



**The Nature, Scope, and Limits of Modern Trademark
Protection:
A Luxury Fashion Industry Perspective**

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The final word count of this thesis is: 87,492 words.

List of Abbreviations

- A.L.J.R.: Australian Law Journal Reports
- AAAPS: Annals of American Academy of Political and Social Science
- ABA: American Bar Association
- ABS: American Behavioural Scientist
- Accounts Rev.: The Accounting Review
- Adv. Consum. Res.: Advances in Consumer Research:
- AEA: American Economic Association
- AG: Advocate General
- Alb. L.J. Sci. & Tech: Alabama Law Journal of Science and Technology
- Am. U. L. Rev.: American University Law Review
- Am.Econ.Rev: American Economic Review
- AMR: Academy of Management Review
- Ann. Rev. Law&Soc.Scie: Annual Review of Law and Social Science
- App.: Appeal
- AR: The Antiosh Review
- Ariz. L. Rev: Arizona Law Review:
- Art.: Article
- B.C.L.Rev.: Boston College Law Review

- B.U.L.Rev.: Boston University Law Review
- Berkeley Tech L.J.: Berkeley Technology Law Journal
- BM: Brand Management
- Brook L. Rev.: Brooklyn Law Review
- Buff. L. Rev.: Buffalo Law Review
- Buff.Intell.Prop.L.J.: Buffalo Intellectual Property Law Journal:
- Bus. His. Rev.: Business History Review
- Bus.Horizons: Business Horizons
- Bus.L.Rev.: Business Law Review
- BYU L. Rev.: Brigham Young University Law Review
- CAD: Comparative Advertising Directive:
- Cal. L. Rev.: California Law Review
- Cardozo Art& Ent L.J.: Cardozo Arts and Entertainment Law Journal
- CDPS: Current Directions in Psychological Science
- Ch: Chancery
- Chi.Kent J. Intell. Prop.: Chicago-Kent Journal of Intellectual Property
- Chic. U.P.: Chicago University Press
- Cir.: Circuit
- CJEU: Court of Justice of the European Union
- CMC: Consumption Markets and Culture

- CMLR: Common Market Law Review
- Co.: Company
- COA: Court of Appeal
- Colum.L.Rev.: Columbia Law Review
- Conn. L. Rev.: Connecticut Law Review
- Corp.: Corporation
- CRIID: Centre for Research on Innovation and Industrial Dynamics
- Ct: Court
- CTM: Community Trade Mark
- CTMR: Community Trade Mark Regulation
- CTRJ: Clothing and Textile Research Journal
- CUP: Cambridge University Press
- Div.: Division
- Duke J.Comp.&Int'l.L.: Duke Journal of Comparative & International Law
- Duke L.&Tech.: Duke Law and Technology Review
- DUPB: Duke University Press Book
- E.D.N.Y.: Eastern District of New York
- E.H.H.R.: European Human Rights Reports
- E.T.M.R: European Trademark Reporter
- ECHR: European Convention on Human Rights

- ECLI: European Case Law Identifier
- Econ.Inq.: Journal of Economic Inquiry
- ECR: European Courts Reports
- ECtHR: European Court of Human Rights
- EE: Edgar Elgar
- EIPR: European Intellectual Property Law Review
- EIPR: European Intellectual Property Review
- EMAC: European Marketing Academy Annual Conference: EMAC
- English Reporter: Eng. Rep.
- ETS: European Trademark System
- EU: European Union
- EWCA Civ: Court of Appeal Civil Division
- EWHC (Ch) - High Court (Chancery Division)
- EWHC (Comm) - High Court (Commercial Division)
- EWHC (QB) - High Court (Queen's Bench Division)
- F.2d: Federal Reporter 2nd Series
- F.L.R: Federal Law Reports
- Fed. Cir: Federal Circuit
- Fed: Federal
- Fla.L.Rev.: Florida Law Review

- Fn: Footnote
- Fordham Intell.Prop.Media &Ent.L.J.: Fordham Intellectual Property, Media & Entertainment Law Journal'
- Fordham L.Rev.: Fordham Law Review
- GC: General Court
- Geo L.Rev.: Georgia Law Review
- Geo. L.J.: Georgetown Law Review
- GRUR: German Association of Intellectual Property
- GWLR: George Washington Law Review
- Harv. J.L.&Tech: Harvard Journal for Law and Technology
- Harv.L.Rev.: Harvard Law Review
- HBR: Harvard Business Review:
- Hous.L.Rev.: Houston Law Review
- IBR: International Business Research
- ICC: International Chamber of Commerce
- IDEA: The Intellectual Property Law Review
- IIC: International Review of Intellectual Property and Competition Law
- IJA: International Journal of Advertising
- IJHE: International Journal of Home Economics
- IJIO: International Journal of Industrial Organisation

- Ind.L.J.: Indiana Law Journal
- IP Law Bull.: Intellectual Property Law Bulletin
- IP Strategist: Intellectual Property Strategist
- J. Acc.: The Journal of Accountancy
- J. Contemp. Legal Issues: Journal of Contemporary Legal Issues
- J.Bus.: The Journal of Business
- J.Bus.Res.: Journal of Business Research
- J.Comp.Med.&Tel.: Journal of Computer, Media & Telecommunication
- J.Consum.Res.: Journal of Consumer Research
- J.Econ.Behav.Organ.: Journal of Economic Behaviour and Organisation
- J.Econ.Surv.: Journal of Economic Surveys
- J.Exp.Psychol.: Journal of Experimental Psychology
- J.L. &Econ.: Journal of Law and Economics
- J.L.Soc'y: Journal of Law in Society
- J.Legal.Stud.: Journal of Legal Studies
- J.Mark.Res.: Journal of Marketing Research
- J.Marshall L.Rev.: John Marshall Law Review
- J.Marshall Rev.Intell.P.L.: John Marshall Review of Intellectual Property Law
- J.Pat.Offic.Soc.:Journal of Patent Office Society
- J.Pol.Econ.: The Journal of Political Economy

- JA: Journal of Advertising
- JAEBR: Journal of Applied Economics and Business Research
- JAR: Journal of Advertising Research
- JCC: Journal of Consumer Culture
- JCR: Journal Consent Resources
- JECR: Journal of Electronic Commerce Research
- Jerusalem Rev.L.S : Jerusalem Review of Legal Studies
- JIPLP: Journal of Intellectual Property Law and Practice
- JLP: Journal of Law and Policy
- JM: Journal of Marketing
- JMTP: Journal of Marketing Theory and Practice
- Journal of IFAC: Journal of the International Federation of Automatic Control
- JPBM: Journal of Product & Brand Management
- JPMD: Journal of Place Management and Development
- JPP&M: Journal of Political Policy and Marketing
- JPPM: Journal of Public Policy and Marketing
- JPTOS: Journal of the Patent and Trademark Office Society
- JSM: Journal of Service Marketing
- L&Pub.P.S.: Law and Public Policy Studies
- L.C.P.: Journal of Law and Contemporary Problems

- L.V. Louis Vuitton
- LCLR: Lewis and Clark Law Review
- LJ: Lord Justice: LJ
- Loy. L.A. Ent. L. Rev.: Loyola of Los Angeles Entertainment Law Review
- Ltd.: Limited
- M&S: Marks and Spencer
- Marq.Intell.Prop.L.Rev.: Marquette Intellectual Property Law Review:
- Mich.L.Rev.: Michigan Law Review
- Min.L.Rev.: Minnesota Law Review
- MIP: Marketing Intelligence & Planning
- MIP: Marketing Intelligence Planning
- Monash U.L.Rev.: Monash University Law Review
- N. Ky. L. Rev.: Northern Kentucky Law Review
- N.C.L.Rev.: North Carolina Law Review
- N.D. Ala.: Northern District of Alabama
- N.D.Ga:North District of Georgia
- N.D.N.Y.: Northern District of New York
- N.M.Law.Rev.: New Mexico Law Review
- NJTIP: Northwestern Journal of Technology and Intellectual Property
- NJW: Neue Juristische Wochenschrift

- Notre Dame L.R.: Notre Dame Law Review
- Nw U.L.Rev.: Northwestern University Law Review
- Nw.J.Int'lL.&Bus.: Northwestern Journal of International Law & Business
- NY Univ.PL<: New York University Public Law and Legal Theory
- NYU L.Rev.: New York University Law Review
- NYUP: New York University Press
- OHIM: the Office of Harmonization of Internal Market
- P&M: Journal of Psychology & Marketing
- p.: page
- Phils.Pub.Aff: Philosophy and Public Affairs
- Plc: Public Limited Company
- PMS: Perceptual Motor Skill
- Q.J.Econ.: Quarterly Journal of Economics
- QMJIP: Queen Mary Journal of Intellectual Property
- RCB: Research in Consumer Behaviour
- Rev.Econ.Stud.: Review of Economic Studies
- RIO: Return on Investment
- RJE: Bell Journal of Economics
- S.Ac.L.J.: Singapore Academy Law Journal
- S.Ct.: Supreme Court

- S.D. Ala.: Southern District of Alabama
- S.D.N.Y.: Southern District of New York
- S.D.N.Y.: Southern District of New York
- S.L.Rev.: Stanford Law Review
- S.M.U.L.Rev.: SMU Law Review
- San.Diego L.Rev.: San Diego Law Review
- Santa Clara Computer&High.Tech.L.J.: Santa Clara Computer and High
Technology Law Journal
- Santa Clara J.Int'IL.: Santa Clara Journal of International Law
- Sec.: Section
- Seton Hall.Leg.J.: Seton Hall Legislative Journal
- Seton Hall L.Rev.: Seton Hall Law Review
- T&CP: Transnational and Contemporary Problems
- Tex.In'l.L.J.: Texas International Law Journal
- TMA: Trade Marks Act 1994
- TMD: Trademark Directive
- TMR: Trademark Reporter
- TQR: The Qualitative Report
- TRIPS: Trademark Related Aspects of Intellectual Property Rights
- U. Pa. L. Rev.: University of Pennsylvania Law Review

- U. Pitt. L. Rev.: University of Pittsburgh Law Review
- U.C.L.R.: University of Chicago Law Review
- U.Ill.L.Rev.: University of Illinois Law Review
- U.N.S.W.L.J.: University of New South Wales Law Journal
- U.S.: Supreme Court of the United States.
- UC Law Rev.: The University of Cincinnati Law Review
- UK: The United Kingdom
- UKHL: House of Lords
- UKHL: House of Lords
- US: The United States
- Va. L. Rev.: Virginia Law Review
- Val.U.L.Rev.: Valparaiso University Law Review
- Vand.L.Rev.: Vanderbilt Law Review
- Ves. Jr.: Vesey Junior's Chancery Reports
- Vill.L.Rev.: Villanova Law Review
- Vol.: Volume
- W.D.N.Y.: Western District of New York
- W.K: Wolters Kluwer
- W.L.R.: West Law Reports
- Wash.L.Rev.: Washington Law Review

- WIPO: World Intellectual Property Law Organisation
- Wisc.L.Rev.: Wisconsin Law Review
- WL: West Law
- Y.B. Yearbook
- Y.J.L.L.: Yale Journal of Law and Liberation
- Y.L.J.: The Yale Law Journal
- ZACC: South African Constitutional Court Cases
- ZR: German Supreme Court

List of National and International Rules

Table of Statutes

- Trade Marks Act 1994
- Trade Marks Act 1938
- Trade Marks Act 1905
- Human Rights Act 1998
- Trade Marks Act 1919
- Merchandise Marks Act 1862
- Trade Mark Registration Act 1975
- Patents, Designs and Trade Marks Act 1883

Table of International Legislation

- Australian Trade Marks Act 1995
- German Trademark Act 1994
- Japanese Trademark Act of 1939
- Manufacture and Goods Mark Act France 1857
- Benelux Trade Marks Act 1971
- Benelux Trade Marks Act 1978
- South African Trade Marks Act of 1993
- The Lanham (Trademark) Act 1946
- Trademarks Dilution Revision Act 2006
- Act No. 148, Tobacco Plain Packaging 2011 C-2011A00148.

- Benelux Convention on Intellectual Property (Trademarks and Designs) of February 25, 2005

Table of Statutory Instruments

- Control of Misleading Advertising (Comparative Advertisement) (Amendment) Regulations 2000, SI 2000/914
- The Copyright and Right in Performances (Quotation and Parody) Regulations 2014, 2014/2356.
- Electronics Commence (EC) Regulations 2002, 2002/2013.

Table of European Legislation and Treaties

- Council Directive 2006/114/EC concerning misleading and comparative advertising [2006] OJL 376/21.
- Council Directive 97/55 amending Directive 84/450/ EEC concerning misleading advertising as to include comparative advertising [1997] OJL 290/18.
- Council Directive (EU) 2015/2436 of 16 December 2015 of the European Parliament and Council [2015] OJL 336/1
- Council Directive 2005/29/EC of 11 June 2005 concerning unfair business-to-consumer practices in the internal market [2005] OJL149/22.
- First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1988] OJL 40/1.
- Community Trade Mark Regulation (CTMR), Reg 40/49 [1994] OJ 11/1.
- Charter of Fundamental Rights of the European Union [2012] OJ C326.

Table of International Treaties

- The Paris Convention (as last revisited at Stockholm on 14 July 1967)
- TRIPS agreement. Act on the Protection of Trademarks and other Signs (as amended up to Act of October 19, 2013)
- Treaty of Rome(EC Treaty)

List of Cases

European Union

- 105/1999 HOLLYWOOD / HOLLYWOOD (FR).
- *A-165 Markt intern Verla GmbH and Klaus Beermann v. Germany* [1990]12 E.H.R.R. 161.
- *Adidas Salomon AG. v. Fitnessworld Trading Ltd*[2003] E.T.M.R 91Opinion of AG Jacobs.
- *Ashby Donald v. France* [2013] App. No. 36769/08.
- *Autronic AG v. Suisse* [1990] 12 E.H.R.R. 485, App. No. 12726/87.
- *C-10/89 S.A. CNL-SunCal v. Hag AG* [1990] ECR I-3725 Opinion of AG Jacob.
- *C-10/89 SA CNL-Sucal NV v. Hag GF ah (HAG II)* [1990] ECR I-3711.
- *C-10/89 SA CNL-Sucal v. Hag AG (HAG II) (C-10/89)* [1990] 3 CMLR 571.
- *C-104/01 Libertel Groep BV v. Benelux Merkenbureau* [2003] ECR I-03793.
- *C-16/74 Centrafarm BV v. Winthrop BV* [1974] ECR I-1183.
- *C-16/74 Centrafarm v. Winthrop BV* [1974] ECR 1184.
- *C-206/01 Arsenal Football Club v. Mathew Reed Case* [2002] E.T.M.R. 19.
- *C-206/01 Arsenal v. Reed* [2002] E.T.M.R 18. Opinion of AG Ruiz Colmer.
- *C-21/08 Sunplus Tech v. OHIM Case* [2009] ECR I-48.
- *C-228/03 Gillette Company v. Gillette Group Finland* [2005] E.C.R I-2337.
- *C-229/03 Gillette Co v L-A Laboratories Oy* [2005] FSR 37.
- *C-236/08 Google France SARL and Google Inc. v. Louis Vuitton Malletier SA*[2010] E.T.M.R. 30.
- *C-245/02 Anheuser-Busch v. Budějovický Budvar* [2004] E.T.M.R 27.

- C-251/97 *Sabel Bv v. Puma* [1997] ECR I-06191 Opinion of AG Jacobs.
- C-251/97 *Sabel Bv v. Puma* [1997] ECR I-06191.
- C-252/07 *Intel Corp Inc v. CPM United Kingdom Ltd* [2008] ECR I-8823.
- C-252/12 *Specsavers International Healthcare Ltd. v. Asda* [2013] E.T.M.R. 36.
- C-252/12 *Specsavers International Healthcare Ltd. v. Asda* [2013] Bus.L.Rev. 1277.
- C-253/07 *Intel Corporation Inc. v. CPM United Kingdom Limited* [2008] ECR I-08823 Opinion of AG Sharpson.
- C-254/09 *Calvin Klein Trade mark Trust v OHIM Case* [2010] ECR I-07989.
- C-273/00 *Ralf Siekman v. Deutches Patent and Markenamt* [2007] C.M.L.R. 40 Opinion of Advocate General Colmer.
- C-273/00 *Ralf Siekmann v. Deutsches Patent- and Markenamt* [2002] ECR I-11737.
- C-291/00 *Societe LTJ Diffusion v. Sadas Vertbaudet SA* [2003] ECR I-2799.
- C-292/00 *Davidoff & Cie SA v. Gofkid* [2002] E.T.M.R 99, Opinion of AG Jacobs.
- C-292/00 *Davidoff & Cie SA v. Gofkid* [2003] 1 C.M.L.R. 35.
- C-323/09 *Inteflora British Unit v. Marks & Spencer plc.* [2011] WL 4388782.
- C-323/09 *Inteflora v. Marks & Spencer Plc.* [2012] E.T.M.R. 1.
- C-324/09 *L'Oréal SA v. Ebay* [2011] E.T.M.R. 53.
- C-335/96 *Silhouette Int'l Schmied GmbH & Co. KG v. Hartlauer. Handelsgesellschaft mbH* [1998] E.C.R. I-04799.
- C-337/96 *Christian Dior SA v. Evora* [1997] ECR I-6013.

- C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v Klisjen Handel BV* [1999] ECR I-3819.
- C-375/97 *General Motor Corp v Yplon SA* [1999] E.T.M.R. 122, Opinion of AG Jacobs.
- C-375/97 *General Motors Corp v. Yplon SA* [1999] ECR I-5421
- C-39/97 *Canon Kabushiki Kaisha v. MGM* [1999] R.P.C. 117.
- C-40/70 *Sirena S.r.l. v. Eda S.r.l and Others* [1971] ECR 69.
- C-408/01 *Adidas Salamon v. FitnessWorld Trading* [2004] 2 W.L.R. 1095.
- C-46/10 *Viking Gas v. Kosan Gas* [2011] E.T.M.R. 58.
- C-46/10 *Viking Gas v. Kosan Gas* [2011] ECR I-06161 Opinion of AG Kitkott.
- C-48/05 *Adam Opel AG v Autec AG* [2007] ECR I-1017.
- C-487/07 *L'Oréal SA v. Bellure NV* [2009] ECLI 378
- C-487/07 *L'Oréal v. Bellure* [2009] ECR I-5185.
- C-59/09 *Copad v. Christian Dior* [2009] E.T.M.R. 40, par. 24-26.
- C-65/12 *Leidseplein Beheer BV v. Red Bull GmbH* [2013]. ECLI:EU:C:2013:196, Opinion of AG Kokott.
- C-65/12 *Leidseplein Beheer BV v. Red Bull GmbH* [2014] ECLI:EU:C:2014:49.
- C-73049/01 *Anheuser-Busch Inc v. Portugal* [2007] E.T.M.R. 24
- C-85/76. *Hoffman La Roche v. Centrafarm* [1978] ECR 461.
- *Casado Coca v. Spain* [1994] 18 E.H.R.R. 1, App. No.15450/89.
- Case C-102/07 *Adidas and Adidas Benelux* [2008] ECR I-0000 ('Adidas II').
- Case C-533/06 *O2 Holdings v. Hutchinson* [2008] ECR I-4231.
- *Gut Springenheide and Tusky v. Oberkreisdirektor des Kreises Steinfurt* [1998] ECR I-4681.
- *Jacobowski v. Germany* [1995] 19 E.H.R.R. 64, App. No.15088/89.

