

9-1-2008

Reexamining the Functions of Trademark Law

Mohammad Amin Naser

Follow this and additional works at: <http://scholarship.kentlaw.iit.edu/ckjip>

 Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Mohammad A. Naser, *Reexamining the Functions of Trademark Law*, 8 Chi. -Kent J. Intell. Prop. 99 (2008).

Available at: <http://scholarship.kentlaw.iit.edu/ckjip/vol8/iss1/4>

This Article is brought to you for free and open access by Scholarly Commons @ IIT Chicago-Kent College of Law. It has been accepted for inclusion in Chicago-Kent Journal of Intellectual Property by an authorized editor of Scholarly Commons @ IIT Chicago-Kent College of Law. For more information, please contact dginsberg@kentlaw.iit.edu.

RE-EXAMINING THE FUNCTIONS OF TRADEMARK LAW¹

Mohammad Amin Naser*

Introduction

Some commentators and scholars argue that the main function of trademarks is to signify quality.² This view sees trademarks as being identifiers of quality providing consumers with information about the quality of their products, and based on the consumer's previous satisfaction when making purchases. Moreover, these commentators argue that basing protection on the quality function promotes the protection for trademarks owners. As a result, manufacturers have the required incentive to produce products of high, indeed superior quality.³ This argument contends that owners of well-known trademarks should enjoy protection even when use of such trademarks by a third party is for *dissimilar* goods and/or services.

I shall argue, however, that this argument is not based on solid ground. Quality is subjective, rather than objective, and differs according to individual consumers. In addition, such an argument is artificial when applied to legal scenarios because the issue of quality is subject to economic considerations, and is both distinct from, and irrelevant to the theory of property.

In part I, I shall start by discussing the roots of the origin function of trademarks, and the possibility of this function to embody other functions of trademarks. In part II, I shall examine in closer detail the argument concerning original quality, as envisioned by its founder, the American academic Frank Schechter, while part III tackles the current expansion in Schechter's argument. Part IV questions the validity of Schechter's argument, and part V provides a special offer as a solution to the dilemma of substituting the origin function for the quality function as the basis for trademark protection. The proposed offer focuses on the source and origin function as the only *primary* function of trademarks, while keeping the door open for other secondary functions.

I. Roots and Development of the Source/Origin Argument and its Connection with Other Trademarks Functions

Understanding the concept of the source/origin argument is important in order to be able to comprehend its ability to fulfil the needs of different parties within the context of trademarks. Thus, it is essential to find its roots and to assess if its evolution could help to justify current emerging cases in trademarks, such as the issue of well-known trademarks. In this regard, I shall argue that the notion of the source/origin argument has developed, and may be modified, now and in the future, in accordance with the advent of trademarks. However, I shall start by providing a brief historical overview of the source and origin

¹ Based on a paper submitted during the Graduate Conference titled: "Trademark Functions: Origin or Quality?", and awarded the prize for best presentation, University of Leicester, March 2007.

* Moh'd Naser is a Ph.D. candidate and tutor of contract law, University of Leicester, UK. I would like to thank Andreas Rahmatian for his valuable comments on earlier drafts. I am also indebted to Lior Zemer and Camilla Baasch Andersen.

² Georgios I. Zekos, *Trademarks and Cyberspace*, 9(5) THE J. OF WORLD INTELL. PROP. 496, 500 (2006).

³ PETER S. MENELL, *INTELLECTUAL PROPERTY: GENERAL THEORIES* (BOUDEWIJN BOUCKAERT AND GERRIT DE GEBST eds., *ENCYCLOPEDIA OF LAW & ECONOMICS*, Edward Elgar, Cheltenham, UK, 2000) Vol. 2, 149.

function, which is necessary when asserting that this function has a rational basis. Further, the historical roots and development of this notion indicate that it can evolve and transform in a manner which allows the existence of secondary functions for trademarks.

A. Historical Evolution of the Origin Function

The use of trademarks finds its roots in historical practices, perhaps it “is one of the oldest of established human practices.”⁴ In its early stages, the use of trademarks involved the branding of cattle and animals,⁵ with the intention being to distinguish the ownership of one individual’s cattle from the cattle of the others by branding the cattle with certain colours or signs or by cutting the cattle ears in certain shapes. “This practice is portrayed in early Stone Age cave drawings and in wall paintings”⁶ and scholars called such marks proprietary or possessory marks.⁷

Afterwards, in mediaeval times, the use of marks to identify the source and origin took a different form, because of the advent of trade and the introduction of guild marks.⁸ Statutory regulations required each guild group to affix a certain mark to all examples of a certain product.⁹ The aim of this practice was to identify the source and origin of the goods “in order to permit detection and punishment of the individual responsible for a defect,”¹⁰ “or in order that in case of shipwreck or piracy the goods might be identified and reclaimed by the owner.”¹¹

