of her/his mark if such use begins after the mark has become famous and “causes dilution of the distinctive quality of the mark.” The consumer however is again a passive participant in the action.

In a neutral environment the consumer can be perceived as an active utility maximiser, engaged in production and investment activities. Perfectly informed, exchanges in the market the commodities s/he produces, with her/his skill, training, capital, etc., with the commodities s/he desires to consume. There is no imbalance between seller and buyer

(more or less) determinative of the availability of dilution relief”. He classifies marks as coined and arbitrary, suggestive, and descriptive. It is noted here that this logic is becoming increasingly popular; Neil Wilkoff has suggested in a talk he gave at Queen Mary and Westfield College in 1995 that trade mark protection should primarily be accorded to newly created marks. Both use a Lockeian justification to support their similar positions. See N. WILKOF, “The Decline of Likelihood of Confusion: Of Broomheads and March Madness” [1998] Ent. L. R. 34 for a case comment expanding on the balance between likelihood of confusion and property rights as the bases for trade mark protection.

See J. GILSON, “A Federal Dilution Statute: Is it Time?”, 83 TMR 108 (1993), at 115. At 115-116 it has been successfully predicted that the momentum for dilution was surging again.

According to the new subsection (c)(1) of section (43) of the Lanham Act. Of course there are qualifications: distinctiveness and fame is related to the degree of inherent or acquired distinctiveness, the duration and extent of use, the channels of trade, parallel coexisting use of the same or similar marks by third parties and so on; comparative advertising, non commercial use, and use in news reporting is not deemed to be infringing. For a critical approach, due to the confusing use of terms (distinctiveness and fame for example), see M.S. SOMMERS, “The New US Trademark Dilution Act: Problems Lurking?”, Trademark World, February 1996, 16. The final, prior to the introduction of the doctrine, discussion was made by J.A. GARCIA, “Trademark Dilution: Eliminating Confusion”, 85 TMR 489 (1995) and K.L. PORT, “The “Unnatural” Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?” 85 TMR 525 (1995). The adoption of the dilution rationale is evidence of moving away from an “information” justification towards an “asset” justification of a trade mark protection system.

For a formal development of this trade-theory version of a consumer choice theory see STIGLER & BECKER (1977), at 77.
since everyone is equally involved in the quest for the best sale or buy.\textsuperscript{162} The message conveyed, by the trade mark, from the marketer will be of a product of A quality at A1 price and the reply will indicate the willingness or not of the consumer to pay the A1 price. The value of this communication system for the marketer should, in theory, suffice as an incentive to persist on her/his initial level of quality, if not to improve it.\textsuperscript{163} By definition markets are not yet neutral or in conditions of perfect competition, and in the case of trade marks we apprehend this, without having to refer to the ethics of the markets,\textsuperscript{164} by underlining the possibility of failures and non neutrality in three aspects. First it can be empirically shown that the imbalances on information controlled and conveyed by the trade mark owner are immense when compared with the information that can be digested even by the most sophisticated consumer. Nobody can understand and, most importantly, test the qualities of credence products, because we lack the knowledge, the facilities and the time to do so. Therefore since we do not, yet, live in economies where transaction costs are infinitesimal, we cannot but trust the information conveyed to us by the producer and hope that states’ regulations are enforced.\textsuperscript{165}

\textsuperscript{162} "A market is an arrangement by which buyers and sellers of a commodity interact to determine its price and quantity": P.A. SAMUELSON & W.D. NORDHAUS, Economics (New York, McGraw-Hill, 1989), at 39.

\textsuperscript{163} W. LANDES & R. POSNER, "Trademark Law: An Economic Perspective", 30 Journal of Law & Economics 265 (1987), at 275-280 and C. SHAPIRO, "Premiums for High Quality Products as Returns to Reputations", 98 Quarterly Journal of Economics 659 (1983). For the legislator’s similar argument see the White Paper: Reform of Trade Marks Law, (London, HMSO, 1990), at 25-26, and for a judicial illustration, \textit{Anti-Monopoly Inc. v. General Mills Fun Group} 204 USPQ 978 (9th Cir. 1979), at 982. "... used as a means of identifying the trademark owner’s products, a trademark makes effective competition possible in a complex, impersonal market-place by providing a means through which the consumer can identify products which please him and reward the producer with continued patronage".

\textsuperscript{164} F.I. SCHECHTER’s views on the fairness of trade are given through a reference to a dialogue between R. Stevenson and a royal trader of the south seas. The trader classified the people he had done business with under three headings: "He cheat a litty" - "He cheat a plenty" - and "I think he cheat too much". He could easily tolerate the first two categories: "Trade Morals and Regulation", 6 Fordham Law. Review 190 (1937), at 210. For a contemporary comment see S. BRITtan, "How Economics is Linked to Ethics", Financial Times, September 2, 1993, there it is put forward that, despite the cries and attempts to establish "a social responsibility of business", it would be utopian to expect "socially responsible companies" to carry the load of public policy. See also A. KAMPERMAN SANDERS, Unfair Competition and Ethics, in L. BENTLY & S.M. MANIATIS (eds), Perspectives on Intellectual Property (Volume 4), Intellectual Property and Ethics (London, Sweet & Maxwell, 1998).

Second trade mark law and passing off or unfair competition are part of the weaponry that the competing marketers use in their battle to expand their market positions. Behind vigorous campaigns of trade mark enforcement often the motive is an

"... insidious and anti-competitive attempt to browbeat retailers into dealing only with [their] company"\(^{166}\)

and although we will come back to trade marks as "barriers of entry" it is noted here that often consumer's behaviour is used as a testing field in a game where s/he cannot directly participate. Product differentiation, for example, means for the consumer the ability to choose and for the marketer the possibility to compete or prevent competition. In all cases there are results on competition but the relative stances and interests are different.

And finally, we must not overlook the advertising function of trade marks, the other side of the guarantee role, which affects the learning process and the context of the transaction.

In an early article on advertising it was put that, due to the laws' hermetical partitions, by the imposition of a trade mark the marketer,

"... probably guarantees by it nothing more than his hope that the buyer will come back for more, the term smacks strongly of the ad-man's desire to create the illusion of a guarantee without in fact making more than the minimum warranty of merchantable quality. This tendency is reflected in advertising of the "Lucky Strike means fine tobacco" type. In trade name law, Lucky Strike means a brand of cigarettes produced by the American Tobacco Co. and it may mean cigarettes like those the smoker bought yesterday, but it is not a grade designation or a certification mark".\(^{167}\)

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\(^{167}\) BROWN (1948) at 1186. Surprisingly T. MARTINO & D. LUTKIN in their paper "You Say Confusion and I Say Dilution: Let's Call the Whole Thing Off - The Modern Functions of Trade Marks" (London, Gamblems - W.H. Beck, 1988), at 27, use the same quotation as their main argument to support that, "... the ascription of a guarantee function goes too far and is unsound". It may be a
After five decades, acknowledging the ability of the consumers to learn by their mistakes and with the benefit of hindsight, it was submitted that, modern trade mark systems have not done much to ensure that the mark guarantees a standard or quality, however much the consumer's expectations are aroused by previous purchases of goods bearing the mark;\textsuperscript{168} in addition, consumer's expectations may be aroused even more by the advertising associations of trade marks.

4.4. Trade marks: advertising symbols

"Start work in an agency and the first thing they teach you is the difference between a \textit{product} and a \textit{brand}. This is because it is advertising's job to change one into the other. Brands are products with something extra. All brands are products, but not all products are brands, and the difference is advertising. That extra is called \textit{added value}."\textsuperscript{169}

"[Advertising's] field of competence is so diversified and branching, that it forms a social network which enervates media, economics, cultures, political and civil society, international relations. Networks of networks, these systems of connection regulate the relations between individuals and groups. The so-called communications society chases the so-called consumer society. We must therefore examine this essential change which provokes a whole cascade of mutations and redefinitions in the practice of democracy."\textsuperscript{170}

4.4.1. Trade marks and advertising

The first, obvious, thing that has to be said about the role of trade marks in advertising is that they make advertising possible. A trader could put in the market unmarked goods but s/he could not advertise them without referring to a common point of understanding, because in order to advertise, the marketer is addressing the human mind as a "symbol

\textsuperscript{168} C\textsc{ornish} \& \textsc{phi}lips (1982), at 50.

\textsuperscript{169} M.P. \textsc{davidson}, The Consumerist Manifesto - Advertising in Postmodern Times (London, Routledge, 1992), at 23.

\textsuperscript{170} A. \textsc{mattelart}, Advertising International: The Privatisation of Public Space (London, Routledge, 1991), at ix-x.
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manipulator”. The consumer hearing or seeing ads is doing nothing more than to process information, organising and interpreting pictorial and verbal messages,171 and trade marks are probably the most important of the symbols that are to be interpreted.

A second fundamental way that trade mark protection transforms advertising is by allowing advertising to perform the transfer of one and only message, and accordingly making advertising more effective. If a second additional theme is introduced the effect of advertising will be greatly reduced and advertising will simply contribute “noise” to the communications system and

‘... for this reason ... as long as advertising had the task of linking a Mark to its maker in the mind of the public, it could never have developed as it did. Consumers today will know the “selling propositions” or the “images” of countless products, but they will not know who makes them. The difference is due to Trade Mark registration, which transforms the function of advertising”.

Therefore some advertising campaigns may seem complicated and abstract but they aim first to build brand awareness along defined lines and only then introduce particular products, especially in markets characterised by over-capacity and increased competition.173

Advertising messages are broadly classified under two categories. They coincide with a general positive or negative stance towards advertising, but this has more to do with our ideological biases than concrete economic or social research. In the first we include the informative messages on the characteristics, prices, etc. of a product. A necessary precondition is that the message conveyed is true, otherwise we are dealing with

171 HARRIS (1983), at 5 of his introduction. See also R. GOLDMAN, “Reading Ads Socially” (London, Routledge, 1992), at 5-8. At 5, it is suggested that “... when we recognize an advertisement as such, we recognize a framework or a context within which meanings are rearranged so that exchanges of meaning can take place”. Thus, trade marks provide the fundamental framework of advertising. Finally see, T. VESTERGAARD & K. SCHRODER, The Language of Advertising (Oxford, Basil Blackwell, 1985), at 13-49, on the verbal and visual message of advertising.

172 W. KINGSTON, The Political Economy of Innovation (The Hague, Martinus Nijhoff, 1984), at 68, and for his full discussion of the matter see the chapter on the legal roots of innovation, at 77-120.

173 This is the tactic adopted by Allied Dunbar for an advertising campaign in the retail financial services sector a market abundant of participants and suffering from negative publicity.
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misinformation, persuasion and unfair competition. The second comprises the persuasive messages of advertising that transform the product by adding to it an external appeal. They target the psychology of the consumer and although they are not necessarily untrue they do not contain information that is relevant to the consumer’s cognitive behaviour.

Down-playing advertising’s social role and effectiveness is the familiar mantra of the industry that insists that

"... the fact of the matter is that we are successful in selling good products and unsuccessful in selling poor ones. In the end consumer satisfaction - or lack of it - is more powerful than all our tools and ingenuity put together. The economics of the marketplace insist that an advertiser must satisfy the consumer - that is, get repeat purchases - or fail".

As always, the truth is somewhere in the middle ground: advertising is part information, part persuasion, and sometimes partly irrelevant. Its purpose is, not to inform buyers in a "... purely cognitive, unbiased sense", but to sell goods by influencing buyers, and this view accords with the popular understanding that often advertising persuades people to buy things that, rationally, they should not buy.

174 "Since the dawn of advertising, claims were supposed to be truthful": S. LIEBERMAN, "The New World of Claim Substantiation and Claim Substantiation Research" (New York, American Marketing Ass., 1979), at 1, as cited by A. GARFINGEL, A Pragmatic Approach to Truth in Advertising, in HARRIS (ed.) (1983) at 175. See also P. NELSON, "Advertising as Information", 82 Journal of Political Economy 729 (1974).

175 For a strong opposition to the professional persuaders see PACKARD (1957).

176 A. SEEMAN, testifying before the US Federal Trade Commission in 1971, as quoted by WILLIAM, KLINE &. JHALLY (1990), at 35. At 33-42 they offer a good review of positions defending advertising.

177 Illustrating the point people may buy a product, influenced by an advertisement, although they do not necessarily believe the entirety of what is advertised because: "... [a] The disputed claims are irrelevant to the consumer’s wants. [b] A less exaggerated form of the claim - enough to stimulate purchase is believed. [c] The purchase involves little risk or potential regret and the consumer believes he or she should give the product a try": O’SAUGHNESSY (1987) at 20.

178 GREER (1980), at 72.

179 In a research conducted by R.A. BAUER & S.A. GREYSER in, Advertising in America: The Consumer View (Boston, Harvard Univ. Press, 1968), at 175-183, 73% of the respondents reached this conclusion: cited by GREER (1980) at 72. Interestingly the views of supporters and opponents of advertising coincide as to the relevance of such surveys. See PACKARD (1957) and BORK (1978) underlining the fact that it is always other consumers and never oneself that are dazzled, etc. See also
Advertisers and marketers tend to view

“... advertising as a potential generator of sales and profits”,

whereas the interest of economists, consumer groups and policy makers falls in

“... broader and perhaps longer-term impacts of advertising and its economic and social implications”.180

Tobacco advertising and its regulation in Britain is a good example. On the one hand officials argue that a statutory ban of advertising would not have a dramatic effect on reducing smoking, especially in comparison with the impact of measures such as high taxes on tobacco or parental influence. But health campaigners point to experience in Canada and Norway that showed a drop of 4% to 9%, following a total ban on advertising.181 For the moment advertisers are the only gainers, since they keep the tobacco market and also share a part in anti-smoking campaigns.

The role of trade marks in advertising is contained in the definition of a branded product as a product that provides functional benefits, on the one hand, and some added values, that the consumers value enough to buy, on the other. The added values stem from experience of the brand, from the sorts of people that use the brand, from the belief that the brand is effective and finally from the appearance of the brand.182 Functional benefits and previous experiences of the brand fall predominantly within the informative

an interview with an advertising executive in LEISS, KLINE & JHALLY (1990), at 37 who states that “... the task of most advertising is to keep the product on the market or increase its share from someone else. This is share - oriented advertising, pushing brands. Most, even for tobacco, is brand oriented - it doesn’t make people smoke”. However there is contradicting research assessing that advertising can at least restructure the markets: consumers for example turned from cigar and pipe to cigarettes and among them a larger proportion is women, since advertising broke down traditional taboos. For more references on tobacco advertising see KAMPERMAN SANDERS & MANIATIS (1997).

180 The balanced view belongs to M.S. ALBION & P.W. FARRIS, in The Advertising Controversy (Boston, Auburn House, 1981), at x.


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role of advertising. Associations with other users are part of the persuasive function and beliefs on effectiveness and appearance are somewhere in the grey area.\(^\text{183}\)

Probably, it is fair to say that advertising is always informative and persuasive at the same time. To be effective advertising messages must leave traceable memories, and to do that advertisers have to address the psychology of the consumer. So even predominantly informative messages must be carried through persuasive slogans with multiple meanings and trade marks are often chosen for their persuasive associations.\(^\text{184}\)

But before we turn to the role of trade marks in each occasion we have to turn to the symbolic value of goods which is partly the result of advertising, but at the same time provides some of the associations that advertising needs to become effective. Branded goods stem from the factory without the symbolic value that they gain in a process in which advertising makes the product a communicator because humans "... endow objects with certain meaningful properties".\(^\text{185}\)

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\(^{183}\) Turning back to our product differentiating factors it has been proven that advertising is lowest (0.4% of sales) for search goods and highest (5% of sales) for long-term experience goods. It seems rational since the consumer does not expect much information for search goods. In the latter case the message conveyed by the advertiser is twofold: first of superior quality and second of the marketer's commitment to keep the highly advertised product for a long period in the market. The research is inconclusive for the case of goods where experience is of little value. For short-term experience goods the advertising technique of celebrity endorsing simply means to the consumer that the product will exist in the market for a long time, otherwise Coca-Cola and Pepsi would not spent millions for the endorsement of Elton John and Michael Jackson respectively. See the results of a research by E. DAVIS, J. KAY & J. STAR, "Is Advertising Rational?", [1991] Business Strategy Review (Vol. 2:3) 1. R. Enrico, president of Pepsi-Cola at the time that they enroled the Jacksons support, as reported by D. SUMMERS in "Dangerous Liaisons", Financial Times, November 18, 1993: "... I've had them checked out. The reports came back sterling. These people haven't been near alcohol, much less drugs. They're very religious. Very family - oriented. They're not political. I see very little chance of embarrassment for us here". The fact that, despite various such relations turned nasty, people from the industry are willing to pay more and more for a celebrity endorsement might be proof of the correctness of the views of the above mentioned authors.

\(^{184}\) Advertisers will use ambiguities, repetitions, contrasts etc. In this process trade marks can become parts of slogans - Canderel, Ca ne change rien, et c'est ca qui change tout! (French advert cited at 136-137, in B. GRUNIG, Les Mots de la Publicité (Paris, CNRS, 1990) - or slogans can become trade marks and then used as slogans again - I Can't Believe It's Not Butter - a controversial UK campaign, is such an example.

4.4.2. Communication and the symbolic value of branded goods

"The protection of trade-marks is the law’s recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them." 186

This judicial definition of trade marks allows us to turn back to the function of symbols. Only that now the symbols are the marked products themselves, and, to use a celebrated phrase, we are asked to

"... forget that commodities are good for eating, clothing and shelter; forget their usefulness and try instead the idea that commodities are good for thinking; treat them as a non-verbal medium for the human creative faculty". 187

"If the connection between the product and the “objective correlative” person or thing is made by us and in us, it is also made with us, in that we become one of the things exchanged (given the status of an object) ... There are two axes along which the product “means”: there is the process of its gaining meaning, in a transaction we make between signifiers (Catherine Deneuve and scent bottle, car and cigarettes); and now it appears to have a second replacement value: it replaces, hence signifies us." 188

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187 M. DOUGLAS & B. ISHERWOOD, The World of Goods (New York, Norton, 1979), at 62. At 57 they assert that all material possessions carry “… social meanings”.

188 WILLIAMSON (1978) at 45. Put otherwise “[t]raditional morality only required that the individual conform to the group; advertising “philosophy” requires that they now conform to themselves”: J. BAUDRILLARD, Selected Writings (Cambridge, Polity, 1988) at 13. See also P. LAASKONEN, Consumer Involvement (London, Routledge, 1994); at 169-170, in concluding, he differentiates between a “possession system” and a “usage system”, “It is at the level of the possession system that the cultural meanings of a product are created and maintained with the help of possession and activities related to it. The culturally or subculturally shared meanings can provide a person with the possibility of using products as signs of self and also as contributors of self. They can also be used as signs and strengthens of social relationships and as mediators of cultural principles. The personality, status creating and expressive role of products are facilitated through their ownership, through the possession of capabilities related to them and also through undertaking possession-related rituals. The usage system, on the other hand, produces a more concrete type of interaction. It consists of elements that are organized in the course of time, namely the benefits and risks associated with a product, and the physical and social characteristics of the behavioural setting surrounding purchase and consumption. The functioning of this subsystem creates the usage patterns of a product.”
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It is widely recognised that objects of property and consumer goods in particular have a symbolic value that goes beyond utility, wealth or power. The ephemeral nature of consumer goods makes them particularly apt to act simultaneously as satisfiers of human needs and communicators of messages about social standing, ideas and power. The messages and the means to convey them keep on changing continuously, in a society that is radically mobile, but marketing and advertising provide the means to verbalise and image the meanings of things and facilitate the exchange of these messages.

A good example of this function, that goes beyond consumer goods, is the importance of the marks in the education field. Oxford and Cambridge can be seen as marks for providing educational services and Oxbridge as a "trade mark" or "sign" that evokes associations of an upper class but at the same creates a class of its own which may or may not transcend the socio-economic boundaries. Returning to a less controversial case of consumer goods we can refer to the marketing strategy of Cartier, the well known producers of luxury goods. They applied the same mark to a more affordable line of products. The status of the mark, the quality expectations and the kudos assigned to

189 S. EWEN in Advertising and the Development of Consumer Society, in I.H. ANGUS & S. JHALLY (eds), Cultural Politics in Contemporary America (London, Routledge, 1989), at 82, attributes to some products the signification of how people achieve financial, professional or personal power over others, in other terms, "... the equation for success".

190 For two further challenging views see also M. SAHLINS, Culture and Practical Reason (Chicago, University of Chicago Press, 1976), arguing that modern society uses consumer products to substitute animals and plants in their primitive totemistic function and their associations with humans and J. BAUDRILLARD, For a Critique of the Political Economy of the Sign, in Selected Writings (Cambridge, Polity Press, 1988), who links semiology and economy and argues that the use value of goods is almost irrelevant. The introduction of JHALLY (1990) at 1-24 provides a thorough review of the literature on people and things.

191 See M. McLuhan, Understanding Media, The Extensions of Man (London, Routledge & Kegan Paul, 1964), developing at 7-21 and 226-233, the idea that the medium is the message.

192 LEISS, KLINE & JHALLY (1990) at 309.

193 Oxbridge of course to the cognoscenti "... is a term freely used by journalists; those who know Oxford and Cambridge from the inside are more impressed by the fact that they do most things differently". M. BELOFF, "Oxford Does Not Exist", Book Review, The Times Higher Education Supplement, June 24, 1994.

194 See the discussion on the promotional university of A. WERNING, in Promotional Culture: Advertising and Ideology in Late Capitalism (London, Sage, 1991), at 154 onwards. For the American equivalent of a ruling class that may be "... Yale all the way" and the importance of University education see P. FUSSELL, Caste Marks (Heinemann, London, 1984) at 128-142. The book provides further illustrations of what consumer products American classes "must" consume.
owners of Cartier items made their new line very popular, at the same time their careful marketing strategy enabled them to hold on to their niche in the market of luxury goods.  

Trade marks acquired a commercial magnetism which not only corresponds with but surpasses the quality expectations, since most of the buyers of luxury goods will dress up the overwhelmingly attractive power of the famous name with arguments about quality etc. Whether the law should protect the snob value of a trade mark depends on the social evaluations of a society at a given time. However it is worth adding here an American judicial dialogue as composed by McCarthy.  

Judge Learned Hand stated that,

"... if buyers wish to be snobs, the law will protect them in their snobbery".  

But Judge Jerome Frank expressed doubt that this should be the purpose of the law by saying:

"[n]on-economic snobbish desires of consumers ... and the satisfaction of their desires engendered by ignorance have been said to be entitled to judicial protection, at least in the Federal Trade Commission cases ... It is perhaps not inappropriate to ask whether snobbism and catering to ignorance are important social interests deserving governmental assistance."

These trade marks attract not only consumers but also other traders who want to apply the same or a similar mark on non competing goods, often of lower quality.

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195 For every story of success there is a failure and a line of followers. Dior, once an exclusive brand name, followed a policy of indiscriminate licensing, and exhausted all too easily its name appeal. Valentino and Armani are expanding to cheaper markets following the practice established successfully be Cartier; see "The Luxury Goods Trade: Upmarket Philosophy", The Economist, December 26, 1992.

196 McCarthy (1984), at 95.

197 In Benton Announcements, Inc. v Federal Trade Commission 130 F2d 254 (2d Cir. 1942).

198 Standard Brands, Inc. v Smidler 151 F2d 34, 66 USPQ 337 (2d Cir. 1945).

199 Then the game for trade mark protection changes and is called dilution or unfair competition.
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At the same time marks may serve as signposts for political or social consumer statements, and may be used to further differentiate products. The controversy on the eco-qualities of Body Shop combined with their advertising campaigns that concentrate on ecology and fair trade with developing countries became relevant to a wide class of consumers that are becoming more conscious on environmental and development issues.

At the same time, companies are making their own views on current issues known through advertising, either because companies, in a new social environment, have become so powerful and extrovert that they are getting explicitly and directly involved into the political game, setting trends in all aspects of societal life, or simply because such statements are worthy marketing tools. Benetton, a clothes manufacturer, for example, is using the company's standing on current political and social issues to

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200 Or consumer signifiers; Labour modernisers have identified as their political target, the man with a "huge BMW in his driveway", as reported by J. KAMPFNER, "Even the BMW Owner is Welcome", Financial Times, October 3, 1995.

201 See P. KNIGHT, "A Rebel Among the Copycats", Financial Times, November 3, 1993, for examples of the Japanese initiative to flood the markets with green products. Ecosys, a printer that is slower, more expensive and with a lower density of print from its competitors is being differentiated on the basis of its long lasting, and thus environmentally friendly, cartridge, and is a pioneer amongst such products. Even if this marketing strategy fails Ecosys is putting pressure on other manufacturers to follow by marketing re-engineered cartridges and take back schemes. In the longer term Kyocera, the manufacturers of Ecosys, had to adapt their strategy, and iconoclastic approach to the market, stressing, this time, their lower costs per printed page rather than environmental credentials. A. CANE, "Putting Price Before Conscience", Financial Times, September 1, 1994.

202 What is "ecologically" correct today and advertised as such may of course be not so tomorrow. Phosphate detergents were banned and advertising campaigns of phosphate free detergents were built based on their ecological credits, but as new research shows there is no environmental reason for such differentiation; see D. GREEN, "Errors in the Name of Ecology", Financial Times, January 26, 1994. Nevertheless the effects of advertising will remain.

203 See B. HARRISON, "Fashions in Green", Financial Times, June 9, 1993, where the attraction towards eco-clothing is described. Nevertheless, the potential for exploitation remains huge since only 150 - and from those 150 only a very small number was dealing with foodstuffs and consumer goods - out of 40,000 multinationals had published environmental reports, ranging, in the absence of any regulation, from few genuine attempts to inform environmental groups, share holders and customers, to management feel good exercises aiming to appease rather than inform the public; see P. KNIGHT, "The Advantages of Coming Clean", Financial Times, January 12, 1994. Note that according to an NOP poll for Christian Aid, conducted in October 1993, 68% of 1,000 adults surveyed said they would be willing to pay more for products that guaranteed a fair return to farmers and workers in the Third World; the average amount that consumers were prepared to pay was 25p on an item that normally costs 1p.: D. HARGREAVES, "The Cost of a Fair Deal", Financial Times, March 17, 1994.
advertise the brand name without any direct reference to Benetton products.\textsuperscript{204} Benetton’s entire output is produced in Italy, by manufacturers closely linked with the parent company and then marketed worldwide via a complex global sales and distribution network.\textsuperscript{205} The company needs a strong brand image and therefore perceive their advertising campaigns as “... a long term intangible investment”,\textsuperscript{206} the value of which is multiplied in analogy with the publicity they get.