- Joint Cases C-236-238/08, *Google v. Louis Vuitton* [2010] ECR I-2417.
- *L&D S.A. v. In the Matter of An Application for Invalidity* [2015] No. 16182.
- *Markt intern Verlag GmbH and Klaus Beermann (A/165)* [1990] 12 E.H.R.R. 161.
- R-1004/2000 *Ferrero v. Kindercare Learning (KINDER CARE/ Kinder et al)* [2005] E.T.M.R. 6.
- R-1513/2009 *MerSi/ Merci* (30 July 2009)
- R-283/1993-3 *Hollywood S.A.S.v. Souza Cruz S.A.* [2002] E.T.M.R. 705.
- R-308/2003-1 *Mango Sport System S.R.L. Socio Unico Mangone Antonio.*
- R-339/2008-1 *SUPERSOL/SUPERSOL* [2009].
- *re Direct Wines Application O-306-03*(13 Oct. 2003).
- *Steel and Morris v. United Kingdom* [2015] ECHR 15.
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Abstract

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Traditionally, trademarks were considered as convenient tools for source identification, and were granted legal recognition on this premise. However, more recently, trademarks have evolved in a new yet challenging medium as an effective tool for both corporate and social communication. The changing nature of trademarks and the subsequent emergence of modern trademark functions have prompted legal change within the European Union. Whilst this result is not in itself surprising, the approach adopted within the EU for the integration of the modern functions into the European trademark system has raised justifiable concerns on whether the balance of the trademark system has been disrupted.

Given the dilemma, this thesis aimed to evaluate and critique the current system for modern trademark protection in Europe, and to propose change accordingly. To achieve this objective, the thesis used the luxury fashion industry as an analytical tool capable of reflecting accurately the various dimensions of the modern functions, particularly those aspects which are often overlooked within the legal spectrum. Only when the modern functions were *fully* comprehended, a proposal for a sound, balanced system for protection which takes into account the interests of all players in the market became plausible.

Using an interdisciplinary approach, the thesis showed that the significance of trademarks lies within its communicative value which in turn has three dimensions; *brand-consumer communication*, *consumer-consumer communication*, and *consumer-public communication*. The effective protection of the modern functions necessitates the recognition of all these three facets. The thesis argued that theoretically, the protection of the brand-consumer communication dimension can be normatively justified based on a misappropriation ground through a limited, well-articulated anti-free-riding provision. In practice, Article 5(2) if interpreted in the light of the free-riding rationale suggested, can provide sufficient safeguards for the protection of brand-consumer communication. While such approach may simultaneously advance the communicative interest of some consumers (consumers of the particular brand), it falls short from protecting the broader public interest in communicating through trademarks. To fully preserve the other dimensions of trademark communicative, an effective expressive use defence which preserves the right of the public to transform, act on, criticise, resist, or challenge traditional brand meanings is crucial.

Conclusively, disregarding any of these dimensions, which is regrettably the case now, will necessarily disrupt the balance of the trademark system and will simultaneously empower brand owners to manipulate consumer demand.

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No portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Dedication

To the soul of my father and to my mother

My pride, my strength, and my happiness

This is for you...

Chapter One

Introduction

1.1 Background and Research Problem

Currently, few could credibly argue against the significance of trademarks in modern society.¹ Yet, despite the recognition of the importance of trademarks, mirrored in their explicit legal protection under most constitutions,² the topic was until recently overshadowed by other fields of intellectual property.³ However, the recent acknowledgment of the controversial modern functions,⁴ which led to the expansion of the boundaries of trademark protection, has brought trademark law back into focus. This focus requires an analysis of the value of trademarks, an understanding of the expansion of their legal protection, and an evaluation of the merits of such an expanded protection. But, in particular, it requires an evaluation of the most favourable approach for the integration of the modern functions into the European trademark system. To do so, the thesis uses the luxury fashion industry as an analytical tool that helps illuminate on the actualities of these functions, evaluate the normative justifications advanced for their protection, and discuss the effectiveness of existing counterbalances.

¹ W. Howarth, 'Are Trademarks Necessary' (1970) 60 *TMR* 228, 228.

² *Ibid*, 230.

³ In 1998 Leaffer argued that the ever-increasing evolution of trademarks is remarkable on its own and should be thoroughly addressed in academic literature. See M. Leaffer, 'The New World of International Trademark Law' (1998) 2(1) *Marq.Intell Prop L Rev.* 1, 2.

⁴ The modern functions of trademarks as pronounced by the CJEU are: advertising, investment and communication. See C-487/07 *L'Oréal SA v. Bellure NV* [2009] ECLI 378, par.58.

1.1.1 The Value of Trademarks and the Market Players

To shed sufficient light on the actual value of trademarks, a multi-lens analysis that focuses on three main parties: consumers (public), trademark owners and competitors is essential.

Generally, corporations (trademark owners) are increasingly employing exceptional efforts to protect their marks from counterfeiting, imitation, unfair use, and parody among other things.⁵ Effective use of trademarks helps them avoid economic, financial, and social loss which may result from pre-emption, competition, and imitation. Trademarks help corporations enhance efficiency of production and differentiate their products in an overly crowded marketplace.⁶ For consumers, trademarks facilitate the process of purchase,⁷ aid decision making,⁸ and most controversially act as a mechanism for self-expression.⁹ Finally, competitors benefit from existing trademarks to draw attention to their products, compete effectively and, penetrate new markets.¹⁰

⁵ K. Levy, 'Trademark Parody: A Conflict between Constitutional and Intellectual Property Interests' (2001) 69 *Wash.L.Rev.* 425, 432.

⁶ M. Willkins, 'The Neglected Intangible Assets: The Influence of Trademarks on the Rise of Modern Corporation' (1992) 35(1) *Bus. His.* 66, 82.

⁷ Generally, see M. McKenna, 'A Consumer Decision-Making Theory of Trademark Law' (2012) 98 *Va.L.Rev.* 67.

⁸ *Ibid.*

⁹ Generally, see W. Sakulin, *Trademark Protection and Freedom of Expression: An Inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law* (Information Law Series) (Wolters Kluwer, 2010).

¹⁰ W. Fisher, 'Theories of Intellectual Property, in New Essays in the Legal and Political Theory of Property' in S. Munzer (eds), *New Essays in the Legal and Political Theory of Property* (CUP, 2001) 168-193.

All this highlights the significance of trademarks. Yet, despite the universal acceptance of the role of trademarks in facilitating communication and nurturing the economic cycle, much debate has emerged on the preferable shape and direction of the trademark protection system. This is attributed to the unique nature of trademarks,¹¹ the difficulty associated with valuing trademarks as assets,¹² but most importantly the complexity related to achieving an equilibrium which fairly protects all competing interests.¹³

Currently, each of the parties mentioned above strive for a legal/judicial system which favours their interests. So, competitors claim that unbalanced protection endows the corporate class with semiotic power which can influence the marketplace culture negatively.¹⁴ Trademark owners view a business-unfriendly system of protection as one which encourages unfair business practices such as free-riding, communizes trade identities, and inhibits all means of commercial protection.¹⁵ Consumers, also, are increasingly calling for the free use of symbols for the purpose of broader cultural dialogues. This conflict of interests which characterizes the law of trademarks results in the peculiar complexity of this area of law. Naturally, this may impede the process of developing a coherent legal doctrine for trademark protection. Furthermore, it increases the risk that any legal framework dealing with trademarks may be erroneous

¹¹ See chapter 2, Section 2.4.1 for a detailed analysis on the nature of trademarks.

¹² For information about the how brands are measured as financial assets see generally: J. Sykes, *Valuation and Exploitation of Intellectual Property and Intangible Assets* (XPL Publishing, 2002). Many companies provide yearly reports valuing top leading brands. For example, see Intra-brand (<http://www.interbrand.com/en>).

¹³ M. Senftleben, 'Overprotection and Protection Overlaps in Intellectual Property Law – The Need for Horizontal Fair Use Defences' in A. Kur, V. Mizaras (eds), *The Structure of Intellectual Property; Can One Size Fit All*(Elgar, 2010), Chapter 8.

¹⁴ Fisher (n.10) 169. Also, see A. Chander, M. Sunder, 'Everyone's a Superhero: A Cultural Theory of "Mary Sue" Fan Fiction as Fair Use' (2007) 95 *Cal. L. Rev.* 597, 601. Both these academics argue for legal changes that redistribute the balance of power to consumers.

¹⁵ M. Kathryn, M. Foley, 'Protecting Fictional Characters: Defining the Elusive Trademark-Copyright Divide' (2009) 41 *Conn. L. Rev.* 921, 960.

in its reasoning, destructive in its results, or unfair from the perspective of at least one of concerned parties.¹⁶

1.1.2 The Expansion of Legal Protection

The recent recognition of reputation-based rationales for trademark protection highlight how in the European Union (EU), the legal protection of trademarks has evolved in a new medium which protects trademark owners in the absence of adequate consumer based considerations.¹⁷ Accordingly, the courts have recognised the existence of modern functions,¹⁸ thus, expanding the premise on which trademarks are protected. It has become clear that legislators within the EU are revolutionising trademark law in such a way that consumer rights, which were once the primary concern of trademark law, are no longer principal.

This inclination to favour trademark owners' interests has been contested for providing trademark owners with unlawful monopolies which stifle competition and injure the public.¹⁹ It is alleged by a number of commentators that the Court of Justice of the EU (CJEU) acting on the Trademark Directive (TMD) has failed to justify their approach of extending trademark protection beyond traditional trademark principles.²⁰

¹⁶ B. Pattishall, 'Trade-Marks and the Monopoly Phobia' (1952) 50(7) *Mich.L.Rev.* 967, 972.

¹⁷ D. Gangjee, R. Burrell, 'Because You're Worth It: L'Oréal and the Prohibition on Free Riding' (2010) 73(2) *Mod. L. Rev.* 282, 282.

¹⁸ See chapter four, Section 4.2 for a retrospective discussion on the legal recognition of the modern functions.

¹⁹ H. Weinberg, 'Is the Monopoly Theory of Trademarks Robust or Bust' (2005) 13 *J.Intell.Prop.L.* 137, 165.

²⁰ Generally, see D. Gangjee (n.17) 282. See chapters four and five for a thorough discussion on extended trademark protection. It should be noted that Council Directive (EU) 2015/2436 of 16

1.1.3 Issues Raised by the Expanded Legal Protection and the Recognition of the Modern Trademark Functions

Several questions emerge from the above discussion. First, what are the current functions of trademarks in the market place? Second, to what extent should the law recognise these functions? Third, if a convincing theoretical explanation exists for such expansion, how far can trademark law systems extend before the law becomes overly oppressive, impinging on competition and freedom? Answering these questions necessarily involves a consideration of the theoretical justification for the recognition and protection of the modern functions and their integration into trademark law. It also requires an analysis of the legal counterweights to extended protection under the current system, and whether such expansion leaves sufficient room for the use of trademarks as resources ‘for the construction of identity and community’.²¹

1.2 Research Purpose and Objectives

Given the broad nature of the issues highlighted above, it is important to confine them for the purpose of this thesis. Therefore, the main question that the thesis will focus on

December 2015 of the European Parliament and Council has been approved on 16 December 2015 but is yet to take effect.

²¹ R. Coombe, *The Cultural Life of Intellectual Properties* (DUP, 1998) 132.

is: how should the European trademark system reflect the modern trademark functions without harming the interests of any of the market players involved? To answer this research question the thesis will carry out the analysis through the lens of the luxury fashion industry. This will facilitate the understanding of the modern realities of trademarks and will add a practical dimension to the debate. The choice of this industry as an analysis tool will be justified in the next section.

The research question addressed by this thesis is: *Using the luxury fashion industry as an analytical tool, how should the modern functions of trademarks be integrated into the current system of European trademark law?*

To answer this question the following research objectives need to be fulfilled:

1. To discuss the evolution of trademarks and their relationship to other related concepts such as goodwill and brands,
2. To highlight the role of consumers in co-authoring trademarks and whether such role justifies a more consumer-centred trademark system,
3. To critically analyse both the traditional functions and the modern functions of trademarks,
4. To analyse whether the protection of the modern functions can be detrimental to consumer welfare,
5. To provide theoretical grounds on which the modern functions of trademarks can be incorporated into the European trademark system,

6. To evaluate the current approach to modern trademark protection using the theoretical analysis provided as a benchmark, and
7. To assess the effectiveness of existing counterbalances in limiting trademark protection with particular focus on expressive uses in the fashion industry.

1.3 Specific Industry Approach: The Luxury Fashion Industry

The thesis analyses trademark law through the lens of the luxury fashion industry. Namely, the luxury fashion industry will be used to deliberate on the substance of the modern functions, to critically analyse the theoretical justifications for extending trademark protection, and to evaluate the effectiveness of the existing limitations in relation to expressive uses. Two further questions should be addressed: why use an industry specific approach? And why use the luxury fashion industry?

Generally, the majority of research in the area of trademark law analyses the validity of the current system in abstract terms based on the assumption that consumer behaviour as well as trademark owners' strategies and competitors' activities are identical across different industries. This thesis submits that an industry specific approach may reveal aspects of modern trademark use that cannot be emphasised through a general analysis. As a result, such approach sheds light on particular areas in which judicial interpretation of trademark cases should be more functional.

As for the second question, there is a common consensus that the luxury fashion industry is one which is driven by ‘design content’ and ‘design turnover’ considerations.²² It might be thought, therefore, that any legal thesis addressing the luxury fashion industry would focus on design and copyright aspects of the law. However, a critical point often overlooked, is that the legal concerns of the fashion industry extend far beyond these law issues. Increasingly, high-end fashion designers are encountering legal problems exceeding design protection such as issues concerning employment law, commercial sales, corporate governance, and most relevant to this thesis, trademark law.²³ The lack of attention to these areas is problematic, particularly in light of the increased litigation instigated by and against fashion houses.²⁴

As will be explained in the thesis, this industry provides a useful lens through which the evaluation of the modern functions can be provided. This is principally because purchases in this industry are largely driven by the associations attached to brands represented by trademarks. Furthermore, companies within this industry employ various techniques to add an experience dimension to their brands.²⁵ This dimension results in the development of the communicative functions of trademarks, which are in turn the cornerstone for the newly recognised modern functions. As such, the luxury fashion industry enables the author to evaluate with more specificity the modern functions of trademarks, their justifications and the adequate scope for their protection.

²² K. Raustiala, C. Sprigman, ‘The Piracy Paradox: Innovation and Intellectual Property in Fashion Design’ (2006) 92 *Va. L. Rev.* 1687, 1694.

²³ The increased complexity of both the fashion industry and the laws affecting it led to the development of a relatively new area of law often referred to as fashion law. Generally, see G. Jumenez, B. Kolsun, *Fashion Law; A Guide for Designers, Fashion Executives and Attorneys* (FairChild Books, 2013)

²⁴ E. Schwartz, ‘Red With Envy: Why the Fashion Industry Should Embrace ADR as a Viable Solution to Resolving Trademark Disputes’ (2012) *CJCR* 279, 282.

²⁵ G. Atwal, A. Williams, ‘Luxury Brand Marketing-The Experience is everything’ (2009) 12 *JBM* 338, 338-340.

Furthermore, such an approach will help to fill an essential gap in terms of advice on the rights and obligations on the various players within the industry. Given the central role of this industry to the overall thesis, it is important at this stage to shed a light on the dynamics of the luxury fashion industry and its evolution.

1.3.1 The Luxury Fashion Industry: A Brief Overview

Within academic literature, there is no consensus on the definition of the term fashion.²⁶ However, there is common agreement that fashion entails a series of changes amongst the choices people make and is characterised by rhythmic imitation, innovation and change.²⁷ Thus, the main elements of fashion are people, time, acceptance, and place.²⁸ Virtually, everything has the potential to satisfy the elements listed above. However, for the purpose of this thesis, the definition of fashion will be narrowed down to include fashion in its aesthetic forms, including clothing accessories, perfume, and beauty products.

Aesthetically, fashion represents the ‘relentless human quest’ for creative combinations of colour, shape, and material to create visually appealing designs.²⁹ Fashion designers infuse their creativity with their innovation to create new fashion

²⁶ Oxford Dictionary defines fashion as ‘a popular or the latest style of clothing, hair, decoration, or behaviour’. See Oxford Dictionary, ‘Fashion’ (*Oxford Dictionary*, n.d) <<http://www.oxforddictionaries.com/definition/english/fashion>> Accessed 3 January 2016.

²⁷ G. J. Sumathi, *Elements of Fashion and Apparel Design* (New Age International, 2007) 5.

²⁸ *Ibid.*

²⁹ T. Jackson, C. Haid, ‘Gucci group – the new family of luxury brands’ (2002) 4(2) *IJPD* 61, 61.

trends that are supposed to make humans looking ‘endlessly appealing’.³⁰ In this sense, ‘fashion is the embodiment of beauty and fantasy’.³¹

The in-born desire of humans for new things, the emergence of mass production tools, the ease of transportation that came as a result of the industrial revolution, and most recently the rise of internet-based commerce contributed significantly to the exceptional growth levels in the fashion industry. In 2015, the Joint Economic Committee of the US reported that the fashion industry account for \$1.2 trillion dollar of the global economy.³² The direct value of the fashion industry in the UK was estimated at £26 billion.³³ These figures clearly reflect the economic significance of fashion. However, this economic dimension is not the only critical aspect in the fashion industry.

In particular, the continuous quest for beauty and fantasy does not come without a cost, particularly for consumers. To stay in fashion, a consumer needs to ceaselessly acquire new items defined by the latest fashion trends.³⁴ For the purpose of this thesis, this confirms that firms will continue to adopt commercial strategies that enable them to increase their sales, even if that may be detrimental to the overall consumer welfare.

³⁰ H. Sun, ‘The Distinctiveness of a Fashion Monopoly’ (2013) 3 *JPEL* 143, 144.

³¹ *Ibid*, 143.

³² Joint Economic Committee, ‘The Economic Impact of the Fashion Industry’ (*Maloney*, 2015) <<http://maloney.house.gov/sites/maloney.house.gov/files/documents/The%20Economic%20Impact%20of%20the%20Fashion%20Industry%20--%20JEC%20report%20FINAL.pdf>> Accessed 25 June 2015.

³³ British Fashion Council, ‘Facts and Figures AW 2014’ (British Fashion Council, 14 February 2014) <<http://www.britishfashioncouncil.co.uk/pressreleases/Facts--Figures-AW14.>> Accessed 21 June 2015.

³⁴ Sun (n.30) 143.

So far, the discussion is pertinent to the fashion industry in general. In practice, the fashion market is divided into a number of distinct market segments (luxury, high-street, supermarket, outlets etc.).³⁵ For the purpose of this thesis and for reasons that will be outlined subsequently, the luxury fashion industry will be the main focus.

1.3.2 Luxury Fashion and its Relationship to Trademark Law

‘Luxury is attention to detail, originality, and exclusivity and above all quality’.³⁶ This was until recently a definition very accurately applicable to the luxury fashion industry. During the 1800’s, and early 1900’s, innovative artisans, designers and technicians combined meticulous craftsmanship with high quality material to produce commodities built on the very promise of superior quality.³⁷ This approach remained post the industrial revolution in which many designers resisted the emerging opportunities for mass production and continued to focus on the delicacy of their designs. As for consumers, along with the quality dimension, one particular motive which drove consumption of luxury at that stage was consumption for the purpose of signalling status and wealth.

³⁵ Generally, see H. Blumer, ‘Fashion: From Class Differentiation to Collective Selection’ (1969)10(3) *Sociol.Q.* 275.

³⁶ A. Bonati, CEO of watchmaker Officine Panerai, in IJL, ‘The Definition of Luxury’ (*IJL*, September 2014) < <http://www.luxuryjewelleryshow.com/blog/the-definition-of-luxury/> > Accessed 27 August 2015.

³⁷ B. Beebe, M. Sunder, *The Luxury Economy and Intellectual Property: Critical Reflections* (OUP, 2015) 31.

This motive often referred to as ‘conspicuous consumption’ although ancient, was rarely discussed within social literature until Veblen’s ‘theory of leisure class’ emerged in 1973.³⁸ It is fair to state that this point represented a new era for the recognition of trademarks beyond the quality promise. However, despite the undeniable Veblen effect, quality remained the most critical factor of the production and sale process.