The industrial revolution led to the emergence of the modern use of trademarks as a source and origin identifier, because of “[t]he loss of the personal connection between producer and consumer”.¹² The “natural result was the concentration of production capacity in larger units, and this in turn required the development of methods of distribution to get the goods to the consumer.”¹³ Thus emerged the use of trademarks to let consumers know the manufacturer and/or provider of the goods, i.e. “to represent to the consumer *only* the

⁴ Patricia K. Fletcher, *Joint Registration of Trademarks and the Economic Value of a Trademark System*, 36 U. MIAMI L. REV. 297, 301 (1981-1982); see also Daniel D. Domenico, *Mark Madness: How Brent Musburger and the Miracle Bra May Have Led to a More Equitable and Efficient Understanding of the Reverse Confusion Doctrine in Trademark Law*, 86 VA. L. REV. 597, 600 (2000).

⁵ Sidney A. Diamond, *The Historical Development of Trademarks*, 73 TRADEMARK REP. 222, 223 (1983); see also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 5:1 131-132 (2nd ed., The Lawyers Co-operative Publishing, 1984).

⁶ Amir H. Khoury, *Ancient and Islamic Sources of Intellectual Property Protection in the Middle East: A Focus on Trademarks*, 43(2) IDEA 151, 156 (2003); see also Diamond, *supra* note 5, at 224 (arguing that wall paintings and pottery jars used in Egypt, China, Greece and Rome showed the early uses of trademarks.)

⁷ LIONEL BENTLY & BRAD SHERMAN, INTELLECTUAL PROPERTY LAW 693 (2nd ed., Oxford University Press, 2004).

⁸ Diamond, *supra* note 5, at 230.

⁹ Abraham S. Greenberg, *The Ancient Lineage of Trade-Marks*, 33 J. PAT. OFF. SOC’Y 876, 882 (1951).

¹⁰ Fletcher, *supra* note 4, at 301; see also Frank I. Schechter, *The Rational Basis of Trademark Protection*, 60 TRADEMARK REP. 334, 335 (Reprint in 1970 of the 1927 text) (Schechter provides that guild marks were “compulsorily affixed to goods by statute, administrative order or municipal or gild regulation, so that defective work might be traced to the guilty craftsman and heavily punished, ... [t]his mark was a true mark of origin”.)

¹¹ Schechter, *supra* note 10, at 335; see also Spyros M. Maniatis, *The Communicative Aspects of Trade Marks: A Legal, Functional and Economic Analysis* (1998) (Ph.D. dissertation, University of London) (on file with the British Library).

¹² Michael Blakeney, *Trade Marks and the Promotion of Trade*, 5(6) INT’L TRADE L. & REG. 140, 140 (1999).

¹³ Diamond, *supra* note 5, at 237.

physical source or origin of the product or service in connection with which the mark was used.”¹⁴

Furthermore, in modern times, with the growth of international trade and the distribution of goods and services throughout the whole world, the source and origin function of trademarks has retained its capacity to develop, and trademarks function in a manner by which goods and/or services of one undertaking may be distinguished from those of others. The significance of this development is that the identity of the manufacturer itself is of no importance; trademarks do not tell consumers where the goods and/or services come from. Rather, consumers are now interested in knowing that certain goods and/or services emerge from a certain source and origin which could be *anonymous*, and this makes them differ between those goods and/or services from the goods and/or services of others of the same class.¹⁵ As one scholar argues: “[t]rademarks could be understood as indications, not necessarily of physical origin, but of a more general connection between the trademark owner and the trademarked goods.”¹⁶

B. Secondary Functions of Trademarks

As such, the source and origin function of trademarks is the main, and indeed, primary function of trademarks, and any trademark should be able to function in this manner. Otherwise, it could not qualify as a trademark. However, this does not mean that other functions of trademarks do not exist; trademarks could have –and in most cases have– *secondary* functions such as indicating quality, advertising and providing information. The quality function, as a secondary function, differs from the source and origin function in that the latter is a requirement in all trademarks, whereas the existence of the former is not necessary. Where it does exist, “it retains a neutral character”,¹⁷ because it informs the consumer that he/she has found a particular article with a high quality, but it could equally remind another consumer of poor quality.

Trademarks perform a further, secondary function besides that of quality, namely an advertising and marketing function.¹⁸ In today’s markets, where a huge number of goods are available, producers can use their trademarks to advertise goods and/or services¹⁹ and to allow purchasers to identify the source and origin thereof. “The way in which trade marks facilitate this process is [through] their ability to distinguish and identify goods and services.”²⁰ Indeed, “[t]he mark actually *sells* the goods,”²¹ meaning that trademarks facilitate

¹⁴ MCCARTHY, *supra* note 5, at § 3:3 110. The term “physical source or origin” means concrete origin, i.e. “that the trade mark refers to the actual producer or trader of the product ... or to a number of affiliated producers.”; see Maniatis, *supra* note 11, at 123.