Accordingly it is argued that:

“[e]xpanded sales and control of market shares are not the only agendas at stake in corporate advertising. Corporations also seek popular legitimacy by joining cherished values and social relations to their corporate images. Corporate ads present the virtues of “consumer freedom” as synonymous with “democracy”. Advertisers seek to bolster corporate legitimacy by linking their images to institutions that represent the social idea, say the family. When ads \emph{reframe} and \emph{position} our meaningful relations and discourses to accommodate the meaning of their corporate interests, then, advertising intervenes as a potent political institution in mediating meanings of freedom, individuality, work and leisure, community and family life.”\textsuperscript{207}

Brands also become the images of wider political and social standings. The “Britishness” or not of Rover under BMW ownership became a heatedly debated question on the basis of nationalistic feelings and dispassionate economics: could the Mini ever become German?\textsuperscript{208} Note that BMW’s chairman has accepted that “... others

\begin{itemize}
\item \textsuperscript{204} Birth, race, gender, sickness have all been part in campaigns that used poignant photographs that can tell a story and a message at the same time. See “More Controversy, Please, We’re Italian”, The Economist 70, February 1, 1992.
\item \textsuperscript{205} See P. DICKEN, Global Shift (London, Paul Chapman, 1992), at 261.
\item \textsuperscript{206} Words of a Benetton spokeswoman, on the latest campaign depicting the blooded clothes of a dead Bosnian student, as reported by A. MITCHELL, “Benetton Blasts Another Taste Frontier”, The Times, February 16, 1994.
\item \textsuperscript{207} R. GOLDMAN (1992) at 85, succinctly describes a wider view of the scope of building a corporate image.
\item \textsuperscript{208} It was a mix of lost nationalistic pride that made D. LAWSON, the editor of the Spectator, admit that thinking in such terms of national champions is an “archaic analysis of the modern industrial economy”, but nevertheless accept that he was irked by the triumphalism of the German press over the take-over of Rover, in “BMW Runs Over Heseltine’s Testament”, Financial Times, February 5, 1994.
\end{itemize}
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can manufacture minicars, but only Rover can manufacture Minis”. Since Rover is a part of Midlands industrial and social history, its future was not only a question of economic interest but also of emotional concern, despite the fact that its role as a source of jobs has diminished. BMW, a German company, is not only taking over Rover, but is already providing technology to Rolls Royce and will also provide it with engines and gearboxes from the end of the century; by then another, quintessentially, English legend will be at least 20% directly German. The lament has already been written:

“... the globalisation of Rolls ... leaves a curious afterburn in the mouth. Since BMW, through its newly acquired Rover subsidiary, already makes the bodies for Rolls Royce, it means in future that a Rolls Royce car, though quintessentially British, will be essentially German. It was the Rolls engine which defined the car. Remember all that publicity about the hum of an engine so quite that the only sound to be heard was the ticking of the clock? Now we shall have to look elsewhere for the defining characteristic of a Roller, that ethereal piece of value added which will turn a BMW body with a BMW engine and components into the uniquely prestigious brand of a Rolls Royce. What’s in a name? That which we call a Rolls by any other name would sell as fair”.

Even the absence of a branded product from a national market can become a symbol of nationalistic pride: India’s Cokelessness, from 1977 to 1994, is an illustration of its political history. Coke was banned as an “imperialistic” drink, gradually people became proud of their indigenous refreshments - Thums-Up, Double Seven, and Campa Cola -

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212 From “Roll Out the Roller”, Comment, The Guardian, December 20, 1994. In the more heartening analysis of K. EASON, “A Marriage Made in Munich”, we learn that Rolls Royce has never been shy of foreign suitors, and that, as Sir Colin Chandler, Vickers’ chief executive, pointed out: “Henry Royce said that if something has already been designed and it is good, then take it and put it to good use. That is what we are doing with BMW. People who buy Rolls Royce cars will still get the style, quality, luxury and systems engineering which makes the cars unique. That does not change.” Fine, but would not people be tempted to buy the real thing, a BMW? In the latest developments in the battle between Volkswagen and BMW, Rolls Royce was seen partly as a brand allowing the competing German car manufacturers to move in the market for exclusive luxury cars and partly as a company providing expertise in almost custom made cars that they have not developed; the controversy on ownership of the name on the one hand and the undertakings of both companies to invest in the existing UK plants on the other are evidence of this interaction. The final result seems to be that Volkswagen bought the Rolls Royce plant but can only produce Bentleys whereas BMW lost the plant but acquired the brand and can now market Rolls Royce cars.
and finally when the time came for Coca Cola to be re-allowed in the market, evidence of a liberal economic climate, this was heralded as India’s return to the world of free enterprise.\textsuperscript{213}

All these are examples of products which are consumed - or boycotted - partly because they are indicators of our tendencies, social aspirations, political values, fashion statements and so on.

Advertising techniques have developed so as to accommodate the symbolic value of the trade mark. If possession of certain goods on the one hand and the style of their consumption\textsuperscript{214} on the other are ascribing social positions then advertisers will exploit the symbolic value of the marks of these goods to stimulate prospective customers by transmitting a particular style of consumption and creating the feeling of instant participation. The purchase of the marked product becomes a natural consequence for a consumer who, psychologically, already shares or wishes to share the lifestyle attributed by consumption. As one advertiser put it, people are progressing through life stages and accumulate, like the layers of an onion, knowledge, responses and behaviour.\textsuperscript{215}

\textsuperscript{213} C. THOMAS, “Delhi Opens Markets to the Real Thing”, and “New Fizz for India”, Editorial, both in The Times, January 13, 1994. And as if a political lesson was learned by all parties, Coke and Pepsi made sure that they establish strong links with local manufacturers: to some extent India is more important to Coke than Coke is to India. Equally the presence of a particular brand has similar symbolic value: younger fashion followers in Israel, partly as a statement of non conformity, are buying the brand “Nazi” for a “shiny black leather material which is called “Nazi” after the leather boots worn by the Nazis”: see C. WALKER, “'Nazi' Style Distresses Israelis”, The Times, October 30, 1996.

\textsuperscript{214} J. BAUDRILLARD, For a Critique of the Political Economy of the Sign (St. Louis, Telos Press, 1981), at 42, is making the point for the style of consumption.

\textsuperscript{215} B. BARRY, planning director of Ogilvy & Mather, as reported by D. SUMMERS, in “Sex, Humour and the “Me Within””, Financial Times, February 3, 1994. For an advertiser, every woman may have traces of the wild woman, the wicked woman, the free woman, the woman on top, the funny woman, the return to childhood, the strong woman, the intelligent woman, the pampered woman and so on. Indeed a growing proportion of 1980s consumer goods advertising “stressed women’s expanding opportunities for achieving success and parity vis-à-vis men. Ads more and more depicted men and women in relations of formal equity, but on different footing ... Ideological themes ran the gamut from valorizing a professional woman image in campaigns for Visa, American Express and E.F. Hutton, to cosmetics and perfume ads that articulated a mythic superwoman figure. These [Visa and American Express] ads positioned an accompanying male who is subtly threatened by the woman’s enhanced professional status and economic power. In each story-line the woman recognizes his perception of threat ... and then moves to dispel his anxiety that her new-found power will upset the proverbial applecart”; see Goldman (1992) at 107. See also B. STERN & M. HOLBROOK, Gender and Genre in the Interpretation of Advertising Text, in J. COSTA Gender Issues and Consumer Behavior (Sage, Thousand Oaks, 1994) on the, based on genre, response to advertising messages; the
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advertising has messages for our aspirations, our current positions, and our "me within" elements up to the last hidden layer.

At the same time the advantages of economies of scale and the development of multinational enterprises with huge production capabilities led to the flooding of the international markets with identical products in slight variations.216

"People in places as diverse as Paris and Hong Kong, Khartoum and Tokyo, New York and Brasilia wear, drive and drink the same brands."217

It is an hyperbole to argue that a new, universal middle class, defined by branding and trade marks, is under creation,218 but it cannot be denied that more and more people, all over the world, are sharing similar consumption experiences of the same branded goods, in almost all product fields, ranging from Gucci loafers to Courts cheap sofas.219 The optimistic approach is that consumption of similar goods and globalisation of the markets make people more alike and the more like one another we become the more "identity politics"220 and resulting conflicts are weakened. The notion of becoming akin does not necessarily refer to actual similarity, but rather indicates a common technique

differences between feminine - masculine, male - female, readings of the same advertisement are very interesting.

216 Variations that cater for taste, climatological differences etc. In Greece, for example, as reported by G. PAPAIOANNOY, "Euro-Marks Conquest Europe" (in Greek), To Vima, June 26, 1993, Maxwell is putting in the market a stronger instant coffee, similarly the ingredients of most detergents are suited for cotton and linen clothing, and the components of cosmetics are differentiated in line with the warmer climate.

217 J. McDermott, Corporate Society (Boulder, Westview Press, 1991), at 141. Units of consumption of products deriving from a definite number of sources are potentially indefinite and dispersed all over the world.

218 For a challenge to globalisation in general see M. Ferguson, "The Mythology about Globalisation", 7 European Journal of Communication 69 (1992). Her argument, at 80, that "... neither "Global Cultural Homogeneity" nor its national or regional variants, fit the emerging conflict models of the nation state, or the exclusionary imperatives of ethnic or regional entities", is forceful and topical. See also Miller, in Miller (ed.) (1995), at 21-23.

219 See "Totally Tropical Taste", The Economist, January 8, 1994, at 61, where the case of Courts is reported as an example of successful international retailing of cheaper products next to classy branded stores.

220 Identity politics is defined as the form of cultural conservatism built on nationalistic criteria that blends faith to market economics with religious, moralistic or, at its worse, nationalistic fanaticism. For the contrast of identity politics with the liberal ideology of the global market see V. Cable, The World's New Fissures: Identities in Crisis (London, Demos, 1994).
of consumption. Today, in a post modernist way of looking at things, consumers are allowed to

"play with, deconstruct, reconstruct, and signify the signifiers (items and practices of consumption) and become active participants in cultural construction".221

Advertising people quickly grasped the new phenomenon and started developing advertising campaigns built on the "brotherhood" feeling.222 IBM in their latest advertising campaign are using different cultural images - Christian nuns and Buddhist monks for example - conveying the same message, in the same lingo, albeit in a different language.223

Trade marks have moved one step further and are now capable of potentially creating themselves classes and class-lines.

221 A. FUAT FIRAT, Gender and Consumption: Transcending the Feminine, in COSTA (1994) at 225. FIRAT considers consumption as a potentially "self-image-construction process" rendering the consumer to a product in the production of which he or she truly participates as a producer, breaking down the traditional borders between production and consumption; she goes one step further from those claiming that today production is based entirely on consumers' desires and attempts to re-define production and consumption defying their traditional conceptualisation as distinct notions and actions. Of course commercial interests expand immediately to cater for those who "play" with consumption; Tower Records swiftly created Tower Alternative as its outlet for The Lab an anti-mall built as an alternative to the culture of homogenisation; see V. GRIFFITH, "Generation X Goes to the Anti-Mall", Financial Times, November 17, 1994. This is an exercise of homogenising the anti-homogenisers.

222 This may be part of what has been described as cultural imperialism: "Cultural imperialism today ... develops in a world system within which there is a single market, and the terms and character of production are determined in the core of that market and radiate outward", H. SCHILLER, Communications and Cultural Domination (New York, Int. Arts & Sciences Press, 1976), at 5. See the results of the case-study of advertising in Mexico, in J. SINCLAIR, Images Incorporated: Advertising as Industry and Ideology (London, Croom Helm, 1987), at 169-173: at 170 it is revealed that 70% of the commercials were for transnational brands.
4.4.3. Advertising, information, persuasion, and trade marks

Early advertising strategies, before the invasion of art and psychology, concentrated mainly on information. Classified ads brought together marketers and consumers interested in a common product. The traditional approach is that such advertising is what we call rational advertising and relates to the rational consumer who requires more information. However, many commentators believe that rational and emotional advertising are not mutually exclusive. Empirical evidence shows that today most advertising messages are mixed. Accordingly for a meaningful description of messages we can classify them along two dimensions: a systematic-heuristic dimension and an emotional or experiential benefits dimension; this would cover the whole range from primarily systematic to primarily heuristic. Systematic theories assume that each consumer is an active processor of information who obtains, evaluates, weighs, and integrates all available information. On the other hand heuristic processing of information supposes that people respond to advertising cues which attempt to persuade without logical justification. A typical example is the endorsement of a product by a celebrity. The contrast is between consumers who buy because "the expert said it was the best" and because "I have thought about it, weighed the alternatives, and it is the best".

223 "I'm dying to surf the net" says the nun, or "my hard drive is maxed" says the French pensioner. Note that this was the first result of the reorganisation of IBM's advertising strategy: P. TAYLOR, "What's the Big Idea", Financial Times, March 2, 1995.

224 See 73-77 of LEISS, KLINE & JHALLY (1990) for illustrations of such advertising. As history of advertising unfolds text loses its primal role and gradually becomes a guide that interprets visual images and connects them with the product until the present day of "shocking" visualisations that are often irrelevant to the actual product and its uses.

225 It was put forward that a consumer buys as a response to rational or emotional stimuli; the pioneer in such line of research was M.T. COPELAND, with Principles of Merchandising (New York, A.W. Shew Co., 1924).


Note too that the emergence of a prosperous middle class is what captivates the producers of consumer products; in the markets of the former Soviet Union the newly found prosperity of the middle classes and its appetite for "western" brands and products lured a number of foreign companies like Philip Morris, Unilever, Wella, BAT and so on, who brought with them massive advertising of all sorts. However the importation of western consumerist images had to adapt to local cultures and mentalities, and it has been argued that the lack of market infrastructure in Russia contradicts with the increasingly discerning taste and behaviour of the consumer. Here it must be stressed that advertising was not unknown in socialist economies. Advertising expenditure was lower than in market economies, however commercial advertising was treated as a necessary technique in order to raise material consumption levels, which was considered in itself desirable.

Finally an advertising strategy method that highlights the persuasive character of trade mark is a recent Persil advertising campaign: first you create the highest levels of awareness and interest by massive advertising, and then you attempt to convert them into brand trial by sampling, the possibility for the consumer to "free try" the product and check, to the extent that s/he is able to do so, the validity of the advertising claims. In this way the brand is marketed before the actual product, and then the new product is offered and consumed before it can be bought.

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228 It has been reported that on September 29, 1990, six hours of British TV programmes complete with commercials dubbed into Russian were shown on the main national Russian television channel; the estimated audience was 150 to 200 million; see J. LANNON, Advertising to the New Europeans, (J. Walter Thompson agency memo, July 1990) as quoted by DAVIDSON (1992) at 47. Later on Russians laughed at the advertisements for "Wash and Go" shampoo, since the transliteration of “Vosh” means head-louse: J. THORNHILL, "To Russia with Baked Beans", Financial Times, October 7/8 1995.


4.5. The expansion of trade marks

4.5.1. Trade marks and other rights

Historically it has been thought that it was through the

"... notion that an author should have an exclusive "copyright" in his creation"\textsuperscript{231}

that creations of intellect moved into the field of property. The author was seen as the
transitional point that - in her/his aesthetic function - transformed the cultural value into
a "thing" with a property value; it was the function of the author that provided the
artificial, and economically necessary, rarity.\textsuperscript{232} Once, mass audiences gained access to
cultural creations, art moved from the stage where the producer was producing for a
small circle of other producers to that of large-scale production.\textsuperscript{233} Progressively art has
entered the market, leading to the creation of a culture industry,\textsuperscript{234} and the discourse on
authorship has been changing slowly but fundamentally.\textsuperscript{235} Individual authorship is now
conceived as only one of a number of means that will give an end to the constraints of
the "proliferation of meaning".\textsuperscript{236} Originality and novelty and their relevance in the

\textsuperscript{231} CORNISH (1989), at 245.

\textsuperscript{232} See LURY (1993), at 23. See also the relevant parts on the discussion of property in chapter 3 above.
We bypass here the differences in the conception of copyright as an economic right or as a right that
comprises the economic and the moral right.

\textsuperscript{233} See P. BOURDIEU, The Field of Cultural Production - Essays of Art and Literature (Cambridge,
Polity Press, 1993), at 39. It is interesting to note that the struggle between "bourgeois art" (art that is
economically integrated) and art for art's sake (art with a degree of independence) is depicted as a
struggle for the principle that determines hierarchisation. The most disputed frontier between them is
the one that separates the field of cultural production and the field of power, and in the resulting
duality of governing principles one set has to do with economic rules and the other with symbolic
power; see BOURDIEU at 40-44 and 74-112. See also A. BARRON, No Other Law? Author-ity,

\textsuperscript{234} As termed by ADORNO & HORKHEIMER in CURRAN et al. (eds) (1977) at 349, where they claim
that "... movies and radio need no longer pretend to be art. The truth that they are just business is
made into an ideology in order to justify the rubbish they deliberately produce".

\textsuperscript{235} See LURY (1993) describing at 13-39 the process from repetition to replication and at 39-62 the
notions of novelty and reactivation. See also M. WOODMANSEE, On the Author Effect:

\textsuperscript{236} M. FOUCALUT, What is an Author?, in J. HARARI (ed.), Textual Strategies: Perspectives in Post-
Structuralist Criticism (Ithaca, Cornell University Press, 1979), at 141.
times of radical technological change were put under scrutiny, as was the consistency between legal copyright doctrines and the progressing forms of authorship and relevant aesthetic criteria. So it is argued that consumers of culture are setting the standards of standardised cultural products. Distributive intermediaries are sensing the standards and accordingly pass the message of demand to the writers, composers etc.

An example in the field of literature lies in the creation of series of detective stories built on variations of the same theme of reappearing connotations on the characteristics of a particular hero-detective, the immediate entourage, and society of the period. Another example is the interplay of multi-media products between literary characters, television series, movies, series of movies, video-games, interactive videos, music themes and promotional character merchandising in any possible chronological order. Mario Bros. was a video game that turned to a cartoon series and a movie. Dennis the menace was a cartoon turned to a movie and a video game. Jurassic Park, Batman, Superman, etc. owned their profitability partly to their success as films, but mainly to the merchandising products created from their characters.

It is impossible to express a qualitative assertion on the new type of intellectual productions, but it is emphasised that the process of change cannot but be dynamic and

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237 As early as in 1967 B. KAPLAN - as cited by P. JASZI, in “On the Author Effect: Contemporary Copyright and Collective Creativity”, 10 Cardozo Arts & Entertainment Law Journal 293 (1992) at 293-294, in An Unhurried View of Copyright, was stating at 2 that “... if man has any “natural” rights, not the least must be a right to imitate his fellows, and thus to reap where he has not sown. Education, after all, proceeds from a kind of mimicry, and “progress”, if it is not entirely an illusion, depends on generous indulgence of copying”.


239 See LURY (1993) at 40-51.

240 U. ECO, in “Innovation and Repetition: Between Modern and Postmodern Aesthetics”, 4 Daedalus 114 (1985) at 162-163 claims that, “... the reading of a traditional detective story presumes the enjoyment of a scheme. The scheme is so important that the most famous authors have founded their fortune on its very immutability”. In this article Eco elaborates on a theme expressed in The Theory of the Reader (Bloomington, Indiana University Press, 1979).

241 Interactive multimedia is an amorphous term, but it can be said that “... multimedia works combine text, images (still and moving), sound (in the form of music and speech), computer software, and associated computer hardware to create something new”. See M.D. SCOTT & J.L. TALBOTT, “Interactive Multimedia: What is it, Why is it Important and What does one Need to Know about it?”, [1993] EIPR 284; at 285-286, they are dealing with the rights of the “persona”.

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even in the most pessimistic scenario of an audience that is targeted by the media, influenced so as to choose only from a limited variety of options, and then sold to the advertisers as an audience of consumers of their limited variety of products, the relations between media, advertisers and audience will never be static. In this procedure there will always be signs that the audience has not lost all its analytical powers; it has not totally succumbed to the repercussions of technology.

What is relevant to this thesis is the belief of some sociologists that these multi-media products led to the organisation of the culture industry,

"... in terms of a regime of rights characterised by branding, in which the manipulation of innovation as novelty is subsumed within the more general phenomenon of the simulation of innovation".

What has been described as the pervasive use of the "... strategies of seriality, iteration and standardisation" in culture can be assimilated with the notion of the goodwill, as part of the trade mark protection rationale.

The obvious example is the case of the artist or technician who has developed a reputable persona similar to the goodwill built by a trader. The participants in the film industry, based on their talents and chances and supported by the work of their colleagues are building their own goodwill. This is accumulated in the history of their performances and gradually becomes professional reputation and a distinct industry

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242 D. SMYTHE, Dependency Road: Communications, Capitalism, Consciousness and Canada (New Jersey, Ablex, 1982), as interpreted by LURY (1993) at 50. Incidentally audiences can be literally sold as mailing lists. For this alternative use of names see E. NOVEK, N. SINHA & O. GANDY, "The Value of Your Name", 12 Media, Culture and Society 525 (1990).

243 See for example the results of the research of P. WILLIS, in Common Culture (Milton Keynes, Open University Press, 1990) and in Moving Culture (London, Galoustie Gulbekian, 1990), extensively analysed by J. McGUIGAN in Cultural Populism (London, Routledge, 1992), at 113-123. See also M. GANE (ed.), Baudrillard Live (London, Routledge, 1993), at 150, where, commenting on The Work of Art in Electronic Age, it is submitted that somehow economic power relations are themselves mediated.

244 C. LURY, N. ABERCROMBIE et al., Branding, Trademark and the Virtual Audience, in LURY (1993), at 62.

245 LURY (1993) at 51.

246 A support that is being expressly recognised by modern copyright laws.
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Identity; the person "... slowly becomes a personage, a valuable commodity to buyers".247 This process is strengthened by the emergence of flat "image" characters which indeed can be protected with a trade mark or brand right. Character merchandising and the "persona" cases can further exemplify this.

Character merchandising is the practice of associating a real or fictitious famous image or character with goods or services in order to enhance their retail potential, and probably offers the "flattest" way of exploiting already "flat" characters.248 It provides a significant parallel income to the cultural industry, the creations often aim exclusively in fulfilling merchandising roles. The UK law for a considerable time was reluctant to come in line with civil and other common law jurisdictions;249 the situation has been described as "embryonic".250 Interestingly, the case251 that moved the law forward indirectly established a link between copyright and trade mark law. The judge made a specific reference to the fact that the licensee in the UK was the copyright holder in the drawings. He distinguished the present drawings-case from previous name-cases - where there was no chance of a copyright in a name - by stating that there,

"... the plaintiff clearly has copyright in the drawings and is in the business on a large scale in this country in licensing the use of the copyright in those drawings".252

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247 See R.R. FAULKNER & A.B. ANDERSON, "Short-Term Projects and Emergent Careers: Evidence from Hollywood", 92 American Journal of Sociology 879 (1987), at 889. Modern copyright laws provide either for separate rights for each of the attributors which are then presumed to be transferred to the producer or the director - as, for example, is the case in Greece, see S.M. MANIATIS & G.A. ZANNOS, "The New Greek Copyright Law", [1993] EIPR 296 at 298 - or more directly attribute the right to the producer - as is the case in the UK, see CORNISH (1989), at 270-271, claiming that these rights are in essence fundamentally neighbouring rights.

248 Many recent films are a retrospective comment on other films and the world of films. See N. ANDREWS, "Hell is Other Movies", Financial Times, August 5, 1993. In that sense the allegory of the merchandising lawyer in Jurassic Park, who was the first to be devoured by the dinosaurs, is a bit worrying. For a more sympathetic view see J. PHILIPS, "Jurassic Park and Beyond", Managing Intellectual Property 2, September 1993, at 2, claiming that "... the effective management and exploitation of IP rights in Jurassic Park has enabled countless millions to be thrilled, scared, amused and fully entertained. In this sad decade, to spread a little pleasure is no crime".


252 Ibid, at 159, per Sir Nicholas Browne-Wilkinson V.C.
Although this was not a *prima facie* material reason for deciding the case, at the interlocutory level, the existence of underlying copyright was clearly a subsisting factor. The significance lies in the evidence of judicial willingness to comprehend commercial practice and transcend legal barriers. In legal terms the branding of cultural products may mean that copyright law can be used in combination with passing off and trade mark law, at least in the case of the UK, where the absence of a tort of unfair competition is mediated by the enforcement of a low threshold copyright, the subsistence and infringement of which are easily demonstrated. Copyright could prove to be of great strength to the plaintiff’s claim despite the fact that a name - trade mark as such cannot attract copyright protection.

At a different level trade marks, moving away from their function as source indicators, are viewed as ways of protecting new product varieties. Some advocate a policy shift towards protecting trade marks as assets rather than information as to origin. If the

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253 CHONG & MANIATIS (1991), at 256-257.

254 *Exxon v. Exxon Insurance* [1982] RPC 69, set that a trade mark owner cannot seek copyright protection when the mark is used in a completely different line of trade. The decision was consistent with several cases holding that titles of books, plays, films and the like are “insufficiently substantial” to attract copyright, see CORNISH (1989), at 269.

255 See for example D.J. GIFFORD, “The Interplay of Product Definition, Design and Trade Dress”, 75 Minnesota Law Review 769 (1991); at 774-776 he attacks the appeal decision in *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.* 204 USPQ 978 (9th. Cir. 1979), where it was ruled that the term Monopoly was generic and that the primary significance of the mark must be the source rather than the product. In *Anti-Monopoly* [1978] BIE 39, a Benelux case, the court decided that Anti-Monopoly was a term which would infringe Monopoly. Sir R. JACOB, in “Industrial Property - Industry’s Enemy?”, 1996 S. Stewart memorial lecture, comments on the Trade Marks Directive and asserts that “… there are many who seem to think that it has … taken trade mark law well beyond anything conventionally recognised as such”. He suggests that “the extended view of trade mark protection favoured by some theorists requires justification as a practical matter. The extension of monopoly rights by assertion of damage without proof will not do. Purely theoretical or abstract arguments have no place in forming the rules of intellectual property”. On the other hand A. KAMPERMAN SANDERS, in “Back to the Dark Ages”, [1996] EIPR 3, at 3, proposes that according to modern understanding “… the trade mark itself embodies value as a conveyer of goodwill and quality, publicity or life-style”. A strong case against is made by L.B. BURGUNDER, “Trademark and Copyright: How Intimate Should the Close Association Become”, 29 Santa Clara Law Review 89 (1989). He argues that the backbone of the US market economy is competition; this means that it is welcomed if one makes improvements on products already placed in the market. Patent rights are an exception but they aim to encourage development and disclosure of useful and functional product ideas. Similarly copyright exceptions are based on the need to ensure human investment. The trade mark system however is “primarily designed to increase the distributional efficiency of the marketplace”. The incentive behind the right is to protect the goodwill of the innovator not innovation itself; accordingly it is improper to apply copyright doctrines to trade mark law when confronted with trade dress cases. So, “[t]he exclusion of functional designs from the subject matter of trade mark law is intended to insure effective competition, not just by the defendant, but also by other existing and potential competitors” (Third Restatement of the Law of Unfair Competition, par.
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shift materialises then functional elements of a product would become protectable as trade marks. For example, Chanel could, potentially, protect as a trade mark for a perfume not only the name Chanel No 5, but also the scent of the product.