The celebrated resistance to the industrialisation of the luxury fashion was short lived. Since the 1980’s, the emergence of large corporate actors in the luxury industry³⁹ signalled a new era for the concept of luxury fashion. In the words of Beebe, ‘luxury trademarks have gradually transformed from indicators of objects de lux to ambassadors of products marketed world-wide by multinational luxury conglomerates’.⁴⁰ The historic *maisons* of delicate handmade products were swept away and eventually more luxury fashion houses became receptive of downward brand extensions (e.g. Emporio Armani, Giorgio Armani, and Armani Exchange).⁴¹ Most controversially, Trademarks became the method through which these luxury companies invaded new markets, attracted new consumers and targeted new market segments.

³⁸ Generally, see T. Veblen, *The Theory of the Leisure Class* (Houghton Mifflin, 1973). Veblen’s conspicuous consumption theory argues that the motive for consumer’s spending of money and acquiring of luxury goods is to be able to publicly display economic power.

³⁹ For example see the merger between LV and Moët Hennessy (LVMH) which now owns Louis Vuitton, Givenchy, Celine, Emilio Pucci etc.).

⁴⁰ Beebe, Sunder (n.37) 37.

⁴¹ Downward brand extension involves downscale extensions which encompass both a lower quality level and a lower price point which suits the necessities of the value market. For a full account, see A. David, ‘Should You Take Your Brand to Where the Action Is?’ (1997) 75 *HBR* 135.

Along with this transformation, the role of luxury trademarks also changed. The focus on craftsmanship and quality decreased and the acceptance of trademarks as objects of a desire to communicate increased. As will become apparent in the discussion in chapter two, fashion corporations, driven by the logic of generating short-term sales, placed more emphasis on the concept of good branding using various techniques to draw attention to their brands (the branding phenomenon).⁴² This led to the emergence of ‘masstige luxury’,⁴³ which encourages making luxury products available to everyone.⁴⁴ Consequently, the impact of luxury fashion was no longer confined to a narrow consumer segment (the rare elite), but rather has spread to affect most consumer segments. This transformation within the luxury fashion industry, from an emphasis on quality to an emphasis on aura, renders this industry the perfect reference point for a profound analysis on the modern functions of trademarks. Furthermore, it allows a more constructive evaluation of the dilution theory and the unfair advantage rationales, both of which drive modern trademark protection within the EU. Finally, the emergence of the expressive fashion phenomenon by which luxury houses are becoming targets for social expression provides a suitable medium for evaluating the effectiveness of the social limitations on trademark rights currently existing in the EU.

Finally, it should be noted that luxury fashion provides a better lens for the analysis than the luxury industry in general, because it remains an industry in which imitation

⁴² S. Gay, ‘Distinguishing Your Brand in a Saturated Fashion Market’ (*Not Just Label*, 19 September 2014) <<https://www.notjustalabel.com/editorial/distinguishing-your-brand-saturated-fashion-market>> Accessed 24 June 2015.

⁴³ Masstige refers to prestige products which are targeted towards the mass. The term was introduced in M. Silverstein and N. Fiske, *Trading Up: Why Consumers Want New Luxury Goods--and How Companies Create Them* (PORTFOLIO, 2008) 10.

⁴⁴ See chapter five, section 5.2 for a more illustrative discussion on the impact of this transformation on modern trademark protection.

and copying is more prevalent compared to other luxury industries.⁴⁵ Increasingly, to maintain vast economic and cultural power, trademark owners within this industry rely on the intellectual property law, and particularly trademark law, to protect the rarity of their designs, creations, or innovations.⁴⁶ That said, and to fully answer the research question posed earlier, the thesis will assess the relationship between luxury and fashion beyond the realm of confusion and counterfeiting.⁴⁷

1.4 Delimitation of the Thesis

Given the boundaries set for this study, the following should be noted. First, the thesis will focus on the infringement criteria reflected under Article 5 of the European TMD.⁴⁸ As such, the registration criteria under Article 10 will not be considered. However, it is notable that there exist significant overlaps between the infringement and registration criteria. Therefore, much of the discussion on Article 5 will be applicable under Article 10.

Second, Article 5 of the TMD specifies the rights conferred on a trademark owner by a trademark. Given the focus of the thesis on the ‘modern functions’ of trademarks, the analysis will only address Articles 5(1)(a) (absolute ground for infringement) and

⁴⁵ K. Raustiala, C. Sprigman, *The Knockoff Economy: How Imitation Sparks Innovation* (OUP, 2012) 20-21.

⁴⁶ Beebe, Sunder (n.37) 4.

⁴⁷ For example, see K. Tu, ‘Counterfeit Fashion: The Interplay between Copyright and Trademark Law in Original Fashion Designs and Designer Knockoffs (2010) 18 *Tex. L. Rev.* 419.

⁴⁸ This is equivalent to Section 10 of the Trade Marks Act 1994 (TMA henceforth).

Article 5(2) (anti-dilution provision) as the controversy over the modern functions mostly emerges in these contexts. Accordingly, Article 5(1)(b) which focuses on the confusion analysis, will only be discussed when and if needed, in the context of the infringement criteria.

Third, although an all-inclusive discussion on the current limitation infrastructure requires delving into several key areas including comparative advertising, parallel importation and referential use, the thesis will focus on freedom of expression. This area will be used as an evaluative lens to test the effectiveness of existing limitations. The reason for this approach is the often overlooked relationship between consumer contribution in the development of brand value and their rights of using trademarks for the purpose of expression.⁴⁹

1.5 Methodology

The research is based on a qualitative analysis which uses both primary and secondary resources. Particularly, European directives, UK legislation and both national and CJEU case law will be employed for the purpose of the discussion. Also, the thesis makes regular reference to legislation and cases from other jurisdictions especially from the US where needed. This jurisdiction provides a good reference point, given its

⁴⁹ Unlike the EU, the US First Amendment (Amendment I) prohibits the making of any law which infringe on freedom of expression.

long standing history of recognising the modern trademark functions and developing defences to countervail the consequences of adopting an anti-dilution provision.

Given that the aim of this thesis is to evaluate features of the TMD and to propose change accordingly, elements of doctrinal research will be used. Under a doctrinal analysis, the essential features of the legislation and case law will be critically examined. Then all the relevant themes will be combined to establish an arguably complete statement of the relevant law.⁵⁰ Therefore, this thesis will commence by locating the sources of the law that are relevant to answering the research questions, and will then proceed to interpreting and analysing the text. Doctrinal analysis can take a variety of forms, including theoretical research and reform oriented research. For the purpose of this thesis, a reform oriented approach, which is premised on the idea of evaluating the adequacy of existing rules and recommending changes, will be used.⁵¹

However, relying on pure doctrinal analysis for the purpose of this thesis could be inadequate. In discussing the modern functions of trademarks, it is important to address the derivations of the law, its effects on the society, and its effect on the consumer. Therefore, an interdisciplinary approach will also be employed. Such research method involves any form of integration or synthesis between two or more disciplines. From a legal perspective, interdisciplinary research involves the connection of traditional methods of legal research with methods and techniques from other disciplines.⁵² In

⁵⁰ D. Watkins, M. Burton, *Research Methods in Law* (Routledge, 2013) 7-11.

⁵¹ D. Pearce, E. Campbell, D. Harding, *Australian Law Schools: A Discipline Assessment for the Commonwealth Tertiary Education Commission* (Australian Government Publishing, 1987) 198.

⁵² D. Vick, 'Interdisciplinarity and the Discipline of Law' (2004) 31(2) *J. Law & Soc.* 163, 165.

particular, for the purpose of this thesis, brand and consumer behaviour theories will be used to inform the debate on the substance of the modern trademark functions and the value of trademarks within the broader social nexus. This will shape the analysis on how modern functions should be integrated in the current trademark system. Overall, a hybrid approach which employs doctrinal research in addition to interdisciplinary research will be used to address the research objectives.

In terms of the type of reasoning employed, the research will be based on inductive reasoning in which the conclusions are based on observations derived from a specific industry analysis.⁵³ The luxury fashion industry will be used to justify the functions of trademarks and to evaluate both the extension of trademark protection and the effectiveness of available counterbalances. In the concluding chapter, conclusions will be arrived at based on the analysis of the specific industry. Here, it should be noted that given the characteristics of the luxury fashion industry discussed above, the findings derived from the analysis will constitute the highest tolerable level of protection that the law could afford trademark owners.

Finally, the thesis adopts a stakeholder approach taking into consideration the interests, freedoms, and obligations of the three main parties who are influenced by the trademark system: the consumers, the trademark owners and the competitors.

⁵³ K. Mangal, S. Mangal, *Research Methodology in Behavioural Science* (PHI Learning, 2013) 9.

1.6 Structure

This thesis is divided into six chapters in addition to an introduction (chapter one) and a conclusion (chapter eight).

Chapter two: This chapter functions as the foundational stone of this thesis and is divided into two parts. The first part introduces the concept of trademarks and discusses its nature. This part highlights the impediments of attempting to distinguish between trademarks, goodwill, and brands. Acting on the presumption that it is no longer possible to segregate these three concepts, the final section explains the brand phenomenon and the elements involved in the creation of valuable brands. The second part provides a historical review of the development of trademark protection which will assist in contextualising the modern functions.

Chapter three: The chapter expounds the essential functions of trademarks. The discussion in this chapter bridges the gap between the traditional concepts of trademark protection (confusion based protection) and the modern concepts of trademark protection. By highlighting the inadequacies of the traditional justifications, this chapter will illustrate the importance of the modern functions and the need for their protection.

Chapter four: Building on the criticisms discussed in chapter three, this chapter explores the realities of the modern functions and discusses whether they should be

legally recognised. The chapter is divided into three main parts. The first part delves into the realities of the modern functions using the luxury fashion industry as an analytical tool. It discusses their significance from both a corporate and a social perspective (communicative value), and highlights the tools that are applied for the creation of this communicative value (advertising and investment). The second part uses consumer behaviour theories to analyse whether the protection of these functions is detrimental to consumer welfare. The final part engages in both an economic and a practical analysis of the importance of protecting the modern functions.

Chapter five: This chapter explores the normative justifications that can be advanced for extending trademark protection. It is divided into two main parts. The first part evaluates the dilutive harm theory including both blurring and tarnishment. The second part delves into theories of misappropriation as a basis for extended trademark protection. After analysing both justifications, the thesis will attempt to propose an appropriate normative ground for extending trademark protection.

Chapter six: This chapter engages in an evaluation of the current approach used for extending trademark protection in the EU, using the theoretical analysis provided in chapter five as a reference point. It is divided into three main parts. The first part analyses Article 5(1)(a), highlights its shortcomings, and proposes change accordingly. The second part focuses on Article 5(2). As in the first part, the various conditions laid down in the provision are analysed and evaluated. The chapter concludes by highlighting the importance of limitations to balance trademark rights.

Perceived in its entirety, the chapter enables a critical evaluation of the CJEU approach in dealing with the modern trademark functions.

Chapter seven: This chapter examines the effectiveness of the currently existing social limitations using expressive fashion as an evaluative lens. To provide a comprehensive analysis on this issue, the chapter is divided into four main parts. Employing a theoretical and a practical perspective, the first part underlines the significance of expressive uses in general and within the fashion industry in particular. The second part discusses the multiple types of expressive uses and highlights their inherent value. By shedding light on the value of such uses, the inevitability of legal interference becomes evident. The third part evaluates the current approach for the protection of expressive uses and highlights their shortcomings. The final part discusses the most suitable approach for the protection of expressive uses and constructs a model defence accordingly.

Chapter eight: This chapter summarises the findings of the thesis and provides concluding remarks. It also highlights areas for further research.

1.7 Conclusion

In addition to the logistical complexities in managing trademarks, the thesis is driven by a desire to fill an existing literature gap. It is expected that by providing comprehensive answers to the postulated objectives, the author will be able to answer a deceptively simple question: taking into consideration the contemporary mediums which influence trademark use, where should the boundaries of trademark protection lie?

Chapter Two

An Overview of Trademarks, Brands and Related Concepts

2.1 Introduction

In order to appreciate the complexity of trademarks and their modern functions, a general discussion which sheds light on their evolving nature and their relationship to other key concepts such as goodwill and brands is essential. Therefore, this chapter aims to set the foundational base on which the remainder of the thesis will be developed.

First, this chapter introduces the general concept of trademarks and differentiates it from other types of intellectual property rights. Second, it delves into the nature of trademarks, types of symbols that can be generally classified as trademarks, and the most prominent roles of trademarks in the market place. This discussion will help shed light on the extended definition of trademarks that currently occupies both the legal and the commercial parlance. Third, the analysis attempts to distinguish between trademarks, brands, and goodwill, three terms which overlap extensively. The analysis will reflect how, despite enthusiasm within academic literature to keep these concepts separate, it is almost impossible to do so practically. Finally, the chapter provides a brief history of modern trademarks. The historical review will clarify how trademark

rights which were once understood under the tort of passing off (requiring fraud as a prerequisite),⁵⁴ now bear more resemblance to real property rights.

2.2 Trademarks as Intellectual Property

Intellectual property is an intangible subject matter that originates from the exercise of human intelligence and that provides solid basis for conferring exclusive legal rights.⁵⁵

Intellectual property refers to a particular subgroup whose subject matter is intangible but is yet associated with legal entitlement.⁵⁶ In the advent of globalization and in light of the inexorable technological growth, intellectual property has grown in prominence and has gained ‘enticing new allure’.⁵⁷ This has certainly been the case with trademarks. However, it is worth underlining that there is an essential difference in the foundational principles of trademark law compared to the laws protecting copyright and patents.

With patents and copyrights, the law endeavours to protect the creative expressions of ideas such as music, literature, art, and inventions. To do so, the courts reward talent by treating it as property. Nevertheless, trademark protection does not stem from the aspiration to disseminate knowledge or elevate discourse. The rationale for trademark

⁵⁴ A passing off action allows trader A to prevent a competitor B from passing their goods as if they were A’s. Passing off in theory protects property – goodwill – but in a limited way.(i.e. only where a relevant misrepresentation and likely harm). See L. Bently, B. Sherman, *Intellectual Property Law* (3rd ed., OUP, 2009) 727.

⁵⁵ *Ibid*, 2.

⁵⁶ D. Bosworth, *The Management of Intellectual Property* (EE, 2006) 23.

⁵⁷ *Ibid*, K. Idris, *Intellectual Property; a power tool for economic growth* (WIPO, 2003) 24.

protection seems to be highly economic and market oriented, aiming to protect consumers from market deception and trademark owners from unfair competition. In this sense, trademarks have no practical or theoretical connection to the laws of copyright and patents.

In fact, there are several academic debates as to whether trademarks should be regarded as intellectual property (such as Cornish).⁵⁸ Nevertheless, it can be argued that because trademarks are *marketing intangibles* that materialise as a result of human intellect, then, presumably, they satisfy the definition of intellectual property. Barner argues that a thorough analysis of the theory of trademarks reveals that it is based on the same underlying economics as patents and copyrights, since trademarks can also contribute to the public stock of ideas and information.⁵⁹ This analysis although important, remains outside the ambit of the thesis. Accordingly, it will be presumed that trademarks are intellectual property.

2.3 Trademarks as Property

Understanding the conception of trademarks as property is important as it shapes the discussion on the extent of control trademark owners deserve over their trademarks. Traditionally, in the Blackstone era, property ownership equated to the absolute physical domination of goods. Hence, courts in protecting property were protecting

⁵⁸ W. Cornish, *Intellectual Property: Omnipresent, Distracting, Irrelevant?* (OUP, 2004) 75.

⁵⁹ D.W. Barnes, 'A New Economics of Trademarks' (2006) 5(1) *NJTI* 22, 57.

the possession of things only.⁶⁰ As of the nineteenth century, numerous exceptions to this traditionalist perception to property emerged. Courts started to fictionalize things that did not physically exist. Eventually, acting on the theory of natural law on one hand, and the instrumentalist public policy of the state on the other hand, valuable interests were labelled as non-physical property. Thus, these were granted protection as if they were physical property.⁶¹

Under this interpretation of property, ownership became equated with the legal idea of possession, control, and use of things rather than physical domination.⁶² Property ownership simply empowered owners to exclude others from using that resource without permission.⁶³ Just as the owner of the land can forbid others from using it without permission, so the owner of a non-physical property, under this new interpretation, could prevent the unpermitted use of the intangible property.⁶⁴

The natural law theory was applied to various forms of non-physical property, with the aim of protecting the intangible value of investments.⁶⁵ Yet, because words and symbols in regular use are considered as ‘Common Property’, treating them as individual property was objectionable.⁶⁶ As a result, traders were compelled to create

⁶⁰ K. Vandeveld, ‘The New Property of the Nineteenth Century: the development of the modern concept of property’ (1980) 28 *Buff. L. Rev.* 325, 333.

⁶¹ *Ibid.*, 340.

⁶² F. Pollock, ‘The History of the Law of Nature: a Preliminary Study’ (1990) 1(1) *J. Comp. Leg.* 418, 419.

⁶³ W. Landes, R. Posner, ‘Trademark Law: an Economic Perspective’ (1987) 30 *J. Law Econ.* 265, 265.

⁶⁴ *Ibid.*

⁶⁵ Fisher (n.10) 172.

⁶⁶ J. Moskin, ‘Dilution Law: At a Crossroads? Dilution or Delusion: The Rational Limits of Trademark Protection’ (1993) 83 *TMR* 122. In contrast, see S. Carter, ‘Does it Matter Whether Intellectual Property is Property?’ (1992) 68 *Chi-Kent Law Review* 715, 720-723.

new words and symbols known as technical marks to represent their products.⁶⁷ Since then, the classification of trademarks as property became feasible, albeit solely under the natural law theory of property.

However, classifying trademarks as property *per se* remains problematic. Although trademarks bear more resemblance to real property than patents and copyrights (unlimited duration), trademark owners merely own a right to exclude others from using their marks in a way that can be harmful to their business.⁶⁸ This right is neither absolute nor unconditional. If the property in words was absolute as the property in land for example, the allegation that trademark protection grants word monopolies would be indisputably valid.

McKenna argues that trademark protection in its current formulation endows trademark owners with a quasi-property in a mark only.⁶⁹ Yet, some commentators such as Bone, contend the opposite stating that the legal framework governing trademarks is certainly premised on a pure property-based conception. He alleges that this is ‘inconsistent with trademark law’s core policies of trademark, namely, protecting consumers and improving the quality of information in the marketplace’.⁷⁰

⁶⁷ R. Bone, ‘Hunting Goodwill: The History of the Concept of Goodwill in Trademark Law (2006) 86 *B.U. L. Rev.* 547, 563.

⁶⁸ Vandeveldle (n.60) 343.

⁶⁹ M. McKenna, ‘The Normative Foundations of Trademark Law’ (2006) 82(5) *Notre Dame L. Rev.* 1839, 1940.

⁷⁰ *Ibid.*

While the unprecedented expansion of trademark law (particularly in the absence of effective counterbalances) maybe logically scrutinised, arguing that consumer protection was traditionally the sole objective trademark law mischaracterises the foundations of trademark law.⁷¹ The levelled criticisms against extended protection cannot draw their normative force by contrasting modern doctrines with *traditional* principles, disregarding modern policy goals.⁷²

2.4. The Definition and the Nature of Trademarks

2.4.1 The Definition of Trademarks

While patents and copyrights can be described as governmental grants which give their inventor the right to exclusively use, make, or sell a product for a pre-determined time period, trademarks until very recently were merely perceived as indicators of the commercial origin of goods. Therefore, trademarks were never classified as monopolies.⁷³ Yet, trademark protection entails inherent monopolistic elements. In fact, it is arguable that the monopolistic elements inherent in trademark protection are extending beyond reasonable limits. This point is connected to the main question underlying this thesis on the desired shape of modern trademark protection.

⁷¹ *Ibid.*

⁷² M. McKenna (n.69) 1941. Generally, see W. McGeeveran, M. McKenna, 'Confusion Isn't Everything' (2013) 89 *Notre Dame L. Rev.* 253.

⁷³ K. Borchardt, 'Are Trademarks an Anti-Trust problem?'(1943) 31(3) *Geo. L.J.* 245, 245.

A trademark is defined as ‘any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings’.⁷⁴ As the definition shows, trademarks are not limited to symbols in the strict sense as the law theoretically permits the registration unconventional marks.⁷⁵ Regardless of whether trademarks are strictly symbols or not, it is reasonable to state that the power of trademarks and the legal privileges attached to them are extraordinary. Trademarks endow their proprietors with an inherent value which can, with intelligence and due diligence, last infinitely.