¹⁵ Sidney A. Diamond, *The Public Interest and the Trademark System*, 62 J. PAT. OFF. SOC’Y 528, 537 (1980) (arguing that “[t]rademarks are the symbols that bridge the gap that now has grown so wide between the producer and the consumer.”)

¹⁶ Robert C. Denicola, *Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995*, 59 LAW & CONTEMP. PROBS. 75, 77 (1996).

¹⁷ WILLIAM CORNISH & DAVID LLEWELYN, *INTELLECTUAL PROPERTY: PATENTS, COPYRIGHT, TRADE MARKS AND ALLIED RIGHTS* 621 (6th ed., Sweet & Maxwell, 2007).

¹⁸ Fletcher, *supra* note 4, at 308-323.

¹⁹ Justin A. Horwitz, *Conflicting Marks: Embracing the Consequences of the European Community and its Unitary Trademark Regime*, 18 ARIZ. J. INT’L & COMP. L. 245, 248-249 (2001) (arguing that “a trademark operates like an advertisement by convincing a consumer to purchase the trademarked product.”)

²⁰ Blakeney, *supra* note 12, at 141.

²¹ Schechter, *supra* note 10, at 338 (emphasis added); see also Maniatis, *supra* note 11, at 155 (arguing that the aim of advertising is “to sell goods by influencing buyers.”)

consumers' identification of the source and origin of the goods and/or services. This in turn benefits the owner in selling his/her goods and/or services, because the advertising function assists in preventing of the diversion of his/her sales to other undertakings.

The advertising function relates to one of the most important theories justifying trademarks: the Social-Planning theory. According to this theory, trademark systems should be formulated in order to achieve a just and attractive culture,²² a culture which seeks to do justice to the trademark owner and to other traders and competitors stressing the cultural and expressive rights of the public in trademarks. This theory also acknowledges that the creation of trademarks goes through two stages; first, the trademark owner associates the mark with the article, and second, the public grants the required recognition to this association.²³

One of the ways of achieving this recognition and association by the public is through extensive advertising. This educates consumers and creates a demand for goods and/or services,²⁴ in order to create brand awareness in the minds of consumers, "especially in markets characterised by over-capacity and increased competition".²⁵ This makes the public's recognition more significant.

The last secondary function of trademarks is the informative function.²⁶ This function means that trademarks play an important role in providing consumers with the necessary amount of information that needs to be communicated.²⁷ Providing them with information about products is also related to personal experiences with certain products, which differ from one consumer to the other.

One can infer utilitarian grounds from this function; utilitarianism is related to the philosophical concept by which utilitarian theorists justify trademarks insofar as they reduce consumers' search costs.²⁸ One of the main grounds for the utilitarian and economic justification of trademarks is the idea that trademarks reduce consumers' search costs.²⁹ This shows the importance of philosophical backgrounds in the formulation of trademark systems. This informative function provides consumers with information regarding the sponsorship of goods and/or services, and it is vital to know the source and origin of the products. This results in a lowering of the search costs for consumers. This is especially the case when the producer enters into a licence agreement with another party in order to authorize him/her to manufacture the products under the licensors' trademark, which includes a relationship of sponsorship and affiliation that indicates a connection between the licensor (the trademark

²² William W. Fisher, *Property and Contract on the Internet*, 73 CHI.-KENT L. REV. 1203, 1214 (1997-1998); see also WILLIAM FISHER, THEORIES OF INTELLECTUAL PROPERTY, (STEPHEN R. MUNZER ed., NEW ESSAYS IN THE LEGAL AND POLITICAL THEORY OF PROPERTY, Cambridge University Press, 2001).

²³ Steven Wilf, *Who Authors Trademarks*, 17 CARDOZO ARTS & ENT L. J. 1, 8 (1999).

²⁴ Maniatis, *supra* note 11, at 122-123

²⁵ *Id.* at 154.

²⁶ This function is also called the communicative function, because of its ability to convey information to consumers.

²⁷ Blakeney, *supra* note 12, at 141.

²⁸ Andrew Griffiths, *The Impact of the Global Appreciation Approach on the Boundaries of Trade Mark*, 4 INTELL. PROP. Q. 326, 327 (2001) (Griffiths argues that trademarks "provide an economic benefit to consumers by providing them with useful information, which reduces the cost of searching for products with particular qualities."); see also Maniatis, *supra* note 11, at 120-121 (Maniatis argues that "humans learned through social interaction to utilise together with verbal symbols, other signs as mechanisms for communication" in order to preserve "the spent effort with the number of purchases we make in a lifetime".)

²⁹ Domenico, *supra* note 4, at 601 (arguing that "[t]rademarks reduce the amount of time and money a consumer must spend to obtain a product by allowing for easier differentiation among products and producers.")

owner) and the licensee. For example, it is obvious that all the COCA-COLA sold in the world does not originate from Atlanta in the U.S.³⁰ Rather, the Coca-Cola Company enters into licence agreements with others to produce under its trademark. In this way, the informative function provides consumers with information that the production of Coca-Cola in a certain country lies within the sponsorship and affiliation of a certain origin and source.