4.5.2. Trade marks as assets

Having completed the brief examination of trade marks' functions we will finally look at them from the perspective of assets mirroring their own economic strength and that of their owners. Their evaluation does not only incorporate other intellectual property rights but also expresses these rights and supplements them in real market life. In 1993 the league table of brand valuations found Marlboro at the top with a value of $39 billions and Coca-Cola second, worth $33.4 billions. Surprisingly at the third place was a newcomer, Intel, at a valuation of $17.8 billions. This underlines the mobility of the brand system and the speed that it corresponds to changes of values in the market. It

17). See also *North American Philips Corp.* 217 USPQ 926 (T.T.A.B. 1983) where it is stressed that any evidence of secondary meaning cannot transform a utilitarian shape into a registrable or protectable trade mark. In *Jeffrey Milstein, Inc. v Gregor, Lawlor, Roth, Inc.* 58 F3d 27, 35 USPQ2d 1284 (2d Cir. 1995) there is a more direct copyright analogy: an idea, a concept or a generalized type of appearance is "generic" and not capable of trade dress protection, even if it has acquired secondary meaning. The unprotectable idea or concept was greeting cards consisting of colour photographs of animals, plants or people cut to the shape of the image in the photograph. Overextension of trade dress protection can undermine restrictions in copyright and patent law that are designed to avoid monopolization of products and ideas. Consequently, courts should proceed with caution in assessing claims to unregistered trade dress protection so as not to undermine the objective of these other laws. In *Re Morton Norwich Products Inc.* 671 F2d 1332, 213 USPQ 9 (C.C.P.A. 1982) it is codified that in determining functionality, first it is essential to look at the availability of alternatives for the design of a product. Second that in determining whether a design is functional and thus unprotectable the court will have to look at four factors. The existence of a utility patent which discloses the utilitarian advantage of the design. Whether the originator of the design promotes the utilitarian advantages of the product through advertising. Whether there are alternative designs available. And whether the design is more economical than an alternative design. Finally, in *Fabrication Enters v Hygenic Corp.* 64 F3d 53, 35 USPQ2d 1753 (2d Cir. 1995) it is stressed that if a manufacturer wishes to retain Lanham Act protection for a product feature, it bears the burden of insuring that consumers view the feature in predominantly source-identifying terms; in *Jockey International Inc.* 192 USPQ 579 (T.T.A.B. 1976) use of the slogan "Look for this mark on the garment" was successfully used as evidence in establishing that the design of the garment (Y-fronts) functioned as a trade mark. For the UK see *Philips Electronics NV v Remington Consumer Products* [1998] RPC 283 where Jacob J., succinctly describes the question at issue: "...the principal issue, world wide, is whether Philips, by trade mark registration, or like right dependant on the appearance of working parts, can obtain a permanent monopoly of a desirable form of manufacture, namely three headed rotary shavers in which the three heads are arranged in an equilateral triangle. The answer was obviously negative, despite the fact that Jacob J. in a way dismissed the US approach of looking at the totality of potential protection.

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shows that in the complex and rapidly changing computer market, consumers are aware of brands' and products' differentiations, a positive development, even if it follows a huge "Intel Inside" advertising campaign. Second, it reveals the methodology of accountants in order to calculate the value of the brands and illustrates that trade marks enwrap the rest of intellectual property rights.

It is not long ago that the practice of evaluating brands has become distinguishable from the evaluation of the goodwill and more widely accepted, despite the inherent deficiencies, encountered in all accounting treatments of goodwill and its components from a valuation perspective. The debate on accounting for brand names that has started in the UK is significant for accounting, marketing and intellectual property, at an international level, since other markets are bound to follow. Goodwill consists of three identifiable components which are defined as,

1. the fair value of separately identifiable intangible assets;

257 Illustrating one of the advertising advantages, Intel's campaign made consumers partly compelled to buy PCs powered by Intel chips and partly aware of how PCs are assembled and the alternatives to Intel. Microsoft's advertising campaign to protect the Windows, operating system, trade mark from becoming generic is making the point on awareness stronger.

258 Which, for accountants, is "... the difference between the value of a business as a whole and the fair value of the separable net assets", as defined in the Statement of Standard Accounting Practice Number 22 (London, Accounting Standards Committee, 1989).


261 For a full discussion see ARNOLD et al. ibid.

262 We expand what M. POWER states, in "The Politics of Brand Accounting in the United Kingdom", [1992] The European Accounting Review 41, at 41; that brand accounting represents a "... unique intersection between marketing and accounting discourse two bodies of practical knowledge which have for many conducted themselves in isolation from each other", because it will be focusing on brands as particular intangible assets. On the separability of accounting of objects of intellectual property see J. HALL, "The Valuation of Intellectual Property and Intangible Assets", [1990] (Australian) Intellectual Property Journal 11. Power's article provides a good review of the arguments pro and against brand accounting with an up to date bibliography.
2. the present value of benefits arising (not reflected in (1)) from jointness of activities and market imperfections such as monopoly position and barriers to entry;

3. over- or under-payment.263

The criteria determining whether an intangible component of goodwill can be separately identifiable are whether such a component constitutes:

- an enforceable property right; or

- a reasonably certain expectation of future cash flows having a discounted present value greater than the written- down balance sheet value of the intangible; or

- a market value.264

Without going into detailed examination of the methods of brand accounting,265 it must be mentioned that they are based on the deduction of the calculated profits of a generic producer from the profits of the producer of the branded product. On the balance, that represents the brand’s premium, and then a brand strength multiple is applied; on the multiple are reflected amongst others the brand’s leadership and its legal protection. As the Intel case exemplifies, these two factors, in turn, incorporate the innovative character of the product, trade secrets and know how, patents, copyrights, monopoly power and anti-trust questions, etc. as such, and as they are recognised and protected by law. Therefore although the separate significance of each ingredient is not diminished, it is the brand value, as calculated in the balance sheets, that becomes their icon, giving to the company’s customers, shareholders, competitors, and public in general, a map of company strategies and a company health certificate.266

263 ARNOLD et al. (1992), at vii.
264 Ibid, at 85-86.
266 T. JACKSON, “In a Grey Area”, Financial Times, December 6, 1996, interviews W. Ansen, a valuation specialist, head of Trademark & Licensing International, who exemplifies trade mark
Another telling example can be found in the Report of the UK Patent Office for 1992.\textsuperscript{267} The number of requests, for a grant of a patent or the registration of a design, from UK residents has been falling for three consecutive years.\textsuperscript{268} At the same time the rate of applications for trade mark registrations was slower, from that of the booming late eighties, but it was still moving upwards.\textsuperscript{269} Even more significant is the fact that demand for patent searches fell and requests for substantive examination dropped.\textsuperscript{270}

The above numbers made trade marks an indicator of economic activities and a sign of recovery.\textsuperscript{271}

Another intriguing use of statistics is an attempt to determine the effects of trade mark related litigation on the stock price of the firm and use it as evidence of the importance that stockholders seem to place on the protection of trade marks. There is some empirical evidence which shows that when a firm reaches a favourable resolution within evaluation practice in a more general way by referring to the brand value of the Financial Times.

There are three relevant elements. First comes the core value, the masthead, quantified by royalty rates charged by comparable publications around the world, capitalised on a discounted basis over a twenty year period. Then come the incremental elements of value: like the distribution efficiencies for a paper of that size, the marketing efficiencies of across other publications in the FT’s stable, and advertising and promotional savings. Finally, comes the value of FT’s web site, since FT, unlike other organisations who had to buy back their name in the Internet, has been prudent enough to register the name as a web site.

\textsuperscript{267} The Patent Office, Annual Reports and Accounts, 1992-1993 (HMSO, London, 1993); note that the figures coincide with the recession that hit the industry.

\textsuperscript{268} Ibid, at 5 and 11-14 for patents, where the overall numbers moved slightly upwards due to European and other international applications. Requests of UK residents for grant under art. 75(1)(b) of the European Patent Convention fell from 2,658, in 1988, to 1,667, in 1992, ibid, at 67. For the designs see 26-27 where it is shown that the sharper decline of 12% was matched by an increase of fillings from abroad.


\textsuperscript{270} From 16,536, in 1988, to 13,612 in 1992 for the first case and from 12,766 to 9,632 for the second. Ibid, at 67.

\textsuperscript{271} D.M. HIGGINS & T.J. JAMES, in The Economic Importance of Trade Marks in the UK (1973-1992) - A Preliminary Investigation (London, IPI, 1996) attempt to examine trade mark intensities in the UK (through trade mark registrations, and by examining the total number of registrations per class divided by the gross value added for that class per year) and reach three main conclusions, at 22-23: (i) that there has been a general rise in the level of trade marking activity in the UK economy over the period 1972-1992; (ii) that there are obvious and sometimes extremely wide differences in the level of trade mark intensity for different trade mark classes; and (iii) the level of trade mark intensity generally and for the majority of trade mark classes has risen but there are a significant number of cases where trade mark intensity has fallen over the period. Finally, and despite the preliminary character of the study the writers point to "the rise in the level of trade marking activity and its somewhat cyclical relationship".
the context of a trade mark dispute, either through litigation or through settlement, and regardless whether the firm is the plaintiff or defendant, then the value of the stock increases in a statistically significant manner.\textsuperscript{272}

4.6. Conclusion - A perfect trade mark tale

It was repeated many times in this chapter that trade marks have connotations to generic products, origin, quality, fashion, political statements, and everything else imaginable. A good illustration is an example of trade marked alcoholic success: Absolut Vodka.

The producers of Absolut were during the 1970's desperate to expand to new international markets. Thus they identified a demand in the US for white imported liquors (reference to generic products and fashion), preferably not of Russian origin, because of the cold war and the invasion of Afghanistan (reference to political symbolism). Luckily the producers were Swedish and according to a survey the word purity was strongly associated with Sweden\textsuperscript{273} (further reference to symbolic values). They have been producing for years vodka that was distilled in a special way making it more pure, marketing it under “Absolut Renat Branvin”, meaning “Absolute Pure Vodka” (reference to a generic product and particular levels of quality). Now how can one blend all these notions into a trade mark? They had to reject marks such as Royal Court Vodka, Swedish Blond Vodka, Nature Vodka, Damn Swede and Original Black Vodka, and also product variations such as a black coloured vodka. They chose to use a variation of the original name enabling them to benefit fully from a marketing and a

\textsuperscript{272} See G. FILBECK, R.F. GORMAN & D.J. HERRON, “Stock Price Reaction to Trademark Related Lawsuits”, 85 TMR 191 (1995). In assessing the results of their research at 195-197 they conclude that the result of this scenario was expected; however there was no evidence of an analogous result, of a price fall, when the firm is announced as defendant of trade mark related litigation. Similarly there are no statistically significant change in stock price upon announcement of an intent to litigate and an unfavourable resolution of a trade mark dispute. Other similar research shows that a significant price reaction must be expected upon announcement of indictments for price fixing arrangements: see J.L. STRACHAN, D.B. SMITH, & W.L. BEEDLES, “The Price Reaction to (Alleged) Corporate Crime”, 2 Financial Review 18 (May 1983).

\textsuperscript{273} Another such example is IKEA, now owned by a private charitable foundation in Holland, that advertises its Swedish links in order to stress purity and simplicity that epitomise the IKEA style; see J. MYERSON, “Ikea’s Pet Pelikan”, Design, February 1993, at 26.
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legal protection view: they thus dropped the “e” from “absolute”, retaining the original Swedish word, and substituted “pure” with “Country of Sweden”. They chose a distinctively but naturally shaped transparent bottle, added a medallion to make it more distinctive and thus more easily protectable, and printed the label directly on the glass of the bottle, rather than add a paper label. They chose to ignore the disheartening results of a first market survey and launched the product, which proved to be one of the biggest marketing successes. Absolut constitutes, together with Campbell, one of the most famous brands that turned to art, or of art that turned to brands and then to art again.

But at the end according to one of the people producing Absolut:

“[i]f I were to choose from the different factors contributing to the success of Absolut Vodka, I would put the word “Absolut” first. Absolut is a positive, onomatopoeic (sound imitating), titillating word. It is easy to understand independent of language, in spite of the Swedish spelling. Hearing people in their own native language pronounce the word “absolut” has made me understand what an enormous amount of dynamism, excitement and joy that comes with the word. There is magic involved.”


275 For a similar example from the world of advertising see the advertising campaign of Hanson, which borrows heavily from the 1941 Orson Welles movie Citizen Cane. The artistic value of the advert may be questionable but the contrast between the hypothetical speculator of the advert - King instead of Cane - and the conglomerate’s solidity is carried effectively to the viewer. See D. SUMMERS, “Hanson Mini - Epic Returns”, Financial Times, January 27, 1994.

276 LINDQVIST (1993) at 22.
CHAPTER FIVE

COMPETITION AND THE ECONOMICS OF TRADE MARKS

5.1. Preface

“One should hardly have to tell academicians that information is a valuable resource: knowledge is power.”

“A politician who can regulate an industry gets much more by helping the industry, whose members know and care about the effects of the regulation, than by helping the mass of consumers, who do not know they are being hurt and who would not know if they were being protected. An astute politician can - as many have - both help the industry and get credit for protecting the consumers. The consumers, whose relationship to the industry is a very small part of their lives, will never know what prices they would have been paying if there were no regulation.”

“... [O]rthodox economics has been isolated from other disciplines so that the scope for interdisciplinary progress has been precluded ... It is found that the division between production and consumption has been artificially maintained, with greater emphasis either on the supply side ... or on the role of consumption considered independently of how it is provided for other than through purchase.”

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1 An earlier version of this chapter has been published in A. STERLING (ed.), Perspectives on Intellectual Property - Intellectual Property and Market Freedom (London, Sweet & Maxwell, 1997).
5.2. Introduction

We live in a world of limited resources and potentially unlimited needs; therefore the way that we match needs with resources is significant for the organisation of society and the economy. The interaction between needs and resources is concluded in what we call open competitive markets, the institutional arrangements that govern the process of exchange.5

The political arguments for a competitive market regime are described as the need to limit the power of governments and/or individuals and to ensure that all have some, yet limited, economic freedom. Unlimited power leads to monopolies, which, according to A. Smith, have

"... the same effect as a secret in trade or manufactures. The monopolists, by keeping the market constantly understocked ... sell their commodities much above the natural price."6

Equally, within the context of the European Court of Justice (ECJ) definition of market dominance, the result of monopolistic situations is:

"... a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by giving it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers".7

Whereas, on the other hand,

"... competitive pressure ... provides a constant stimulus to firms to innovate and to reduce their costs in order to avoid losing their place on the market. They have

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6 A. SMITH (E. CANNAN, ed.), An Inquiry into the Nature and Causes of the Wealth of Nations (New York, The Modern Library, 1937), at 61. Marx conceives monopolies as part of a dynamic process which involves competition. The synthesis of the two is a movement: monopolies produce competition and competition produces monopolies; monopolies can only maintain themselves by entering into the struggle of competition; see K. MARX, The Poverty of Philosophy (New York, International Publishers, 1967), at 135. Paradoxically there is an analogy between this conclusion and the views of radical free marketers who consider monopolies as a phase in an overall game of competition rather than undermining competitive markets is interesting.
to compete both in terms of quality and in terms of prices and the product ranges they offer."8

The aim of this essay is not to provide a theoretical discussion on the significance of the “market”. We accept the inevitability of a market system and concentrate on trade marks and competition. In this context, trade marks will be looked at as parts of creative and innovative strategies, tools for integration, and determinants of firm behaviour and market entry.

5.3. Laying the ground for trade marks and competition

5.3.1. The game players

Competition must not be conceived as a monolithic notion linked exclusively to the competing interests of particular groups - predominantly sectors of marketers.9 This is even more so since it has been widely accepted that personal freedom is perceived as almost synonymous with economic freedom. Accordingly the role of competition laws has expanded so as to protect both individual and economic freedom.10

As competition players, marketers on the one hand promote the status quo, the equilibrium in the market, by guessing the actions of their competitors and acting themselves in an ex ante neutralising manner. On the other hand, they strive to change the status quo and set a new equilibrium through innovation, by following new methods of manufacture and putting in the market new products. They do all this for a profit, employing all the information available to them, and taking risks.11

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8 XXI Report on Competition Policy (Brussels, CEC, 1992), at 50.
9 In a different context Denison J. stated that there is no “fetish” in the word “competition”", in Vogue Co. v. Thompson - Hudson Co. 300 F 509, at 512 (6th Cir. 1924).
Consumers, too, have a competing role in the market. First, they compete with each other for the best buy. Equally they compete with other classes of market players because they want products that suit their needs, but at prices they can afford. Further they seek public health protection, information and protection on other matters than health, and finally the introduction of trading standards and effective public controls that will ensure fair trading. In short, consumers want choice and information, in the case of competitive markets, and regulation covering prices, quality, penalties, and compensation, in the case of markets where competition is absent. These interests have only lately been "... consciously and purposefully recognised", mainly within the notions of unfair trading or unfair competition.

The role of consumers and marketers must be comprehensively viewed. They are individual competitive players and at the same time team players in a number of different squads in interactive competition games.

5.3.2. The market interaction

In market economies, businesses exist to cover the supply section for a profit rather than personal gratification or charity. Consumers, on the other create demand that interacts with supply and gives life to the economy. The place where the interaction takes place is the self-regulating market,

"... the fount and matrix of [the modern economic and political] system... It was this innovation which gave rise to a specific civilization. The gold standard was merely an attempt to extend the domestic market system to the international market."

14 J. BLOW succinctly observes in Consumers and International Trade - A Handbook (Brussels, BEUC, 1986) at 2 that: "[i]nternational trade is a world of its own. Understanding its language and its mechanics is vital if consumers are to make their voices heard, along with the many other interests involved - industrial, trade, business, trade union, bureaucratic, developed world, under-developed world - in an area where the balancing of separate and sometimes conflicting viewpoints, both national and sectoral, is central to the negotiations. Horse-trading there is bound to be; what is important is that representatives of the consumer interest are participating in the bargaining".
field; the balance-of-power system was a superstructure erected upon and, partly, worked through the gold standard; the institutional system of the nineteenth century [as well as our own] lay in the laws governing market economy”.  

Trade marks, in turn, are the signs in and the signifiers of this market. The fact that marketers and consumers are complementing halves of the market relationship confers on them a combined competence to define the notion of trade marks as property and/or channels of communication, in the same way that the two of them determine the performance of the economy, as recorded by levels of production and allocative efficiency, progress, and levels of employment and equity. The existence of trade marks signifies choice and interaction and serves as evidence of a market economy, a place where the 

“... objective orchestration of supply and demand is the reason of why the most varied tastes find the conditions for their realization in the universe of possibles which each of the fields of production offers them, while the latter find the conditions for their constitution and functioning in the different tastes which provide a (short- or long-term) market for their different products”.  

15 K. POLANYI, The Great Transformation: The Political and Economic Origins of Our Time (Boston, Beacon Press, 1957), at 3. However, it is submitted that the central role of the market is not only that of an arena where participants co-ordinate their decisions by attending price lists; markets primarily offer the field “... in which market participants, by entrepreneurial exploitation of the profit opportunities offered by disequilibrium prices, can nudge prices in the direction of equilibrium”; see I. KIRZNER, Discovery and the Capitalist Process (Chicago, University of Chicago Press, 1985) at 128. P. BOURDIEU, in Distinction: A Social Critique of the Judgement of Taste (London, Routledge & Kegan Paul, 1984) at 230 views the cultural market - and probably any other market - as a place of matching of supply and demand, but the matching is “... neither the simple effect of production imposing itself on consumption nor the effect of a conscious endeavour to serve the consumers' needs, but the result of the objective orchestration of two relatively independent logics, that of the fields of production and that of the field of consumption”.

16 BOURDIEU, ibid. The matter of taste is worth another reference at this point. Of course G. STIGLER & G. BECKER in “De Gustibus Non Est Disputandum” 67 American Economic Review 76 (1977), argue that tastes neither change capriciously nor differ importantly between people; the alternative explanations they have offered with respect to addiction, habitual behaviour, advertising and fashion support their hypothesis that we “... should apply standard economic logic as extensively as possible” - at 89. However, J. BAXTER, in Behavioural Foundation of Economics (New York, St. Martin’s Press, 1993) acknowledges, at 104, that a problem “... with consumer behaviour models is that some of the boxes shown in complex flow charts are really more in the nature of “black boxes”, since knowledge about them and the parts they play in decision-making is very limited. Knowledge about the nature of the links between many of the boxes is often even scantier, and the links not therefore adequately specified”. And they add that a further difficulty with such models is that they still seem to imply an ability on the part of each individual to process large volumes of information “... even if not on the comprehensive scale of the expected utility model”. According to Baxter, discussing individual decision making process, our individual needs create wants, which are strongly influenced by our social environment. Satisfaction of these needs will rarely or even never be on a one to one basis since the matching product will include more or less “satisfiers”. Since there are constraints in real world - namely money, time, and competition with other consumers, most individuals are unable to satisfy all their wants, some basic necessities are ranked highly in any order.
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5.3.3. The basics of market rational behaviour

The law of demand proposes that people will buy more of a commodity if its price falls and less if it rises. In parallel they will tend to buy more as their income rises and less as it falls.17

The supply behaviour of businesses is determined mainly by costs of production, assuming that firms tend to choose the most efficient combination of inputs so as to minimise the total cost of production, which is defined as

"... the minimum attainable total cost, given a particular level of technology and set of input prices".18

Supply behaviour is also influenced by prices of production substitutes, market organisation, and idiosyncratic factors such as government intervention, human disposition, fashion and natural phenomena which determine consumers' buying decisions.19

Where supply meets demand we find a product, put in the market, at the right moment, at a total cost, for a profit, and at a price consumers are willing to pay.20

of spending priorities. In simple decision making purchases many of them will be repeat purchases, and thus habit and routine come into play. Baxter points out that economic theory has little to say about unsatisfied wants and suggests that it is reasonable to assume that the greater the extent of unsatisfied wants, the greater the motivation to try and do something about it by exercising one or more of the available options, some of which would lead to changes in employment.

19 Ibid at 61-62.
20 K. LANCASTER, in his seminal article "Socially Optimal Product Differentiation", 65 American Economic Review 567 (1975) posits that for a given level of resources the level of welfare that can be attained by various consumers will depend on: "1. The production conditions that determine how much of each characteristic can be supplied from given resources when embodied in a good with specific characteristics proportions. 2. The preferences of the consumers which determine the relative welfare levels associated with various bundles of characteristics. 3. The consumption process, which determines what characteristics combinations the consumer can actually obtain from different collections of goods. 4. The number and types of goods that determine the transfer link between production and consumption." Since the desirability of an efficient system of transfer is self-evident he concludes by answering a set of five rhetorical questions which must be answered by a policy maker; albeit the answers to some questions are too apodictic: Q.1: Is there a socially optimal degree of product differentiation? A1: Yes, and divergence from this degree would increase the resources
5.4. The relation of basics with trade marks

Trade marks affect directly costs of production since the cost of branding is incorporated into the total cost of the product. But trade marks are the operators of trade, information, and advertising channels. By definition trade marks are used to identify the existence of products that can be readily substituted. Trade marks also interact with a plethora of idiosyncratic factors, from fashion to politics.

5.4.1. Trade marks and the organisation of the markets

Trade marks also affect the organisation of the markets; paradoxically, they may function as tools for market entry and/or barriers to market entry. Furthermore, they provide businesses with a chance to mitigate the costs of an investment: firstly, by giving them the means to test-market products and learn more about the likely fate of any project; secondly, by intervening "correctively" in the markets, before and after putting a product in the market, through advertising and marketing strategies; and finally by allowing them to diversify to other markets by transferring their goodwill from one national market to another and/or from one field of activity to another. A trade mark's character is split between monopoly and competition, territoriality and globalisation.

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needed to enable consumers to attain specific levels of welfare. Q2: Can the optimum be easily recognised? A2: No; and certainly not with respect to the actual number of goods, since there are no easily recognisable conditions which would determine this degree. Q3: Would perfect competition throughout the economy result in attainment of the optimum? A3: No, since the problem of optimal differentiation is most important under increasing returns to scale. Perfect competition, under these circumstances, could not take advantage of the scale economies and would not generate the optimum, which would require marginal cost pricing and single firm output for each good. Q4: Will market imperfections tend to give a non-optimal degree of product differentiation? A4: Under constant returns to scale, no. Under increasing returns to scale, yes. Q5: Does market imperfection give a consistent bias in the degree of product differentiation always too little or always too much? A5: Under increasing returns to scale, when imperfect competition tends to give non-optimal differentiation, the direction of bias depends on the exact market structure. Monopolistic competition will lead to too much differentiation, monopolisation of a market sector to too little. More complex, and thus more realistic, market structures may be expected to show effects of both kinds, leaving the direction of bias uncertain.

See for example the "stretchability" brand assessments in R. OLLINS, "Elastic Brands", The Sunday Times, November 3, 1996: marketers are willing to take the risk to sub-brand in order to "leverage brand equity". Marks & Spencer are top of the list of potentially expandable brands together with Virgin (and its David v. Goliath personality) with Barclays and Mars at the other end.
5.4.2. The economics of information

It is submitted that trade marks function as information carriers\textsuperscript{22} and that the basic economics of information are the same for both consumers and marketers. So parallels can be drawn with each one of the subject groups of the economics of information and knowledge as listed by Machlup.

Machlup concentrated on the production and distribution of knowledge, which, indeed, is the main point of disparity between marketers and consumers. In particular he stressed the importance of:

- ignorance, chance, risk, and uncertainty as factors of explaining economic behaviour;
- uncertainty, risk aversion, venture spirit, innovativeness, and alertness as factors explaining entrepreneurship and profit;
- new knowledge - inventions and discoveries - and the application of new knowledge - seen as innovation and imitation - as factors of economic growth;
- the transfer of technology and know-how; economic forecasting; the cost and value, private or social, of information and alternative information systems;
- decision theory and game theory; in decision-making by consumers with incomplete and uncertain knowledge, decision-making by workers and job-seekers with incomplete and uncertain knowledge; and decision-making by private firms, in various market positions, with incomplete and uncertain knowledge;
- policy making by governments and public agencies with incomplete and uncertain knowledge;
- the formation and revision of expectations and their role in economic dynamics;
- the role of information, knowledge, expectations, risks, and uncertainty in the functioning of markets and the formation of prices;

• prices as an information system for resource allocation and product distribution; human capital, and the accumulation of knowledge and skills.23

The fundamental question on the economics of information has been described by Stigler: in a market of unique goods for a consumer ascertaining market price - one only of the product characteristics - the chief cost is time.24 Since new markets are created and buyers and sellers change identities knowledge becomes obsolete, so there are four rules which quantify the value of information:

1. The larger the fraction of the buyer's expenditures on the commodity, the greater the savings from search and hence the greater the amount of search.

2. The larger the fraction of repetitive (experienced) buyers in the market, the greater the effective amount of search (with positive correlation of successive prices).