2.4.2 The Nature of Trademarks

Generally speaking, what is covered by a trademark is extrinsic to the product itself.⁷⁶ Therefore, the functional qualities and peculiarities of an article lie outside the boundaries of trademark protection and deserve attention elsewhere (such as patent law or advertising law).⁷⁷ That is not to say that trademarks do not convey any information about the quality and characteristics of products. Nevertheless, information about the physical attributes of products is gained from the consumers’ experience with the products attached to the trademark, rather than from the trademark itself.⁷⁸

⁷⁴ TMA sec. 1. For an earlier definition, see B. Paster, ‘Trademarks- Their Early History’ (1969) 59 *TMR* 551, 551.

⁷⁵ W. Anson, W. Suchy, H. Ahya, *Fundamentals of Intellectual Property Valuation: a primer for identifying and determining value* (The American Bar Association, 2006) 35. However, it must be noted that trademarks despite their increasingly growing value are delicate in nature and can be easily destroyed. See *Bourgeois & Co. v. Katzek*, 260 U.S. 689 (S.Ct.1923).

⁷⁶ W. Molengraff, ‘The Nature of Trademark’ (1920) 29(3) *Y.L.J.* 303, 303.

⁷⁷ See Act of Cong. Feb. 20, 1905, 33 *Stat L.* 731.

⁷⁸ N. Economides, ‘The Economics of Trademarks’ (1998) 78 *TMR* 523, 533.

Words are the most common types of marks.⁷⁹ Word marks include: coined word marks (fanciful marks) such as Kodak, random word marks which have no connection to the products to which they are attached such as Apple, or words that suggest the product function (suggestive marks) such as Kleenex.⁸⁰ Nonetheless, business entities that adopt word marks and especially suggestive marks run a risk that these words will become generic, hence, will eventually fall into public use.⁸¹ In this case a trademark will lose its legal protection.⁸² This point reasserts the argument that once reprivatized, the trademark loses its private property characteristics and becomes free to use within the public sphere.⁸³

Trademark owners have also benefited from the legal recognition of new types of protectable subject matter (implicit in the current TMD) such as smell marks⁸⁴ and colour marks⁸⁵ subject to the condition that these symbols have a source identifying function.⁸⁶ In fact, the expansion of protectable subject matter in trademark law, which occurred alongside the expansion of trademark protection in Europe, has heightened the debates on the need to reconsider the current legal attitude towards trademarks.

⁷⁹ Molengraff (n.76) 306.

⁸⁰ S. Levy, D. Rook, *Brands, Consumers, Symbols and Research* (Sage, 1999) 173.

⁸¹ S. Diamond, 'How to Use A Trademark Properly' (1971) 61 *TMR* 431, 431-433.

⁸² Molengraff (n.76) 307. This problem has recurrently occurred within the pharmaceutical industry.

⁸³ Generally, see J. Hughes, 'The Philosophy of Intellectual property' (1988) 77 *Geo L.J.*, 287.

⁸⁴ Case C-273/00 *Ralf Siekmann v. Deutsches Patent- and Markenamt* [2002] ECR I-11737.

⁸⁵ Case C-104/01 *Libertel Groep BV v. Benelux Merkenbureau* [2003] ECR I-03793.

⁸⁶ The trend towards the recognition and protection of unconventional trademarks presents a paradox in the legal spectrum. See S. Sandri, S. Rizzo, *Non-Conventional Trade Marks and the Community Law* (Marques, 2003).

2.4.2.1 Trademarks and Other Labelling Marks

It is essential at this early stage to distinguish between trademarks and other labelling marks.⁸⁷ For example, a trade name is not a trademark and thus, the former should not be used to signify a trademark unless both are identical.⁸⁸ Similarly, unlike a trademark which associates a product to a source, a certification mark (such as a cotton mark registered by the National Cotton Service) seeks to identify products with specific characteristics or to signify that the commodities comply with certain standards.⁸⁹ Finally, a label or a ticket may include a trademark, however, the former is more encompassing as it may feature other information in addition to the trademark.⁹⁰

2.4.2.2 Trademarks as Marketing Shortcuts

A trademark constitutes a ‘merchandising shortcut’ and is a ‘rich open treasury of data’.⁹¹ A trademark acts as an external cue which helps customers retrieve valuable information about specific products which cannot otherwise be actively processed. Jacoby in this respect analogizes a trademark to an icon on a computer screen. By pressing this icon, a plethora of information appears.⁹² In the context of trademarks, the retrieved information is in the form of linked nodes which possess either positive or

⁸⁷ Generally, see Molengraff, (n.76) 303-311. Also, see M. A. Steiner, ‘Trade names’ (1910), 20 *Y.L.J.* 44.

⁸⁸ G. Smith, *Trademark Valuation* (Wiley, 1997) 40. The permissibility of the registration of these marks was made explicit Council Directive (EU) 2015/2436 of 16 December 2015, Art.3.

⁸⁹ *Ibid*, Smith.

⁹⁰ Molengraff (n.76), 303, 306.

⁹¹ Justice Frankfurter comment in: *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

⁹² J. Jacoby, ‘The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution’ (2001)91 *TMR* 1013, 1017-1018.

negative signals.⁹³ This information is what persuades consumers to select a particular commodity over another.⁹⁴ Generally, a trademark acts as an ‘information umbrella’ that contributes to resolving information asymmetry and remedying market failure through safeguarding the quality of market information and through acting as a simplifier for purchase decisions.⁹⁵

Nonetheless, information retrieved through a trademark can be either factual (e.g. toothpaste reduces cavities) or alternatively in the form emotional responses created by advertising campaigns.⁹⁶ While the first type of information can indeed remedy information asymmetry (through reducing search costs and assuring quality), there is less consensus on the economic significance of the second type of information.⁹⁷ This lies at the heart of the modern trademark debate. A comprehensive understanding of these conflicting functions of trademarks constitutes the basis on which chapters three and four will be developed.

2.4.2.3 Trademarks as a Symbol for Goodwill

In addition to the conventional role of trademarks as information transmitters, trademarks have developed since the second half of the 19th century in a new, yet, controversial context, namely, in the context of the misappropriation model of

⁹³ P. Peter, C. Olson, *Consumer Behaviour & Marketing Strategy* (7th ed., McGraw-Hill, 2005) 58.

⁹⁴ J. Swann, ‘An Interdisciplinary Approach to Brand Strength’ (2006) 96(4) *TMR* 943, 947.

⁹⁵ G. Ramello, ‘What’s in a Sign? Trademark Law and Economic Theory’ (2006) 20. *J.Econ.Surv* 547, 556-557.

⁹⁶ Bone (n.67) 554.

⁹⁷ See discussion in chapter three, section 3.2.2 for a detailed discussion on quality assurance and search cost reduction.

trademark law.⁹⁸ Under this model, trademark law aims not only to prevent confusion, but also to prevent unauthorised misappropriation through protecting the goodwill of a business. The logic of this misappropriation argument is straightforward. A defendant who uses the plaintiff's mark to attract customers will be regarded as improperly exploiting the goodwill of an existing business even if the plaintiff's goodwill was not impaired in anyway.⁹⁹ Viewed from a legal and a moral perspective, misappropriation entails free-riding which should arguably be prohibited. While this explanation of misappropriation is straightforward, the connotation of goodwill is less obvious, owing to the indefinite scope of the term. Therefore, this section will endeavour to interpret the concept of goodwill. This discussion frames the essential question that occupies the rest of the thesis: is the extensive protection of trademarks which is catalysed by the desire to protect extended forms of goodwill justifiable? Here, emphasis should be placed on the concept of *extended goodwill* for reasons that will be explained subsequently.

From a legal perspective, goodwill is a concept difficult to conceive as a thing of form or substance. Basically, goodwill is labelled as a course of conduct, rather than a thing, which makes future business more than an accident.¹⁰⁰ Most commonly, goodwill is defined as the business reputation and the special value attached to a mark when the seller's investment in advertising and quality produces customer loyalty.¹⁰¹ Lord

⁹⁸ Generally, see Bone (n.67). B. Beebe. 'The Supressed Misappropriation Origins of Trademark Anti-Dilution Law: The Landgericht Elberfeld's Odol Opinion and Frank Schechter's Rational Basis of Trademark Protection' in R. Dreyfuss, J. Ginsburg, *Intellectual Property At the Edge: The Contested Contours of IP* (CUP, 2014). *McDonald's Corp. v. McBagel's Inc.* 649 F. Supp. 1268 (S.D.N.Y, 1986).

⁹⁹ Bone (n.67) 550.

¹⁰⁰ J. T. McCarthy, *McCarthy on Trademarks and Unfair Competition* (3rd ed., Clark Boardman Callaghan, 1992) quoting Justice Holmes dissent in *Traux v. Corrigan*, 257 U.S. 312(1914).

¹⁰¹ E. S. Rogers, *Goodwill Trademarks and Unfair Trading* (The Lawbook Exchange, 1914) 13. Also, see *Crutwell v. Lye* 17 Ves. Jr. 335 [1810].

Macnaghten in the case of *Trego v. Hunt*¹⁰² notes that goodwill can be built up through years of hard work or through lavish expenditure of money.

Practically, goodwill has no independent existence apart from the business to which it is attached. The concept, however, is broad and bears further elaboration. Bone distinguishes between three types of goodwill each with a different scope. The most limited form of goodwill is brand goodwill. Brand goodwill conveys positive, usually factual, information about the particular product to which a trademark is attached. This type of goodwill can only be misappropriated if a third party uses a similar trademark in a confusing manner, deceiving consumers as to the origins of the goods.¹⁰³

The second type of goodwill is referred to as firm goodwill. It extends beyond associations with a specific product and includes the positive impressions which consumers form about the firm as a whole. Misappropriation in this context can occur when a third party uses a previous mark in such a way as to create an association between the trademark and his products. Direct confusion here is not the core issue. Rather, the impression of association enables the third party to benefit from the association that a consumer infers from the use of the trademark.

Finally, the most contested type of goodwill is inherent goodwill.¹⁰⁴ Appropriation of this type of goodwill occurs when a third party benefits from the positive connotations

¹⁰² *Trego v. Hunt* [1886] A.C. 7:12 T.L 80.

¹⁰³ Bone (n.67) 551-552.

¹⁰⁴ *Ibid*, 551-553.

that attach to the mark itself. For example, if a third party uses the Chanel trademark in an independent market to that in which Chanel operates, appropriation occurs simply because the third party is benefiting from the luxury and prestige associations which are inherent in the Chanel mark.¹⁰⁵ Consumers understand that there is no direct or indirect association between the trademark and the junior products, but they are simply attracted to the associations inherent in the mark itself.

From an accounting standpoint, goodwill is defined with more specificity. The concept is defined as the intangible resources that businesses rely on to attain an above normal income along with other identifiable assets.¹⁰⁶ It is the value placed on anticipated future earnings in excess of a reasonable return on producing assets.¹⁰⁷ According to the US case of *Halverson v. Walker*,¹⁰⁸ if a company that is properly managed did not yield enough profit to reimburse its debts, then its goodwill can be considered of no value for its prospective purchases.¹⁰⁹ Whilst the thesis is mostly concerned with the legal definition of goodwill, it should be emphasised that it is the financial value of goodwill which brings forth a demand for the legal protection that will be addressed in chapter four.

¹⁰⁵ *Ibid.*

¹⁰⁶ R. Parr., G. Smith, *Intellectual Property, Valuation, Exploitation and Infringement Damage* (Wiley, 2005) 42. T. Jacobsen, 'Trademarks and Goodwill- Relationships and Valuation' (2001)12 *J. Contemp. Legal Issues* 193, 193.

¹⁰⁷ L. Spacek, 'The Treatment of Goodwill in the Corporate Balance-Sheet' (1964)1 *J. Acc.* 35, 35. Also, see J. Yang, *Goodwill and Other Intangibles, their Significance and Treatment in Accounts* (The Ronald Press Company, 1927).

¹⁰⁸ *Halverston v. Walker*, 38 UTAH 264 (1910).

¹⁰⁹ The unique intangible nature of goodwill and the laissez faire approach for the treatment of these assets, have led to different methods for treating goodwill in accounting contexts.

The significance of the concept of goodwill to the broader trademark debate was provided by Lunsford who noted that ‘only second in importance to the building of goodwill is the establishing of marks, by which it is fixed and visualised’.¹¹⁰ The goodwill of a particular business can only be affixed to the mind of consumers through the use of a trademark. In the mind of consumers, trademarks then become a symbol for more than just the product’s source and extend to cover ‘the value consumers place on the product and the reputation of the product source’.¹¹¹ When an entity invests in developing a trademark, it usually has two distinct objectives. The basic short run objective is to appropriate a class of goods to the trademark (developing brand goodwill), and the more multifaceted aim is to transform the trademark into a symbol for inherent goodwill. Only then would a trademark become a commercial magnet, attracting new customers, inducing repeat purchase, facilitating transactions; therefore, increasing profitability.¹¹² In short, a trademark will not be of substantial value unless assigned to the goodwill of a business. Simultaneously, goodwill can mainly be represented through a trademark. Simply put, the two concepts are inseparable.¹¹³

The relationship between trademarks and goodwill is also reflected in the conception of trademarks as property. According to Bone, when commentators and judiciary referred to property in a mark, they did not intend to protect the symbol as a thing of value or to encourage the design of original marks. Instead, they were predominantly

¹¹⁰ R. Julius, Jr. Lunsford, ‘Trademarks: Prestige, Practice and Protection’ (1970) 4 *Ga.L.Rev.* 322, 323. Also, see Rogers (n.101) 13.

¹¹¹ T. Jacobsen, ‘Trademarks and Goodwill- Relationships and Valuation’ (2000)12 *J.Contemp.Legal.Issues* 193, 194.

¹¹² *Ibid.* Also, see F. Wright ‘The Nature and Basis of Legal Goodwill’ (1929) 24 *U.Ill.L.Rev.* 20, 22.

¹¹³ S. Kane, *Trademark Law: A practitioners Guide* (2nd ed., Practising Law Institute, 1991) 10.

aiming to safeguard the merchant's ability to use his hard-earned reputation to acquire profits. On this basis, the firm's goodwill was protected.¹¹⁴

The importance of trademarks in the context of goodwill lies also within the ability of trademarks to transform a firm's goodwill into a transferable asset.¹¹⁵ With the development of symbols of identification, trademarks that are registered and assigned to particular products can be transferred alongside the goodwill of the business concerned.¹¹⁶ Whilst goodwill could be transferred through a range of tools such as licensing or franchising, trademarks have been commonly used.¹¹⁷

At this stage, it can be suggested that the desire to protect business goodwill beyond the realm of brand goodwill has triggered the most controversial aspects of modern trademark protection. This is evident in the context of comparative advertising and parallel importation. An early illustration of extended goodwill protection can be found in the US case of *Yale Electric Corp. v. Robertson*.¹¹⁸ In this case it was held that appropriating another manufacturer's mark placed the trademark owner's goodwill at risk by weakening the association between the mark and its original source. According to this case, this type of misappropriation qualifies as an injury sufficient to trigger liability against the plaintiff regardless of whether any actual harm has materialized. The concept has since then expanded spectacularly both in the US and more

¹¹⁴ The U.S. Supreme Court in the case of *United Drug Co. v. Theodore Rectanus Co*, 248 U.S. 90 (1918), argued that a trademark is merely a convenient means for facilitation of the protection of one's goodwill in trade.

¹¹⁵ Rogers (n.101) 13.

¹¹⁶ G. Peinreich, 'The Law of Goodwill' (1936) XI (4) *Accounts Rev.* 317, 320-322.

¹¹⁷ *Shipwright v. Clements*, 19 W.R. 599(1871).

¹¹⁸ *Yale Electric Corp. v. Robertson*, 21 F.2d 467(1927).

importantly in the EU where explicit recognition of the need to protect the inherent goodwill of a firm emerged.¹¹⁹ It is incontestable that the recognition of the modern functions of trademarks stems primarily from this broad interpretation of goodwill.¹²⁰ Unsurprisingly, this approach has attracted considerable criticism, particularly given the vagueness of the concept of goodwill which, arguably, resulted in a pro-trademark owner system of protection.¹²¹

It has been repeatedly argued that the protection of some types of goodwill (especially inherent goodwill) cloaks activities designed to reap monopoly profits,¹²² restricts freedom of competition,¹²³ increases the seller's ability to secure an undesired market power,¹²⁴ and encourages firms to exploit the vulnerability of consumers towards their brands.¹²⁵ Criticisms have been elevated in instances in which a third party use does not cause injury to the trademark owners' goodwill, but simply helps the user to promote his products.¹²⁶ Whether goodwill appropriation should constitute a basis for trademark liability is an issue that will be reconsidered in details in chapter five of the thesis.¹²⁷

¹¹⁹ Bone (n.67) 598.

¹²⁰ This is reflected under Article 5(2) of the TMD (anti-dilution provision).

¹²¹ Bone (n.67) 553.

¹²² Borchardt (n.73) 247.

¹²³ *National Fruit Prod. Co. v. Dwinell-Wright Co.*, 47 F. Supp. 499 (1942), par. 506-07.

¹²⁴ Bone (n.67) 590.

¹²⁵ Generally, see W. Molengraff, 'The Nature of The Trademark' (1920)29(3) *Y.L.J.* 303-311.

¹²⁶ Bone distinguishes among those two types of harm acknowledging the importance of the former only. See Bone (n.67).

¹²⁷ A point worth mentioning here is that whilst a trademark has an independent existence apart from the firm it is connected to, a firm's goodwill will only exist if it is attached to a particular business. See *Mishawaka* (n.91).

To encapsulate, since goodwill and trademarks are interrelated, a comprehensive understanding of goodwill allows a profound understanding of the nature of trademarks and the evolution of their functions. As already mentioned, the extended definition of the concept of goodwill plays a central role in the recognition of extended forms of a trademark protection. In addition to the concept of goodwill, a third related concept that plays a crucial role in the modern trademark debate is brands. Accordingly, the next section will focus on the concept of brands and how it can be distinguished from trademarks.

2.5 Trademarks and Brands

2.5.1. Distinguishing Trademarks and Brands

Appreciating the fact that firms with strong brand names tend to outperform the overall stock market, firms invest considerably in building and strengthening their brands.¹²⁸ Concurrently, there has been a shift in legal and marketing scholarship to focus on the interpretation of brands in the context of trademarks. To shed light on this phenomenon, the analysis commences by citing various opinions which distinguish among these two terms, before highlighting why making such a distinction has become almost attainable. Then, the thesis will delve into the process of brand development focusing on both trademark owner and consumer contribution to this process.

¹²⁸ M. Morrin, J. Jacoby, 'Trademark Dilution: Empirical Measures for an Elusive Concept' (2000) 19(2) *JIP&M* 265, 265.

The terms trademarks and brands have at times been used interchangeably. As early as 1918, the Advertiser's weekly postulated the following: 'There is no doubt that if this country wants to maintain their position in the world markets 'branded goods' is the only method as a hall-mark of quality The private trade-mark is the keystone in modern commerce'.¹²⁹

More recently, Backman in analysing the role of trademarks in the modern competitive economy stated that trademarks or brand names are key elements in marketing many products, suggesting that the terms can be used as equivalents.¹³⁰ However, the terms can be distinguished, at least on technical grounds.

As viewed by Karper, a brand is a 'symbol that summarizes an idea, a sentence, and a long list of attributes and values infused into the product'.¹³¹ 'It is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers'.¹³² Despite the extreme correspondence between trademarks and brands, they are not identical.¹³³

¹²⁹ 'National Trademark inimical to established brands', *Advertiser's Weekly* (August 29 1918): 464-5 in S. Schwarzkopf, 'Turning Trade Marks into Brands: how Advertising Agencies Created Brands in the Global Market Place, 1900-1930' (2008) CGR Working Paper 2008, 18 <<http://webspaces.gmul.ac.uk/pmartins/CGRWP18.pdf>> Accessed 24 September 2015.