In order to assess the importance of this argument, it would be clearer if one were to imagine a world without trademarks. In such a world, consumers would not be able to differentiate between sources and/or origins of goods and/or services, and this would effectively deprive them from choosing the items of their preference. Thus, “[t]he value of being able to choose between alternatives ... diminishes.”³¹ Hence, consumers would not be able to choose rationally because they do not know the relevant information³²: source/origin of the goods. As a result, consumers would not be able to distinguish the source and origin of goods and/or services available in the market, and the loss of this primary function would further prevent other secondary functions because of their reliance and dependence on the source and origin function. This shows the importance of this primary function, and how it affects other secondary functions.

Trademarks function in a number of manners. The primary function is the source and origin function, which all trademarks should perform, whereas the quality, advertising and the informative functions are secondary functions and are attached to the source and origin function.³³ Since its first use in history and until recent times, the primary function has developed and has proved to be a flexible notion that transforms to fulfil the needs of modern trade. The source and origin function is indeed the only rational basis for trademark protection. Through this function, one is to identify that products originate from a certain source and origin, albeit anonymous, and distinguish those products from other products by others especially when products are homogenous, as well as being able to embrace other secondary functions. This establishes a rational basis for protection because it regards the consumer confusion criterion as the main issue since consumers are protected from confusion about the source and origin of the products. Consequently, this in turn benefits trademark owners as well.

II. Schechter’s Argument of Quality

The expansion in the protection of trademarks finds its roots in an article by Frank Schechter,³⁴ *The Rational Basis of Trademark Protection*, a text written in 1927.³⁵ Schechter is known as the founder of dilution,³⁶ even though he mentions this particular word only once

³⁰ Blakeney, *supra* note 12, at 141.

³¹ Maniatis, *supra* note 11, at 109.

³² CORNISH & LLEWELYN, *supra* note 17, at 621.

³³ Dan Shanahan, *The Trademark Right: Consumer Protection or Monopoly?*, 72 TRADEMARK REP. 233, 238-241(1982) (arguing that the origin function is the primary function of trademarks because it plays an important role in consumer protection, whereas the other functions are secondary functions, which not every trademark should have.)

³⁴ Frank I. Schechter is an American famous academic, he was the first to consider the quality function of trademarks as the only rational basis for trademark protection.

³⁵ Schechter’s article was first published in 1927, it was cited as: Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813-833 (1926-1927).

³⁶ Brendan Mahaffey-Dowd, *Famous Trademarks: Ordinary Inquiry by the Courts of Marks Entitled to an Extraordinary Remedy*, 64(1) BROOK. L. REV. 423, 428 (1998); *see also* Hazel Carty, *Do Marks with a Reputation Merit Special Protection*, 19(2) EUR. INTELL. PROP. REV. 684, 684 (1997) (arguing that it is Schechter, the American academic, is the founder of the dilution notion, “challeng[ing] the traditional

in his argument,³⁷ in the course of referring to the German court's decision in the *Odol case*.³⁸ His ideas about the quality function of trademarks formed the basis for a utilitarian, economic justification for trademarks, and utilitarian theorists thoroughly deployed his ideas to justify a wide scope of protection to trademarks owners.³⁹ "Behind this model lies a utilitarian rationale."⁴⁰ The reason that Schechter's argument is relevant and vital in the trademark context is that it is responsible for a change in current trademarks legislation, and his ideas led to the wide range of monopolistic rights currently enjoyed by the trademark owners.

Schechter refuted the argument of the U.S. Supreme Court in *Hanover Star Milling v. Metcalf*⁴¹ that trademarks are source and origin identifiers, arguing instead that trademarks today do not function as such. He considered this to be "[t]he orthodox definition"⁴² of the function of trademarks. He bases his argument on the proposition that with the advance of the movement of trade, it is neither practical, nor important for consumers to know the source and origin of the goods and/or services.⁴³ This is because goods are usually manufactured far from where they are consumed, and they reach consumers after being circulated amongst manufacturers and traders. Thus, the idea that trademarks denote source and origin should be discarded, because, from Schechter's point of view, "the source or origin of ... goods bearing a well-known trademark is seldom known to consumers."⁴⁴

He further contends that source and origin *per se* is of no particular importance. Instead, the importance is the consumers' ability to know that the product reaches him/her "through the same channels as certain other goods that have already given the consumer satisfaction,

origin/information basis of trade mark protection," and his ideas led many states in the U.S. to adopt anti-dilution statutes.)

³⁷ Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 126 (1993); see also Sabine Casparie-Kerdel, *Dilution Disguised: Has the Concept of Dilution Made its Way into the Laws of Europe*, 23(4) EUR. INTEL. PROP. REV. 185, 185 (2001). Some scholars argue that the roots of dilution are found in the ruling of the Supreme Court of 1894 in Germany in the *Odol case*, where the court expanded trademark protection of trademarks to include non-competing goods, but the court also required the existence of likelihood of confusion; see TONY MARTINO, TRADEMARK DILUTION 4 (1st ed., Clarendon Press, 1996). Schechter himself referred to this case in advocating his notion of quality (dilution); see Schechter, *supra* note 10, at 345-346.