3. The larger the fraction of repetitive sellers, the higher the correlation between successive prices, and hence, by condition (2) the larger the amount of accumulated search. In other words the more often people buy the better able they become to judge prices.

4. The cost of search will be larger, the larger the geographical size of the market.25


24 STIGLER (1961), at 216; the cost of time is not equal for all consumers: differences in taste and income are parameters of the optimum amount of search.

25 Ibid, at 219. Other parameters could be access to channels of information, reliability, and so on. C. SHAPIRO in "Optimal pricing of experience goods", 14 Bell Journal of Economics 496 (1983), at 496, develops two scenarios following the introduction in the market of an experience good, a product for which the most important source of information is actual experience with it. "In the optimistic case consumers initially overestimate quality, and the optimal way to milk a reputation is via a declining price path followed by a jump up to a terminal price. There are no long-run effects due to initial mistaken perceptions. In the pessimistic case, consumers underestimate quality, and the optimal way to build a reputation is to use a low introductory price followed by a higher regular price. In this case misperceptions adversely affect welfare in both the short and the long run." In his model quality and reputation were exogenously given, but in order to expand his model Shapiro suggests that advertising may increase consumer willingness to try a product, altering the value of reputation. See also C. SHAPIRO, "Consumer Information, Product Quality, and Seller Reputation", 13 Bell Journal of Economics 20 (1982). The conceptual distinction between search and experience goods has been introduced by P. NELSON, in "Information and Consumer Behavior", 78 Journal of Political Economy 311 (1970). The important attributes of search goods can be ascertained prior to purchase, whereas the important attributes of experience goods can only be learned after purchase and use.
Competition and the Economics of Trade Marks

In principle there are two potential sources of information on brand quality, both of which are costly to the consumer. Firms may supply consumers with quality signals, directly or indirectly, through advertisements, and/or consumers can supply themselves with information on quality through search. Both strategies interact with the value of quality expectations for the consumer and the degree of relevant risks. Consumers vary according to their individual degree of risk aversion, and therefore firms offer a variety of product qualities.

Accordingly, trade marks and advertising of an informative nature - for example classified advertising - are the main methods of providing potential buyers with knowledge of sellers' identities. At the same time trade marks and sensational or persuasive advertising act as initiatives for the consumer to enter the market.

Here advertising is considered to be informative and persuasive and its social and economic effects a mix of positive and negative. Some commentators believe that advertising provides direct information about the characteristics of a brand. The fact itself that the firm advertises is a signal of quality. Nelson's research supports that

26 The cost of advertising is part of the product price; at the same time advertising could constitute a barrier to entry and potential further competition. For example the research of R.L. WILLS & W.F. MUELLER, in Brand Pricing and Advertising (Offprint Copy - Unknown Source) shows that prices of weakly advertised manufacturer brands, private labels and generic products were substantially lower than the prices of leading brands and especially highly advertised leading brands. The comparison was for products which were relatively homogeneous and therefore the result of their analysis was not due to real quality and cost differences. Their research implies that: (i) price premiums and higher profits are primarily attributable to market power rather than superior products or lower costs; (ii) large firms would tend to advertise more heavily and have higher prices and profits than their smaller competitors; and (iii) for consumer goods advertising created brand market power may be responsible for much of the observed positive of concentration and advertising intensity on average prices and profitability.

27 According to evidence provided and analysed by S.N. WIGGINS & W.J. LANE, in "Quality Uncertainty, Search and Advertising", 73 American Economic Review 881 (1983), when significant search costs coexist with informational imperfections in the market, then consumers who purchase few units and are quite risk averse tend to purchase advertised products. In their research they considered advertising which conveys only that a product is advertised but not direct information about product quality.

28 See for example P. NELSON in "Advertising as Information", 82 Journal of Political Economy 729 (1974). At 734 he states that "[a]dvertising has the seemingly magical property that those whose tastes are best served by a given brand are those most likely to see an advertisement for that brand"; at 749 he adds that consumers will be rarely deceived as long as consumers follow the decision rule: "... believe an advertisement for experience qualities when it tells about the functions of a brand; do not believe the advertisement when it tells how well a brand performs that function".
Competition and the Economics of Trade Marks

producers of experience goods advertise more than producers of search goods; he claims that this supports that advertising of experience qualities increases sales through increasing the reputability of the seller, while advertising of search qualities increase sales by providing the consumer with “hard information” about the seller’s products. Accordingly most advertising is informative since consumers will be willing to look at advertisements as long as their marginal revenue of so doing is greater than their marginal cost. Others argue that advertising is inter-related with repeat purchases through consumer behaviour which is specified on an ad hoc basis; in some of the equilibria exhibited by Schmalensee it pays low quality firms to advertise more than high quality firms; especially if buyers’ behaviour indicates confidence that better brands spend more on advertising. Some examine the effects of advertising from a different perspective. Advertising alone does not only create strong brands but also functions as a barrier to entry; the two may be interrelated but equally they may be independent of each other. Glenn Thomas however, argues that the durability of advertising is very brief and, more importantly, that, given the evidence of heterogeneity in sales and advertising “… profits … are not the result of collusion among firms protected by barriers to entry, as such collusion would benefit all firms in the industry. Instead recorded accounting profits represent rent to highly successful brands”; she argues that for each company the discounted stream of income obtained from a handful of successful brands must be compared with the properly capitalised costs of brand introduction, where these costs are summed over all attempted introductions, both

successful and unsuccessful. Finally, she supports that in order to assess the competitive position of suppliers of major established brands one must look simultaneously at (i) the magnitude of price differences between major and minor brands, and the extent to which these price differences may be attributable to quality or cost differences rather than the exercise of market power by suppliers of major brands, (ii) the cost of launching a new brand relative to market value, (iii) the extent to which small and new firms face a cost disadvantage because they have to spend a higher proportion of their sales revenue on advertising to promote their products effectively, and (iv) the extent to which new or minor brands (including own label products) have successfully gained market share from major established brands. But there is also evidence that repetitive advertising is effective simply because repetition is persuasive: in an experiment conducted by two economists a consumer group that was aware of the frequency of a group of advertisements but was not directly subjected to the advertisements did not assume that frequency was related with quality; another group that was subjected to this frequency of advertising did associate frequency with quality even though the advertisements were for unfamiliar brands and in languages that the group could not understand. All the above are random examples of contradicting, albeit plausible, results of evidence and theorisation; accordingly the truth as to the value and effects of advertising should be somewhere in the middle.

But information presents one more idiosyncracy:

“[i]n the case of information or knowledge as a public good, how can you exclude from using it persons who want to benefit from the knowledge, but did introduce unusual assumptions in order to find positive equilibrium advertising expenditures in the noncooperative model of a large market”.


31 See “The Money in the Message” The Economist February 14, 1998, 100, presenting S. MOORTHY & S. HAWKINS, “Advertising Repetition and Quality Perceptions”, Working Paper, February 1998; for the first group, that could look at repetition detached the actual effect that repetition would have on them, repetition meant nothing significant as to quality; given this reaction it becomes more difficult to interpret whether the perception of the second group of a relation between repetition and quality was based on a sophisticated understanding of how advertising works and in what ways it pays to advertise or it meant simply that when consumers see lots of advertisements for the same product they want to buy it.
not initially share in the cost of producing it? Automatically, users of such knowledge become "free riders" in the case of public goods.\textsuperscript{32}

In this sense information undermines the established perspectives of viewing markets. The free ride is accepted because it is essential to the dissemination. As a result, a market cannot be seen exclusively within a framework of property as reward and contract as facilitator of exchange. This would not comprehensively accommodate the production of information and its transmission between competitive firms.\textsuperscript{33}

5.4.3. Trade marks and the orthodoxy of competition

The aspect of trade marks as company assets and indicators of corporate strength enables us to take a step back into the orthodoxy of competition between marketers, defined by the European Commission as the force that

"... enables enterprises continuously to improve their efficiency, which is the \textit{sine qua non} for a steady improvement in living standards and employment prospects within the countries of the Community. From this point of view,

\textsuperscript{32} M. JUSSAWALA, The Economics of Intellectual Property in a World without Frontiers (Westport, Greenwood Publishing Group, 1992), at 22. From a different perspective, and in respect of trade marks and advertising, A.G. PAPANDREOU in "The Economic Effect of Trademarks", 44 California Law Review 503 (1956), at 507 notes that "... in our [free market] kind of economic organization information concerning some product is distributed by the seller to all comers, both buyers and non buyers of the product in question, but is paid for by the buyers of the product. This is tantamount to saying that there is no independent market for information. It follows that it is rather difficult, if not impossible, to evaluate the extent to which the utilization of resources in the advertising of information industry is efficient or not". Now this seems to be a dual free ride: a marketer's free ride on customers who pay for the marketer's wider dissemination of information and the non purchasing consumer's free ride on purchasing consumers in respect of information.

\textsuperscript{33} See E.W. KITCH, "The Law and Economics of Rights in Valuable Information", 9 Journal of Legal Studies 683 (1980); see also E.W. KITCH, "The Nature and Function of the Patent System", 20 Journal of Law & Economics 197 (1980). E.C. HETTINGER, in "Justifying Intellectual Property", 18 Philosophy & Public Affairs 31 (1989), makes the point that the inadequacies of the traditional justification become more severe when applied to intellectual property, because the nonexclusive nature of intellectual objects and a presumption against allowing restrictions on the free flow of ideas. A.S. WEINRIB, in "Information and Property" 38 University of Toronto Law Journal 117 (1988), where he discusses the nature of confidential information, stresses at 149-150 that property is not a self-explanatory term but rather the representation of a web of legal relations whose form is dictated by the context in which the term is used and by the ends we are seeking to achieve.
competition policy is an essential means for satisfying to a great extent the individual and collective needs of our society".34

5.4.4. An inherent weakness of economics

At this point it must be reiterated that economics have a critical role to play in understanding the place of trade marks in market economies. Nevertheless they are neither a scientifically neutral way of defining and measuring nor are they totally distinct from ideology. Even positivist economics, based on general assumptions about the desirability or not of possible outcomes, while pretending to be non-normative economics,

"... must ... be understood as a belief system that is not only inherently ideological - that is enmeshed in the political and social values of its own order - but imbued as well with beliefs as to "human nature" for which there is usually no basis for explanation".35

Even if economics could be used as a neutral tool we cannot escape from the fact that trade marks, advertising, and competition are not devoid of social significance, and should not be explained, predicted, or used, exclusively according to mathematical equations. Economic theories attempting to explain and predict technological and economic change fail to incorporate the affecting social, political and economic variables considering them either neutral or exogenous. For the new classical economics, economic agents behave as if they know the correct model and as if markets normally clear after each historical period without surpluses or shortages. Much of the critique concentrates on these propositions but as a moderate economist put it:

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34 This is one of the earliest EC attempts to define competition. It is presented as the prerequisite for the functioning of the common market as a genuine market, ensuring the continuous adjustment of the supply and demand structure in correlation with technological developments. See the 1st Report on Competition Policy (Brussels, CEC, 1971), at 11.

“[w]hat has gone wrong with economics is not that mysterious. It has been the over-emphasis on economic as opposed to underlying ideas”.36

For the Chicago purists neutrality of economics is exactly what validates their perspective on the legal phenomenon, albeit according to their own favoured economic theory. According to Posner:

“... eclectic forays into sociology and psychology, descriptive statistics, and verification of plausibility took the place of the careful definitions and parsimonious logical structure of economic theory. The result was that industrial organization regularly advanced propositions that contradicted economic theory”.37

This lawyer is guilty of all the above. Economics do not exist in a scientific social laboratory. They are part of a general picture. In the same way that law on its own is irrelevant to the picture as a whole, economic theories are irrelevant outside the context of the picture. Lawyers and economists should recognise this and welcome interaction rather than doctrinal isolation. So as part of the picture it is submitted that people do care about opportunities, relative rewards, interpersonal fairness, and mutual respect.38


37 R.A. POSNER, “The Chicago School of Antitrust Analysis”, 127 University of Pennsylvania Law Review 925 (1979), at 929; contrast with P. HEYN, The Economic Way of Thinking (New York, Macmillan, 1991) attempting to incorporate into his principles for economic thinking notions which are neutral. F. MACHOVEC, in Perfect Competition and the Transformation of Economics (London, Routledge, 1995) at 311 recaps succinctly some of HEYNES’ points. MACHOVEC advocates “… a continuous thorough integration of process currents; in fact instruction should regularly be framed with questions like, “How does the firm know that it should do this?”; and, “Does the consumer always know what he or she wants?”; and “Should the law mandate that both parties to a transaction must reveal to each other all they know about the commodities to be exchanged?”; and most importantly, “What condition is required before pure profit can be driven to zero? Can this condition ever be satisfied?”.

38 M. DEUTSH, Distributive Justice: A Social - Psychological Perspective (New Haven, Yale University Press, 1985) at 38-58; see also E. FOX, “The Modernization of Antitrust: A New Equilibrium”, 66 Cornell Law Review 1140 (1981), looking at the fairness and access aspects of antitrust legislation. The other side of the argument is expressed by F.H. EASTERBROOK, in Ignorance and Antitrust, in T.M. JORDE & D.J. TEECE (eds) Antitrust, Innovation, and Competitiveness, (New York, Oxford University Press, 1992), at 119: “[e]fforts to improve markets through law aim at a moving target, with a paradox: if an economic institution survives long enough to be studied by scholars and stamped out by law, it probably should be left alone, and if an economic institution ought to be stamped out, it is apt to vanish by the time the enforcers get there”. For a review of the tortuous relationship between law and economics see G. STIGLER, “Law or Economics?”, 35 Journal of Law & Economics 455 (1992). For Stigler, economics has two diverse
5.4.5. The regulation of competition

Whether or not to intervene in the workings of the market has been a continuing - and still unresolved - dilemma for policy makers and economic theorists.\(^{39}\) In parallel to the current trend towards deregulation there is a growing supplementing conviction that deregulation must be accompanied by a strong competition policy, acting as a counterbalance. This is viewed as a necessary precaution since there is apparently no clear case that deregulation is actually lifting or indeed posing barriers to entry.\(^{40}\) But then “deregulation” becomes a radical dressing exercise for re-regulation, according to new criteria set by different needs and values, rather than the literal application of the term.

So the underlying theme as to the desirability or not of state intervention in the workings of markets is that despite the fact that a strong and regulatory state that promotes economic activity may be a condition for development, though not a sufficient one:

“... a strong and interventionist state does not guarantee economic development; indeed, it might retard it. The sufficient condition for economic development is an efficient economic organization of agriculture and industry, and in most cases this is achieved through the operation of the market”.\(^{41}\)

Nevertheless, as put\(^{42}\) by A. Smith regulation, of some sort, is necessary, since to

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\(^{39}\) See K. BUTTON & D. SWANN, in Regulatory Reform: The Way Forward, in K. BUTTON and D. SWANN (eds) The Age of Regulatory Reform (Oxford, Clarendon Press, 1989) at 326, where they point out that such examples as the US airline industry show there is a fear that in some spheres regulatory reform leads to greater market concentration.

\(^{40}\) See F. MACHLUP, The Political Economy of Monopoly (Baltimore, Johns Hopkins University Press, 1952) at 152-157 for a historical note on the regulation of competition.


\(^{42}\) T. BURKE, A. GENN-BASH, B. HAINES, Competition in Theory and Practice (London, Routlegde, 1991), point at 33, that this is a part that is not often quoted.
"... expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but what is more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us.

This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government and on many occasions intimidate the legislature."43

5.4.6. Forms of regulation and parallels with trade marks

Regulation can be broken down into three main categories: the regulation of anti-trust, the scope of which is the support of competition; economic regulation, when free competition is not deemed to be the appropriate norm; and social regulation, dealing with such externalities as pollution, consumer information, work safety and so on.44

It is obvious that trade marks regulation interacts with each one of the three categories. Trade marks affect competition and often trade mark territorial rights are the building blocks of anti-competitive arrangements. There are also spheres where public interest supersedes the desire for free markets, as in the cases of deceptive or immoral marks.


44 See SWANN, in BUTTON & SWANN (1989), at 4-6.
Finally, trade marks are the medium of communication and the highway for consumer information.

It is noted here that the regulation of trade marks can also have direct economic effects. Nestle for example, having acquired Rowntree, reorganised its trade mark portfolio by “expatriating” brands such as Kit Kat and Quality Street to Switzerland, and then licensing their use to its subsidiaries worldwide, including the UK. The reasoning for such a move was purely financial: Switzerland is a low tax area, and accordingly royalties accrued by licensing are subjected to a lower rate of tax than in the UK; in addition Switzerland provided for tax depreciation on such assets, something that was not available in the UK.45

5.4.7. Interventionism and trade marks

Intervention can be classified as regulatory and supportive. The effects of regulatory intervention are realised through the legislative and taxation roles of the state, control of monopolies, health and safety requirements and the regulation of financial markets and company behaviour.46 It is again easy to draw parallels between the functions and interventionist regulation of trade marks: taxation of intangibles, regulation of licensing, labelling requirements, control of advertising, are amongst them.

Supportive intervention is exercised even in the most non-interventionist political environments through the educational system and the encouragement of particular research activities in response to specific social needs. Education of consumers and the emancipation of their associations are relevant trade mark examples.

45 D. HAIGH, Brands Take Tax Break Abroad, The Times, June 9, 1994, where he argues that, in a development similar to the flags of convenience, brands of convenience will dominate the markets from their offshore havens.

5.4.8. Shifting the borders of regulation

The balance between the various aspects of intervention shifts continuously, as does the extent of such intervention. This is, firstly, because of the complexity of international economic and political relationships in an unpredictably nationalistic world arena, where trade and trade sanctions become tools for foreign policy and distortion of trade flows and competition. Secondly it is due to the ability of multinational enterprises to transfer packages of capital goods, management techniques, marketing strategies and technological know how from one country to another. Often though, liberalisation, deregulation and the general rolling back of the frontiers of the state are disguising exercises where one form of state involvement is replaced by another, at a national or international level.

Businesses are growing in size and sophistication; global interconnections are today the norm leading to an increasing regionalisation and globalisation of economic activities. The European Internal Market, the North American Free Trade Agreement, the Andean Pact, the World Trade Organisation Agreement, are examples of this trend.

Having to address all these balances and contradictions, any form of regulation should, ideally, be exercised only when the market fails to correct itself, but prior to the point that this failure becomes a breakage. We must always keep re-checking the regulatory status quo, examining the nature and the size of market failures, the time it would take the

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47 See GILPIN (1987), at 56-58. Trade marks symbolic power is again evident: "Motorola" became the American flag in trade skirmishes between the US and Japan.

48 Multinational enterprises are considered to be existing in an environment of "global localisation", as termed by Akio Morita the founder of Sony; an environment which allows them on the one hand to exploit global economies of scale and on the other to maximise their responsiveness to local markets and sources of expertise; others challenge the "myth" by stressing that the majority of technological activity of US multinationals is still conducted at home, or that the rate of technology activity abroad may be increasing for European multinationals but at a very slow rate whilst in other cases the rate decreases rather than increases. See the very interesting note of C. LORENZ, ""Global Web" Still Not Free of Tangles", Financial Times, July 15, 1994.

49 See P. DICKEN, The Global Shift (London, Paul Chapman, 1992), who states at 4 that since the 1950s "... national boundaries no longer act as "watertight" containers of the production process. Rather, they are more like sieves through which extensive leakage occurs". At 103-110 the revolution of space and transport, the "space-shrinking" technologies, is discussed; they may not be the cause of international production but in any case they made it feasible.
market to remedy them, the government’s efficiency record in drawing and implementing such policies, the costs of regulation and the costs of interventions that missed their target.\textsuperscript{50} In some cases regulation may itself prevent entry, and it may ultimately serve the exclusive interests of the regulated firms.\textsuperscript{51}

5.4. Creativity, innovation and competition

5.5.1. Defining creativity and innovation

Before looking at the relation of creativity and innovation, it is essential to define these two notions; therefore for our purposes creativity will mean

"... the thinking process that helps us to generate ideas",\textsuperscript{52}

and innovation

".... the practical application of such ideas towards meeting the organisation’s objectives in a more effective way".\textsuperscript{53}

5.5.2. What is an innovative product?

We may apprehend the outcome of these processes as a product that can be described as "... new, better, faster, cheaper, and more aesthetic".\textsuperscript{54} Turning ideas into real products


\textsuperscript{51} C.J. STIGLER, “The Economic Theory of Regulation”, 2 Bell Journal of Economics (1971). For some practical examples of businesses owing their existence to regulation see “Regulate Us, Please”, The Economist, January 8, 1994, at 67, ranging from the industry that deals with pollution to companies that make small cars and so on.


\textsuperscript{53} Ibid. Another definition can be found in C. CARTER, “Innovation and Industry”, 17 Policy Studies 32 (1987), at 32, as an activity that "... relates to the act of introducing a novelty, or of altering what is established by the introduction of new elements"; he goes on stressing, at 33, that it has to be examined separately from research and development, which can generally occur in a large firm, since innovation may be "... thoroughly well integrated with the production and selling activities of the firm [and] innovation of this kind can take place right down to the smallest firms".
marks the difference between intellectual property and creativity on the one hand and innovation property and entrepreneurship on the other. According to Marshall one of the entrepreneurial functions of marketers is to find out what formerly unsatisfied wants can now be provided for. of the entrepreneur.\textsuperscript{55} Similarly Malthus asserts that a new product

\begin{quote}
"... "is thrown into the market" because the entrepreneur has "precisely calculated" its promise as "an increase in value owing to better adaptation ... to the tastes, wants and consumption of the society"",\textsuperscript{56}
\end{quote}

and incorporates inventiveness and marketing into the concept of innovation property.

5.5.3. A trade mark for innovation?

Some commentators have proposed the introduction of a an "innovation trade mark", as an alternative or supplement to the patent system, based on the principles of protecting commercial and practical realities, innovations and investment. According to Kronz, the architect of this proposition, it is worth honouring thinking and thinkers, but it is vital to protect action and those who act. The whole system has a number of analogies with trade mark protection: there are for example use provisions. Most importantly it provides for the introduction of an "innovation quality mark" which would identify protected objects.\textsuperscript{57} Interestingly trade marks in real commerce often function as signifiers of innovative products or firms.

\begin{flushright}
\textsuperscript{54} MAJARO (1988) at 7. In our case the result will be a new, better, faster, cheaper and more aesthetic product.  
\textsuperscript{55} A. MARSHALL, Principles of Economics (New York, Macmillan, 1920) at 280-281.  
\textsuperscript{56} T. MALTHUS, Principles of Political Economy (New York, Augustus Kelly, 1968) at 318, as quoted and adapted by MACHOVEC (1995) at 126. Note that the original publication dates back to 1820.  
\end{flushright}
5.5.4. Some prerequisites for innovation

The existence and the extent of innovation may be connected with investment\(^{58}\) and size of research facilities. The existence of the “matchless ingenuity of the small man” was characterised as “pleasant fiction”.\(^{59}\) But of similar importance are governmental support, general educational background and national characteristics, as a brief comparison between the British and US computer industry shows.\(^{60}\)

In contrast, it might be the intellect of a lone genius or, even, simple good fortune that triggers innovation.\(^{61}\) Some advances are inevitable in the course of development of a science, and in such cases luck may decide who reaches first a scientific signpost.\(^{62}\)

As examples of the US creative obsession with innovation, legal battles such as the one on the fatherhood of NetWare between Novell, the renowned software firm, and Dr. Billing, hitherto little known in this field, illustrate the fascination that inventiveness holds for the American. Often the balance in cases that reach the courts lies in favour of the small inventor; in particular in jury cases where the small inventor may capture the sympathies of the jury.\(^{63}\) In the UK on the other hand, statistical evidence shows that 23% of the total for patent applications derive from private applicants, 70% of which went no further than filing an application and only 4% kept a patent in force for nine years or more.\(^{64}\)

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\(^{58}\) Some distinguish between innovators and finance houses others between marketing and research departments. CARTER (1987) at 39, stresses that “... it is often thought that innovators are frustrated by the unwillingness of finance houses to help them: but it is perhaps even more true that finance houses are frustrated by the inability of innovators to put up a properly argued case”.

\(^{59}\) J.K. GALBRAITH in American Capitalism (Boston, Houghton Mufflin, 1952) at 91-92.


\(^{63}\) On this case see, “The Strange Case of Dr. Billings”, The Economist, October 16, 1993.

It is not wise, therefore, to adhere to any dogma as to the pre-conditions for innovation because

"... economic innovation requires simultaneously, both markets and interference with markets. It therefore requires economic freedom, which is the precondition for markets to exist, yet if there are no limitations to that freedom, there will be very definite limitations to innovation". 65

This standpoint on innovation liberates our discussion on monopolies and intellectual property from much of the extremist postures of the opposing sides on the question of the regulation of monopolies since it acknowledges that,

"... monopoly and competition are very generally regarded, not simply as antithetical, but as mutually exclusive. ... Indeed, to many the very phrase "monopolistic competition" will seem self contradictory - a juggling of words. This conception is most unfortunate. Neither force excludes the other, and more often than not both are requisite to an intelligible account of prices". 66

5.6. Describing the stages of competition

It will help the analysis of the monopolistic trade mark’s characteristics if we start from the point that the inventor with his actions added to the existing sea of knowledge just enough to come up with a new product that is yet unbranded. A firm, has reacted either to a technology push or to a demand pull, and created a product that fits with a specific consumers demand. “Technology push” is a term describing the situation where the results of research work are the initiators of innovation and a technical success from the research department finds a commercial application through the intervention of the marketing personel. The “demand - pull” hypothesis involves the other end of the link between marketer - product - consumer; the marketing personel sense a consumer need,

65 W. KINGSTON, The Political Economy of Innovation (The Hague, Martinus Nijhoff, 1984), at 1-2. After defining economic innovation as “... getting new things done when the innovator needs to mobilize resources other than his own”, Kingston develops a model where property is the cornerstone of markets and its legal recognition is both its legitimisation and its prerequisite for efficiency.

identify it, describe it, and demand a solution from the research department. In some cases consumers themselves apprehend the innovative character of a product and create its demand directly.

5.6.1. The monopolistic advantage of the market leader

We accept that any innovative product will, almost always, enjoy a grace period of monopolistic market dominance. This grace period will not last for ever since any profitable activity is bound to attract competitors and imitators, but

"... the practical questions are: how long and how soon? For, meanwhile, consumers and competitors may be badly hurt".

Thomas Edison admitted that

"... everybody steals in commerce and industry ... I've stolen a lot myself. But I knew how to steal. They [some of his competitors] don't know how to steal - that's all that's the matter with them."

5.6.2. A shorter grace period

Today competition for innovative products is almost cannibalistic; competitors in their urge to out-spend, out-innovate and out-perform their rivals often sacrifice some of their own success stories. One of the effects of such behaviour is that it partly denies the likelihood of monopolies. The presence of a multitude of competitors trying to be the first to enter a market erodes from the outset some of the advantages of the first to succeed. We

67 KAMIEN & SCHWARTZ (1982) offer in 22-48 a comprehensible analysis of such Schumpeterian hypotheses in the context of Schumpeter's theories and other relevant research.