¹³⁰ J. Backman, 'The Role of Trademarks in Our Competitive Economy' (1968) 58 *TMR* 219, 219.

¹³¹ J. Karper, *Strategic Brand Management* (Kogan Page Limited, 1992) 10.

¹³² The American Marketing Association (AMA, 2006) <<https://www.ama.org/resources/Pages/Dictionary.aspx?dLetter=B&dLetter=B>> Accessed 28 June 2015.

¹³³ D. Shilling, *Essentials of Trademarks and Unfair Competition* (Wiley: 2002) 2.

A brand is a more extensive term, used to identify more than the source of goods as *traditionally* was the case for trademarks. In fact, the role of brands in identifying the source of goods is far down on the list of what most companies expect from their brands.¹³⁴ Whilst a trademark is foremost a legal concept, a brand is a more comprehensive marketing concept which integrates goodwill, image, and reputation.¹³⁵ In this sense, brands are more than merely a ‘defendable proprietary name’ as was the case of trademarks.¹³⁶ Brands allow businesses to reach consumers directly with messages regarding emotion, identity, and self-worth,¹³⁷ such that consumers are no longer buying a product, but buying the brand to define themselves through a short-hand which is comprehensible to the world around them.¹³⁸ Brands constitute the whole package built to offer consumers a complete product which fulfils their expectations.¹³⁹ Branding practices as they stand now are no longer pertinent to source identification, but rather heavily revolve around association and involvement.¹⁴⁰ In the words of Schwarzkopf, ‘a brand is a trademark that has been released to compete in a sociocultural market’.¹⁴¹ So, trademarks simply act as the catalyst which empowers consumers to make choices on what brand to pick.

¹³⁴ D. Desai, S. Waller, ‘Brands Competition and the Law’ (2010)5(1) *BYU L. Rev.* 1425, 1427.

¹³⁵ J. Davis, S. Maniatis, ‘Trademarks, Brands and Competition’ in T. Lopse, P. Duguied (eds) *Trademarks Brands and Competitiveness* (Routledge, 2010) 193. M. Florek, A. Insch, ‘The Trademark Protection of Country Brands: insights from New Zealand’ (2008) 1(3) *JPMD* 292, 293.

¹³⁶ R. Lopez, *The commercial revolution of the Middle Ages: 950-1350* (CUP, 1976) 5.

¹³⁷ Desai and Waller (n.134), 1458.

¹³⁸ A. George, ‘Brands Rules: When Branding Lore Meets Trademark Law’ (2006) 13 *JBM* 215, 218.

¹³⁹ Generally, see D. Tan, ‘Differentiating between Brand and Trade Mark; City Chain v Louis Vuitton Malletier’ (2010) *Singapore J.Legal.Stud.* 202-210.

¹⁴⁰ Generally, building a brand and establishing brand equity is challenging especially if compared to the process choosing and registering a trademark. Generally, see WIPO, ‘The Role of Trademarks in Marketing’ (WIPO Magazine, February 2002) 10-11.

¹⁴¹ Schwarzkopf (n. 129) 2.

The most obvious difference between a trademark and a brand rests in the legal protection endowed to the former. Unlike a trademark which entitles its owner to an exclusive right once registered, brands are not *per se* legally protected.¹⁴² This is evidenced by the fact that in general, competing concerns can escape legal action for copying brand strategies. However, they cannot escape liability for imitating trademarks.¹⁴³ To clarify this point, it is constructive to recall the example of trademarks falling into the public domain. In such an instance, the trademark itself would lose protection, although all the elements of a brand would remain in place.¹⁴⁴ In that sense, a trademark is the contractual and the protective basis on which a brand is built, but is not the brand itself.¹⁴⁵ Furthermore, a trademark is the grounds on which a brand is transferred to a new seller and registered in the name of its new owner, but again it is not the brand itself.¹⁴⁶ A brand is the combination of attributes, tangible, and intangible assets which are symbolized in a trademark.¹⁴⁷

A third distinction between brands and trademarks rests in their longevity. While trademarks are legal entities that stay valid so long as they are renewed and/or used, a brand's positioning fluctuates.¹⁴⁸ The brand and its significance responds to the business performance while the life of a trademark is independent of the product itself,

¹⁴² Florek and Insch (n. 135) 293. Also, see the opinion of Lewinson J. in the case of *O2 v. Hutchinson* [2006] E.T.M.R. 677, par.7; 'English Law does not, however, protect brands as such. It will protect goodwill (via the law of passing off); trademarks (via trademark infringement)'.

¹⁴³ J. Sharma, D. Singh, *NeuroMarketing; A Peep Into Consumer Mind* (PHI Learning Limited, 2010) 13.

¹⁴⁴ Karper (n.131) 10.

¹⁴⁵ R. Sinclair, 'Trademarks and Brands' in J. Catty (eds), *Fair Value Guide under IFRS* (Wiley, 2010) 501.

¹⁴⁶ *Ibid.*

¹⁴⁷ Florek and Insch (n. 135) 294.

¹⁴⁸ P. Ganguli, 'Brand management: role of trademarks, collective/certification marks, geographical indications and industrial designs as marketing tools for EMEs: practical experience and case studies'(2003), paper presented at the WIPO/QCCI Sub-Regional Seminar on SMEs for the Member States of the Gulf Cooperation Council (GCC), 14-15 October.

but rather related directly to the technical aspects of registration and use according to trademark law registration rules.¹⁴⁹

Accordingly, as the preceding analysis reveals, brands and trademarks can be distinguished. However, apart from these technical differences which were highlighted, should this distinction be maintained? A number of commentators correctly argue that a brand is a trademark and there is no real harm from using the terms interchangeably.¹⁵⁰ In fact one can take a step forward arguing that continuing to draw such a line would render trademarks an outdated concept.

A trademark is the tool to which visual images, emotional connections, and positive (or negative) associations to the brand are made.¹⁵¹ This point was emphasised under the Shultz model of corporate branding which argues that brand awareness and recognition is facilitated and nurtured through trademarks.¹⁵² In short, trademarks are a vital, if not the vital, component of brands. Hence, protection of trademarks is the weapon for brand owners to protect all the other intangible elements of their brands,

¹⁴⁹ For a discussion on trademark use and trademark registration, see L. Bently, B. Sherman, *Intellectual Property* (4th ed., OUP, 2014) chapters 35-39.

¹⁵⁰ Generally, see H. Leeds, 'Brand Names are Trademarks' (1959) 49 *TMR* 596.

¹⁵¹ S. McGuire, 'Trademarks and brands: maximising the value of trademark practitioners and marketers - International Report', (*Intellectual Asset Management Magazine*, 10 March 2010), <<http://www.iam-magazine.com/reports/Detail.aspx?g=41aaba19-42a8-46c4-8935-ce0ce4fd5c0c>> Accessed 13 December 2015.

¹⁵² M. Schultz. 'A Cross-disciplinary Perspective on Corporate Branding', in M. Schultz, Yun Mi Antorini, F. Csaba (eds), *Corporate branding: Purpose, People, Process* (Copenhagen Business School Press, 2005) 23-55.

including image and goodwill. Trademarks remain the main defence for a brand owner against competitors who unlawfully harm their distinctive identity.¹⁵³

So far, the analysis shows that trademarks, brands, and the concept of goodwill are intrinsically intertwined. Accordingly, addressing these three concepts under the same umbrella simply reflects what trademarks have come to represent in the current business environment; that is more than a legal tool which identifies the source of goods and services.

In practice, the fact that trademarks now represent more than the source of a product may explain why legislators have chosen to protect the brand elements of trademarks. The history of legal development reflects that indeed, the law is often reconstructed parallel to the evolution of commercial practices. For instance the Trade Marks Act of 1938¹⁵⁴ in the UK relaxed the prohibitions on trademark assignment as a response to the commercial trademark development. Similarly, the Trade Marks Act of 1994¹⁵⁵ recognised new types of signs as trademarks corresponding to new business practices.¹⁵⁶ Using the historical development of trademark law as a reference point, one can suggest that failing to reconcile trademark law with the modern understanding of brands could render trademarks rights an ineffective tool for protection against fierce competition. Since trademarks are the best legal manifestation of brands, and

¹⁵³ R. Sinclair (n.145) 502. Occasionally, brand owners can bring actions for passing off. For example, see *Erven Warnink v. Townend & Sons Ltd* [1979] AC 731,742 (HL), *United Biscuits(UK) Ltd. v. Asda Stores* [1997] RPC 513.

¹⁵⁴ Trade Marks Act 1938

¹⁵⁵ Trade Marks Act 1994 (TMA Hereafter)

¹⁵⁶ Sinclair (n.145) 503.

because trademarks can no longer be understood as being a mere tool for origin identification, trademark law should arguably extend to protect all business behaviour pertaining to brands.¹⁵⁷ Therefore, for the purpose of this thesis, the terms brands and trademarks will be used as functional equivalents. However, when necessary, the distinction between the terms will be emphasised. The justification for this approach will become more apparent in chapter four.

2.5.2 The Branding Phenomenon: The Process of Brand Development

Because trademarks and brands will be used interchangeably for the purpose of this thesis, the analysis will explain the process of brand formulation. The findings of this section will be used at three particular stages later in the discussion. First, in analysing the modern functions of trademarks in chapter four, second, in discussing the theoretical foundations for extended trademark protection in chapter five, and finally, in evaluating the best approach to protect expressive uses under trademark law in chapter seven.

The process of brand formulation occurs at two stages. First, a company encodes specific messages to be delivered to the consumers. In doing so, the company will be creating a *brand identity* with a specific *brand meaning*. A brand identity is defined by Bronn and Wigg as ‘the cues offered by an organization both internally and externally through symbols, communication, and behaviour’.¹⁵⁸ Put differently, a brand identity

¹⁵⁷ Desai and Waller (n.134) 1429.

¹⁵⁸ P. S.Brønn, R. Wiig (eds.), *Corporate Communication: A Strategic Approach to Building Reputation* (Oslo: Gyldendal, 2002) 2.

is the ‘outward manifestation of an organisation’.¹⁵⁹ Companies often employ a range of strategies devised by symbol analysts to encode such brand identity.

The second stage occurs when consumers receive the message through the trademark and decode it against their own background, knowledge, beliefs, and dispositions. At this stage, consumers formulate a *brand image*, which is broadly defined as the impression that a brand leaves in the mind of the consumer.¹⁶⁰ A firm that invests in building a strong brand identity is able to communicate its messages more effectively. Thus, it reduces the gap between the manifestation of the firm to the public and the consumer’s interpretation of the firm’s values.¹⁶¹ A strong brand identity helps in creating a shared awareness of the communicative messages that are triggered by a specific brand.¹⁶² By creating this congruency between the brand identity and the brand image, a brand starts having a unified meaning in the marketplace. Therefore, the process of brand formulation requires the contribution of the trademark owner and the consumer.¹⁶³ Both of these inputs will be briefly addressed.

2.5.2.1 Brand Owner Input

¹⁵⁹ N. Ind, *The Corporate Brand* (NYUP, 1997) 13.

¹⁶⁰ S. Nadan, ‘An Exploration of the Brand Identity–Brand Image Linkage: a communications perspective’ (2005)13(4) *JBM* 264-278. D. Aaker, *Building Strong Brands* (Simon & Schuster, 2010).

¹⁶¹ How consumers receive information about brands depends principally on the organisational culture of the particular organisation. See L. Chernatony, ‘A Model for Strategically Building Brands’ (2001) 9(1) *Henry Stewart Publications* 32, 37.

¹⁶² G Dowlings, *Creating Corporate Reputations: Identity, Image and Performance* (OUP, 2001) 123-161.

¹⁶³ D. Gangjee ‘Property in Brands: The Commodification of Conversation’ in H. Howe, J. Griffiths (eds) *Concepts of Property in Intellectual Property Law* (CUP, 2013) 37.

The process of brand identity creation is a multifaceted phenomenon which involves an interaction between a wide range of resources and tools. Briefly, companies engage in building two types of brand identities: core and extended.¹⁶⁴ Core identity focuses on product attributes, services, user profile, store ambience, and product performance. Extended identity is woven around brand identity elements organized into cohesive and meaningful groups that provide a brand texture and completeness, and focuses on brand personality.¹⁶⁵ When both these types of brand identities are created successfully, a brand becomes a bridge between a company, a product, a service, and a customer.¹⁶⁶ To achieve this connection, brand owners start by positioning their brand in the market to create a perception about the company's tangible and intangible features, products functions, and operational benefits in the mind of the consumers.¹⁶⁷ Brand managers thus attempt to transform the product to an idea which represent what they aspire the brand to be.¹⁶⁸ The next step involves creating long term communication strategies that demonstrate the brand value to the target customers. Brand communication is often achieved through a wide range of techniques including advertising campaigns, events, shows, and themes. Brand proprietors then measure their brand performance through tracking experiences and observing consumer responses to the brand message. This aspect of brand creation will be addressed thoroughly in chapter four.

¹⁶⁴ B. Ghodeswar, 'Building brand identity in competitive markets: a conceptual model' (2008) 17(1) *JPBM* 4, 5.

¹⁶⁵ *Ibid.*

¹⁶⁶ D.E. Knapp, *The Brand Mind-set* (McGraw-Hill, 2000) 103.

¹⁶⁷ Aaker (n.160) 39.

¹⁶⁸ *Ibid.*, 39. Several academics adopted the view that all brand assets/brand equity is produced by the consumer himself. Namely, see A. Bengston, J. Ostberg, 'Co-constructing Brand Equity: Consumers and Brand Managers' (2004) EMAC Conference, Spain.

2.5.2.2 Consumer Input

Whilst it is accepted that brand owners invest considerably in the creation of the much debated ‘brand meanings’, consumers also play a significant role.¹⁶⁹ Consumers exercise their role in developing brands in two ways: either through circulating the solid information which the brand signals, or through re-interpreting brand meanings which trademark owners attempt to infuse into their brands.

At a basic level, brands signal direct information about the functional aspects of the products to which they are attached. For instance, a bag branded as Chanel relays to consumers information about the high quality of the product. However, a point which is rarely accentuated in the legal sphere is that use-value of the information lies in its ability to be passed on among the consuming public rather than in its consumable nature.¹⁷⁰ Since circulation of information occurs mostly among consumers (especially in the era of web-communications), consumers become the primary contributors to the process of brand value creation. Furthermore, because passing of information involves re-elaboration or alternation of the original meanings,¹⁷¹ consumers also contribute to the production of information and not merely passing them on.

¹⁶⁹ The Public Authorship Model advanced by Wilf argues that the public contribute to the creation of trademarks and are entitled to joint ownership. See S. Wilf, ‘Who Authors Trademarks?’ (1999) 17 *Cardozo Art & Ent L.J.* 1-30. D. Holt, ‘Why Do Brands Cause Trouble; a Dialectical Theory of Consumer Culture and Branding’ (2002) 29 *J.Consum.Res.* 70-87. Gangjee (n.163). D. Gerhardt, ‘Consumer Investment in Trademarks’ (2010) 88 *N.C.L.Rev.* 427.

¹⁷⁰ A. Arvidsson, ‘Brand Value’ (2005) 5(2) *JCC* 235, 240.

¹⁷¹ M. Castells, *The Information Age; Economy, Society and Culture* (2nd ed., Wilsley, 2003) 69.

However, in the context of developing and creating symbolic meanings, the role of consumers is both more compelling and more fundamental to this analysis. This finding is not unknown to modern brand managers, who accordingly started presenting brands as ‘cultural resources’ rather than trying to impose or foster specific consumer practices. Brand managers allow customers to act on brands through their creative endeavours, thus, adding to, or radically altering brand meanings.

The increased autonomy of consumers has two antipodal implications for trademark owners. At a basic level, the creative contribution (either intentional or unintentional) of customers help brand owners make informed decisions which are more likely to be aligned with the interests of consumers, therefore, facilitating the process of creation of brand meanings.¹⁷² Brand managers in fact anticipate the agency of consumers and situate it within their brand identity coordinates allowing consumers to navigate within these coordinates to produce shared meanings. The contribution of consumers which occurs within these pre-determined coordinates will be referred to as ‘controlled contribution’. Problematically for trademark owners, consumer autonomy, supported by the increased popularity of platforms for collective intelligence (e.g. Facebook. Twitter etc.), is jeopardising trademark owners’ ability to set coordinates in which consumers can, or should navigate. Instances where consumers alter brand meanings beyond the boundaries set by brand owners will be referred to as ‘uncontrolled contribution’. These two types of contributions will be explored in the next section.

¹⁷² Holt (n.169) 72-73.

A. *Controlled Contribution*

The positive¹⁷³ controlled contribution of consumers in forming shared brand meanings can be either indirect or direct. Indirect contribution is mainly a result of the social interaction and communication between brand managers (including brand specialists, symbol analysts, art directors) on one hand, and consumers on the other hand. It has been correctly noted that in performing their jobs, brand managers draw heavily from the knowledge, contacts, and judgements that they acquire in their unpaid social life.¹⁷⁴ Ergo, the development of brand meanings presupposes the existence of a social network where the public contribute to shaping the meanings of all aspects of life, including trademarks. This illustrates how in the post-modern era consumers actively engage in the social construction of the value of consumer goods.¹⁷⁵ Even if we assume that brand managers are objective in nature relying solely on their judgements, the evolution of brand meanings in specific directions depends on the input and innovation of consumers themselves. When brand managers produce particular brand ambience they are mainly reproducing what they expect consumers to accept in the social nexus.¹⁷⁶

¹⁷³ Positive contribution in this context refers to the contribution which has a positive return on trademark owners.

¹⁷⁴ M. Lazzarato, *Lavoro Immateriale* (Lavoro Immateriale, Ombre Corte, 1997) in Arvidsson (n.170) 241.

¹⁷⁵ Post-modernism is defined as 'a set of critical, strategic and rhetorical practices employing concepts such as difference, repetition, the trace, the simulacrum, and hyperreality to destabilize other concepts such as presence, identity, historical progress, epistemic certainty, and the univocity of meaning'. As a response to modernism, post-modern citizens seek to renounce existing meanings imposed in the modern era. See G. Aylesworth, 'Postmodernism' (*The Stanford Encyclopaedia of Philosophy*, Spring 2015 Edition), Zalta E.(ed.),

<http://plato.stanford.edu/archives/spr2015/entries/postmodernism/> Accessed 26 January 2016.

¹⁷⁶ Arvidsson (n.170) 246.

Direct contribution, on the other hand, occurs when a consumer receives the brand meanings as produced by brand owners and interprets them against his own background, exerting effort, time, and creativity into the process.¹⁷⁷ In extreme cases, consumers who are very passionate about particular brands form brand communities (both online and offline) in which the brand meanings are further negotiated among participants of a particular culture.¹⁷⁸ The end result is the creation of a community identity which encompasses people with shared beliefs, and perceptions about this brand. This enhances a trademark's communicative value.¹⁷⁹ Another aspect of direct contribution occurs when consumers start using these trademarks within the social nexus as a tool for communicating certain messages.¹⁸⁰ These two latter points will be re-addressed in chapter four in assessing the modern trademark functions.

That said, the role of organisations' advertising strategies and the investments necessary for the construction of themed brand environments should not be ignored. Through devising such strategies and techniques, companies develop platforms for action in which consumers interact to determine the final meaning of the brand. In this way, advertising and investment are important so far as they create the general ambience of a brand.

¹⁷⁷ Gerhardt (n.169) 467. Also, see D. Fisher, S. Smith, 'Co-creation is Chaotic: What it Means for Marketing When No one Has Control' (2011) 1 *JMTP* 325, 326.

¹⁷⁸ C. Hollenbeck, G. Zinkham, 'Consumer Activism on the Internet: the Role of Anti-Brand Communities' (2006) 33 *Adv.Consum.Res.* 479, 479.

¹⁷⁹ J. McAlexander, J. Schouten, H. Koenig, 'Brand Community Culture' (2002) 66 *JM* 38. Also, see B. Richardson, 'Consumption Outside the Market: an Ethnography of Consumer Resistance Amongst Football Fans' (PhD thesis, Dublin City University, 2007).