³⁸ The term "dilution" seems to be an English translation for the German word "verwässert" which was first used by the German court in the *Odol case*; see Schechter, *supra* note 10, at 346.

³⁹ Akazaki argues that utilitarian theorists use Schechter's rational regarding the quality function of trademarks; they provide that since trademarks reduce consumer search costs then this will encourage them to produce high quality products; see Lee Akazaki, *Source Theory and Guarantee Theory in Anglo-American Trade Mark Policy: A Critical Legal Study*, 72 J. PAT. & TRADEMARK OFF. SOC'Y 255, 259 (1990).

⁴⁰ Wilf, *supra* note 23, at 14; see also Werner Ullah & Tony R. Martino, *The Quality Guarantee Function of Trade Marks: An Economic Viewpoint*, 11(8) EUR. INTEL. PROP. REV. 267, 268-269 (1989) (Ullah and Martino argue that the quality argument is the basis for the utilitarian and economic justification of trademarks, they argue that "trade marks lower consumer search costs[, and t]hey also act as an incentive to firms to develop and maintain consistent quality.")

⁴¹ The Supreme Court argued that "[t]he primary and proper function of a trademark is to identify the origin or ownership of the article to which it is affixed[, and w]here a party has been in the habit of labeling his goods with a distinctive mark, so that purchasers recognize goods thus marked as being of his production, others are debarred from applying the same mark to goods of the same description, because to do so ... may induce purchasers to believe that the goods which he is selling are the manufacture of another person."; see *Hanover Star Milling v. Metcalf* 240 U.S. 403, 412-413 (1916).

⁴² Schechter, *supra* note 10, at 334.

⁴³ "[T]he growth of national and international markets destroyed th[e] intimacy between producer and consumer", as such trademarks became quality identifiers "because they denote consistent quality", rather than being origin and source identifiers; see D. M. HIGGINS & T. J. JAMES, THE ECONOMIC IMPORTANCE OF TRADE MARKS IN THE UK (1973-1992) A PRELIMINARY INVESTIGATION (The Intellectual Property Institute 5 (1996).

⁴⁴ Schechter, *supra* note 10, at 335.

and that bore the same trademark. ... [Thus t]he true functions of the trademark are... to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public.⁴⁵ The quality function of trademarks is based on the premise that if the public recognizes the trademark as an indicator of origin, rather than as a quality identifier, then there will be no rationale in choosing a certain brand, over another. In particular, when consumers are interested in the utility of certain products, then “the trade mark serves to remind the consumer that those articles have in the past satisfactorily carried out their intended or expected purposes”.⁴⁶

As Schechter argues, a major insufficiency and inadequacy that results from considering trademarks as source and origin identifiers is that the protection of trademarks shall not find a proper justification if the mark is to be used by others for non-competing goods and/or services, as long as no likelihood of consumer confusion exists. This kind of protection is vital for the owner of a mark which has provided goods of consistent quality for a long time, because he/she might decide to expand the scope of his/her business to include different classes of goods and/or services. Further, allowing others to use a trademark for non-competing goods and/or services will unfairly deprive trademark owners of the use of their marks in which they have invested. He supports this argument by emphasizing that the origin and source function “ignores the fact that the creation and retention of custom ... is the primary purpose of trademarks today.” Further, he argues that the role of trademark protection should be the focus on the “preservation of the uniqueness”,⁴⁷ because using a trademark on non-competing goods and/or services decreases the distinctiveness of the mark. The real injury, which is now widely considered the definition of dilution, in such a case is:

[T]he gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used.⁴⁸

However, although the individualistic nature of Schechter’s argument is clear, some courts and scholars have expanded the scope of his argument. The aim was to introduce more monopolistic rights to trademark owners.

III. Schechter’s Quality Argument and Further Expansion of the Owners’ Rights

Schechter’s argument, albeit unconvincing, is relatively straightforward. It aims to provide a wide scope of protection to distinctive marks over non-competing goods and/or services, on the basis that such marks are identifiers of quality. However, as Schechter’s concept does not define its scope, as some have argued,⁴⁹ this matter has been subject to discussions amongst both scholars and courts. Some have argued that “[i]t is not entirely clear whether Schechter intended dilution theory to apply to noncompetitive situations *only* or to the use of certain marks on related *and* unrelated goods.”⁵⁰ Such arguments have led to the dilution concept expanding well beyond that of Schechter’s intentions.

⁴⁵ *Id.* at 336,337.

⁴⁶ Akazaki, *supra* note 39, at 258.

⁴⁷ Schechter, *supra* note 10, at 339,340.

⁴⁸ *Id.* at 342.