68 Tea bags, for example, "... came into being at the beginning of the century when a New York merchant used small silk bags to send samples of tea to his customers. It was the merchant's customers who immediately saw and demanded the convenience of porous bags for making a single cup of tea". See J. O'SAUGHNESSY, Why People Buy (Oxford, Oxford University Press, 1987), at 29.


will, briefly, look here to two such examples, one at the highest end of technology and another at the lowest.

Intel provides the first example. The cost of a chip is proportional to the size of the area that it covers on a silicone sheet; 486 chips need less space than Pentium chips and accordingly are more cost effective. It was calculated that the same sheet (wafer) of silicone would offer an income of $32,340 if it was cut to 486 pieces and $5,418 if it was cut to Pentium pieces. In theory Intel could wait until 486s were exploited to their fullest and then present Pentium as a new product replacing 486 chips. However, Intel could not afford to keep Pentium in their drawers; competition of other 486 chip makers and the fear that someone else would come up with the equivalent of Pentium, obliged them to out-perform themselves, sacrifice some of the 486s’ profits and introduce Pentiums in the market.71 And even before Pentium was established in the personal computer market, Intel intended to put in the market P6, already tested for more than three years, before the end of 1996 and before AMD and Cyrix put in the market their own clones of Pentium.72

At the other end, a company that manufactures household goods, like plastic buckets, sandwich boxes and washing up brushes, has for more than a decade been among the most innovative US companies. Rubbermaid is constantly updating its products, following the latest consumer trend, whether fashion-led, sociological, demographic or global. The company actually demands that 33% of its revenues come from products introduced in the last five years; as fast as new products come on to the market, old ones, or new but not so successful ones, are dropped. A result is that, because of the rate of replacement, maturing products tend to become extinct long before customer demand has dried up.73

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73 See R. TOMKINS, “Low Tech, High Yield”, Financial Times, March 11, 1994. Competition problems would arise when in parallel with the product replacement supply of spare parts of dries up. This could constitute unethical behaviour but it is a question of trading standards and competition law to what extent it constitutes punishable behaviour.
Firms seek constant improvement in their operations, and designers can no longer afford to wait until a product emerges from a factory before they find out how well it works;

"... engineers and product managers must telescope product specification, functional design, design for manufacture, factory layout, and product testing into heavily overlapped schedules".74

5.6.3. Intellectual property: prolonging the grace period

In this frenetic competitive race, trade marks and other intellectual property rights have a dual role: firstly, they legally prolong either the "first to enter the market" monopoly itself or at least the enjoyment of some of its advantages for single firms; secondly, in a multi-firm and competitive environment they may become the tools of competitive or anti-competitive behaviour, according to their use in licensing agreements, pooling arrangements and so on.

Patents are a particularly apt example of an almost Faustian bargain that enterprises strike in order to enjoy the fruits of monopoly protection: on the one hand the enterprise obtains a limited monopoly for a given period of time and on the other it gives away to the public, in general, the details of the object of the monopoly, although this may be done in an obscure way. Bayer, for example has filed patents in the US under 150 different names and variations, creating almost insuperable difficulties for anyone who wants to cross-check and oppose patent applications.75

The other side of the Faustian deal is the way the State balances the conflict between patent rights and antitrust policy. It is argued that the patent system only grants a limited monopoly, in order to promote efficiency in technological advance, whilst antitrust

74 See A. PENZIAS, Ideas and Information (New York, W.W. Norton, 1989), at 185-186, describing his own experience with AT&T.
75 See "Hidden Agenda", The Economist, November 20, 1993, at 134.
promotes an efficient production and allocation of resources: both are aiming at the improvement of market performance.\textsuperscript{76}

A. Grove, Intel’s chief, expresses the aphorism regarding some of their rivals that

\begin{quote}
\textbf{“... if [copying] is what you choose ... the least you can do is be meticulous in honouring the trade secrets and patents of the party you are going to rip off”.}\textsuperscript{77}
\end{quote}

This underlines the importance of the legal monopolies that subsidise Intel’s bold market strategies; even more so when at the other end of Intel’s licensing agreements we find companies like AMD whose very existence in the microprocessor market relies on the interpretation of its licensing agreements with Intel. US courts construed a 1976 licensing agreement between the two companies so as to grant AMD the right to use Intel’s copyright programs, including their microcode. According to W.J. Sanders III, AMD’s chairman,

\begin{quote}
\textbf{“... for nearly a decade, AMD’s growth, profitability and indeed very existence have been threatened by Intel’s unwillingness to live up to its agreements with AMD, preferring to compete in the courtroom instead of the marketplace”.}\textsuperscript{78}
\end{quote}

In short, production cost cuttings and product modifications are not enough to secure marketing successes. What is required is further technical innovation in parallel with marketing strategies developed on the basis of the benefits looked for by the targeted customers, the economics of the firms supply system, and, finally, the consideration of the potential and actual reaction of competitors.\textsuperscript{79}


\textsuperscript{77} See A. CANE, “Chips With Everything”, Financial Times, November 15, 1993, interviewing Intel’s top trio.


5.6.4. Distinguishing diverse stages and forms of competition

The ideal state of the markets, according to classical economists, would be one of perfect competition which comprises the following essentials:

- firstly, there must be numerous buyers and sellers so that no participant’s actions will have any significant impact on the product’s price;

- secondly, market transactions at known prices are the mirror of consumer’s preferences;

- thirdly, all the participants are perfectly informed or that products offered by sellers are all homogeneous or indistinguishable;

- and fourthly, there are no artificial barriers to entry.80

The result of such markets where firms are willing to sell at the level that price equals marginal cost,81 would be a world of “price-takers”, where firms produce and sell their products at given market prices, in the same way that households buy, accepting the prices charged by marketers.82

However, real markets are never perfectly competitive;

“... the ... requirements for pure competition suggest at once the two ways in which monopolistic and competitive elements may be blended.... there may be one, few, or many selling the identical product in the identical market... [and] sellers may be offering identical slightly different, or very different products”.83

81 Marginal cost denotes the additional cost of producing one more unit of output.
82 SAMUELSON & NORDHAUS (1989) at 541.
83 CHAMBERLIN (1962), at 8.
Machovec argues, that partly as a result of Robinson's and Chamberlin's use, the "classical" model of perfect competition has become

"... a straw man against which their model was favourably compared, and partly as a result in Knight and Stigler the economic profession, has, by and large come to accept the erroneous idea that the perfectly competitive model (in various degrees of formal developments) has been an implicit pillar of economic analysis since Adam Smith".84

He adds that indeed if every participant were perfectly informed then a dictatorial power would be required to break the resulting gridlock

".. by directing the consummation of that subset of outcomes which otherwise would be precluded by the intractability introduced by the omniscience of transactors".85

Although one may disagree with the perspective from which Machovec views competition, markets and society, his "bottom line" is probably correct, and supports our views on neutrality, the definition of property and the relation between law and economics. The exclusion of socio-political factors from the field of economics was intended to make allocational analysis ideologically neutral; however this exclusion was proved to be unworkable.

5.6.5. Branded goods, vertical and horizontal channels

In the different stages of the production process vertical competition will mean competition between firms engaging in two or more stages of this process and horizontal the competition between firms that operate at the same stage of production.86


85 MACHOVEC (1995) at 50.

86 See the definitions of vertical and horizontal integration, at 975 of SAMUELSON & NORDHAUS (1989).
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It is difficult though to draw clear lines in defining real life competitors who may be vertical and/or horizontal. Manufacturers of consumer goods, for example, may reach the consumer through their own retailing channels; alternatively they may employ exclusive franchisees, or contract with independent retailers and so on. First in the US, and more recently in Europe, manufacturers of famous brands, such as Nike, Calvin Klein, and Laura Ashley, are selling surplus stock at prices up to 50% below conventional retail, but, as reported, still at a profit, from factory premises or purpose-built malls. Often, and in order to avoid competition with their own retailers, they situate the malls at out-of-town shopping centres.87

**Horizontal variety**

As to the multiplicity of trade channels, and accordingly alternative situations of competition, a good example is that of Jourdan, the shoe manufacturer.88 It was reported that the top and medium quality shoes made by Jourdan were sold in France in four different ways: first, in twenty shops owned and managed by the Jourdan group, displaying the Jourdan or Xavier Danaud signs outside their outlets; second, through thirty franchised shops, under an exclusive distribution agreement, displaying the same signs; third, through three franchise-corner retailers, selling the brands in separate parts within their shops, displaying the signs in the particular parts; and finally through a very large number of independent retailers. It was this diversity that led the Commission to exempt from the competition rules the allocation of exclusive territories to the franchisees.

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87 See, N. BUCKLEY, “Branded Bargains”, Financial Times, January 6, 1994. Again there is a mirror image here: part of the services offered by reputable retailers is ascertaining intrinsic qualities of particular brands. So choosing a brand to stand amongst the other well chosen marks acts as a sign to the consumer. However, the price cautious consumer will then go and shop the branded product in “no-frills” discounting retailers. This is a free ride for the discounting retailer on the back of the reputed retailer; but as our case shows it can also be a free ride for the reputed manufacturer. Relationships between marketers can be unexpectedly antagonistic or synthetic. See D.W. BOYD, “The Resale Price Maintenance Struggle: A Comment”, [1993] American Journal of Economics and Sociology 449.

Own label and branded goods

A retailer may put in the market her/his own brands that may compete with those of other manufacturers. Until now retailers and manufacturers were managing to keep a delicate balance in a relationship characterised as one of "... resentful dependency at the best of times". Often manufacturers that came second in the market were choosing to concentrate on becoming suppliers for the own labels, or diversify and market their own brand and manufacture for the "own label" segment as well. On the other hand, retailers like Marks & Spencer were dealing only in "own label" products, and then used their mark to jump from one product market to another. Marks & Spencer have become the UK's most profitable retailer, by carefully selecting the consumer products traded by them. They moved from clothes to food and are now using their goodwill for carefully selecting suppliers in order to enter the market for life and pension financial products.

Similarly trade marks are used by manufacturers who want to maintain their exclusivity as means of strengthening their brand image. Kelloggs, for example, launched a campaign based on the statement that "We don't make cereals for anyone else", in order to clarify that their customers would not find cheaper Kelloggs under another get-up. The message

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90 See the Heinz - Campbell example below.

91 This is a market of products which should be tailor made to fit the needs of individual customers; however there was public concern about the mis-selling of such products by advisers who earned a commission from the suppliers of standardised products. In contrast M&S is stressing that its advisers are salaried, and offer the "standard" M&S product only when it fits the customer’s needs. M&S is apparently attempting to transfer its reputation to a comparatively new field. The only financial service offered by M&S until then was customer’s credit. See A. SMITH, “M&S Enters Pensions Market”, Financial Times, February 2, 1994. But M&S is not the only example: General Motors and Ford entered the lucrative market of credit card issuers offering at the same time discounts on car purchases to their holders; S. WOTHINGTON, “Card Game With Much to Play For”, Financial Times, May 5, 1994. Similarly other retailers are moving in the financial sector in order to capitalise further their reputation for customer service: for the case of Safeway see P. HOLLINGER & G. GRAHAM, “Supermarkets Banking on their Brand Names”, Financial Times, December 3, 1996. Note that in a Financial Times/Price Waterhouse survey of top managers naming their most respected competitors, M & S was voted as Europe’s most respected company; in the Customer Focus section of the reasons for selecting companies the most important quality was considered to be the enjoyment of high customer loyalty: P. TAYLOR, “Benchmark is Set by Clear Winners in Product Groups”, Financial Times, June 27, 1994.
however had to be conveyed in a subtle way because even Kelloggs could not afford irritating supermarket chains.

In short the markets for branded and own label goods in the UK were considered separate markets that coexisted and used the same trade channels. It was the introduction of the Trade Marks Bill and the opportunity for protection against imitation of the overall appearance of a brand rather than against imitation of distinctive signs that revived once more the discussion on the interrelation of a trade marks statute, unfair competition and passing off doctrines, and anti-trust rationales that persuaded brand owners to challenge supermarkets’ awesome power. But as M. Shearer, of the British Retail Consortium put it,

“...brand companies are trying to use trademark legislation to seek infringement proceedings against something that is not a trademark. That is totally illogical. It is also a restriction on competition”.

To the counter argument that continental jurisdictions offer more coherent protection to their brand owners via a combination of intellectual property statutes and unfair competition doctrines, retailers reply that there is a similar opportunity in the UK by the appropriate use of consumer protection legislation and the Copyright Designs and Patents Act 1988.

The reader should note that in most of the discussion the consumer is used as a yardstick to prove confusion but is refused the right to participate independently. The Consumers Association seems to back the retailers’ claims since, in their surveys, shoppers showed a preference for many own-label products in blind tastings. There is a fear, therefore, that tighter restrictions on own label products could lead to narrowing the choices for consumers.

5.6.6. The difficulties of regulation

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92 By forming the British Producers and Brands Owners Group, as reported by S. GILCHRIST, in “Brand Names Take on Stores”, The Times, February 23, 1994.
93 Ibid.
Interrelations between trade channels - and accordingly associations of trade marks - became more and more complicated. Indeed associations of products and names often are indicative of market concentrations.

Tesco first uses its buying power, and then sells cheap petrol next to groceries; Esso takes advantage of its thousands of outlets and sells groceries next to petrol; now Texaco will build outlets to sell groceries and McDonalds burgers, but not petrol. Indeed if McDonalds can find brand synergy with Texaco, then why not Shell with Tesco?95 In general one can argue that they are simply sharing ever-increasing costs, relevant expertise and opportunities for sales expansion; on the other hand the prospect of such linkings is a threat to their competitors and carries with it enormous market and economic power.

The regulator of competition faces the difficult task of examining such combinations of production, distribution and retailing, whereas one of the competitors may be controlling the sites, another the know how, another one of the products using the same channel and so on. The regulator then has to define the relevant market, look at the merits of the agreement and decide whether each combination is efficient, cost cutting and also beneficial to the consumer, or detect anti-competitive colluding practices.

5.6.7. Competition as a universal policy; externalities and conflicting interests

Finally it has to be added that competition is not necessarily a universal economic policy. Some markets cannot sustain it - as for example in the cases of natural monopolies where production at minimum costs is only possible on such scales where a few or only one firm could satisfy the demand at a profit96 - or because costs and/or benefits that are external to manufacturers and/or buyers are distorting the way markets behave.

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96 Even for such cases of natural monopolies there are widely differing theories. See, for example, H. DEMSETZ, "Why Regulate Utilities", 11 Journal of Law & Economics 55 (1968) and contrast with O. WILLIAMSON, "Franchise Bidding for Natural Monopolies", 7 Bell Journal of Economics (1976) 73, arguing that the market would support an infinite number of bidders for becoming the sole distributors of electricity.
Pollution is the classic example of an externality. The isolated consumer might not be concerned if he/she could buy a cheaper product from a polluting industry; similarly an industry might not be concerned if it could lower the costs of production by defying the nuisance that pollution creates for its neighbours. The citizen though, regardless of status as a shareholder, employee or consumer, may be concerned by the pollution, at least of neighbouring industries. It is evident that a compromise has to be reached and standards to be set.

In addition the interests of some social groups may distort competition: In less developed economies, for example, with weak industry, having to face massive urban unemployment created from the influx from the countryside, the easy reaction was to expand state employment; however such policies distorted the markets and subsequently influenced the views of many commentators on competition.97

5.6.8. Non price competition

It is necessary to reiterate that firms compete with one another in many aspects beside prices, such as product quality and after sales service. The ECJ recognised the existence of non-price competition and it was accepted that in some product markets, as in markets for high quality and high technology products, a reduction of price competition in favour of competition relating to factors other than price may be justified. Nevertheless, the reduction in price competition should never result in limitation of outlets on the basis of quantitative criteria, resale price maintenance, and/or export bans.98 Quality and product

97 See N.P. MOUZELIS, Politics in the Semi-Periphery (New York, St. Martins Press, 1986), at 10-13, for the results on the political organisation of such economies.

98 See for example Société Technique Minière v. Maschinenbau Ulm GmbH [1966] CMLR 357 where it was held that to determine whether an agreement is anti-competitive one must take into account the nature and quantity of the products covered by the agreement, the position and importance of the grantor and the concessionaire on the concerned product market, the isolated nature of the agreement or its position in a series of agreements, the severity of restricting clauses, and the possibilities allowed to competitors; see also AEG Telefunken v. Commission [1984] 3 CMLR 413. Trade mark wise it is interesting to notice that as consumers in the Union become more affluent inter brand competition is considered equally important with intra brand competition; accordingly in cases like Parfums Christian Dior SA v. Evora BV [1998] RPC 166 (for the Advocate General’s opinion) and Loendersloot Internationale Expeditie v. George Ballantine & Son Ltd [1998] FSR 544 there is evidence that the ECJ is willing to look at the balance between the interests of brand owners and the
diversification, on the other hand, adds new dimensions to competition; since such diversification is difficult to monitor, it is often impossible to detect and distinguish switching from one field of competition to another both at national and international levels. In the US case of the airline industry, during the period of fixed air-fares imposed by the State, airlines began to defy the imposed cartel by providing more value for money through sophisticated in-flight services. When in turn labour laws forced them to stop sex and age discrimination, competition switched to non-stop schedules, seat width, and leg room.

So textbook competition, as long as it fails to incorporate non-price competition, is almost irrelevant to our case, either because

"... [under] the capitalist reality as distinguished from its textbook picture, it is not that kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest-scale unit of control for instance) - competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives", and this capitalist reality is creating new forms of competition. On the other hand price might be something too dangerous to compete in, and accordingly firms rivalry is channelled to other forms of competition.

need to allow free further commercialisation of a product within the borders of the European Economic Area.

After a number of contradictory decisions at the Commission and the EJC level the Commission seems now to take a more relaxed attitude: to determine the effect of an agreement one must look at the market context and the barriers to entry and take into account changes in marketing and distribution techniques, so they now welcome contributions in re-establishing a formal policy; see "The Commission as Repentant Sinner", Business Europe February 12, 1997, 1. For a critical review of cases see KORAH (1994) at 49-55 and Chapter 14.


5.6.9. Monopolies and soft targets

We must also remember, in the urge for (or aversion from) regulation, that monopolies target the buying power of all consumers, sophisticated or not. The computer games market targeting younger consumers provides such an example. Despite their involvement and expertise with computer games, children are not, yet, the economists’ dream of consumers: rational and informed customers capable to exercise their choices. In the UK, Sega and Nintendo, cashing in on such successful brand names as Sonic - the Hedgehog and Super Mario Brothers, and relying on patents, trade mark and software protection, have cornered 90% of a 9 billion pounds-a-year market. The Monopolies Commission is facing the competition question “par excellence”. It is dealing with a highly sensitive market and is faced with three options; first, to impose price controls, but this might prevent any competition developing at all; second, to attack restrictive licensing agreements that extended their dominance from hardware to software, but this would have a minimal overall effect in a market where licensing agreements are on a global scale; and finally to do nothing but wait for other giants to come in the markets, attracted by their high margins. Challenging further the rules of the game, Sega announced their linkage with Microsoft, which already enjoys 90% of the world market in business computers’ operating systems. The new co-operation can lead to the setting of a new industry standard for home entertainment software. All new software would then have to be compatible with Microsoft’s operating software, as every business software must be compatible with MS-Dos and/or Windows. Microsoft have realised the controversy of such a marriage and accordingly are playing down its strategic significance by stressing that they will continue to focus on their traditional activities.103

5.6.10. The complexities of detecting market competitiveness

The common theme of all these disparate examples is that competition and, resultingly, collusion are moving into new and unexplored territories where the limits between genuine concern for competition and social issues on the one hand and disguised protectionism on the other are ill defined, and the grey area between them is vast and uncharted. Identifying possibilities for competition, cases of tacit collusion and manipulation of the market game has become quite complicated, and trade marks’ functions are opening a whole range of new issues.

Currently the regulation of competition is a game where everyone plays for everything to win, not only on the international level of national or supranational competing regulatory bodies, but also on the level of market competitors.

5.6.11. Competition as a two stage game

In order to highlight the competition dilemmas that the firms face before entering a market and lay the ground for examining the role of trade marks, we will adopt a model that envisages competition as a two-stage game.

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104 In most cases the fact remains “... though you might not see it clearly, ... collusion still hurts you”, DIXIT & NALEBUFF (1991) at 97. Opaque competition, as they baptised the result of the shift of competition focusing on less observable dimensions, led to the imposition of US quotas on Japanese car imports. This resulted to a rise in prices of all models, Japanese and US alike, and the disappearance of the low-end Japanese models from the market. Similarly, under a complicated system of import quotas imposed by the EEC on Japanese car imports, Toyota Japan has allocated a number of cars to Toyota Hellas for the Greek market; since Toyota Hellas outperformed its targets and was pressing Toyota Japan to reallocate to Greece some of the cars destined for other European markets: in every case the market is distorted and some consumers are left unable to satisfy their first choice. See S. KITENAS, “The Car Market Is Seeking a Way Out” (in Greek), To Vima, January 9, 1994.

105 The ECJ had to look at this question in Loendersloot Internationale Expeditie v. George Ballantine & Son Ltd [1998] FSR 544.

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The life of a firm as a production unit passes through a series of stages, characterised by the occurrence of particular costs. The interaction of these costs, in turn, determines the equilibrium pattern of industrial structure.

*The First Stage*

At the beginning of life for a firm the initial costs are described as fixed costs and they represent the total expense to be paid out, even when no output is produced; these are unaffected by any variation in the quantity of output. Such costs are for example the expenses for acquiring a single plant of minimum efficient scale - setup costs - and developing and establishing the product line - initial advertising and research and development costs. These costs carry with them a degree of irreversibility of behaviour, and for that reason they are also referred to as sunk costs, determining the first stage of the competitive game and setting the ground for price competition at the second level of the game.

*The Subcases and their Relevance to the Second Stage*

(i) Exogenous Sunk Costs

In the first case the only sunk costs involved are the exogenously given setup costs. So at a level where firms produce homogeneous products and the only occurring costs are the exogenously given setup costs, then as the population of the consumers, and resultingly the size of the market, increases then the number of the firms entering the markets increases and concentration declines indefinitely. This is the sensible outcome of the thought that, at the second competitive level, new entrants will keep on coming into the market as long as the profits of the last entrant cover the sunk costs that occurred at the

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107 SAMUELSON & NORDHAUS (1989), at 514.

108 Endogenous are the costs which are part of the choices that a firm must determine within its own self. Exogenous are the costs determined outside the competence of a firm. The level of advertising for example must be decided endogenously, whilst the cost of setting up a plant is a cost which is exogenously determined and is a cost that all market participants must bear.
initial stage and profits will, as it is argued in most of the literature, rise indefinitely in relation to the rate of consumption.

In reality though both hypotheses have limits. Firstly, we have seen that products are not homogeneous, and that

"... a general class of product is differentiated if any significant basis exists for distinguishing the goods or services of one seller from those of another. Such a basis may be real or fancied, so long as it is of any importance whatever to buyers, and leads to a preference for one variety of the product over another. Where such differentiation exists, even though it slight, buyers will be paired with sellers, not by chance and at random (as under pure competition), but according to their preference."

And secondly, during a flat population trend, retailers in many sectors can grow only by eroding the market shares of others. As a result, cut-throat competition will be evidenced at all levels. Under these conditions the grace monopoly period of any innovative product, is getting shorter and increasingly insignificant.

At the same time, and because

"... the only solution fully consistent with the central hypothesis that each seller seeks his maximum profit is one in which he does take into account the effect of his policy upon his rivals (and hence upon himself again)".

it is rational to expect that prices and profit margins will fall together with the level of concentration, at the latter stage of price competition. Sutton incorporates this assertion into his theory by creating a "function" that links market concentration to product price

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109 See CHAMBERLIN (1962), at 56.

110 See J. SCHUMPETER, Capitalism, Socialism and Democracy (London, Allen & Unwin, 1943), who at 83 states that "... the fundamental impulse that sets and keeps the capitalist engine in motion comes from new consumers’ goods, the new methods of production or transportation, the new markets, the new forces of industrial organization that capitalist enterprise creates". This impulse will keep on re-balancing market status quos. As KINGSTON (1984) puts it, at 5, "... if necessity is the mother of invention, therefore, market power is the mother of innovation, and market power in this context is strictly a man-made thing".

111 CHAMBERLIN (1962), at 31.

112 The Bain hypothesis on conduct.
and by creating subcases for the second stage of the competitive game, that of price competition. The function is mainly affected first by the physical nature of the product, coming back to the distinction of homogeneous versus differentiated products; and second by the climate of competition policy, distinguishing between strict and acquiescent approaches to firms' coordination on price. He supposes that product differentiation and strong competition policies make competitive regimes tougher and the anticipation of such regimes makes entry less attractive and raises equilibrium concentration levels. His theory is made more attractive because its variations are based on the formulation of a two stage competitive game and they incorporate subcases. The inclusion of dynamic features allows a clearer view of the competitive web.

Put another way the result in such markets is that,

"... where sunk costs are exogenous, and where firms offer a homogeneous product, the equilibrium level of concentration declines with the ratio of market size to setup cost and rises with the toughness of price competition".\(^{113}\)

(ii) Exogenous sunk costs and product differentiation

In the second subcase are included firms that offer differentiated products but their sunk costs are still exogenously determined. The archetypal example of such a market is one of an homogeneous product but where consumers are spread over a region and incur costs in buying from distant suppliers, consumers thereafter

"... make their purchases from the lowest-cost supplier, where the cost to the consumer consists of the price paid to the firm plus a transport cost that increases with his distance from the supplier".\(^ {114}\)

His research shows that in such models multiple equilibria are endemic. Any predictions depend upon market features that vary from one industry to another. Therefore Chamberlin's view that

\(^{113}\) SUTTON (1991).
\(^{114}\) SUTTON (1991), at 10.
"... curves of demand and supply tell nothing, either by themselves or by their intersection, as to what price will be established, until other conditions are known,"\textsuperscript{115} seems to hold, despite its age.

A general conclusion for markets with exogenous costs would be that an increase in the size of the market relative to setup costs may lead to an indefinite lowering of the level of concentration.\textsuperscript{116}

(iii) Endogenous Sunk Costs

The most obvious examples of endogenous sunk costs are advertising and research and development (R&D) outlays. Having examined a wide range of oligopoly models, Sutton arrives to a different conclusion from that reached for firms with exogenous sunk costs only. By incurring greater exogenous costs at the first stage of the game, firms will create a lower limit to the equilibrium level of concentration in the industry, irrespective of how large the market becomes. Therefore,

"... increases in market size cannot lead to a fragmented market structure as the size of the market increases. Rather a competitive escalation in outlays at stage 1 of the game raises the equilibrium level of sunk costs incurred by incumbent firms in step with increases in the size of the market - thus offsetting the tendency toward fragmentation."\textsuperscript{117}

This conclusion, coupled with the observation that

"... slight elements of monopoly have a way of playing unexpected logical tricks, with results quite out of proportion to their seeming importance,"\textsuperscript{118}

delineates the economic importance of trade marks, which are not only connected with R&D, as parts of a more general intellectual and industrial property regime, and

\textsuperscript{115} CHAMBERLIN (1962), at 15.
\textsuperscript{116} SUTTON (1991), at 11.
\textsuperscript{117} SUTTON (1991), at 11-12.
\textsuperscript{118} CHAMBERLIN (1962), at 1.
advertising, as the enabling factor and a tool, but are also the only way for differentiating between incumbents and newcomers in the markets.