¹⁸⁰ A. M. Muniz Jr, T. C. O'Guinn, 'Brand Community' 27 *J.Consum.Res.* 412, 413.

B. *Uncontrolled Contribution*

The process of brand meanings creation can in certain situations go beyond the control of brand owners. When there is a lack of congruency between a company's identity and a consumer's free standing values, consumers will renounce the company's intended brand meanings.¹⁸¹ In brand literature terminology, consumers are autonomous enough to switch between brands, or more relevantly to 'raise their voice' against brands, either directly or indirectly (through intermediaries,¹⁸² and within cultural industries¹⁸³). Viewed from this perspective, consumers can create brand meanings, which are not within the coordinates developed by brand owners.¹⁸⁴

The sovereignty of consumers is reinforced by the fact that the relationship between consumers and brands although strong, is mostly shallow.¹⁸⁵ Therefore, even if a consumer initially contributed in the creation of brand meanings within the nexus created by mark owners, they still have the autonomy to go beyond these boundaries following any changes within the company's internal environment or the market's external environment.

¹⁸¹ Generally, see C. Colman, 'Trademark Law and the Prickly Ambivalence of Post-Parodies' (2014) 136 *U.Pa.L.Rev.* 11.

¹⁸² Generally, see D. Cook, *The Culture Industry Revisited* (Rowman & Littlefield, 1996).

¹⁸³ Generally, see D. Holt, *How Brands Become Icons* (HUP, 2013) chapter 9.

¹⁸⁴ A. O. Hirschman, *Exit, Voice and Loyalty* (HUP, 1970) 272.

¹⁸⁵ A. Kim, E. Ko, 'Do Social Media Marketing Activities Enhance Customer Equity? An Empirical study of Luxury Fashion Brands' (2012) 65 *J.Bus.Res.* 1480,1480-86, noting the customers (Korean in this case), tend to have shallow relations with brands. However, there are certain exceptions to this shallow customer loyalty notion, for example football fans are irrationally loyal to their clubs. See generally, J. Healy, P. McDonagh, 'Consumer Roles in Brand Culture and Value Co-Creation in Virtual Communities' (2013) 66 *J.Bus.Res.* 1528.

Moreover, and according to the theory of ‘semiotic democracy’,¹⁸⁶ the emergence of anti-branding communities is empowering consumers to resist brand meanings imposed by brand owners.¹⁸⁷ To be precise, anti-branding activism (e.g. the Occupy Wall Street Movement)¹⁸⁸ which has emerged since the 1960s serves to expose the hypocrisy of companies by discussing the difference between their ‘corporate philosophy’ and their ‘corporate activities’.¹⁸⁹ Exposing a company publicly for reasons such as insider trading,¹⁹⁰ or unethical practices, for example can radically modify the meanings/messages a consumer would otherwise infer from a particular brand. The end result is that a negative brand image will be triggered in the mind of consumers, which can progressively devastate the desired corporate image.¹⁹¹

However, it should be noted that not all consumers have the same inclination to refuse imposed brand meanings. For example, compared to a socially irresponsible individual, a socially responsible consumer is more likely to respond to negative criticism raised around a company for engaging in child labour practices. This is only one of many examples which illustrate how brand owners and consumers co-create new meanings for brands which will ultimately depend on the nature of the consumers, their backgrounds, and their values.

¹⁸⁶ J. Fiske, *Television Culture* (2nd ed. Routledge, 1999) 239.

¹⁸⁷ Generally, see C. Hollenbeck, G. Zinkham, ‘Consumer Activism on the Internet: the Role of Anti-Brand Communities’ (2006) 33 *Adv. Consum. Res.* 479.

¹⁸⁸ Occupy Wall Street movement is a US based anti-consumerism, pro-environment group aiming to ‘change the way information flows, the way corporations wield power, and the way meaning is produced in our society’ <<https://www.adbusters.org/>> Accessed 29 July 2013.

¹⁸⁹ S. Katyal, ‘Between Semiotic Democracy and Disobedience: two views on branding, culture and intellectual property’ (2012) 4(1) *The WIPO Journal* 50, 54.

¹⁹⁰ An interesting case on inside trading is the case of *Hermes v. Louis Vuitton Moet Hennessy* (2012).

¹⁹¹ Katyal (n.189) 54. Also, see S. Fournier, ‘Consumer Resistance: Societal Motivations, Consumer Manifestations, and Implications in the Marketing Domain’ (1998) 25(1) *Adv. Consum. Res.* 88, 88-91

Now more than ever, the role of consumers is prominent in the creation of brand meanings. The internet revolution along with the emergence of web 2.0 tools such as Facebook and Twitter amplify the ability of consumers to develop unanticipated brand meanings. This is pressuring companies and their brand managers to refrain from engaging in activities that could trigger a public response to the brand beyond the coordinates set by brand owners. The development of virtual anti-branding communities (e.g. anti-McDonalds,¹⁹² anti-Starbucks,¹⁹³ Anti-Walmart¹⁹⁴) is rendering consumers more sophisticated, thus, capable to rebel against brand owners who try to impose a particular brand ambience on consumers.¹⁹⁵ It should be noted that the uncontrolled contribution should not always be understood as being rebellious. Consumers commonly borrow existing brand meanings, but develop them beyond the limits set by trademark owners, yet parallel to these brand meanings. This point will be addressed further in chapter seven.

By acknowledging the role of consumers in the creation of the now-protected modern functions, an argument for the allocation of protective rights may shift from an exclusively owner-oriented one, to one that places considerable emphasis on the right of the public in using trademarks. This is an aspect of critical importance and will be

¹⁹² See <http://www.mcspotlight.org/index.shtml>.

¹⁹³ See <http://www.ihatestarbucks.com/>.

¹⁹⁴ See <http://www.hel-mart.com/links.php>.

¹⁹⁵ The interactions among community members are based upon visionary ideals of urban planning, activist projects, and controlled consumption lifestyles. Individuals participate in online communities to debate, discuss, complain etc. See C. Hollenbeck, G. Zinkham, 'Consumer Activism on the Internet: the Role of Anti-Brand Communities' (2006) 33 *Adv. Consum. Res.* 479, 482.

recalled in the analysis under chapter four, and particularly chapter seven of the analysis.

2.6 The History of Trademarks and the Birth of the Registration System

A retrospective analysis on the historical development of the concept of trademark and the laws regulating it is crucial at this stage for two reasons. First, it reflects the evolution of trademarks. Second, it highlights the various tensions that preceded the establishment of a solid framework for trademark protection, some of which continue to influence current trademark law. In particular, the analysis reveals the tensions that always existed between trademarks as a personal right versus trademarks as property right. From a different perspective, it accentuates the conflict in law between protecting the fruits of human labour and promoting free competition.

The majority of textbooks begin with an investigation of trademarks by reference to the English case of *Southern v. How*.¹⁹⁶ This may imply that the use of trademarks is a modern phenomenon.¹⁹⁷ This assertion is nevertheless erroneous as property in trademarks, both exclusive and absolute, has been in use in many different civilizations far before the earliest recorded jurisprudence.¹⁹⁸ Most notably, during the medieval

¹⁹⁶ *Southern v. How* [1618] Popham's Reports 143.

¹⁹⁷ E. Rogers, 'Some Historical Matters Concerning Trademarks' (1910) 9 *Mich.L.Rev.* 29, 29.

¹⁹⁸ S. Diamonds, 'The Historical Development of Trademarks' (1983) 73 *TMR* 222, 223-226. Also, see generally A. Greenberg, 'The Ancient Lineage of Trade-Marks' (1951) 33 *J.Pat.Offic.Soc.* 876. D. McClure, 'Trademarks and Unfair Competition: A Critical History of Legal Thought' (1979) 69 *TMR* 305.

period which was characterised by the rise of guilds,¹⁹⁹ the role of trademarks as a device for quality signification emerged.²⁰⁰ This indeed is what promoted the development of a comprehensive trademark system.²⁰¹ However, this earlier period will not be considered thoroughly since this thesis mainly focuses on the recent developments of trademarks and their ‘new’ functions.

2.6.1 Modern Trademark Law

The modern understanding of trademarks can be dated to 1820, parallel to the onset of the industrial revolution which led to enormous growth.²⁰² Concisely, the industrial revolution gave rise to contemporary methods of manufacturing and increased the capacity of production steeply. The natural consequence of this was the emergence of new distribution methods and the onset of advertising methods for publicising goods. It is within these developments that the role of trademarks as source identifying tools has arisen.²⁰³

As put by Drescher, ‘modern trademark brings into play a complex of interactions between symbols, myths, and signs’.²⁰⁴ The most essential change during that period was the transformation of trademarks from fraud prevention devices to assets which

¹⁹⁹ Guilds are defined as a group of craftsmen or merchants, often having considerable power see P. Groves, *Sourcebook on Intellectual Property Law* (Cavendish Publishing, 1997) 512. E. Seligmanm, *Two Chapters on the Medieval Guilds of England* (AEA, 1887) 71.

²⁰⁰ McClure (n.197) 311.

²⁰¹E. Seligmanm (n.198) 71. For example, during the 13th century, Goldsmith Guild Company in the United Kingdom decreed that all gold and silver pieces Persons who violated guild regulations.

²⁰² F. Schechter, ‘The Rational Basis for Trademark Protection’ (1927) 40 *Harv.L.Rev.* 813.

T. Drescher, ‘Transformation and Evolution of Trademarks from Signals to Symbols to Myth’ (1992) 82 *TMR* 301, 312.

²⁰⁴ *Ibid*, 308.

could constitute a tool for accumulation of goodwill.²⁰⁵ Acting on this, companies independently realised that in light of steep competition, the use of trademarks was essential and in fact inevitable. Arguably, the loss of personal connection between the trader and the customers after the industrial revolution clearly established the role of trademarks as source identifiers.²⁰⁶ This point merits further examination in the subsequent section.

2.6.1.1 Protection of Modern Trademarks: UK

Prior to statutory registered trademark protection, it was the tort of passing off that provided protection for trademarks (and indeed for other indicia). As a result, fraud was a requisite for liability.²⁰⁷ The courts of equity, however, abandoned this requirement in *Millington v. Fox*,²⁰⁸ and focused instead on the deception resulting from a misrepresentation.²⁰⁹ This seemed to support the theory that common law trademarks were a form of property – a theory promulgated, in particular, by Lord Westbury as Lord Chancellor.²¹⁰ However, by the end of the 19th century this theory of property in common law marks seemed to have gone out of favour and liability appeared to reside in the misrepresentation itself again.²¹¹ Against this background of uncertainty in the common law, there was increasing demands for statutory

²⁰⁵ McClure (n.198) 355.

²⁰⁶ M. Blakeney, 'Well-known Marks' (1994) 11 *Eur. I.P. Rev.* 481, 482.

²⁰⁷ *Blanchard v. Hill* [1724] 26 Eng. Rep. 692. Also, see *Singleton v. Bolton* [1978]99 Eng. Rep. 661. Generally see K. Stotle, 'How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum' (1997) 8(2) *Fordham Intell.Prop.Media&Ent.L.J* 501,517.

²⁰⁸ *Millington v. Fox* [1838] 3 My & Cr 338

²⁰⁹ L. Bently, 'the Making of Modern Trade Marks Law: The Construction of the Legal Concept of Trade Mark (1860-80)' in L. Bently, J. Davis, C. Ginsburg, *Trade Marks and Brands* (CUP, 2008) 15.

²¹⁰ McClure (n.198) 313.

²¹¹ *Perry v. Truefittin Beav.*[1842] 66, 49 Eng. Rep. 749. Also, see *Skyes v. Skyes* [1824] 3 Barn & Cress 541.

intervention. This unsatisfactory and worryingly confusing reaction of the courts of law and equity acted as an impediment to trade, particularly because products produced outside the UK were counterfeited and penetrated to the UK markets.²¹²

Despite attempts to pass a first trademark bill, the complex state of the law and the fears of granting trademark owners monopoly over use hindered the process of passing the bill in 1960.²¹³ In 1862, however, the Merchandise Marks Act which was criticised for pre-requiring fraud as a basis for liability was passed.²¹⁴

Subsequently, in 1875 the first Act allowing registration of distinctive trademarks was passed.²¹⁵ This act was criticised for acting as machinery for registration rather right creation.²¹⁶ However, the upsurge of case law during that period helped clarify trademark rules and created commendable consistency in the law.²¹⁷

It became manifest thereafter that the registration system was limited in effect and that more precision in defining trademarks and illustrating their nature was needed. In

²¹² See F. Upton in K. Vandevelde, 'Development of Modern Concept of Property' (1980) 29 *Buff L. Rev.* 325, 343. Also, see Report of the Select Committee on Trade Marks Bills and Merchandising Mark Bill (1962) 12 *Parliamentary Papers* 431, Q.2619.

²¹³ Francis Upton in F. Schechter, *The Historical Foundations of the Law Relating to Trade-Marks* (Columbia University Press, 1925).

²¹⁴ Hansard HC vol. / 167 col 1418(1962), in L. Bently, *Trademarks and Brands: an Interdisciplinary Critique* (CUP, 2008). It should be noted however that with the tort of passing off, the courts established a three part test for the establishment of a successful claim with one part focusing on the existence of goodwill. As such, property protection became at the heart of the tort, that property being the goodwill. See *AG. Spalding v. AW Gamage Ltd.*[2015] 84 LJ Ch 449.

²¹⁵ Hansard HC vol 226 col 703(1875).

²¹⁶ McClure (n.198) 313.

²¹⁷ D. Higgins, 'The Making of Modern Trademark Law: The UK, 1860-1914: a Business History Perspective' in L. Bently, J. Davis, C. Ginsburg (eds.), *Trademarks and Brands: an Interdisciplinary Critique* (CUP, 2008) 43.

1905, the first comprehensive system for trademark protection in England was introduced. The 1905 act was subsequently amended on two separate dates: 1919, and 1937.²¹⁸ The 1937 amendment which was then consolidated in the Trade Marks Act 1938²¹⁹ introduced a radical change into the system of trademark use and trademark registration. Among many principles that were introduced were the ‘associated trademarks’, ‘consent to-use system’, and ‘non-claiming right system’.²²⁰

Following the Mathys committee report in 1974, recommendations for the reform of the 1938 act resulted in the Trade Marks Amendment Act of 1984 which introduced a registration system for service marks. The existence of two separate systems for registration (service/ goods) prompted trademark reform following a white paper by the British government in 1990.²²¹ A new trademark act (TMA 1994) which implemented the European trademark directive was introduced. The act which resolved many concerns regarding trademark law is still in effect to this date.

The evolution of the law related to trademark is a mirror of the commercial maturity of a system’s political and economic development under various constitutions.²²² Indeed, the previous sequential analysis of the history of trademarks shows that the law has been moulded to preserve forms of trademarks shaped by market evolution.

²¹⁸ The 1937 amendment act was introduced following of the Goshen Committee Report (1934) Cmd 4568.

²¹⁹ Trade Marks Act 1938.

²²⁰ E. Burke, ‘The History of Trademarks’ (Tabberone, nd.)<<http://www.tabberone.com/Trademarks/TrademarkLaw/History/History.shtml>>Accessed 26 October 2015.

²²¹ Reform of Trademarks Law Commission 102 (September 1990).

However, some aspects of trademark law remain subject to considerable scrutiny particularly after the recognition of the modern functions of trademarks at a European level. These ongoing concerns about modern aspects of trademark protection are indeed the main driver of this thesis which aims to analyse the understated aspects of modern trademarks and to discuss the desirable approach for their integration into the trademark system.

2.6.1.2 Protection of Modern Trademarks: EU

Prior to 1989, trademark law was governed only at a national level.²²³ Given the differences in legal ideologies, legal cultures, and purposes of law, trademark regulation was substantially varied among Member states. However, with the birth of the EU, and with the realisation that differences in trademark law would obstruct the functioning of the common market through impeding the flow of goods, the 1989 EU trademark directive was created.²²⁴ The directive required all EU Member States to approximate their national laws to conform to the European Trademark Directive.²²⁵ In 1994, a European trademark registry set was created under the 1994 Community Trade Mark Regulation.²²⁶

²²³ D. Vaver 'Recent Trends in European Trademark Law: of Shape, Senses and Sensation' (2005) 94 *TMR* 892, 895.

²²⁴ Council Directive 89/104 to Approximate the Laws of Member States. Revisited in 2008 (2008/95/EC)

²²⁵ Vaver (n.223) 896.

²²⁶ Community Trade Mark Regulation (CTMR), Reg. 40/49 [1994] OJ 11/1 Revisited in 2009 (207/2009/EC). It is worth noting that at an international level, trademarks registries are available in all WTO countries which are subjected to minimum standards according to the TRIPS agreement.

This relatively new history of trademark protection reflects a more open stance towards the role of trademarks in the competitive environment and the need for their protection on a European level.²²⁷ The reforms introduced in the TMD, particularly those related to modern trademark protection, lie at the heart of this thesis.²²⁸ Interestingly, as will be seen in the next chapters, the tensions that historically existed continue to impede the process of creating a coherent body of law for trademark protection.

2.7 Conclusion and Findings

The discussion provided in this chapter characterised trademarks as intangible assets which are capable of transforming a product from a faceless item, to a product with character, value, and imaginary quality.²²⁹ In this sense, the importance of trademarks has become apparent not only in their ability to guide consumers to make rational choices, but more controversially in encouraging consumers to make choices based on the appeal of specific brands. The analysis clearly reflects the current overlap between trademarks, brands, and extended forms of goodwill, to the extent that it is no longer possible to segregate them within the legal spectrum. Indeed, this overlap is what paved the way for commentators to call for the recognition of modern functions for trademarks.²³⁰ Whilst such pleas are understandable, another significant finding of this chapter is that consumers contribute to the creation of the modern trademark functions.

²²⁷ See Case-10/89 SA *CNL-Sucal v. Hag AG (HAG II)* (C-10/89) [1990] 3 CMLR 571 (Hag II).

²²⁸ Particularly Article 5(2) the reputation based provision, and Article 5(1)(a) which has been extended based on broad judicial interpretations of the Article.

²²⁹ Howarth (n.1) 229.

²³⁰ Schechter for example stressed that this overlap compels a reconsideration of objectives of trademark protection. See Schechter (n.202).

This co-creation process raises the question on how to develop a system which reflects the modern realities of trademarks without unfairly transforming them into absolute monopolies. The significance of limitations to achieve this objective will be emphasised in the final chapter of this thesis.

To set the scene for a nuanced analysis on the modern functions, the next chapter will expound the traditional functions of trademarks and the justifications advanced for their protection. By highlighting the shortcomings of these justifications, the significance of alternative, more advanced justifications will become apparent.

Chapter Three

The Essential Functions of Trademarks

3.1 Introduction

In light of the expansion of global trade, trademarks are increasingly playing a prominent role in the facilitation of the trade process and the preservation of companies' goodwill. Now, it is no longer reasonable to argue that a trademark has one single function, which is the designation of the source of goods and services. As a result, and in recognition of the growing importance of trademarks, a great deal of literature has emerged to discuss the multiple roles that trademarks play in the current marketplace.²³¹

While this thesis aims to evaluate the modern trend of trademark protection taking the luxury fashion industry as a case study, it is of crucial importance to commence by explaining the basic functions of trademarks and their shortcomings.²³² This chapter, thus, sets the scene for a more nuanced analysis on the contemporary roles trademarks now play.

²³¹ For example, see A. Kur, 'Trade Marks Function, and Don't They? CJEU Jurisprudence and Unfair Competition Principles' (2014) 45 *IIC* 434, A. Katz, 'Beyond Search Costs: The Linguistic and Trust Functions of Trademarks' (2010) 5(3) *BYU L. Rev.* 1555, M. A. Naser, 'Re-Examining Functions in Trademark Law' (2008) 8(1) *Chi.Kent J.Intell.Prop.* 102, J. Tarawneh, 'Trade Marks in the Modern World: Drawing the Fine Line between Adequate and Excessive Protection in European Law' (PhD thesis, University of Manchester, 2009).