⁴⁹ MARTINO, *supra* note 37, at 17.

⁵⁰ *Id.* at 26.

Some have argued that the scope of dilution should not only cover the use of famous marks over dissimilar goods and/or services, but also the use of the mark over similar goods and/or services. It could be questioned why dilution should protect famous marks when used for similar goods, because marks are already protected under the traditional origin/confusion rationale. The answer is that proponents of this expansive interpretation aim to simplify their owner's burden of proof, and exempt him/her from proving any likelihood of confusion. Therefore, it is sufficient to prove that such use is likely to dilute the distinctiveness of the mark, without needing to prove *actual* damage.

This approach manifested in the European Court of Justice's decision in *Davidoff v. Gofkid*.⁵¹ In this case, the defendant registered the trademark "Durffee" as being similar to the plaintiff's well-known "Davidoff" trademark, and it was written in a very similar way, and registered for the same class of goods for which the plaintiff was using his mark. Davidoff filed a request to the German Patent and Trade Mark Office objecting to this registration, but did not succeed. The case in the courts of first instance and appeal were equally unsuccessful.⁵² Thus, the plaintiff filed the case to the Bundesgerichtshof court, and the court stayed the proceeding. In doing so, the court requested a ruling from the ECJ as to whether Member States, according to the Directive,⁵³ are entitled "to provide more extensive protection for well-known marks in cases where the later mark is used or to be used for goods or services identical with or similar to those in respect of which the earlier mark was registered."⁵⁴ The hurdle which the court was dealing with was whether article 5(2) of the Trademarks Directive, which protects well-known marks when used by others for *dissimilar* goods and/or services, should be interpreted widely to cover the use of the mark on *similar* goods and/or services. The protection of this latter case was the subject of article 5(1)(b) of the Directive. This protects similar or identical marks from being used by others for similar or identical goods and/or services, but requiring the existence of likelihood of confusion.

The ECJ refused the observations submitted to it by the Portuguese and U.K. governments defending a narrow interpretation to article 5(2). The two governments argued that the *Davidoff case* was already covered by article 5(1)(b) which requires the existence of likelihood of confusion, and especially, that "a likelihood of confusion is found more readily in the case of well-known marks."⁵⁵ The court finally ordered in favor of a wide interpretation of article 5(2) to include the case of using well-known marks even for *similar* goods and/or services, regardless of the existence of likelihood of confusion. In doing so, the court interpreted this article as:

[E]ntitling the Member State to provide specific protection for well-known registered trade marks in cases where a later mark or sign, which is identical with or similar to the registered mark, is intended to be used or is used for goods or services identical with or similar to those covered by the registered mark.⁵⁶

⁵¹ Case C-292/00 *Davidoff & Cie SA & Zino Davidoff SA v. Gofkid Ltd*, 2003 E.T.M.R. 42.

⁵² *Id.* at 535.

⁵³ Council Directive 89/104, 1988 (EC).

⁵⁴ *Davidoff & Cie SA & Zino Davidoff SA*, E.T.M.R. 42 at 536.

⁵⁵ *Id.* at 541.

⁵⁶ *Id.* at 543.

Such an interpretation is wrongly based on the view held by its proponents that “[d]ilution is not simply a broadening of the protection originally given to trade marks. It is an entirely separate concept, with its own conditions and restrictions.”⁵⁷

Contrary to this approach, Schechter’s merit is that his concept was clear with a well defined scope, although one may disagree with his argument. He limited the scope of those marks that were eligible for protection under his concept. He argued that “arbitrary, coined or fanciful marks or names should be given [a] much broader degree of protection than symbols, words or phrases in common use,”⁵⁸ and he restricted his argument to use for non-competing goods and/or services.⁵⁹ However, it could be clearly inferred that Schechter’s argument focuses on trademark owners, thereby raising questions as to whether trademark protection should seek to protect the quality of marks, or otherwise should provide equality amongst the owners and the consuming public.

IV. Quality or Equality?

It is imperative to analyze Schechter’s argument regarding quality, in order to comprehend what is the real and proper rational basis of trademark protection. Thus, one should question the validity of this argument, and assess whether the origin/source argument still maintains its merits, or whether it is simply an outdated traditional argument, as Schechter maintains.

The basis of the quality argument, by which the distinctiveness and the association of the trademark affixed with the product arises because of the owners’ efforts, is not accurate. On the contrary, the consuming public fulfils the essential role in establishing this association between the mark and the article. While an owner might try to build the association and invest in doing so, he/she might fail because the recognition of consumers in associating the mark with their product concludes the association. As such, the party that deserves protection and reward for this association is the public at large.⁶⁰ This is because the consuming public is the party who attribute the mark to the article, and thus, they have the right to maintain this association, withdraw it or lessen its significance. The owner is by no means entitled to claim this right as his/her own.