5.7. The marketplace for international competition

5.7.1. International aspects of competition

The global equivalent to "perfect competition" is a world where trade flows freely and mankind enjoys a competitive distribution of labour attained by

"... each country producing those commodities for which by its situation, its climate, and its other natural or artificial advantages, it is adapted, and by their exchanging them for the commodities of other countries, as they should be augmented by a rise in profits. Under a system of perfectly free commerce, each country naturally devotes its capital and labour to such employments as are most beneficial to each. This pursuit of individual advantage is admirably connected with the universal good of the whole. By stimulating industry, rewarding ingenuity, and by using most efficaciously the peculiar powers bestowed by nature, it distributes labour most effectively: while, by increasing the general mass of productions, it diffuses general benefit, and binds together by one common tie of interest and intercourse the universal society of nations throughout the civilized world".\textsuperscript{119}

But even Ricardo could diagnose the elusiveness of such a model by referring to artificial barriers that countries would impose in order to increase their profits from international trade.

Interdependence, by nature, could never be symmetrical and the Marxist antidote of national economic self-sufficiency has proved, in practice, utopic; its performance ranged from inefficiency to inhumanity according to the critics’ political and consumerist

\textsuperscript{119} D. RICARDO, On the Principles of Political Economy and Taxation (3rd ed., 1821, Royal Economic Society, CUP edition), at 132. Ricardo’s message is topical. Despite the struggle of administrations to adapt to a changing environment and compete in every aspect, multilateral agreements aim to expand the markets world-wide and provide opportunities for all. OECD’s definition of a country’s competitiveness as the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term, shows a similar perspective.
standards. Accordingly, the order of the world market is usually dominated by the economically strongest competing nations or associations, currently the US, the EU and Japan. The EU emerged as an important actor in world affairs during the 1970’s, having undermined the world economic hegemony of the US.\textsuperscript{120} Uneven growth among national economies in a liberal world results in an increasing economic and political differentiation of states and creates an international hierarchy of wealth, power and dependency relations.\textsuperscript{121} The rigidity of this hierarchy, though, is challenged by the need of the powerful to trade with the weaker. Examples can be drawn from the (now commonplace) message that the markets of the formerly eastern bloc are crucially important for the companies of the European Union, or from the fact that a Malaysian “don’t buy British” unofficial campaign was interpreted as an embargo, with potentially significant negative results for the British economy.

5.7.2. Tariffs and dumping: distorting the international marketplace

The most obvious tool for states to redraw the balances according to their national interests was to impose import tariffs or support exporting industries and press for freer trade when it was within their national interests. The power of such tools often corresponds to their economic and military power. So many commentators argued that, in short

“... the greater power of the developed nations imposed upon the reluctant partners the opportunities of international trade and division of labor”,\textsuperscript{122}

but only to the extent that international trade and division of labour were beneficial to their interests, and despite the fact that free trade is the most essential precondition of


\textsuperscript{121} See GILPIN (1987), at 96.

\textsuperscript{122} S. KUZNETS, Modern Economic Growth: Rate, Structure, and Spread (New Haven, Yale University Press, 1966), at 335 and GILPIN (1987), at 52, referring also to C. LIPSON, Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Centuries (Berkeley, University of California Press, 1985) who advocates that great powers, in pursuit of their own interests, created international law to protect the property rights of private traders and investors.
capitalism. On the other hand, less developed countries will benefit from almost any technological progress that comes together with free trade, so the balance that they attempt to strike is a delicate one. Nevertheless, in all cases the condition and regulation of international competition is critical because if unequal development is connected with the freedom of trade then it could be attributed to

"... aspects of market power that go beyond monopolistic competition in trade, i.e. collusion and entry deterrence at the international level".

5.7.3. Alternatives for distortion

Since tariff rates have decreased following the efforts of the World Trade Organisation (WTO) and agreements for free trading areas like the European Internal Market under the Single European Act, the European Economic Area, the North American Free Trade Agreement, and so on, national authorities often succumb to national pressure groups and switch to elaborate and less visible forms of discrimination, such as voluntary restraint agreements, customs valuation procedures, administrative practices, and complex quotas.

It is difficult to define, if not to distinguish, all these non-tariff barriers; the limits between what constitutes a barrier and what is a legitimate concern are often obscure.

France, for example, in order to stop the rapid growth in the importation of videos, ruled that all such imports would have to pass through customs in Poitiers, incidentally a very small customs post. The measure was an effective barrier, until withdrawn.

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124 DIXIT, ibid, at 121.

125 See Commissio [1983] ECR 1013. The ECJ has dealt with numerous similar attempts by member states. See D. WYATT & A. DASHWOOD, European Community Law (London, Sweet & Maxwell, 1993), at 218. Even campaigns for the protection of cultural and linguistic heritage are often precariously close to camouflaged protectionism. Again in France, in order to save the French nature of their culture, a scheme has been developed under which all the broadcasters in the FM band, and irrespectively of the rules of their original licence, will have to broadcast a minimum of 40%
Another often used mechanism is to demand the international adoption and enforcement of laws that conform to stricter environmental, labour, trading, and safety, standards. Such examples are the French prime minister’s call for the European Union to push for protection against “... unfair foreign competition which is based on lower wages, currency rates, etc. ...”; the UK’s passionate support of the British plug;126 Austria’s environmental bargaining, during its EU accession negotiations, over lorry transit quotas.127

And finally the most powerful of discriminatory mediums: the strict enforcement of territorial industrial property laws (as a long series of European and American cases shows),128 and the introduction of minimum international standards for the protection of intellectual and industrial property, under the WTO arrangements for Trade Related Aspects of Intellectual Property (TRIPs).129

5.7.4. International pressure for upgrading intellectual property protection

In exemplifying the use of trade marks as tools for partitioning and compartmentalising the markets, we will briefly consider the less developed economies and the pressure exercised for upgrading their intellectual property laws.

of French contemporary songs. Note that, as reported, there are no references to type or quality of music, only to language, quantity and chronology of production. This comes after having successfully negotiated television programme quotas in the context of WTO and strengthened laws that make the use of French language obligatory: D. BUCHAN, “French Sing a Song of Francophilia”, Financial Times, January 31, 1994 and D. BUCHAN, “Balladur Declares War on Franglais”, Financial Times, March 9, 1994. Of course the attachment of the French people to Franglais may prove irresistible. Note that some opinion makers in France supported that the “associations defending the french language” should have the right to take directly to court those who infringe their obligations to label products and advertise jobs in French.

126 R. WATERHOUSE, in “The Implementation of European Legislation in the Area of Consumer Protection”, European Access, February 1990, 13, at 15, stresses that in the absence of common European high standards the result will be that the pressure on manufacturers will be to conform with the lower than the higher EU standards, especially as up to date EU standards simply do not exist for many products.


128 See for example the controversy that cases such as Magill (RTP & ITC v E.C. Commission [1995] 4 CMLR 718 and Hag (Van Zuylen Frères v Hag A.G. [1974] 2 CMLR 127 and CNL-Sucal v Hag [1990] 1 ECR 3711) had triggered.

It has been argued\textsuperscript{130} that model laws proposed to developing countries are based on the now confounded assumptions that protection of inventions would reduce the time needed for their economies to reach the technology levels of developed countries and also that such laws would advance the inward flow of investment; in reality, though, there seems to be an incompatibility between protection of innovation and the realities faced by developing economies. In Pakistan, for example, where patents were granted for pharmaceuticals, prices were up to ten times higher than the prices for the equivalent products in India, where patent protection was minimal.\textsuperscript{131}

In a more general context the argument is that the Anglo-American model of capitalism exported to less developed countries is putting states further in debt, since it does not acknowledge their particular features, but rather caters for the interests of investing enterprises.\textsuperscript{132} It is accepted, that

\begin{quote}
"... by far the most important reason for taking out patents in developing countries is to import to these countries and be protected from imitator’s imports",\textsuperscript{133}
\end{quote}

or to protect their indigenous markets from pirate or grey imports.\textsuperscript{134} What is disputed is if the net benefits of less developed countries by far overcome the costs for adequate intellectual property protection,\textsuperscript{135} or if intellectual property rights should be granted only and

\begin{footnotesize}
\textsuperscript{131} "Intellectual Property ... Is Theft", The Economist, January 22, 1994, 64, at 65.
\textsuperscript{132} J. HILLS in Economics as Ideology, The World Bank and Privatisation, (unpublished paper) argues that the state often takes over the debts of public utilities in order to make them attractive for privatisation.
\textsuperscript{134} R. McQUISTON, “Developing Countries are Undermining Corporate America’s Capacity to Market its Creativity, a Call for a Reasoned Solution by the United States Government in Light of the Continuing Deterioration of the International Trademark System”, 14 Syracuse Journal of International Law & Commerce 237 (1987), for a complete review of such arguments within the trade mark field.
\textsuperscript{135} See R. RAPP & R. ROZEK, “Benefits and Costs of Intellectual Property Protection in Developing Countries”, 24 Journal of World Trade 75 (1990). See also R.M. MATHAROO, Intellectual Property and Corporate Culture in India - Comparative and Legal Aspects in STERLING (1997) concluding at 194 that “... it is conceded that India must allow foreign investment and expose indigenous industry to international competition” but at the same time must “... aim to protect Indian owners of intellectual property rights outside”, this necessitates full membership of the International
\end{footnotesize}
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when their proprietor actually uses them within the territory of the granting jurisdiction.\textsuperscript{136} It is difficult, without an exhaustive economic analysis, to accede to any of the contrasting theories. This is even more the case, since there is evidence that the transformation of any economy to a market economy causes the increase of disputes over intellectual property rights brought before the courts. In China, for example, Shanghai courts have dealt with around 1,200 intellectual property cases since 1983. The rise intensified in recent years, in parallel with China's move towards a market economy, and led to the establishment of specialist courts.\textsuperscript{137} It is apparent that intellectual property developed its own indigenous dynamic; specialised lawyers, judges, and users of intellectual property demand new legal tools, similar to those adopted in the West. This of course will satisfy foreign companies who until now could rely only on administrative rather than judicial means and faced considerable enforcement problems.\textsuperscript{138} In short, piracy becomes rampant as people get more entrepreneurial and, accordingly, more intellectual property disputes arise; this, in turn, causes the concern of international players on the one hand and of a new local establishment on the other.

The incentives for a closer and frank collaboration between developed and developing economies should be overwhelming,\textsuperscript{139} since it is argued that

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\textsuperscript{136} As argued, for example, by H. JEWRY, Criticism of the International and National Intellectual Property Systems in Zimbabwe and Developing Countries, a mimeo of the University of Zimbabwe (14 March 1988); quoted by U. KUMAR, in "Benefits of the Industrial Property System and the African Developing Countries", 16 World Competition 71 at 71 (fn.7).


\textsuperscript{138} It is claimed that in 1992 the record industry pirates shared 83% and 44% of the compact disk and cassette sales, respectively: see T. WALKER, "US Seeks to Dog Chinese Copycats", Financial Times, February 16, 1994. For a more general discussion see B. SODIPO, Piracy and Counterfeiting: GATT, TRIPs and Developing Countries (London, Kluwer, 1997).

\textsuperscript{139} See A. OXLEY, The Challenge of Free Trade (New York, Harvester Wheatsheaf, 1990), in particular at 100-111, after an exhaustive "historical" overview.

\end{footnotesize}
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"... unilateral actions designed to force LDCs to reform their intellectual property systems may backfire...." 140

New methods of dispute resolution in intellectual property which may make protection a matter of public as well as private international law will mean that

"... international standards and processes will reach far into the domestic law formation of the contracting parties ..." 141

Inevitably, at an initial stage of increased enforcement of intellectual property rights, developing countries will be in a weaker position, but it remains to be seen what will be the reaction of developed economies when developing economies start invoking public international measures for the protection of their own intellectual property.

A balanced development is needed if we want the intellectual property system to work efficiently and equitably. The best way to achieve this is for owners of international trade marks to take advantage of the newly introduced legal regimes and support them by obtaining registrations rather than

"... to sit back and await unauthorised imports, which can be attacked with the big stick of the ITC. At present the level of US and European registration of trade marks in developing countries is very low. If these registrations are not forthcoming, it may take more than threats, promises and diplomacy to get those countries to raise their IP standards higher in the future" 142

There are two further symptoms of the international economic instability. First, the struggle of national and supranational or intergovernmental authorities to regulate enterprises that operate at transnational levels and have developed intricate corporate structures, in a period where


"[n]ational anti-trust regulation, national import quotas and national corporate taxation become increasingly ineffective and meaningless when enterprise on a global scale is the issue, when the miscegenation of its origin confuses the nationality of a motor car and when a true and verifiable breakdown of the profits of a transnational company, territory by territory, can become a minefield of political disagreement".\textsuperscript{143}

On the other hand, though, the supremacy of global corporate giants is being challenged by market forces. Not long ago

"... corporate giants walked tall and proud, bestriding the globe, champions of this century’s miraculous growth",\textsuperscript{144}

then came the demise of trade barriers, the deregulation of the markets that bypassed many political decision centres, the explosion of information technologies,\textsuperscript{145} and the introduction of ever more efficient production techniques. The resulting market and technological changes, combined with the process of internationalisation of an increasingly sophisticated consuming public, brought with them a chance for smaller but aggressive and innovative firms who are reaping the benefits from satisfying niche markets for specialised goods and services, despite the fact that they face the lack of a supportive specific industrial policy.\textsuperscript{146}


\textsuperscript{144} From “The Fall of Big Business”, Editorial, The Economist, April 17, 1993, at 13.

\textsuperscript{145} See also G. LOCKSLEY, Europe and the Electronics Industry: Conflicting Strategies in Positive Restructuring, in D. MARSH (ed.) Capital and Politics in Western Europe (London, Frank Case & Co., 1983), who argues at 128-129 that behind the new communication technologies viewed by many as the panacea to a long and deep recession, the majority of the industrialised countries is witnessing a great shift in economic and political power.

\textsuperscript{146} See “Objectives and Priorities for DG XIII, Interview with Dr Martin Bangemann, the New Commissioner for DG X III”, 10 X III Magazine (May/1993) 3, at 5, “... small and medium - sized enterprises should succeed in becoming more effective, for they have major potential for innovation in Europe, more so than elsewhere. This, of course, in no way means to say that EC research programmes are primarily intended to promote small and medium - sized enterprises”. See however the doubts expressed by J.ADAMS in respect of the developments in a particular relevant area in “The E.C.’s Green Paper on Vertical Restraints: Franchising” [1998] EIPR 1.
5.8. Competition in Europe

5.8.1. The European perception of competition

There are two prevailing characteristics in the European context that affect our conception of competition. The first has to do with the scope of the Union that has to include diverse if not conflicting interests: the approximation of competing economies and at the same time the creation of a European economy that will compete internationally. The uneven growth of the Member States’ economies, but also of the economies of international trading blocs, makes the inherent stability of the system problematic and the results of the regulation of competition critical. The Commission acknowledges that competition policy "... endeavours to cut monopoly profits, to ensure that the economy remains adaptable to circumstances and to stimulate innovation". The Commission has also declared that "... restrictions on competition and practices which jeopardise the unity of the Common Market are proceeded against with special vigour". In order to promote the structural unity of the market, the EU does not hesitate to grant sectoral and regional aid, something that in itself may be anti-competitive, or to allow the Commission to proclaim that cooperation between small and medium size enterprises will be tolerated because it is the only means for them to compete with larger enterprises. Secondly, European political tradition, even during deregulative times, is not as hostile to the role of the government as regulator and never did enthusiastically adhere to the faith that managers of privately owned large corporations are the best actors to serve the public interest.

147 See GILPIN (1987), at 64, for a similar thought at the international level.
149 Ibid, at 15.
interest. The ideal situation for Monnet would not be a common market but rather an integrated European economy. Accordingly, competition law had less to do with the application of corporate efficiency and more with building a competition policy, the principal target of which is trade integration and the approximation of the economies of the member states. It has therefore been accepted that

"[e]ven though the operation of market forces is an irreplaceable factor for progress and the most appropriate means of ensuring the best possible distribution of production factors, situations can nevertheless arise when this in itself is not enough to obtain the required results without too much delay and intolerable social tension. When the decisions of the enterprises themselves do not make it possible for the necessary changes to be made at an acceptable cost in social terms, then recourse to relatively short-term and limited intervention is necessary in order to direct such decisions towards an optimal economic and social result".

It must be stressed from the outset that regulatory policies at the European level have been expanding rapidly and disproportionately to other policies mentioned in the Treaties such as transport, energy, research and development, education and, notably, social policy.

The guide for what is competitive or not can be found in Articles 85 and 86 of the Treaty of Rome. The differences between the US and the EU in perceiving competition are obvious even after the first reading. Art. 85(3), which provides that anti-competitive behaviour - as described in Art. 85(1) - may be exempted if it is limited in scope and contribute


152 1972, at 17.

“...to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit, and which does not:

(a) impose on the undertakings concerned restrictions which are not indispensable to the attainment of these objectives;

(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.”

It is clear that the EU’s competition policy not only serves the narrow scope of maximising allocative efficiency but also aims to spearhead progress, support small and medium size enterprises, break down barriers and create benefits for the consumer.

However, the basic questions on competition are the same in all jurisdictions: what is competition, what do we want to protect with a competition policy, and what may fall within such a policy?

5.8.2. European variations on competition

The European Court of Justice (ECJ) has managed, from early on, to grasp the importance of such complications. In Consten and Grundig, the court clarified first that:

“...competition may be distorted within the meaning of Article 85(1) not only by agreements which limit it as between the parties, but also by agreements which prevent or restrict the competition which might take place between one of them and related parties”

and then declared that competition rules are to be applied both to “inter-brand competition”, meaning the competition between different brands and to “intra-brand competition”, referring to competition between distributors of the same brand. In

155 Ibid, at 339.
156 Ibid, at 343.
another case\textsuperscript{157} the court, grasping the need for flexibility in its approach, introduced the notion of “workable competition”: the degree of competition necessary to ensure the observance of basic principles, the attainment of the objectives of the Treaty, and, in particular, the creation of a single market achieving conditions similar to those of a domestic market. Accordingly, variations as to the concept, extent, and intensity of competition may be tolerated. The ECJ, in its interpretation of Art. 86 EEC, stated clearly that dominance, per se, is not to be condemned: a dominant position,

“... is not itself a recrimination but simply means that, irrespective of the reasons for which it has such a dominant position, the undertaking concerned has a special responsibility not to allow its conduct to impair genuine undistorted competition on the common market. ... Art. 86 covers practices which are likely to affect the structure of a market where, as a direct result of the presence of the undertaking in question, competition has already been weakened and which, through recourse to methods different from those governing normal competition in products or services based on traders’ performance, have the effect of hindering the maintenance or development of the level of competition still existing on the market”.\textsuperscript{158}

Such is the breadth of the definitions that almost every form of economic competitive activity could fall within the area covered by the EU’s competition rules,\textsuperscript{159} even if we accept that Art. 86 was originally drafted with a limited scope: namely the exploitation of dominance by charging high prices, restricting production, discriminating to the disadvantage of some suppliers or customers, and tying with desirable products a product that customers did not want.\textsuperscript{160}

What makes the position more interesting is that the current economic environment in which trade marks operate poses a unique chance for the consumer to gain a stronger

\begin{thebibliography}{9}
\bibitem{SWANN} Such flexibility of interpretation is evident in all regulatory statutes; their actual impact in particular cases is very much in the hands of the regulatory agency and the competent courts. Therefore \textit{de facto} regulation may change even though the regulatory statute - the \textit{de jure} element - is not modified. See D. SWANN, The Regulatory Scene: An Overview, in BUTTON & SWANN (eds) (1989), at 7. This explains why to business people procedural matters are of equal importance to the substance of regulations, see R. RICE, “A Burden on Business”, Financial Times, February 1, 1994.
\bibitem{KORAH} See V. KORAH, A Comment on Professor Fox’s Paper on Article 86, in B. HAWK (ed.) (1984), at 430.
\end{thebibliography}
footing in a competitive game characterised by instability and frequent changes, especially in Europe where "commodisation" undermines the position of incumbent players, and the characteristics of the market change continuously due to negative and positive integration. As noted in the preamble of the Community Trade Mark Regulation, in order to create a single market which offers conditions similar to those obtaining in a national market

"... not only must barriers to free movement of goods and services be removed and arrangements be instituted which ensure that competition is not distorted, but, in addition, legal conditions must be created which enable undertakings to adapt their activities to the scale of the Community, whether in manufacturing and distributing goods or in providing services ...".

5.8.3. A European approach for encouraging competition

The EU, in particular, has embarked on several interventionist supportive initiatives in the fields of information technology and telecommunications. It has also attempted to create a coherent policy on, and provide funds for, Research and Technological Development despite the fact that a truly coherent industrial policy is an unresolved question under the Treaty of Maastricht. Finally it has sought to impress upon European industry the need to invest on R&D and has formulated a "framework programme". But also part of the recent developments - an adherence to subsidiarity and a confession of partial failure - is the declaration of the Commission's view that

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161 A term coined "... to represent the downgrading of premium products into mere standard items, the price of which is set by increasingly fearsome competition between efficient factories", see B. RILEY, "Victims of the Glut", Financial Times, October 30-31, 1993.

162 Negative integration means the removal of all forms of barriers, and positive integration the intervention of supranational institutions. Again, it is difficult to distinguish between negative and positive integration, since the integration process as a whole is dynamically linked with both notions: J. PINDER, The Single Market: The Step Towards European Union, in J. LODGE (ed.), The European Community and the Challenge of the Future (London, Pinter, 1989), at 108.


"... representing less than 4% of total government research funding in the 12 Member States, the Community’s own research effort will only be able to respond to society’s needs and help make businesses more competitive if it is developed in conjunction with the Member States’ research efforts".\(^{165}\)

5.8.4. European integration and competition

The message that "... [w]e must build a kind of United States of Europe", \(^{166}\) was proclaimed as the only political way out from the post-war crisis. At the same time European nation states consented that their independent resources alone were not enough in order to reconstruct their bases of production, and that it was necessary to transcend the national framework to some form of interdependency.\(^{167}\) Having realised the benefits of this interdependency, pro-Europeans were proclaiming, in 1987, that,

"... today, the more one is nationalist, the more one is European. In tomorrow’s world, there is no chance of being a major power ("grand"), free and respected without working through Europe".\(^{168}\)

Currently the future of the Union is characterised by unpredictability: nationalistic polarisation, the breakdown of the bi-polarity between East and West, worries over the criteria and the implementation of monetary union, and the global interconnections which became evident with the breakdown of the European Rates Mechanism, after speculation in the money markets originating largely outside the Community, are some of the factors that can make the Union move closer to or away from a federal future.\(^{169}\) Defining what is


\(^{166}\) From a speech of Winston Churchill at Zurich, September 19, 1946, in D. WEIGALL & P. STIRK (eds), The Origins & Development of the European Community (Leicester, Leicester, University Press) at 40. Despite Churchill’s ambivalence in Britain’s role in the United States of Europe the phrase has become a true classic.


considered “high politics”, and accordingly sensitive to national sovereignty, and what is simple “running” decisions is therefore getting more difficult, if at all possible.170

This unpredictability is casting doubts over the controversial belief that

“... international institutions are capable of becoming the focus of loyalties at the expense of the state”.171

What is more easily accepted, at least as an explanatory, if not predictive, tool,172 is the fact that “spillover” effects facilitated integration in the past and may keep on functioning in the same way in the future.

The core of a functionalist theory is that integration in one sector will bring pressure for integration in another, and so on, thus moving inevitably towards further co-operation and integration until the completion of a federal state. Or as Monnet, one of the founding fathers put it, from the then situation of deadlock,

“... there is only one way of escape: concrete action on a limited but decisive point, bringing about on this point a fundamental change and gradually modifying the very terms of all the problems”173

170 Monetary matters were not included in the sensitivity area but turned out to be the most important banner for national sovereignty. See L. TSOUKALIS, The Politics and Economics of European Monetary Integration (London, Allen & Unwin, 1977).


172 On neofunctionalism, predictive, and post-neofunctionalist, explanatory theories, under a historical perspective, see GEORGE (1991), at 19-34 and for the definitive overview of integrationist theories see M. HOLLAND, European Community Integration (London, Pinter, 1993).
Nevertheless,

"... the idea is clear: political Europe will be created by human effort, when the
time comes, on the basis of reality... For me there has been only one path: only
its length remains unknown. The unification of Europe, like all peaceful
revolutions takes time".174

Some theorists, like Taylor175 using empirical evidence, criticise the pure functionalist
approach of Mitrany, who advocated that mass attitude was bound to change after
experiencing the benefits of co-operation and under the educational role of the state and
the media; this change in attitude would lead to a gradual integration of overlapping
systems of cooperation and welfare promotion.176 Currently the unease over the future of
the Union, and the polarisation between adherents to widening and believers in deepening
the structure of the Union are strengthening positions similar to Taylor's. Indeed, the
democratisation of the community could make functionalistic attitudes less significantly
operational in practice.

The Danish dual referendum amply illustrates the validity of both theories. With the first
referendum Danes threatened to block the implementation of the Maastricht agreement,
giving a real blow to the belief that "encrenage" - a French term used by Monnet and
Schuman meaning literally an enmeshing of gear wheels - was the appropriate way to
describe a process where a united Europe would be built up progressively, with one cog

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173 From a memorandum of J. Monnet to R. Schuman and G. Biodault, in R. MAYNE & R. VAUGHAN
(eds), Postwar Integration in Europe (London, E. Arnold, 1976), at 53.

interesting contrasting view is attributed to the historian Paul Kennedy who, commenting on global
economic integration, concludes that we cannot presume that ever growing economic ties across
Europe will inevitably and naturally produce improved political unity; radical changes in today's
economic environment are likened to the dangers of the early 1930s where industrialisation was
bringing the states economically closer, however it also unleashed social pressures which increased
nationalism and caused a "series of jolts and jars and smashes in the life of humanity". See the report
of F. KEMPE, "Global Economic Integration Holds Perils As Well as Opportunities, Historian Says",


the original see E. HAAS, The Uniting of Europe: Political, Economic and Social Forces 1950-1957
driving another in an increasingly complicated and interlocking system. But the second referendum had a positive result which was the outcome of a barrage of support from the political and economic elite and the media, bringing functionalism and the "pedagogic" role of the state and the media back into play.