²³² Jehoram et. al argue that the essential function remain the most essential function of trademarks. T. C. Jehoram, C. J. Nispen., T. J. Huydocoper. *European Trademark Law: Community Trademark Harmonized Trademark Law.* (Kluwer International Law, Netherlands, 2010) 10, 125.

Two preliminary points need to be made. First, unlike patents and copyrights, trademark protection cannot be justified based on the ground of the classical incentive theory.²³³ This can be seen under the ‘protection of integrity’ argument for trademark protection.²³⁴ This argument purports that mark owners have a free standing incentive to maintain the integrity of their marks to ensure repeat future purchase for their own personal benefit.²³⁵ As such, trademark owners register trademarks to be able to exclusively reap the benefit of their investments. Simultaneously, consumers will benefit from the reliability of the mark.²³⁶ This confirms the existence of multiple interests that should be accounted for in developing trademark protection systems.²³⁷ This point will be readdressed in the subsequent sections.

Second, the essential function of trademarks can be sub-divided into two functions: the legal function and the economic function. In practice, both these functions, although distinguishable, significantly overlap. The economic functions of a trademark are to a substantial degree an expansion of the basic essential legal function. In practice, for a trademark to be able to ensure to its users consistent quality and search cost reduction (which are the economic functions of a mark as will be shown),²³⁸ it should first act as a source identifier (legal function).

²³³ See chapter one, sec. 2.2, 2.3.

²³⁴ A. Perzanowski, ‘Unbranding, Confusion and Deception’ (2010) 24(1) *Harv.J.L&Tec.* 1, 18.

²³⁵ N. Bottero, ‘The Extended Protection of ‘Strong’ Trademarks’ 11 *Marq. Intell. Prop. L. Rev.* 265,275-276.

²³⁶ C-16/72 *Centrafarm v. Winthrop* [1974] ECR 1184.

²³⁷ See chapter 1 sec. 1.1.1.

²³⁸ Generally, see Economides (n.78)

Despite the overlap between the legal and the economic functions of trademarks, the thesis will attempt to differentiate between them. The rationale for making this distinction is straightforward. While the legal functions have been unilaterally accepted, the economic functions have spurred debate, namely, between two schools of economic thought: the Harvard school and the Chicago school.²³⁹ This trend of treating the essential functions as two separate constructs has been championed by recent CJEU decisions.²⁴⁰

3.2 The Essential Functions of Trademarks

3.2.1 The Legal Function

The CJEU in the pioneer case of *Hag II* noted that the essential function of trademarks is to guarantee the identity of the marked products to the consumers. This occurs through enabling consumers, without possibility of confusion, to distinguish the product or service from others which have another origin.²⁴¹

²³⁹ Generally, Chicago School of Economics, refer to a general approach in economics which focuses on price, output and income distribution in markets. This school assumes perfect competition and is often criticised for being segregated from real world conditions. In contrast, Harvard economists favour a dynamic, quantitative macroeconomic interpretation based on how individuals practically interact in market and make purchase decisions. See N. Mercurio, S. Medema, *Economics and the Law: From Posner to Post-Modernism* (Princeton University Press, 1997) 61-66.

²⁴⁰ See *Interflora Inc. v. Marks & Spencer Plc.* [2011] ECR I-08625.

²⁴¹ *Hag II* (n.227) par. 13 and 14. The tenth Recital of the preamble of the TMD also stated that indication of origin is the main function of trademark law. Also, see US case: *Hanover Star Milling Co. v. Metcaff*, 240 U.S. 403(1916).

The previous statement may imply that the function of a trademark is simply to specify the origin of the goods to which this trademark is affixed. In theory, when a symbol is registered as a trademark for a particular good or class of goods, any product marked with this trademark is deemed to originate from the same undertaking.²⁴² For a trademark to be able to perform its origin identification function, the proprietors of a registered mark should be granted the right to exclude the use of the same trademark on goods and services that are not produced by them.²⁴³ By granting this exclusive right, trademark proprietors benefit in the short run from the coherent undisrupted connection which is developed between them and their products. In the long run, trademark owners can benefit from the marketing boost that arises from using the same trademark as means of identification.²⁴⁴

From the consumer's perspective, the exclusivity of trademark use signifies that every time s/he purchases a marked product, it would have originated from the same source. This functional analysis of trademarks was employed in the most influential legal trademark instruments including the Lanham Act,²⁴⁵ the EU trademark directive, and the German Trademark Act.²⁴⁶

So far, the chapter has laid out the basics of the essential legal function of a trademark. However, the literal interpretation of the law's use of the term origin to describe the role of trademarks has been rightfully criticised for sending over-simplistic signals

²⁴² A. Griffiths, *An Economic Perspective on Trademark Law* (Elgar Publishing Limited, 2011) 68.

²⁴³ *Ibid.*

²⁴⁴ A. Griffiths, 'Quality in the European Trade Mark Law' (2013) 11(7) *Nw U.L.Rev.* 623, 631.

²⁴⁵ The Lanham (Trademark) Act 1943.

²⁴⁶ Act on the Protection of Trademarks and other Signs (as amended up to Act of October 19, 2013)

concerning the essential function of a trademark.²⁴⁷ From the perspective of the general public, knowing that two products emanate from one undertaking is only a means towards an end. The previous explanation does not reflect the apparent benefits that trademarks confer on consumers particularly. Hence, the question that actually needs to be addressed is: what does it mean that consumers understand that two products originate from the same undertaking?

Corresponding to the emergence of modern trade practices and international channels for product distribution, consumers are no longer aware of the actual origin of products.²⁴⁸ In fact, they are not even interested in knowing the exact source of the product they are purchasing, but rather they are interested in the connotations of the mark.²⁴⁹ The orthodox interpretation of the origin function in trademark law has now become a legal fiction.²⁵⁰ However, a shift towards a purposive interpretation illustrates why legal significance is still attributed to the origin function. To grasp this purposive interpretation, the ‘anonymous source doctrine’ proposed by Schechter should be addressed.²⁵¹

²⁴⁷ Schechter(n.202) 822.

²⁴⁸ *Ibid.*

²⁴⁹ B. Beebe. ‘The Semiotic Analysis of Trademark Law’ (2005) 51(3) *UCLA* 623, 678. Also, see the U.S 7th Cir. opinion in *Walter Baker & Co. v. Slack*, 130 F. 514, 518 (7th Cir. 1904); ‘we may safely take it for granted that not one in a thousand knowing of or desiring to purchase ‘Baker’s Cocoa’ . . . know of Walter Baker & Co., Limited.’

²⁵⁰ *Ibid*, 678.

²⁵¹ Schechter (n.202) 816. The use of the term ‘origin’ instead of ‘trade origin’ has been criticised for causing ambiguity on real meaning of the origin function. See W. Cornish, *Intellectual Property: Omnipresent, Distracting, and Irrelevant?* (OUP, 2004) 89. Griffiths (n.242) 63-71.

According to the anonymous source theory, a trademark needs to only designate a single, though possibly anonymous, source.²⁵² Therefore, the significance of the trademarks' origin function is not really that a product emerges from a particular source, but rather that all products attached to the mark emerge from the same source. What matters for the consumers are the characteristics, themes, and even the associations attached to the commodity regardless of whether the source of this commodity is known or not.²⁵³ Thus, the problem in registering two confusingly similar trademarks is that it results in an assumption that the two products emanate from the same source regardless of what this source is. So, for example, a consumer purchasing an LV bag is only concerned by the fact that the LV bag is produced under the commercial responsibility of the LV Corporation, rather than the physical source of the actual bag.

This approach has been upheld by the CJEU in *Hoffman-la Roche*. There, the court explicitly noted that 'a trademark must offer a guarantee that all the goods or services bearing the same trademarks have originated under the control of one undertaking which is responsible for its quality'.²⁵⁴ The source identifying function of a trademark can, therefore, be explained in light of the benefits it confers consumers in relation to eradicating the likelihood of confusion and the benefits it grants trademark owners, which were briefly discussed.²⁵⁵

²⁵² Beebe (n.249) 663.

²⁵³ Schechter (n.202) 813.

²⁵⁴ Case 85/76. *Hoffman La Roche v. Centrafarm* [1978] ECR 461 par.7.

²⁵⁵ *Hag II* (n.227).

In reality, a trademark says little about the composition of a product, so what importance is attached to this source identifying function? Why do consumers value this single and anonymous source?

As explained in chapter two, the answer to this question lies in the ability of the trademark to act as a marketing shortcut and a data cluster. By reference to the trademark, a consumer will recall information about certain products acquired from experience, advertising, and word of mouth and hence, will infer information about the features of the products.²⁵⁶ Consumers will test the available information against their preferences and make a final purchase decision accordingly.

With reference to the previous example, the LV trademark signals to consumers either positive or negative information about the attributes of the LV products. In the absence of a recognisable sign, the communication of such information wouldn't have been possible. Also, the communicative ability of a mark would have been disrupted had the sign LV been used by more than one undertaking. In this sense, trademarks bridge the ever-growing gap between the consumer and the manufacturer through establishing an exclusive link with a distinctive sign.²⁵⁷

The shift towards a purposive interpretation of the origin function is of epochal significance. First, it reflects how in practice, trademarks affect choice in the consumer

²⁵⁶ N. Economides, *The New Palgrave Dictionary of Economics and the Law* (Newman, 1998)

²⁵⁷ Diamond (n.198) 246.

market. Secondly, it illustrates the creative rather than the symbolic nature of trademarks.²⁵⁸ A trademark is a representative of the qualities (both tangible and intangible), values, and attributes an undertaking infuses into its products.²⁵⁹

However, for the trademark to be able to act as a source designator, a trademark owner should be able to exercise control over the products to which the trademark is attached.²⁶⁰ This view was clearly endorsed in *Hoffman La-Roche*:

The specific subject matter of a trademark is to grant the owner the right to use the mark for the first marketing of a product which protects him from competitors who would like to abuse the position and reputation of the mark by selling goods to which the mark have been improperly affixed.²⁶¹

Therefore, trademarks have the power to protect consumers from any risk of source or sponsorship confusion.²⁶² At this stage it suffices to state that legally protected trademarks, which give their owners the ability to pursue their self-interested goals, can add wealth to the society through the prevention of deception. This will in turn generate a positive public externality.²⁶³ On the contrary, failure to provide exclusive

²⁵⁸ Beebe (n. 249) 663.

²⁵⁹ Schechter (n.202) 818, 'to describe a sign as a symbol of goodwill or a shadow for the goodwill of a business ignores the most potent aspect of the nature of trademarks which is the creation and perpetuation of goodwill'.

²⁶⁰ See *Primark Stores Ltd v. Lollypop Clothing Ltd* [2001] E.T.M.R. 30.

²⁶¹ *Hag II* (n.227) citing earlier judgements in *Hoffman La Roche*.

²⁶² Although generally, trademark owners have exclusive rights to use their mark on their goods and services, in certain circumstance, trademark use may overlap. This is referred to as concurrent use of trademarks. See Case-245/02 *Anheuser-Busch v. Budějovický Budvar* [2004] E.T.M.R 27.

²⁶³ G. Lastowka, 'Trademark's Daemons' (2011) 48 *Hous.L.Rev.* 779, 783. Also, see generally *Hoffman La Roche* (n.254).

proprietary rights limits the incentive to create new trademarks,²⁶⁴ undermines the role of trademark as information transmitters and hinders the role of trademarks as source identifiers.²⁶⁵ The fundamental value of trademarks to society and the above mentioned points will be explored more rigorously throughout the thesis.²⁶⁶

In addition to the source identifying function, legal scholars building on law and economic principles, have developed economic theories to justify trademark protection.²⁶⁷ These theories are largely based on efficiency arguments,²⁶⁸ and represent an extension of the essential legal function. The following section will further uncover the elements of the source identifying function and address it from an economic perspective. Two justifications for trademark protection will be discussed. First, trademarks as a means for search cost reduction and second trademarks as a tool for quality assurance. Although these justifications are overlapping to a large extent, analysing them separately (contrary to the predominant approach) enriches our understanding of the economic foundations of trademark law.²⁶⁹

As a preliminary, three types of commodities need to be distinguished: search goods, experience goods, and credence goods. Search goods (or inspection goods) refer to commodities whose evaluation could take place prior to purchase.²⁷⁰ Experience goods

²⁶⁴ M. Lemley, 'Ex Ante Versus Ex Post Justifications for Intellectual Property' (2004) 71 *U.C.L.R.* 129, 130.

²⁶⁵ R. Bone, 'A Sceptical View on Trademark Dilution Revision Act' (2007) 11 *IP.Law Bull.* 187.

²⁶⁶ The value that the law strives to protect, however, presumes the existence of protection. Trademark law is thus based on a circular reasoning. See F. Cohen, 'Transcendental Nonsense and the Functional Approach' (1935) 35 *Columbia L.Rev.* 808, 814-815.

²⁶⁷ This view is mainly advocated by proponents of the Chicago School of Thought (Landes and Posner).

²⁶⁸ Landes and Posner (n.63) 265.

²⁶⁹ Katz (n.231) 1565.

²⁷⁰ J. Hirshleifer, 'Economics of Information: where are we in the Theory of Information' (1973) 63(2) *Am. Econ. Rev.* 31, 37.

are products or services whose characteristics can only be ascertained upon consumption.²⁷¹ Finally, credence goods are the most complex. These refer to products whose utility impact is very difficult or impossible to ascertain by consumers even after purchase.²⁷² A clear example of credence goods would be luxury fashion goods and almost all services. The value of the quality assurance function is paramount in the context of experience and credence products. For these products, consumers have to make purchase decisions based on the trust they have developed with suppliers, as pre-purchase inspection is inadequate.²⁷³ This point will be addressed in details subsequently.

A further point relates to the use of the phrase quality assurance as opposed to the commonly used phrase quality guarantee.²⁷⁴ In practice, trademarks do not provide consumers with affirmative statements that products marketed under a brand name are of high quality.²⁷⁵ Trademarks simply assert the consuming public that these products emanate from the same source of quality control, and hence, allow buyers to trust the consistency of the quality of products emanating from this source.²⁷⁶ Therefore, the term quality assurance will be used for the remainder of this thesis.²⁷⁷

²⁷¹ P. Nelson, 'Information and Consumer Behaviour' (1970) 78 *J.Pol.Econ.* 311, 319.

²⁷² G. P. Lantos, *Consumer Behaviour in Action: Real-life Applications for Marketing Managers* (Routledge, 2015) 82.

²⁷³ Griffiths (n.244) 640.

²⁷⁴ However, quality guarantee is still used. For example, see Hag II(n. 226), par.18.

²⁷⁵ K. Parks, "'Naked' is not a Four-Letter Word: Debunking The Myth of the " Quality Control Requirement" in Trademark Licensing' 82 *TMR* 531, 556. Also, see A. Griffiths(n.244) 640. Griffiths convincingly argue that the reference to the term quality guarantee is misleading since trademarks signify unitary control over the quality rather than quality a particular standard.

²⁷⁶ Schechter(n.202) 838.

²⁷⁷ This approach was advocated by Griffiths. See Griffiths (n.244).

Generally, the economic theories on which trademark law is predicated can be summarised as follows: the search cost theory provides that trademarks if protected legally, will result in a decrease in the costs and risks that may emerge as a result of information asymmetry²⁷⁸ between the sellers and the buyers. The quality assurance theory on the other hand is based on a premise that trademarks represent an attractive alternative to information about the quality of the products to which they are attached. The next section will discuss both theories in more detail.

3.2.2 The Economic Functions

3.2.2.1 The Search Cost theory

While traditionally the sole function of trademarks has been to identify the origin and the source of goods to which they were affixed with the purpose of controlling fraud, trademarks eventually became a means for reducing search costs.²⁷⁹ The search cost theory proposes that the use of a consistent mark on products originating from the same source with the presupposed knowledge that counterfeiting is prohibited lowers the search costs consumers face.²⁸⁰ As a start, it is useful to introduce the background of the search theory and its underlying concerns.

²⁷⁸ Information Asymmetry is the situation in which the seller has more information than the buyer . See G. Akerlof, 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism'(1970) 84(3) *Q J. Econ.* 488, 489-490.

²⁷⁹ *Qualitex v. Jacobson Products Co.*, 514 U.S. at 163-64 (1995). Also, see *Union Nat'l Bank, Laredo v. Union Nat'l Bank, Austin*, 909 F.2d 839, 844 (5th Cir. 1990). See W. Landes and R. Posner, *Economic Structure of Intellectual Property Law*(HUP, 2003) 166. J. Coverdale, 'Trademarks and Generic Words: An Effect-on-Competition Test'(1984) *U.C.L.R.* 868,869-870.

²⁸⁰ Bone (n.265) 188-194.

In order to obtain economic equilibrium in a freely competitive market, decisions should be made based on perfect information; consumers must have readily available and reliable information about products. This facilitates optimal decision making. However, in all markets, producers are more knowledgeable about their products than consumers. Of more concern, these producers do not have sufficient incentive to expose all the available information about their products, especially the negative aspects of quality.²⁸¹ The end result is a case of information asymmetry, which could lead to market failure.²⁸² Information asymmetry increases the risk of error and makes it difficult for consumers to verify the quality of the products.

The search cost theory considers trademarks as tools for enhancing the information situation of consumers and as vehicles that enable producers to inform their consumers about their products.²⁸³ When producers have a reliable means to communicate information about their products, they will have an incentive to maintain consistent quality.²⁸⁴ Consumers are thus the main beneficiaries from trademark protection under the search cost rationale. However, producers are also subordinate beneficiaries as will be further explained in the next section.

A. *Trademarks as Means for Reducing Search Costs Related to Purchase*

²⁸¹ Griffiths (n.244) 628-630.

²⁸² Sakulin (n.9) 54. Akerlof (n.278) 488.

²⁸³ *Ibid*, Sakulin, 54.

²⁸⁴ M. Mireles, 'Towards Recognizing and Reconciling the Multiplicity of Values and Interests in Trademark Law' (2012) 44 *Ind.L.J.* 428, 429.

Search costs associated to purchase can take a variety of forms. These include: pecuniary costs (e.g. transportation and experiencing a range of products), psychological costs which arise as a result of consulting, deciding, and testing new products,²⁸⁵ and finally communication costs that may be incurred by both the seller and the buyer. Customers are required to invest in costly information gathering, or to engage in ungrounded product consumption to obtain the relevant information and distinguish among goods.²⁸⁶ In completing the simplest transactions, consumers will face daunting obstacles. For instance, a consumer purchasing a luxury designer bag needs to engage in a long process of investigating the quality of the bag, the type of leather used, the packaging and the other unobservable qualities. Bearing in mind the nature of the product under investigation (experience goods), despite the lengthy examination process, it is still very likely that the consumer will end up making the wrong choice. The core economic problem in this case is information asymmetry which could lead to sub-optimal decision making, which if repeated by a majority of consumers could lead to market failure.²⁸⁷

Through providing consumers a powerful short-hand indicator such as a trademark, they will economise on these search costs and will be able to determine with more certainty the desirability of the products available in the market.²⁸⁸ Not only are trademarks regarded as search reduction tools, but also as means for mitigating perceived risks, including miscommunication risks, given their ability to imply trust.²⁸⁹

²⁸⁵ S. Davis, *Brand Asset Management: Driving Profitable Growth Through Your Brands*(Jossey-Bass, 2002) 141.

²⁸⁶ J. Sheff, 'Biasing Brands',(2010). 32 *Cardozo L.Rev.* 1245, 1250.

²⁸⁷ Sakulin (n.9), 54.

²⁸⁸ Landes & Posner (n.278) 167-168.

²⁸⁹ Swann (n.94) 950.