Although one might find a wide agreement and consensus among the public that certain products have high quality, the assessment of quality remains a relative matter that differs from one case to the other and is subjective rather than objective in nature. What one person

⁵⁷ Casparie-Kerdel, *supra* note 37, at 194; *see also* Stephanie Chong, *Protection of Famous Trademarks Against Use for Unrelated Goods and Services: A Comparative Analysis of the Law in the United States, the United Kingdom and Canada and Recommendations for the Canadian Law Reform*, 95 TRADEMARK REP. 642, 643 (2005).

⁵⁸ Schechter, *supra* note 10, at 343. Arbitrary mark “refers to a word in common use that has no meaning related to the product that it is used to name,” such as APPLE for computers, whereas a fanciful mark is “the made-up name that resembles no other word, such as EXXON or KODAK.”; *see* William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 288 (1988); *see also* Chris Brown, *A Dilution Delusion: The Unjustifiable Protection of Similar Marks*, 72 U of CINCINNATI L. REV. 1023, 1027 (2003-2004).

⁵⁹ Schechter, *supra* note 10, at 341-345; *see also* Pier L. Roncaglia, *Should We Use Guns and Missiles to Protect Famous Trademarks in Europe?*, 88 TRADEMARK REP. 551, 559 (1998).

⁶⁰ Wilf argues that Schechter credits trademark owners for their rationality and presumes that consumers are irrational. Wilf stresses the opposite, arguing that “[p]urchasers carefully choose material goods to construct an outward expression of identity”, and this is exactly what Schechter’s argument fails to acknowledge; *see* Wilf, *supra* note 23, at 15.

considers to be of high quality, others may find otherwise. Quality differs according to needs and expectations which is assessed on individual basis, thus “[t]he assumption that a trade marked product must be of high quality because it bears a trade mark, is unfounded”.⁶¹ Moreover, the quality notion “is in principle a neutral term which can mean good or bad quality associated with a certain source of the product”,⁶² because when “a consumer learns that he does not want particular goods, the mark ... becomes a significant warning signal.”⁶³ This suggests that the matter of quality, whether positive or negative, is something appurtenant to the source and origin function. Indeed,

[t]rade mark law makes nowhere a value judgment: trade marks and their protection are available to high and low quality products alike. The indicative function of the trade mark can therefore work either way –it can identify products as being goods of high quality, but it can also warn customers to avoid certain product in the future.⁶⁴

The quality function argument wrongly relies upon the idea that quality function is the only function of trademarks.⁶⁵ Schechter pays little heed to the source and origin function, even as a primary function. Rather, he considers the quality function as being the true function, implying that any other function, source and origin, is untrue. He considers that “the preservation of the uniqueness of a trademark should constitute the *only* rational basis for its protection”.⁶⁶ This “only rational basis” leads to strange, indeed unnatural conclusions, and accordingly, trademarks bearing products of negative or bad quality should not receive protection. Moreover, trademarks with neutral quality do not merit protection because they do not resemble quality in the sense that Schechter argues. In contrast to this approach, the quality of products does not determine the protection. Therefore, a trademark receives protection regardless of the merits of the affixed goods and/or services.

The focus should be assessing the core of Schechter’s argument: that the protection of trademarks should extend to including any situation where the mark is used for dissimilar goods. Discussing this issue leads to the importance of the philosophical foundations of trademarks, where trademark systems should be driven to achieve the vital goal of ensuring justice amongst the involved parties. As such, Schechter’s argument seeks to provide as much protection as possible for the owners in terms of expense and the rights of both the public and other traders.

V. Proposed Rationale for Trademarks Systems Based on the Source and Origin Function

The insufficiency in Schechter’s argument does not mean that owners of trademarks should enjoy no protection whatsoever. Nor does it mean that owners of well-known trademarks should not enjoy more protection than owners of ordinary marks. Rather, any trademark system should aim to provide protection for trademark owners, and, at the same

⁶¹ Andreas Rahmatian, *Trade Mark Infringement as a Criminal Offence*, 67(4) MOD L. REV. 670, 680 (2004).

⁶² *Id.*

⁶³ CORNISH & LLEWELYN, *supra* note 17, at 621; *see also* the ruling of the Second Circuit Court of Appeals in the U.S., arguing that the trader’s “mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill.”; *see Yale Electric Corporation v. Robertson* 26 F.2d 972, 974 (2d Cir. 1928).

⁶⁴ Rahmatian, *supra* note 61, 680.

⁶⁵ Ullah & Martino, *supra* note 40, at 267 (arguing that advocates of the quality function “have made an exaggerated attempt to escape the strict doctrinal requirement of a known source.”)

⁶⁶ Schechter, *supra* note 10, at 345 (emphasis added).

time, protect the rights of the consuming public and other traders.⁶⁷ Adhering to the argument that the source and origin function of trademarks are the *only primary function* achieves this because there are secondary functions, which might (but not necessarily) include the quality, advertising and information functions.