5.8.5. The spillover effects of trade marks

One might question what trade marks have to do with integration. The first answer is given by Holland, who, presenting a neofunctionalist argumentation, states that

"... spillover is also reflected in the typical Community bargaining process whereby agreements across disparate areas are tied together: decision making does not take place in sectoral isolation, but rather concessions or agreements in one policy area will have implications and often direct consequences for other policy areas. Thus the logic of neofunctionalism was relevant, it was suggested, to both the general integration across functional sectors and to the functional and political aspects of Community decision-making." 178

Accordingly trade marks cannot exist as compartmentalised and isolated elements within the Union's legal order.

Firstly, they are a necessary tool for those who want to market their goods community wide and thus require either a community trade mark or harmonised national protection for their marks. In that sense the approximation of national laws and the creation of the Community trade mark fall within the realm of positive integration because

"... trade marks enabling the products and services of undertakings to be distinguished by identical means throughout the entire Community, regardless of frontiers, should feature amongst the legal instruments which undertakings have at their disposal ..." 179

177 WISE & GIBB (1993), at 34.
178 See also HOLLAND (1991) presenting, at 17, neofunctionalists' arguments.
179 Community Trade Mark Regulation, at 1. Council Regulation No 4094 and the Trade Marks Harmonisation Directive 89/104 have a dual target: first to harmonise national trade mark laws and second to create a parallel unitary system of community wide protection through the introduction of the Community Trade Mark. However, it is submitted that by choosing to compromise between
Secondly, the development of legal reasonings, for intellectual property rights in general, such as the principle of exhaustion of rights, undermined the potentially exclusionary and discriminatory role of trade marks. In respect of intra community trade the Union’s aim was the breaking down of disguised trade and “guild” barriers at the European level.

In Germany, for example, consumer groups have faced the positive challenge of the deregulation of advertising and the liberalisation of competition laws as a chance for re-establishing regulation on new grounds. In Germany other European firms wanting to enter the market, especially in the field of services, have to compete with dominating national monopolies and at the same time deal with a complex and, often excessive, restrictive panoply of regulatory control. In the case of Yves Rocher, a French cosmetics manufacturer was allowed to sell its products at marked-down prices by mail, and advertise the practice by comparing prices. In Clinique it was held that German consumers would not be misled as to the properties of cosmetics sold under the same name, after a German business association claimed that the name would lead consumers into thinking the products had a therapeutic effect. This should be contrasted, for example, with the “Oftel” case in the UK where the telecommunications regulatory agency, created in 1984, arguably in order to protect BT’s shareholders from a future Labour government, gradually became the ongoing regulator of the sector.

diverging systems of protection they failed to provide clear solutions on what we want to protect in a trade mark. This of course is a question that needs to be treated in a thesis rather than a footnote; see however footnote 173 above as an indication of the problems created by the compromise.

183 My thanks for this example of an actor turning “pro-competitive” and consumer orientated go to Maria Michalis. In many cases Oftel is referred to as the consumers watchdog rather than the sector’s regulator. Interestingly Oftel itself is attempting to move one step ahead and become the anti trust regulator of the sector with wider responsibilities.
Other examples of "protectionist" attitudes are the beer cases in Germany and Greece, where the ECJ ruled against the prohibition of marketing of beer containing additives, produced in a different way from that provided for in archaic national legislation. The Court held that consumer preferences change, and when labelling can be used to inform the public about product differentiating factors then prohibitions on importation and sale or sale under particular descriptions is an excessive measure. As was ruled in Cassis de Dijon, every product that was legally manufactured and/or marketed in one member state should be allowed to circulate freely in the rest of the Community.

It has become clear by now that EU law will preclude national laws that hinder free movement of goods unless they are necessary to protect a legitimate public interest, such as consumer protection, and/or the prevention of unfair competition and in any case conform to the principle of proportionality to the objective pursued. Nevertheless, in 1988 technical regulations and standards represented 80% of all remaining barriers to intra EU trade, and as the controversy on the introduction of the "continental" plug in the UK shows that standards depict and cause political controversies.

Thirdly, we have to contrast the situation in Germany, which shares an ideology similar to the Japanese capitalist social market ideology, where a company has an obligation to its workforce, to the public interest, in short to all "stakeholders", with the neo-liberal Anglo-American approach, where the principle obligation of the company is towards its shareholders and the financial markets.

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188 Turning again to the Rover saga, it has been argued that British Aerospace sold the company only because the "working capital" required for its operation was appearing as borrowing, in BAe’s balances. So BAe, succumbing to short-term financial considerations, preferred to sell the company at a low price, rather than wait for two more years for Rover to acquire a safer pedigree and, following Honda’s advice, then spin it off in the stock market as an independent company. So Rover was arguably undersold and this was due to an exercise of making book balancing more attractive to
This approach is arguably evident even in the firms’ marketing strategies: as an empirical research shows UK and US companies are excessively focusing on short-run financial gains, and thus are less committed to the UK market than their Japanese rivals whose

"... approach reflects a managerial philosophy more oriented to long-term market position than short-term profit performance, and to exploiting new opportunities created by changing technologies and new market segments... Japanese subsidiaries... were confident about their marketing ability but they were marketing-oriented not in terms of spending more on marketing activities or deploying more aggressive pricing and marketing tactics, but rather by way of offering good quality products, specifically targeted at well defined segments in the market, backed by strong customer sales and service support". 189

Compromises are always achieved, not only at the level of member states - where the rift between “entrepreneurial” UK and more socially minded continental nations may be legendary but has never reached a breaking point - but also at the lowest level of bureaucrats and judges who themselves have to create and enforce common policies. Sometimes of course even single words with ambiguous meanings can be used by the linguists among


189 See, V. WONG, J. SAUNDERS & P. DOYLE, “The Quality of British Marketing: A Comparison With US and Japanese Multinationals in the UK Market”, 2 Journal of Marketing Management 107 (1988), at 127. Albeit, in Germany for example social policies have to take into account that unit wage costs are already 40% higher than in the US. 189 In the UK, for a contrast, which was the first state to jump on the bandwagon of “euro-sclerosis” in order to deregulate the labour market, a recent study has shown that the unregulated labour market is returning in the way it was in the nineteenth century, before trade unionism. It is argued that the recent growth in inequality in wages and earnings, between managers and workers, which has been greater in Britain than in almost all other developed economies, is being matched by a widening in the inequalities of influence and access to key decisions about work and employment. See R. TAYLOR, “Workers “Losing Access to Decisions””, Financial Times, February 15, 1994, reporting a study of 1,500 establishments: N. MILWARD, The New Industrial Relations? (London, Policy Studies Institute, 1994). Looking at the same question from a different angle L. HANCHER & M. RUETE, in Legal Culture, Product Licensing, and the Drug Industry, in S. WILKS & M. WRIGHT (eds), Comparative Government - Industry Relations: Western Europe, the United States, and Japan (Oxford, Clarendon Press, 1987), conclude at 174-175 that in the two countries although “there has been little real change... the processes by which stability has been maintained have differed” and argue that the legal culture has contributed significantly to those processes. The contrast in the way in which problems have been articulated in the two national systems “can at least partly be explained by the emphasis on bargaining within a given legal framework in the German system, as opposed to the processes of negotiation which occur outside the formal framework of law in the UK”. They stress that “legal controversy is often merely a surrogate for wider forms of societal conflicts, the resolution of which may be distorted by the imposition of a formal framework".
the jurists in order to remove provisions already negotiated and agreed. It would be unwise though to generalise: arguments against this multi-cultural environment and cries for the establishment of an inspiring “one main idea” are to be confronted as excuses or as attempts to hijack the economic or the social character of the community. After all, the strengthening of social policies was part of the compromise between smaller and larger member states in order to agree on the objective of a single market; in return smaller states offered to the single market a geographical territory that was vital to the expansion of the economies of larger states.

5.8.6. The social aspect of competition policies

“... [C]ompetition policy endeavors to maintain or create effective conditions of competition by means of rules applying to enterprises ... Such a policy encourages the best possible use of productive resources for the greatest possible benefit of the economy as a whole and for the benefit, in particular, of the consumer.”

In the same way that the Single European Act provided both for the creation of a Single European Market and a Social Charter on the fundamental rights of workers, or the privatisation of public utilities had to be accompanied by several new regulations and

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190 See T. JACKSON, “The Lobbyists Learn to Aim Fast and Low at Legislation”, The Independent, September 1, 1992, where the way that initiatives are targeted at any level is described; from the lowest eurocrat to Jacques Delors, then president of the Commission. “Association” is a good example of a word the true meaning of which will have great significance in trade mark matters.

191 See for such a generalisation and a dismissive reply the exchange between P. Demaret and P. Pescatore in Competition Cases Before the EC Court of Justice - Panel Discussion, in B. HAWK (ed.), United States and Common Market Antitrust Policies (New York, Matthew Bender, 1987), at 471.

192 For similar questions as to whether we are moving towards a Union see WISE & GIBB (1993), at 2-4. According to J. Piris, head of the European Council’s legal service as reported by L. BARBER, in “Call to Open Up European Maze”, Financial Times, February 14, 1994, consecutive compromises between those favouring deeper integration and those looser inter-governmental co-operation, has created a labyrinth of regulation and decision making which is too complex for ordinary citizens to understand, a fact widely accepted by the Commission. Proposals for reforms concern a single, shorter, readable text consolidating the texts of the Treaties, clearer demarcation of areas of responsibility for all players, modifications in the decision making processes and the creation of a common facet for the Community acting abroad. However, such measures target the periphery rather than the centre of the labyrinth.

193 1972, at 12.
regulators to ensure consumer protection, strengthening of competition and so on, liberalisation of the markets is followed by new structures, checks and balances. Indeed

"... [t]he SEA provided not only for the completion of the SEM but also for the development of EC competences in the monetary, technological, environmental, social regional and external policy fields, as well as for some reforms of the EC institutions. It was not, it will be argued, by chance that these measures accompanied the single market programme: if the SEM is to become and remain complete and to bring its full benefits to EC citizens, the EC will have to develop along such lines so as to become a European Union".194

Especially, since

"... a more liberal market environment has meant that the power of these groups [labour unions, consumer associations] has been diminished,"195 and social policies and the creation of a Union - wide social space are "... heavy on symbolism ... and light on substance",196 covering a wide area with, perhaps, deliberately undefined boundaries. "Euro - sclerosis", referring to the rigidities of labour markets and the excesses of the welfare state and the pursuit of economic efficiency on the one hand, with concern for equity and industrial democracy on the other, became the arena of competition between left and right, supranationalists and intergovernmentalists.197

5.8.7. Trade marks as symbols of the social space

"Ideology is closely related to symbols; and symbols have been very important in the debate of the social space. The latter is meant to symbolize a certain European economic and social model; the modern version of Europe’s mixed

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197 "Supranational" and thus more federalist is often juxtaposed with co-operational "intergovernmental" in a war of semantics; see H. WALLACE, W. WALLACE & C. WEBB (eds) in Policy Making in the European Community (London, Wiley, 1983). See also R.J. HARRISON, Neo-functionalism, in GROOM & TAYLOR (eds) (1990), at 147, who highlights the "... differences between domestic and international politics, between sovereign government and international organization".
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economy which had proved so successful in the 1950s and 1960s. This may in turn suggest that, despite the apparent ideological shift of the 1980’s, the battle continues, or alternatively that symbols are now offered as a substitute for policies which are in the process of being diluted. On the other hand, the social space could help to bring about another reshuffling of cards between national and European institutions. Thus, once again, federalist ambitions are difficult to separate from the intrinsic merits of the proposed policy.198

But the other aspect of the citizen as an economic actor is the citizen as a consumer, a prerequisite too for the creation of a European social space. According to the Commission,

“... the single market and competition policy work together to allow consumers to choose between the goods and services offered by firms throughout the Community.”199

It is the trade of consumer goods, the retailing services, that are giving the marketplace face of the European Union. The internationalisation of retailing, for example, generates not only growth but also brings closer the varying national trading patterns and creates a mass market for services. The sector had some significant successes: Aldi, a German discount grocery retailer, obtains more than 40% of its turnover outside Germany, as does Promodes, a French food retailer, and to a lesser degree Carrefour; and Ikea, the Swedish controlled furniture retailer, derives 75% of its turnover outside Sweden.200

The fact that the character of intra-community human flows has been gradually changing is adding further importance to the “signs” of the social space. Mass labour movements northwards are history; now we witness student exchanges, movements of professionals, changes of residence of people who are retiring, and the proliferation of tourism.201 These migratory movements are multi-directional, less permanent and relatively small in size.

198 TSOUKALIS (1993), at 162. At 164-165, he observes that the discussion about the creation of a European social space has often taken place without reference to its actual contents. He concentrates on the aspects of social policy concerning labour standards, education, training, housing and health. Tsoukalis chapter on social policies and labour markets at 148-174, is an authoritative updated guide.


Labour markets remain in essence national, whereas consumption is rapidly becoming European. The Commission and the member states often overlooked this factor; according to Sir Leon Brittan,

"... we have to bring Europe back to its people ... and what is needed is investment; investment in ideas, in the superstructure, in humans".

5.8.8. Some wide gaps

Finally it has to be stressed that, because of size, geographical, economic and social conditions consumer awareness in some of the EU countries (namely Greece, Ireland, Italy, Portugal and Spain), is still low, compared with that of the rest of their partners: it suffices to say that the Luxembourg Consumer's Union had, in 1989, more members than the Italian and Portuguese organisations combined. If we really want to have equal opportunities for the citizens of the EU this is a problem that has to be addressed, because the liberalisation of the markets will require stronger state and social institutions.

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203 L. BRITITAN, "Three Crucial Challenges for the European Union", To Vima, February 20, 1994 (in Greek). This is a partial confession of failure, since Commission President Delors proclaimed in 1985 that the launching of the SEA was "... a splendid opportunity for the Community to emerge from what it is at present - a free trade area, plus budgetary transfers ... cohesion is a new idea, the idea that convergence of economic and social policies - and not mere budgetary transfers - will in ten years' time enable every Member State, including the poorest, to say that all in all Community life has been of benefit": Bull. EC 11, 1985 at 17. See also K. FEATHERSTONE, The Mediterranean Challenge: Cohesion and External Preferences, in J. LODGE (ed.) (1989), The European Community and the Challenge of the Future (London, Pinter, 1989), at 197-198, arguing that "cohesion" is facilitating a "pay - off" for the expansion of the market to the south.
205 The fact that consumers' associations have at least identified the need to use similar means with any other competitor is heartening. It was reported that in 1989 in Brussels, the lobbyists' town, around 3,000 EC watchers were working for business interests, whereas no more than 30 people worked full time on public interest causes. The Euro Citizen Action Service (ECAS) was created financed initially by a quixotic property developer, but private initiative cannot replace the obligations of Member States and the Commission to its citizens. See J. ERLICHMAN, "Lobby Service for Pressure Groups Opens in Brussels", Guardian, June 29, 1989. V. KENDALL in EC Consumer Law (London, Wiley Chancery, 1994) at 6-12 provides a comprehensive review of the origin of consumer protection at the EU level from the development of representative groups at the national level in the 1950s, to the setting up of European consumer organisations in the early 1960's, the consumer programmes adopted in 1975, 1981, and 1986, with specific targets each time and finally the adoption of action plans in the 1990's. At 19, she acknowledges that representation of consumer interests has been difficult even at the national level and attributes the difficulties to "the sheer diversity of concerns which they need to cover coupled with inadequacy of resources".

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even more so because the real reason for this particular north-south gap in awareness seems to lie simply in the difference in the degree of capacity to set up such organisations rather than individual awareness.\textsuperscript{206} It has been suggested that the principle of subsidiarity in consumer affairs can be extended even further:

"... the ultimate aim is to delegate responsibility to the most effective agents in the process: the consumers themselves"\textsuperscript{207}

provided that their proper role in the economy is recognised in order to enable them exert their rights at a maximum effect.\textsuperscript{208}

Free flow of valid information between producers and consumers is one of the ways ensuring that each fully understands the needs and the motives of the other. But it was also made clear that this is not enough as long as the consumer is not supplied with a basic legal recognition combined with the central and integrating influence of competition laws on consumer protection.\textsuperscript{209}

5.8.9. Two catalysts for harmonisation

At the European level proportionality will inevitably serve as the first catalyst in all the conflicts described above. The principle of proportionality was defined by the ECJ as follows:

"[i]n order to establish whether a provision of Community law is consonant with the principle of proportionality it is necessary to establish, in the first place, whether the means it employs to achieve the aim correspond to the importance of the aim and, in the second place, whether they are necessary for its achievement."\textsuperscript{210}

\textsuperscript{206} See for more details: BEUC (European Bureau of Consumers’ Unions), Consumer Awareness in the South (Brussels, BEUC/101 87, 1987).

\textsuperscript{207} LAWLOR (1989), at 12. Lawlor acknowledges that "... the unifying agent in an economic community is the economic benefits it confers on its members".

\textsuperscript{208} Ibid.

\textsuperscript{209} SCHRICKER (1977), at 188.

\textsuperscript{210} Fromancais [1983] ECR 395, at 404.
The second catalyst will be the possibility of finding a state authority directly liable to pay damages for failing to implement EU rules as a method for the EU to enforce its measures on member states. In general there are two ways of ensuring the implementation of Community Legislation. Under Art.169 and, to a lesser degree, Art. 170 the Treaties provide for a centralised form of control. Direct applicability of Community legislation also gives to individuals the right to require from their national courts the application of such legislation, creating a decentralised form of control. Because of the diverse traditions and the ever changing attitudes of the member states and the balances that the institutions are trying to maintain, it has been suggested that

"... instead of concentrating only on the functioning of centralized control, the Commission, the European Parliament and the Council should focus ... more attention on strengthening decentralized control of the implementation of Community law".212

Cases such as *Francovich* will reaffirm and widen earlier principles, and may give real teeth to community law for community citizens by establishing these three conditions:

"The first was that the result laid down by the Directive involved rights conferred on individuals. The second was that the content of the rights might be identified on the basis of the provisions of the Directive. And the third was the existence of a causal link between the failure by the Member State to fulfil its obligations and the damage suffered by the person affected."214

5.8.10. A change of priorities

"The increasing specialization of the Community substance of the directives has diluted their relationship to a European policy superior to them".215

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211 Cases C-6 90 and C-9 90, *Francovich and Others v. Italian Republic* [1993] 2 CMLR 66.
214 As described by WYATT & DASHWOOD (1993), at 85.
At the same time the national institutions for coordinating European affairs have lost much of their importance. In many fields European policy has become a domestic policy in specialised European matters. The Community process of regulation and legislation is therefore subject to the same centrifugal forces as the national processes and it is only recently that new doors have opened up under the mottos of deregulation and of “subsidiarity.” Indeed it is a common complaint of the industry in Europe that member states are failing to implement many of the important legislative initiatives adopted by themselves. Consumer groups, trade associations and small businesses claimed that the single market worked mainly for those with the determination and money to fight for their rights and for those citizens living near borders, multinationals, and international travellers already used to dealing with European borders.216

So proportionality and direct enforceability will probably be the catalysts that will allow the re-discovery of existing common grounds between jurisdictions and redraw the rules and balances of competition’s game, because

“... individuals, who by and large resort to court proceedings infrequently and only when all other avenues of redress are closed (one shotter), are perceived to be at a considerable disadvantage vis-à-vis those (companies, traders, suppliers, etc.) who make more or less constant use of the judicial process (repeat players): the consumer - trader relationship is often taken as the paradigm for such an unequal situation where one party has a “structurally irreconcilable advantage” over the other”.217

216 A business representative is quoted proposing that “... in policy terms [the Commission] should set the overall goals and objectives and then let the governments themselves get on with it. But then I think what they have to do is to be much more ruthless with enforcement”. R. Brooke, European marketing director of Price Waterhouse, the accountancy firm, by A. HILL, “Balloon Struggles to Get Airborne”, Financial Times, January 5, 1994. Surprisingly, this comment, comes very close to the classical definition of a Federal Cabinet as a Cabinet with limited functions but real powers: see H. BRUGMANS, criticising the Thatcherite Bruges view of Europe, in Britain and Europe: A Survey (Hull, Benedicta Press, 1991), at 66-67.

5.9. Trade marks and competition

5.9.1. Law and economics and trade marks

The current predominant ideology behind trademarks is neoliberal market economics, in particular of the Chicago School type. This is reinforced by the fact that the large majority of the bibliography on the matter is Anglo-American and the continental writers who touch upon the subject are either unfamiliar with or heavily influenced by such views, which are then taken for granted. Lawyers who welcomed enthusiastically this new approach to the law are reluctant to consider the view of economists who challenge the general validity of Chicago School theory as an economic theory. As one economist claims:

"[a]round 1975, the Chicago consensus had largely won. There wasn’t any market power in the economy because cartels always broke down and because barriers to entry, predation and such, could not be equilibrium phenomena. We now know this argument cannot be established by theory."

Scherer proposes that the key for the theory’s success lies in the fervor of its advocates:

"... as in other areas, the “Chicago School” has through superior organization, fervor and timing, if not superior access to revealed truth, sent the rest of the world reeling”.

Chicago draws much of its arguments from the model of perfect competition, and then concedes that monopoly is possible, but will always be temporary. Trade marks, anti-trust and unfair competition are examined as if they operate in a market the constituents of which are working as they should, and manufacturers, traders and consumers are all

219 See SCHERER & ROSS (1990), at 541.
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rational and perfectly informed. A comment of Bork on product differentiation is a guide for such a theory:

"[e]ntry into the field of differentiation would tend to return the profitability of that activity to the competitive level ... If product differentiation succeeds, it is because consumers like and respond to it." 221

Ultimately no single-firm or cartel monopoly can survive the power of competition that is inherent in the markets. Even the possibility of competition, according to some economists, and the threat of new entrants in a market will make the dominant firm think before abusing its dominance and to avoid the accumulation of supranormal profits that will attract new entrants and competition. Such behaviour is to be found in contestable markets, defined as markets where the participants always choose an optimal behaviour; this, when there is a chance for potential competition, obliges them to equal prices with marginal costs, as is the case in perfect competition. 222 Nevertheless a precondition of the theory, that there must be freedom of entry and exit with no sunk costs, makes it very difficult to bring it in touch with real markets. 223 In short,

"... real world entry is a risky business, and entrants do not generally threaten incumbents until they have gotten through a trial period which ends, for most, in withdrawal from the market". 224

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221 R.H. BORK, "The Rule of Reason and the Per Se Concept: Price Fixing and Market Division", 75 Yale Law Journal 373 (1966), at 421-422. C. SHAPIRO, in "Premiums for High Quality Products as Returns to Reputations", 98 Quarterly Journal of Economics 659 (1983), makes the point that the ideas of reputation makes sense only in a world of imperfect competition: if product attributes were perfectly observable prior to purchase then previous production of high quality items would not be part of consumers’ evaluations. But consumers have to look back to the past as an indicator of present or future quality. He rules out guarantees as quality assuring mechanisms: guarantees are imperfect tools of conveying information because the minimum quality that is legally enforceable may be interpreted as the maximum quality.


223 This is the main point of W. SHEPERD’s criticism in “Contestability Vs Competition”, 74 American Economic Review 572 (1984), which concentrates on the failure of Baumol to distinguish various degrees of entry and sunk costs.

224 MARTIN (1994), at 86. At 11, Martin observes that: “Industrial economics was long a dialogue between groups of researchers with very different methodologies and very different world-views. The structure-conduct-performance school believed that elementary price theory was inadequate to explain real-world events and that observation should guide the development of models sophisticated enough to explain the real world. The Chicago school believed that contradictions between the
The relevance of the above regarding trade marks lies in their inclusion in the list of deterrents to potential entrants, a list that also includes product differentiation, economies of scale, cost advantages, patents, crucial inputs, strategic pricing, research and development, vertical integration and better access to sales’ networks.

5.9.2. Trade marks and other intellectual property rights

The first thing that has to be said is that all industrial and intellectual property rights function in a similar way in influencing competition. However, some commentators argue that trade marks are in a league of their own, being predominantly pro-competitive, and distinguish them from patents and copyrights. Rogers for example argues that patents and copyrights are monopolies created by law whereas a trade-mark is quite a different thing because there is no element of monopoly involved; trade marks preclude the idea of a monopoly because they are the means of distinguishing one product from another. From this follows that there are more than one products to choose from. If on the other hand there is a monopoly then there is no need for distinguishing and then there is no need for trade marks.225

Young submits that trade marks offer a quasi - monopoly and the opportunity to a firm to lift itself a little above the “dead level” of competition, but

“... because [its] power to control the price of [its] product is in general much more limited than that of the true monopolist, and because competition limits and conditions [its] activities in other ways, [its] business is more properly called competitive than monopolistic”.226

However, Chamberlin rightly submits that in such views, and especially in those of Rogers, there are explicit traces of the dialectic that monopoly and competition must be


regarded only as alternatives.227 Answering Young, he points out that patents, for example, do not confer a complete monopoly since single patents do not ordinarily "... give exclusive control of one sort of business".228 In addition to this argument it must be stressed that it is true that the law confers a limited monopoly on the trade mark owner, but this is only a necessary consequence imposed by the public interest "... in excluding rival traders from the field in question".229

Rogers, concedes that consumers have assumed preferences and brand habits; these preferences and habits are worth something to the producer of the goods since they eliminate competition. There is nothing just as good as the branded product.230

Nevertheless it has to be added that often trade marks are used

"... in furtherance of a monopoly scheme ... [as] an instrument only, not an incarnation, of the monopoly. We should, therefore, be on guard that "the tendency of a principle to expand itself to the limit of its logic" (Cardozo, The Nature of the Judicial Process, [1922], at 51), does not leave us with a theorem of trademarks as vehicles of monopoly power which has no foundation in the concepts of our modern law, no matter how closely trademarks may have been linked in their early history to the then existing, differently constituted monopolies";231

but the distinction between monopolistic tools and a monopoly as such does not in any way eliminate the suitability of trade marks for establishing a monopoly.

So there are two conclusions to be drawn, first that there are monopolies, created by signs of distinction, and second that those monopolies interact with other intellectual property rights.

227 CHAMBERLIN (1962), at 61.
228 Ibid, at 60-61.
230 ROGERS (1949).
5.9.3. Some more comments on product differentiation and monopolistic competition

An excellent example of product differentiation is the amount and quality of services offered together with the actual product, since a product can be offered to different markets characterised by the degree of support needed in each of them. Some will need total support, others will need less and some none at all. Accordingly pricing and marketing can vary ad infinitum.232

A UK example of such tactics is the offer of extended warranties by retailers, commonly for electrical goods, after the expiration of one year guarantees. The sales’ value of such warranties accounts for less than 10% of the main retailers’ sales, but analysts believe that they account for a large part of the group’s operating profits. Market inquiries by the Office of Fair Trading have revealed a wide range of prices for extended warranties on the same goods coupled with a lack of information about the choice of cover available to consumers, and concluded that greater transparency was needed in the market.233

5.9.4. Trade marks role in competitive stages

In order to examine to appreciate the competitive significance of trade marks we will follow Suttons stages’ analysis and then look at the alternatives.