According to the source and origin function, owners of ordinary marks should enjoy their rights over their trademarks where they can use their marks and prevent others from using an identical mark over the same class of goods and/or services to which the original mark is affixed. This is because consumer confusion (as to the source or origin) is the main criterion according to the origin and source function, and in using identical marks over the same class of goods and/or services the confusion amongst consumers is assumed,⁶⁸ and the owner shall not be obliged to prove it. In this case the owner shall enjoy the right to ensure that his/her mark is not used by others who could unfairly take advantage by using an identical mark over the same class of goods and/or services, and the consuming public is protected from being confused. On the one hand, if someone uses an identical or similar mark for an identical or similar class of goods and/or services, then the owner of the mark shall have the right to prevent such use if he/she could prove that the public will be confused by this use, or at least, that the public will likely be confused by such use.⁶⁹

Owners of well-known trademarks shall enjoy more protection than owners of ordinary trademarks. Some marks prove to have more distinctiveness, repute or fame than others, and this is achieved through the owners' investment and, more importantly, the high degree of recognition and association which the consuming public attributes to the mark with the class of goods and/services to which they are used. Such marks deserve more protection than ordinary marks; however, the questions are important: what kind of protection should such marks deserve? How could this protection preserve the owners' rights, other traders' rights and public interest?

Schechter dealt with these questions from one perspective, namely the trademark owners' rights. Due to his adherence to the quality function, he wrongly concludes that trademarks should receive full protection when used by others for non-related goods,⁷⁰ because Schechter's policy focuses on "offer[ing] enhanced protection to originators of unique marks."⁷¹ However, the proper and real injury is to provide protection to the trademark owner and deprive other traders and the public of their rights. Thus, well-known marks should enjoy protection as long as their use by others results in confusion, or the likelihood of confusion as to the source or origin. One scholar has argued, in defence of such approach, that expanding the protection of trademarks to cover dissimilar goods and/or services should "cover cases in which the strength of the earlier mark's reputation was such that confusion would occur despite the lack of similarity of the parties' goods, as long as confusion" exists.⁷² This way, owners of well-known trademarks enjoy more protection than owners of ordinary marks because of their investment in the mark, and other traders shall have the right to use the mark on other classes of goods and/or services as long as there is no confusion, or likelihood of

⁶⁷ Chad J. Doellinger, *A New Theory of Trademarks*, 111 PENN. ST L. REV. 823, 833 (2007); see also Denicola, *supra* note 16, at 80.

⁶⁸ See, e.g., Trade Marks Act, 1994, c. 26, § 10(1) (U.K.), where the existence of likelihood of confusion is not required.

⁶⁹ *Id.* at § 10(2).

⁷⁰ Schechter, *supra* note 10, at 339,345.

⁷¹ MARTINO, *supra* note 37, at 23.

⁷² Amanda Michaels, *Confusion in and about Sections 5(3) and 10(3) of the Trade Marks Act 1994*, 22(7) EUR. INTELL. PROP. REV. 335, 339 (2000).

confusion. More importantly, the public will have the prerogative of using the mark where they have participated in its formulation, and they will enjoy the right to enjoy cultural and expressive rights with regard to the mark. This cultural use of trademarks is, indeed, vital to us as a public, because “our culture is enriched by these trade marks. They tell us a story and they entertain us. They help us to express ourselves in relation to our world.”⁷³

This rationale seeks equity and equality amongst the parties involved in trademarks, rather than adopting a quality argument, which serves to create illegitimate barriers of competition and affects the social and cultural development of the society in question. Once again, the importance of revisiting the philosophical foundation of trademarks comes to the surface in order to be able to legitimize and justify protection based on the confusion-origin/source rationale.

However, Schechter’s proponents and advocates of the dilution doctrine argue that Schechter’s argument suffers from inadequacy, because it fails to answer some “fundamental questions concerning the scope and the application of the doctrine”.⁷⁴ Thus, courts and scholars tried to interpret the dilution rationale and this resulted in further expansion in the owner’s rights.

Conclusion

The source and origin function of trademarks remains a valid, and indeed solid argument, and forms the proper function of trademarks. It enables owners of well-known trademarks to enjoy more protection than owners of ordinary ones. This function also preserves the rights of other traders, as well as the rights of the public. On the other hand, a number of inadequacies and hurdles in the quality argument prevent its application to trademarks. Indeed, “[i]t is unclear ... whether today Schechter would have divined the same need for promoting [such] a doctrine.”⁷⁵ Thus, by adopting the source and origin function as the *only primary function* of trademarks, we might return to a more appropriate and rational basis for trademark protection.

⁷³ Megan Richardson, *Copyright in Trade Marks? On Understanding Trade Mark Dilution*, 1 INTELL. PROP. Q. 66, 79 (2000).

⁷⁴ MARTINO, *supra* note 37, at 17.

⁷⁵ DAVID S. WELKOWITZ, TRADEMARK DILUTION FEDERAL, STATE, AND INTERNATIONAL LAW 9 (1st ed., The Bureau of National Affairs, 2002).