(1) Exogenous Sunk Costs

This is the case where the only sunk costs involved are the exogenously given setup costs and the market consists of various firms producing an homogeneous product. Here it can be said that the equilibrium structure of such markets reflects a tension between the size of


the setup costs necessary for entering the market and which must be recovered to justify entry ex-post, and the intensity of price competition after entering the market. In short

"... more entrants mean lower prices, but the lower the prices (for any given number of entrants), the less attractive will entry be".234

Here the role of trade marks is limited; since products are identical there is no incentive for the consumer to make any particular choice. Accordingly, trade marks can only be used as an indication of origin. They denote ownership of the marketed goods and facilitate first allocation of payments and then firms’ calculations over entry. The choice available to firms is either not to enter the market or enter and set output in correlation with the number of firms that have already entered the market. In more complicated markets though there is also a third choice and a related hidden cost: wait for a better moment.235

It is stressed that all the different interpretations of the model have a common precondition of some - however small - sunk costs.236 Actually the existence of sunk costs brings Sutton’s model closer to real markets than Baumol’s contestable markets.

Another point that is worth mentioning is that increases in the size of the market are accompanied by a less than proportionate increase in the number of firms in the market and accordingly an increase in the level of output per firm.237

Albeit, very few products are homogeneous in nature. Technically, product differentiation can be horizontal and/or vertical.

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235 This results from the fact that a decision for a product to be put in the market carries a degree of irreversibility. Accordingly the choice of an investment carries within it at least the cost of waiting for better information and a more appropriate point in time for acting. Investments become a now-or-never option only when they are realised. A theory developed by A. DIXIT & R. PINDYCK, in Investment Under Uncertainty (Princeton, Princeton University Press, 1994) as presented in “Optional Investing”, The Economist, January 8, 1994.
236 See SUTTON (1991), at 36 and fn.11.
237 Ibid at 36-37.
(2) Horizontal Product Differentiation

Horizontal models are those that conceive the possibility of alternative varieties at the same cost, and allow consumers to rank the attraction of these varieties. The simplest example is of alternative identical products produced at several geographical points of a market. Consumers, dispersed within the marketplace, will maximise the utility obtained from buying a product by choosing the source that is nearer to them.

What all forms and models of horizontal product differentiation have in common is that, "... for any vector of distinct products on offer, if all prices are equal (to marginal cost, say), then all products enjoy a strictly positive market share".

(2)a Horizontal Differentiation and Single Product Firms

When producers, in such cases, market single products then the situation will be analogous to that of homogeneous markets, only with the introduction of a geographical function. Trade marks in this case function as signposts of actual origin; they could easily be the station signs in a railroad connecting the points where the product may be obtained. Their function is to allow consumers to express their rationality by choosing the most convenient location and marketers to weigh the potential of their markets. The location of producers on different points on the map may give rise to products that are spatially differentiated. In particular when transportation costs are significant in relation to total product value, as in steel, cement etc., pricing practices may entail significant elements of discrimination. It is critical, for example, if the price is uniform for all customers,

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239 For the original example of the "transcontinental railroad" see H. HOTELLING, "Stability in Competition", 39 Economic Journal 41 (1929).


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regardless of the distance for delivery, or if the price is an F.O.B. price, with customers covering outbound freight expenses, and so on.242

It must be added that advertising levels for homogeneous products are normally minimal and usually occur when consumption of an homogeneous product is falling; then, advertising messages concentrate at the product as a generic, and not as a branded one. An interesting example that has to do with the geographic location of sale points is the UK milk market. In 1980, 90% of households had milk delivered. Ten years later and, mainly, after the super-markets price war, the percentage dropped to 69%, and the National Dairy Council estimated that, loosing one million customers a year, there would be nothing left of the market within twelve years. The successful advertising campaign conveyed the convenience of having milk delivered, rather than carrying it home. It targeted the location of the sale-point and the hidden inconvenience consumer costs that had to be added to the supermarkets price.243

(2)b Horizontal Differentiation and Multi Product Firms

Since firms in this model are producing more than one products, the number of possible situations in the market varies according to the criteria included in each particular model. Some of them are cost-side characteristics. For example economies of scope are achieved when several products share the same sunk costs: producing a product at a larger plant, that produces other products as well, may be more cost effective than producing it in a smaller exclusive unit. The impact of the particular product’s output volume and the


243 See for the advertising campaign, D. SUMMERS, “Gambling on a Gut - Feeling”, Financial Times, February 24, 1994. Other real examples of markets of homogeneous products with large, relative to market size, set-up costs, low advertising and high concentration levels, are the markets for sugar and salt: see the research of SUTTON (1991), at 132-161. The low concentration level of the market for sugar in Japan is a result of the vigorous regulation of competition. a trip to a supermarket and a comparison of their number of brands with that of washing powders is evidence that we can all obtain.
production plant’s size on the product’s total cost is pictured into the term “economies of scope”.244

Considering, on the other hand, the demand - side characteristics, it is suggested that we have to examine two effects: the market expansion effect and the competition effect. Market expansion is measured by the expansion of total industry sales caused by the introduction of new products at given prices. The monopolist will offer new products in order to attract new clients and the newcomer in order to cut the size of the monopolist’s market slice. It is expected that a stronger expansion effect will cause more concentrated equilibria, but “… delicately dependent on the exact structure of the model specified”245 and the nature of the product. The competition effect measures the price change that results from passing from the situation of a monopolist owning all products to one of each product owned by a different firm, considering the list of available products is fixed. The results in this case will be similar to the case of homogeneous products: stronger post entry competition will favour markets with fewer participants.246

In both cases, though, the role of trade marks is neutral. Distinguishing criteria between the same line of product are objective for all products and consumers. Of course all the discourse on the symbolic value of goods remains valid for particular generic products - fast cars as opposed to estate cars for example - but neutral for particular makes of products - all fast cars would be the same.

(2)c Horizontal Differentiation and Leader - Firms

It is logical to expect that the innovative firm that came up with a new product and launched it first in the market will enjoy an initial period of monopolistic dominance, at least until imitating competitors will put in the market identical or similar products.

244 For economies of scale in general see Chapter 4.1 of SCHERER & ROSS (Dallas, Houghton Mufflin, 1990) and for economies of scope see Ch. 4 of W.J. BAUMOL, J.C. PANZAR & R.D. WILLIG, Contestable Markets and the Theory of Industry Structure (New York, Harcourt Brace Jovanovich, 1982).

245 SUTTON (1991), at 41.
Yet, and as Bain had put it,

"... the advantage to established sellers accruing from buyer preferences for their products as opposed to potential entrant products is on average larger and more frequent in occurrence at large values than any other barrier to entry." 247

Bain’s conclusions challenged the view that advertising was necessarily the main or most important factor at work for such preferences, but he avoided describing explicitly any mechanism which creates product differentiation advantages.248 Assuming that consumers are risk neutral, have infinite horizons and behave rationally, then a model described by Schmalensee seems valid. At a first stage the pioneering brand is alone in the market, and its product works the same for all the consumers willing to pay its price. At a second stage even the objectively identical brand that enters the market will have to face consumers’ risk aversion and only when its pricing is significantly lower than that of the established brand will it be able to erode the market segment of the second.249

Nevertheless, according to other commentators, the quantity and quality of the firm’s advertising may enhance the profits from innovation; this in turn may strengthen investment in product R&D, aiming at a timely market introduction.250 Advertising at this level may be modest and informative, but it can also be at a higher scale than in strategic symmetry, providing in some such cases a considerable advantage over an equally efficient late entrant, because

247 J.S. BAIN, Barriers to New Competition (Cambridge, Harvard University Press), at 216.
248 See R. SCHMALENSEE, “Product Differentiation Advantages of Pioneering Brands”, 72 American Economic Review 349 (1982), at 349. Schmalensee himself referring mainly to Chapter 4 of Bain’s work and to marketing research of the 70’s claims that marketing successes of pioneering brands have to do with the consumer’s preoccupation with quality. His assertion though that “me too brands”, claiming to sell identical to established brands’ products at lower prices, have little success, is challenged by the surge of generic products. At 360 he refers to Bain’s observation that infrequency of purchase contributes to strong product differentiation, which in part explains the success of generic products at the low end of the market.
249 Ibid.
“... it may be unprofitable for the late entrant to attempt to achieve parity with the leading firm at the top end of the market, and its advertising efforts may be correspondingly muted". 251

Note that in 1993 the average cost for maintaining a top ten brand, incorporating advertising and "below the line" expenditure figures for direct marketing, sales promotion, trade promotion, and public relations, was calculated to be in the UK around the UK£15m mark, about 7% of sales. 252

In such cases, advertising concentrates on strengthening the brand name of the first mover. Then the name becomes associated with the generic product as such, price and/or quality and any other product characteristic. For the association of a brand with the product as such there are many examples: some are based on words, signs, etc. descriptive of the product or of its qualities, but employed as brands. Similar examples are brands that grew so strong and well established in the minds of the public that they became a synonym for the generic product. 253

251 SUTTON (1991), at 206.

252 A. MITHCELL, "A Costly Presence", Financial Times, September 1, 1994. Accordingly brands which want to break in into the top ten must either establish a critical mass of sales, or face a very high ratio of advertising and promotion to sales. Marks which are already there can strengthen their position by shifting from brand to corporate name advertising, as is the case of Heinz, and getting rid of their weaker and "costly to sustain" brands. We must keep in mind that advertising, to an extent, lowers real prices, since it reduces consumers' transaction costs, namely the value of time and other resources expended in selecting a brand of a particular type of product rather than selecting the desired generic product: see R. POSNER, "The Chicago School of Antitrust Analysis", 127 University of Pennsylvania Law Review 925 (1979). On the other hand D. NEEDHAM in "Entry Barriers and Non-Price Aspects of Firms Behavior", 25 Journal of Industrial Economics 29 (1976) claims that the general assumption that advertising outlays per unit of sales will be higher for entrants than for established firms does not necessarily follow, even when established firms' advertising is more effective then that of entrants. At 37 he claims that a "conclusion reached consistently in empirical studies of factors underlying firm and industry profitability is that a positive and statistically significant relationship between profit rates and advertising intensity in firms and industries remains after eliminating the effects of other explanatory variables which underlie profitability". Needham claims that even where advertising intensity and profit rates were found to be positively associated a second major issue would be whether the positive relationship is attributable to the effect of advertising on entry barriers and the resulting behaviour of potential entrants, or whether it can instead be explained wholly in terms of the effect of advertising on the behaviour of established firms. His theory undermines what is considered to be the consensus in this issue but does not promote a new aspect.

253 This was the case with "Durex," used as a generic name for contraceptives which was considered a deterrent to the entry of competing manufacturers; see MMC, Contraceptive Sheaths, Cmnd 8689, November 1982, at 2.16, and N. PARR & M. HUGHES, "Consumer Brands and Advertising in Competition Inquiries", 14 European Competition Law Review 157 (1993), at 160.
5.9.5. The US and UK war of soups

An example of successfully associating brand name and price and of the resulting market concentration is the juxtaposition of the US and UK markets for canned soups. In the US Campbell was the first to enter the market and establish itself as the low cost producer, after a heavy magazine advertising campaign combined with a low price policy. Heinz, the challenger, has been a weak second ever since. Heinz mainly supplies retailers with "retailers’ own - label” products, having failed to establish its own position relying on heavy advertising, promotional deals and a sophisticated sales network. It is an indicative detail that in the early years of the century, Heinz’s total selling costs exceeded one third of its revenues. In the late eighties and early nineties, Campbell captured 80% of the market. To strengthen further Sutton’s theory, Lipton, who was the first to enter the market for dried soups, and was eventually the first to advertise heavily, had, in 1986, a 32% of the market, and Campbell a mere 4%. Note that in that year Campbell had outspent Lipton in overall advertising ($42,4 million compared to $16,9 million), but only $5 million was spent for its dried soup product, whereas the total of Lipton’s advertising investment went to dried soup products.254

In the UK Heinz was the first to establish itself in the same market, and accordingly it became identified as the low - cost producer whose pricing policy effectively shapes the pattern of market shares. The interesting detail here is the slight differentiation of the type of the product. Initially, since the 1930s Heinz had been selling, and relatively heavily advertising, ready-to-serve canned soups. It was in the late 1950s that Campbell launched in the UK its own range of condensed soups - which required heating and the addition of an equal volume of water. Heinz and another market incumbent launched their own condensed ranges. Advertising costs rose for all three main competitors who then captured a combined 30% of the market. But Heinz apparently realised that it was playing Campbell’s game: persuading customers to switch from their established ready-to-serve line to the condensed line, and offer itself to competition with Campbell, in a market

254 See SUTTON (1991), at 207-209.
where they were all newcomers. It then dramatically altered its pricing strategy, offering the condensed product at half the price of the ready-to-serve. This not only undermined Campbell's position, but more importantly undermined the image of the condensed product, portraying it as one of inferior quality. Consequently, the market for condensed soups collapsed and has never since recovered; later Heinz withdrew completely from that market, but retained roughly 60% of the ready-to-serve product, spending a similar percentage of the total advertising. Campbell has about 12%, despite the periodical disproportionate picking of its advertising expenditure.

So "Beanz meanz Heinz" was for decades not only an advertising slogan but also an attempt to concentrate on Heinz's historical position and links with particular products. The success of their current break with advertising tradition remains to be seen.\(^{255}\)

5.9.6. The Greek yoghurt war

An analogous development supporting Sutton's position is provided by the Greek yoghurt market which has been stable for the last decade. Fage was the dominating firm; it has introduced to the Greek market a series of yoghurt based products and it was the only overall significant player, with 65% of the market. Delta concentrated in the market for milk having a 48% of the fresh milk market. Agno, enjoying the results of economies of scope in northern Greece\(^ {256}\) and a spin off success of its dominance in the market for fresh milk, had a substantial segment of the market for both products. Delta and Fage were the main advertisers but each concentrated on its own main products.

Lately these almost monopolistic situations broke down after a series of cross attacks and huge marketing campaigns. In 1993 Fage introduced milk products and managed to gain a

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\(^{255}\) See "Heinz Slogan a Has-Been", The Times, February 5, 1997 reporting in their new campaign Heinz have dropped the slogan.

\(^{256}\) Namely Macedonia, another symbolic name, the origin of which is currently disputed between the Former Yugoslav Republic of Macedonia and Greece. The author would welcome a solution based on established principles of passing off, like concurrent use and confusion, the addition of some disclaimers and additional distinguishing elements. It is interesting, though, that Greek reactions were partially triggered by a decision of a German court which refused to Greeks originating from Macedonia and now living in Germany to register the name of their "Macedonian Club".

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stake of almost 20%, partly due to a small erosion of Delta’s slice, partly to the erosion of
the slice of smaller firms, and partly to the overall expansion of the market. Very similar
are the results of Delta’s retaliation, a year after, and its attack on the market for yoghurt.
What is very interesting is that in their advertising wars both concentrated on which firm
introduced first each particular product in the Greek market, believing that this is what
counts in the consumer’s mind. This, in turn, results in the introduction of all conceivable
product variations. But despite the amounts spent in advertising the positions remain
unchanged, although the market responded by growing significantly, at least in the short
term. It is characteristic that in 1993 the whole (milk and yoghurt) industry spent Dr.877m
on advertising, whereas during the first month of 1994 the two competitors spent for
yoghurt only Dr.150m. Many smaller players are quite happy with the advertising blitz,
expecting that even if their share becomes smaller it will be a share in a much larger
market.257

5.9.7. The world war of Colas

At the end of 1993, in the southern Chiapas region of Mexico, Coca Cola’s advertising
message that “Coke is a revolution” was a prophesy rather than an advertising campaign:
the nick-name of the regional representative of the ruling PRI party was “El Pepsi” since
he was the owner of the plant manufacturing Pepsi Cola in the region. It is indeed the
unprecedented symbolic meaning and power of a brand name that made people declare
that they left the ruling party and drink Coke, or the local magistrates’ courts enforce
“Cola justice”, often making the defendant buy a Pepsi for the plaintiff as an alternative
way for disputes settlement.258 It remains to be seen if the Zapatistas uprising will also

257 See (all in Greek), C. KORFIATIS & D. HARODAKIS, The Battle for the Food of Gods, To Vima,
February 20, 1994, An Interview with Agno’s Managing Director, To Vima, February 27, 1994, C.
KORFIATIS & D. HARODAKIS, First Week of War, To Vima, February 27, 1994, V. NIKOLIKAKIS,
Fage’s Sales Rise by 66% in 1993, Naftemporiki, February 13, 1994, and V. NIKOLIKAKIS,

258 T. PADGETT, The War of Colas and the Zapatistas, To Vima (Newsweek), February 27, 1994 (in
Greek).
result in the erosion of the local Pepsi domination. But this is a small part of the relentless Cola war world wide,\textsuperscript{259} and a change to the image of Coke’s supremacy.

Indeed the challenge that Coca Cola is creating against Snapple -the big name in the world of New Age natural drinks - may further strengthen Sutton’s theory. Coca Cola launched Fruitopia, backing it by a $30m marketing campaign, planning to raise its 8% stake in the market to 15% initially and 30% within three years. Snapple seems unconcerned by the move, claiming that extra advertising will accelerate the market’s growth.\textsuperscript{260}

5.9.8. Price competition: the norm for aggression

Prices, of course, remain the norm for aggressive competition being relatively easy for regulators to monitor and colluders in cartels to observe; however price competition is usually the last resort.

When for example a brand name is unknown, and the relevant market abundant of divergent levels of qualities and prices, then the only way to gain entrance is by disrupting the market by undercutting competitors’ prices. Market research for Kia, an unknown South Korean car maker in the US, showed that the public was “tired” of automotive advertising in general and was not receptive to the introduction of another manufacturer, so the only strategy available was to underprice its rivals, while offering competitive quality and superior levels of standard equipment and creating an impact for its name.\textsuperscript{261}

\textsuperscript{259} For another implication of politico-economic decisions and strategies in the Cola wars reference can be made to the fact that in Saudi Arabia Coca Cola is known as the red Pepsi; this is the result of the exclusion of Coca Cola from the local market for a period of twenty five years, due to the Arab boycott against the company resulting from its presence in Israel; see A Red Line in the Sand, The Economist, October 1, 1994.

\textsuperscript{260} R. TOMKINS, Coca - Cola Looks to the Grape Beyond, Financial Times, March 2, 1994. Note that Coca Cola is now using aboriginal emblems and names such as “Mind Over Mango” to capture our imagination.

\textsuperscript{261} See, K. DONE, Monster Challenge for Cut-Price Kia, Financial Times, January 20, 1994. HOTELLING (1929) builds his hypothesis on the fact that price and real product variety are two things with which firms do not play; consumers are not accustomed to radical change and thus what is offered to them is variations on the same product. However consumerism is becoming more radical in itself, so the borders of acceptable change are shifting.
This example gives further credit to Schmalensee's model; nevertheless it refers to an over populated market rather than one of pioneers.

5.10. Conclusion

Marketers and consumers interact in the marketplace. The result of this interaction is a competitive market with an infinite number of possible variations. The number is infinite because of the multitude of product variations and the complexities of human behaviour. In this marketplace, trade marks serve a dual purpose. Firstly, they convey information between the market participants. Secondly, they function themselves as information. In this way trade marks have acquired a degree of independence from the product they mark. At the same time trade marks are part of a wider picture. They are part of a web of intellectual property rights. And also, although their aura knows no limits, the exercise of the right is territorial.

The result of their complicated nature is that their relation with competition is a paradox. They are essential for competition to exist. Plainly, a market without trade marks cannot function as a market. But trade marks can also be raised as barriers to market entry: those who have first entered a market, those who take advantage of advertising, and those who exploit the fact that trade marks are territorial can arguably use trade marks in undermining a competitive equilibrium in the marketplace.

Trade marks do influence the state of the market and their close link with competition cannot be ignored. Therefore in relation to competition trade marks cannot be left on their own. Some regulation seems inevitable. However the crucial question is the scope of such regulation.

However, in regulating trade marks we must not overlook their nature as information. Often we concentrate on their value as property. This value is the direct result of their nature. Accordingly, protection must target trade marks as information. No protection and overprotection may destroy their information perspective. The extent of protection
can only be decided on the basis of economic analysis and more importantly by answering the fundamental question: what do we want to protect in a trade mark?
CHAPTER SIX

CONCLUSION

6.1. The communicative aspects of trade marks - The common threads

6.1.1. A historical review

In chapter two of this work trade marks were viewed from a historical perspective following their transformation from demarcations of ownership - stating that the marked object belongs to the marker - to indications of origin, product quality, craftsmanship, and creativity - evidencing the origin of good wine, product safety, or the pride of the creator of the work. We have also seen that from the very beginning trade marks were often seen as the tools for enforcing monopolies or discriminating against imported products.

Although this development involved different apparent functions, in practice differences from today’s perceptions of trade marks should be based on a better theoretical understanding of trade marks and fuller appreciation. It is not necessary to posit radical changes in the role of trade marks on the marketplace. Marks and, later, trade marks were created and used because humans had the need to communicate with each other effectively.
6.1.2. Property and trade marks

Given this early indication of the communicative nature of trade marks it was appealing to ignore what was characterised in chapter three as a deontological argumentation based on property theories and concentrate on the economic-exchange functions of trade marks. However, such an analysis would be incomplete because it would bypass the fact that in law trade marks are explicitly recognised as objects of property and would also ignore the current trend of looking at trade marks as assets deserving protection because of their value rather than their function.

At the end, property theories proved appealing because paradoxically they introduced a very strong theoretical basis of bringing the consumer into the trade mark field as an active player rather than a passive viewer or indicator. Trade marks as information in a one way system would not deserve protection if no one was first perceiving and then acknowledging the information. And, even more importantly, trade marks as a multi-directional system of communicating information again would not deserve protection unless all parties were actively participating.

In other words, claims conveyed by trade marks would be irrelevant if they were not acknowledged and used as the basis for action on the marketplace. And since it takes more than one to communicate, then all parties participating in the system of communication should have recognised and protectable property rights in the relevant parts of the system.

6.1.3. An overview of trade mark functions

The theoretical deontological arguments were strengthened by the empirical evidence used in describing the “modern” functions of trade marks. In chapter four the focus was on the consumer’s understanding of trade marks, the importance of consumption in economic and social terms, and the working of this multi-directional system of information that was already tentatively described in chapter three.
Indeed there is ample evidence that trade marks have so many and such varied functions that in many cases the system devised for their protection is perplexed and uncertain, for example as to whether enforcement ought to be private or public, take into account the snob value of trade marks or not, concentrate on trade marks as indications of origin or accept as protectable other functions already recognised in general but still too nebulous to describe in detail. The problem is exaggerated first by the fact that trade marks are perceived by many as the easy way to obtain protection for elements of a product and also by the claim that trade marks are eroding the territory traditionally covered by other intellectual property rights.

Finally, by looking in chapter four at how trade marks actually work it has been confirmed that trade marks are at the same time information and also a complex system of conveying information. Without trade marks, markets as we know them would not exist.

6.1.4. The economics of trade marks

The final part of this thesis was an exercise in testing this emerging view of trade marks in terms of economics. It is obvious that trade marks are the absolute prerequisite for competition: if one is unable to distinguish one product from the other then there is no mechanism for choice nor incentive for marketers to compete.

But at the same time, as evidenced from the historical review and confirmed in the analysis of functions, trade marks are used as barriers against new entrants in product markets and as tools to compartmentalise national markets. Do these negative aspects outweigh the advantages of a competitive market evidenced and enabled by the presence of distinctive signs?

By looking at a number of different market situations it has been reconfirmed that trade marks are an extremely valuable, and at most times rational, system of exchanging information. And although it is very difficult to agree on objective terms on what
constitutes a malfunction of the system, it is misuse of the system that causes the malfunctions rather than weaknesses inherent in trade marks themselves.

6.2. Concluding remarks

As mentioned in the introduction the purpose of this thesis\(^1\) was not to provide a detailed analysis of all the conflicts arising within trade mark law itself and between trade mark law and other areas of legal or other regulation. An attempt to provide in a single thesis definitive answers to a long list of complicated issues in an ever changing environment would be unhelpful if not misleading.

Instead, the aim was to explore and underline the fundamental elements of the nature and the functioning of trade marks, viewed from diverse but inextricably linked perspectives: the history of trade marks, trade marks as property, the functions of trade marks, and the economics of trade marks.

The hypothesis was that trade marks not only consisted of information but also constituted a system for conveying a variety of messages between the users of this system, including marketers and consumers.

Accordingly, throughout this work it has been argued, hopefully convincingly, that trade marks ought to be protected, not only as legitimate objects of property, but also should be protected as a result of their function in society and the marketplace. The essence of trade marks is their communicative nature providing the rational basis for accepting that trade mark rights are property rights but also the limitations on trade mark protection.

A good example is the controversy surrounding trade marks for tobacco products. The proprietors of such trade marks must be free to exercise their property rights and use their trade marks on tobacco products. The exercise of their rights, including use in advertising, may however be limited on the basis of their societal effects. Their

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\(^1\) Chapter 1, at 13.
economic value as brands for tobacco products may also determine whether their use in relation to non tobacco products constitutes genuine or advertising use. Dilution theories offering wider protection for well known marks on the one hand and used as fences against predatory competitive practices on the other ensure that, irrespective of limitations imposed on the use of trade marks for tobacco products, their proprietors are adequately protected. So, in any possible scenario involving such a trade mark we cannot avoid an analysis on the limitations imposed on property rights taking into account the functions and economics of trade marks.

It has been shown, that even in less controversial areas, the actual information that trade marks convey changes according to economic and social considerations; what today is innovative and exclusive tomorrow may become outdated and common. Accordingly, an attempt to exclusively protect specific messages conveyed by trade marks would not only be futile and static but also anti-productive in terms of efficiency since trade marks would be protected exclusively as means to sustain the status quo of the marketplace.

On the other hand it has also been shown that the existence of trade marks triggers and dominates a complex system of multi-directional information exchanges. Failures in the functioning of such a system could have negative deontological and consequentialist results. Goodwill, for example, would be unprotected and this would, in turn, cause market inefficiencies. The marketer would remain un-rewarded and the consumer under-supplied. This would damage their position as partners in the system of information and also their level of well being. So, the continuity and integrity of the system must be protected. This means that a rational system of trade mark protection must ensure that information flows freely in all directions. Too much protection will distort the flow by blocking it: competitors do not know where their rights stop and the rights of others start and consumers are deprived from information that would be otherwise available. Too little protection will distort the flow by draining it: not trusting the system, marketers and consumers alike will gradually refuse to participate.
Conclusion

This is the only rational basis for trade mark protection: protect the integrity and functioning of the medium rather than exclusively what we perceive each time to be the current value of the message.

Legislators and, perhaps even more importantly, judges, aware of the complex nature of trade marks, must always consider why and to what extent a trade mark must be protected. Trade mark rights are property rights but in each specific case their extent must be delineated on the basis of the function of the trade mark in society and the marketplace.
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