Viewed from this perspective, trademarks are beneficial particularly for risk-averse consumers.²⁹⁰

As aforementioned, in order to remedy the information asymmetry that exists in the market and the moral hazards that arise as a result, trademarks are used.²⁹¹ These trademarks provide an efficient tool for producers to encapsulate a wealth of information about the unobservable qualities of the products and communicate them to their consumers.²⁹² Trademarks help consumers infer a set of attributes which they have learnt about the product and, thus, avoid adverse selection.²⁹³ Taken together, trademarks are highly valued in a competitive market since they facilitate the otherwise complex, decision making process by allowing inter-brand distinction.²⁹⁴

Since the cost of conveying product information by the manufacturer is lower than the cost that consumers will incur for obtaining the information themselves, trademarks are said to lower inter-brand²⁹⁵ search costs.²⁹⁶ Although consumers will still be expected to pay an additional positive premium on the cost of the original product, the

²⁹⁰ In completely monopolistic markets the power a trademark to reduce search costs related to information asymmetry decreases. C. Wilson, *Adverse Selection, in The Palgrave: Allocation Information and the Markets* (John Eatwell et al. eds, 1989).

²⁹¹ Moral Hazard is defined as, 'Lack of incentive to guard against risk where one is protected from its consequences'. Oxford Dictionaries, 'Moral Hazard'(Oxford Dictionaries)<<http://www.oxforddictionaries.com/definition/english/moral-hazard?q=moral+hazard>> 24 September 2015.

²⁹² Economides (n.78) 526.

²⁹³ M. McKenna, 'A Consumer-Decision Making Theory' (2012) 98 *Va. L. Rev.* 67, 74. Consumers learn about products from previous consumption, word of mouth, or advertising. See chapter four, section 4.3.1 for a discussion on informative advertising.

²⁹⁴ Economides (n.78) 526.

²⁹⁵ Inter-brand costs according to Dilbary are the cost customers acquire from distinguishing between identifying products in the marketplace. See J. Dilbary, 'Getting the Word Out: The Information Function of a Trademark' (2010) 40 *Ariz. St.L.Rev.* 991, 997.

²⁹⁶ Sheff (n.286) 290.

cost of this premium remains lower than the cost of information which they would have to acquire themselves in the absence of trademark.²⁹⁷ The end result is that there will be a shift of cost from the consumer to the trademark owner. In this way, trademarks increase voluntary transactions, hence, improving social welfare.²⁹⁸ The extent to which trademarks will reduce search costs, however, is correlated to the power of the trademark in the marketplace.²⁹⁹

On reflection, it is not difficult to see why legal protection for trademarks is essential. Otherwise, the informational signals trademarks convey to the consumers will become of less value as the vocabulary for communication between producers and consumers will become unreliable.³⁰⁰ When consumers face deception, they become less trustful of the market speech. This will force them to re-engage in the costly search process of acquiring information. Inexorably, the trademark's capability to reduce search costs in the marketplace would be seriously impaired.³⁰¹

At first glance, it seems that the wide recognition of Landes and Posner's search cost theory is plausibly justifiable. The model is valued as it is reconcilable with the law and economics approach which have dominated debates on intellectual property, and thus, provides a compelling argument for trademark rights.³⁰² Unlike other models of analysis, the search cost theory provides a quantification of the benefit of the law. As

²⁹⁷ *Ibid.*

²⁹⁸ Landes, Posner (n.63) 282.

²⁹⁹ Dilbary (n.295) 1000.

³⁰⁰ Barnes (n.59) 49. Also, see S. Dogan, M. Lemley, 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' (2007) 97(6) *TMR* 1223.

³⁰¹ *Ibid.*, 1227-1234.

³⁰² McKenna (n.293) 73-77.

such, the certainty and reciprocity associated with this theory generates a win-win situation for both trademark owners and consumers.³⁰³ Still, the search cost theory has its limitations as will be explored in the following section.

B. *Criticisms of the Search Cost Theory*

Although Landes and Posner's search cost reduction model has been popular both academically and legally, it has been criticised and these criticisms should be factored into the final efficiency balance of this analysis. In evaluating the search cost theory, it is crucial to distinguish between two types of arguments which are often raised: ones that reject the validity of the search cost theory, and more commonly arguments doubting its adequacy as basis for extended trademark protection. The first type of arguments will be briefly considered at this stage.³⁰⁴

Primarily, the search cost theory is scrutinized because trademarks in many instances do not really obliterate informational search costs. Strasser notes that regularly, consumers will still need to test different types of products before identifying their most favourable, especially in the case of experience goods.³⁰⁵ Only after the trial and error process has been completed, can a trademark contribute to reducing search costs.³⁰⁶

³⁰³ *Ibid*, 77.

³⁰⁴ See section 3.3 for a discussion on the other type of arguments.

³⁰⁵ M. Strasser, 'The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context' (2006) 10 *Fordham Intell.Prop. Media&Ent. L.J.* 375, 381, 406-407.

³⁰⁶ Sheff (n.286) 1250.

This criticism ignores the fact that Landes and Posner's theory is based on a cost reduction model rather than a cost eradication model. In any event, for many goods and almost all services, there is a degree of risk which cannot be eradicated completely by any means. Rather it is the 'trust' factor that this search cost theory aims to emphasise as a basis for granting trademark rights. Furthermore, Strasser's argument against the search cost theory fails to take into account the impact of the word of mouth and informative advertising on reducing search costs. Moreover, he assumes that all types of products impose the same types of search costs. However, this reasoning is practically flawed.

Opponents of the search cost theory have also argued that a consumer can simply perform pre-purchase inspections on products and if such are possible at zero costs, then the search cost reduction model is obsolete.³⁰⁷ However, the scope of applicability of the pre-inspection argument is limited as it depends entirely on the type of products concerned (mainly applicable to search goods). For example, information as to the taste of a soft drink cannot be known upon pre-purchase inspection.³⁰⁸

Unlike the argument as to the economic validity of the search cost theory, McKenna criticises the search cost theory for being developed on the concept of unconditional confusion.³⁰⁹ He alternatively stresses the importance of focusing on source confusion as opposed to attempting to eliminate any act of mental wandering through granting trademark rights.

³⁰⁷ Strasser(n.305) 378-379.

³⁰⁸ Economides (n.78) 528.

³⁰⁹ McKenna (n.293) 92. For a criticism of this approach see J. Sheff, 'Accentuate the Normative: A Response to Professor McKenna' (2012) 98 *Va.L.Rev.* 48.

To make sense of this argument, compare a case where a Channel (instead of Chanel) logo was used on a bag to the case where a McDonald's logo was used as part of a slogan on a t-shirt. Whilst the consumer might be confused in both cases, the type of confusion in the former case would effectuate his/her decision making process since the use of Channel on a bag causes confusion about the actual source of the products. However, in the second case, the impact of this type of confusion on the purchase decision-making process is unclear. By failing to distinguish between these different types of confusion, the search cost theory suggests that any type of confusion would actually generate search costs. This in practice is not accurate.

Allegedly, this broad interpretation of the term confusion is being used to expand trademark protection beyond cases of actual confusion.³¹⁰ It has also been argued that the introduction of the search cost theory as a justification for trademark protection has directly contributed to the contentious contemporary trend of expanding trademark protection.³¹¹ In particular, it has been stated that the dilution rationale which has dominated modern trademark debates is being justified based on an extended interpretation of the search cost theory.³¹²

To avoid the above consequences, it has been suggested that the search cost theory should be used as a justification for limited types of trademark protection, particularly

³¹⁰ *Ibid*, McKenna, 92-94.

³¹¹ Sheff (n.309) 54.

³¹² See chapter five sections 5.2 for a discussion on dilution.

source confusion.³¹³ This is supposed to help place consumer protection back at the heart of doctrinal analysis.³¹⁴ Sheff, however, contests this point, stating that in attributing trademark expansion to the search cost theory, McKenna was ‘relying on a fallacy of his own’.³¹⁵ Particularly, modern trademark developments are entirely divorced from the search cost rationale. This point will be clarified in the next chapter.

3.2.2.2 The Quality Assurance Theory

A. Trademarks as a Tool for Quality Assurance

In addition to reducing search costs, a trademark’s more complex function within the economic spectrum is to signify quality,³¹⁶ a point which has been briefly mentioned previously.³¹⁷ This is what is referred to as the *trust* function of a trademark.³¹⁸ Before expounding this function, two points should be addressed: first, what is meant by the term quality, and second, what is the relation between search cost reduction and quality assurance?

No global definition for the term quality exists.³¹⁹ Whilst traditionally quality was evaluated in terms of excellence (objective quality),³²⁰ quality increasingly became

³¹³ McKenna (n.293) 84, fn.44.

³¹⁴ Generally, see M. Lemley, M. McKenna, ‘Irrelevant Confusion’.(2010) 62(2) *S.L.Rev.* 413,456.

³¹⁵ Sheff (n.309) 51.

³¹⁶ For a discussion on the elements of quality see C. Reeves, D. Rednar, ‘Defining Quality: Alternatives and Implications’ (1994) 19 *ACAD Management Review* 419. Also, see D. Garvin, ‘Competing on the Eight Dimensions of Quality’ 65 *HBR* 101.

³¹⁷ Griffiths (n.244) 623.

³¹⁸ Katz (n.231) 1555.

³¹⁹ C. Reeves, D. Rednar, ‘Defining Quality: Alternatives and Implications’ (1994) 19 *Acad. Manag.Rev.* 419, 419.

³²⁰ *Ibid*, 420.

measured against the value relative to the price (perceived quality) or the value relative to consumer preferences (variety features).³²¹ On the latter point, quality and variety features were traditionally distinguished on the ground that the former comprise features valued by all consumers, while the value of the latter depends on consumer taste. For example, while all consumers agree that the coffee should preferably be freshly grounded (quality features), opinions are split on whether the taste should preferably be bitter, sweet, sharp etc.

However, more recently, an argument has been advanced that the objective and subjective dimensions of quality cannot be neatly separated.³²² Under this premise, quality covers all sort of characteristics to which consumers attach value including aesthetics, perceived standards, and the emotional impacts that products have.³²³ These often neglected quality attributes are particularly relevant within the luxury fashion industry in which consumer behaviour is predominantly based on the subjective (intangible) dimension of quality.³²⁴ This view will be upheld for the remainder of this thesis.

In relation to the second question, a mark facilitates the workings of modern market by allowing product owners to disseminate information about the quality of a product.

³²¹*Ibid*, 421. M. Holbrook, K. Corfman, 'Quality and Value in the Consumption Experience: Phaedrus Rides Again' in J. Jacoby, J. Olson (eds.), *Perceived Quality* (Lexington Books, 1985) 33.

³²² Griffiths (n.244) 627. Also, the CJEU decided in several cases that quality can include intangible or mental quality characteristics which are linked to the aura of the brand. See C-59/09 *Copad v. Christian Dior* [2009] E.T.M.R 40, par. 24-26.

³²³ *Ibid*, Griffiths, 626.

³²⁴ See discussion in chapter four, section 4.4.1.2 on the impact of advertising and marketing on creating emotional appeal and a layer of intangible quality.

This ultimately reduces search costs. However, only a brand with strong informative power is able to generate the needed trust in the quality of its product.³²⁵ If the communicative power of a mark is weak due to lack of ‘trust’ in the ‘linguistic capability’ of a mark (i.e. its ability to reduce search costs is low), the role of trademarks in signifying consistent quality can be impaired. Hence, the search reduction function and the quality assurance function are manifestly overlapping.³²⁶ But, how does a trademark assure quality in practice? To address this question one should start by briefly explaining the origins of the quality assurance function.

A trademark as a sign of quality formed the basis of the utilitarian, economic justification of trademarks which have until recently dominated the legal sphere.³²⁷ The role of trademarks as a tool for quality assurance was proposed by Schechter who contended that a trademark’s most prominent role is to ‘identify the product as satisfactory’.³²⁸

Generally, trademarks provide assurance for the public that goods bearing the same marks are ‘similar in nature, quality, and characteristics’.³²⁹ Since trademarks assure the public that all commodities bearing these trademarks emanate under the control of one anonymous source, trademarks become a consistent set of promises which fulfil a

³²⁵ Griffiths(n.244) 625.

³²⁶ Katz (n.231) 1561.

³²⁷ Naser (n.231) 104. E. Hanak, ‘The Quality Assurance Function of Trademarks’(1974) 3(2) *Fordham L.Rev.* 363, 363-376.

³²⁸ Schechter (n.202) 818.

³²⁹ R. Callmann, *Unfair Competition, Trademarks and Monopolies* (3rd Ed., Clark Boardman Callaghan, 1967) 640.

defined set of expectations possessed by customers.³³⁰ Thus, the role of a trademark as a quality assurance tool builds heavily on the origin function.³³¹ If the producer offers products that satisfy the preference of consumers according to their own personal standards of quality,³³² they will proceed with the purchase. Therefore, in fulfilling its essential function as a guarantee of trade origin, trademarks signify the consistent quality of the marked products and the ‘commercial responsibility’ of the trademark owner.³³³ Trademarks in this sense become indicators of what the consumers are about to purchase rather than who produced it.³³⁴ Consumers repeat a purchase because they are convinced that the original condition of the product is not subject to interference by a third party apart from the original manufacturer.³³⁵

On the contrary, in the absence of a familiar mark, not only will the ability of customers to distinguish products according to their quality be impaired.³³⁶ More worryingly, trademark owners will neither be credited for their workmanship nor held responsible for failing to provide high quality products.³³⁷ Even trademark owners will find it difficult to trace the deterioration of the quality of their own products. Some argue that the ability of trademarks to signify quality is in practice the only benefit a trademark grants consumers.³³⁸ At first appearances, this claim may seem somewhat exaggerated and ill-fitted in a modern consumer society. This is because it overlooks

³³⁰ Swann (n.94) 950.

³³¹ T. McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th ed., Clark Boardman Callaghan, 1996) 3:4.

³³² Hanak (n.327) 364.

³³³ Griffiths (n.244) 635.

³³⁴ Hanak (n.327) 377.

³³⁵ Griffiths (n.242) 62.

³³⁶ *Ibid*, 62-63.

³³⁷ Callmann (n.329) 640.

³³⁸ Hanak (n.327) 364.

the psychological, social, and emotional aspects of the purchase decision. Arguably, a trademark sends signals about the attributes the society associates with the product more than it sends signals about quality in the narrow sense.

After outlining the essentials of the quality assurance function, the analysis will benefit from a concise economic justification of the reasons that drive trademark owners to provide products of consistent quality. Noting that emphasis on economic justification as opposed to legal is premised on the fact that legally speaking, according to CJEU, a manufacturer is free to vary the quality of the products.³³⁹

Simply put, while consumers seek to pay a given price for the highest quality possible, manufacturers seek to reduce their expenses, thus, manufacturing products of the lowest quality possible. Because, initially, unobservable product quality will not add to the selling power of a company, companies that have no assurance that consumers will repeat the purchase process will manufacture products with the ‘cheapest possible unobservable quality’.³⁴⁰ This will burden consumers, who will be faced with a choice to pick between products that have identical observable qualities. In order to remedy the potential risk resulting from adverse selection, consumers would reduce their willingness to pay for a product. This as a result, places a ceiling on the manufacturer’s budgets as well. According to Strasser, the inability of consumers to track quality will curtail the ability of manufacturers to produce satisfactory products.³⁴¹ Simultaneously, the incentive of these manufacturers to offer low quality products will

³³⁹ Hag II (n.226)

³⁴⁰ Economides (n.78) 526.

³⁴¹ Strasser (n.305) 381.

not be abolished. The end result is the degradation of products in terms of quality until the market is interlarded with ‘lemons’.³⁴²

However, in order to resolve the problem of divergence between the social and the private returns, it was suggested that an institution which is capable of counteracting the impact of quality uncertainty should be introduced.³⁴³ The relevant institution in this case is an identifiable, protectable, and exclusive trademark which ideally makes it clear for manufacturers that brands are hostages in the minds of consumers.³⁴⁴

The identifiable nature of trademarks prompts entities to engage in a competition that is based on offering higher quality products. Accordingly, this creates an endogenous incentive for firms to avoid engaging in opportunistic behaviour.³⁴⁵ More controversially, acting on the economic theory of maintaining favourable reputation, trademarks start acting as an ex-post marketing regulation system.³⁴⁶ According to this argument, brand owners ought to realise that trademarks are a means of retaliation for unsatisfied consumers. By failing to provide products aligned with the promised quality, trademark owners will be forfeiting a portion of their capital. This is not particularly surprising as the reputational capital of a firm is of primary importance.

³⁴² Akerlof (n.278) 488. A lemon refers to products that can only be known to be defective after they have been bought.

³⁴³ Ramello (n.95) 553. Social returns refer to consumer returns, whilst private return refers to the returns received by trademark owners.

³⁴⁴ *Ibid*, 553.

³⁴⁵ *Ibid*, 554.

³⁴⁶ *Ibid*, 553. Akerlof (n.278) 449.

The magnitude of losses incurred by trademark owners in these cases significantly exceeds the actual value of damage inflicted on customers. This loss is analogous to a penalty clause imposed on a promisor for breach of contract, and hence, acts as a deterrent for breach.³⁴⁷ The deterring effect in the case of a trademark originates from the customers themselves, through a flexible procedure rather than through a central body by means of a 'command and control' method.³⁴⁸ Indeed an empirical research conducted by Klein and Leffler affirms that companies engaging in repeat transactions are better off raising quality above minimum even if they end up charging a higher price.³⁴⁹ In order to preserve their goodwill and the resulting value of the trademark, firms will be always vigilant to maintain the quality of their products.³⁵⁰

Taken together, consumers' purchase decisions, particularly in relation to 'experience' and 'credence' commodities, are theoretically characterised by wild guessing and excessive risk taking. If a consumer is faced with a choice between twenty different types of coffee, the probability that he will pick the cup which will most satisfy his taste will be significantly low. Once an identifiable trademark is added to the equation, then this probability increases as consumers can assume with confidence that their future experience will reflect their past experience, or the experience of others, with a particular trademark. This creates the trust factor which is crucial. The trust between consumers and manufactures is premised on a supposition that the quality of the product is invariable. However, the validity of this assumption requires a third element

³⁴⁷ L. De Alessi, R.J. Staaf, 'What Does Reputation Really Assure? The Relationship of Trademarks to Expectations and Legal Remedies' (1994) 32(3) *Econ.Inq.* 447, 478.

³⁴⁸ *Yale Electric* (n.118)

³⁴⁹ Klein and Leffler (1981) in De Alessi, J Staaf (n.347) 477.

³⁵⁰ E. Bannon, 'Revisiting the Rational Basis for Trademark Protection; Control of Quality and Dilution-Estranged Bedfellows' (1990) 24 *J.Marshall L.Rev.* 65, 76.

to be added to the purchase process equation. This element is the legal protection of a trademark.

As such, trademarks become means ‘for not disappointing consumer expectations with regard to certain product characteristics that the use of trademark can lead the public to believe are present’.³⁵¹ Under this interpretation, the ostensible aim of trademark protection is ‘to preserve the salience of the signal conveyed to consumers’.³⁵² In doing so, trademarks promote efficiency and produce a level of deterrence which altogether enhance social welfare.³⁵³ However, the quality assurance function also engenders some problems.

B. Problems with the Quality Assurance Function

Despite the appeal of the quality assurance function, its practicality has been questioned.³⁵⁴ The most obvious instance where a trademark’s role as a quality assurance tool becomes dubious is in the case of firms with short horizon. When the firm’s primary objective is to generate short term profit, the incentive to maintain consistent quality does not exist.³⁵⁵ Accordingly, only if the trademark owner’s interest in maintaining or improving its reputation is high enough to exceed the potential benefit of short-term profiting would a trademark act a quality assurance tool.³⁵⁶ In the

³⁵¹ P. Roncaglia, G. Sironi, ‘Trademark Functions and Protected Interests in the Decisions of the European Court of Justice’ (2011) 101 *TMR* 147, 152.

³⁵² D. Burk, ‘Law and Economics of Trademarks; In Search of First Principles’ (2012) 8 *Annu.Rev.L&Soc.Scie* 397, 409.

³⁵³ Ramello (n.95) 553.

³⁵⁴ For example Park argues that the heightened emphasis on the quality dimension to justify modern trademark protection is no more than a response to the changes in the economic structure of the society. Park (n.275) 553.

³⁵⁵ Economides(n.78) 529.

³⁵⁶ C. Shapiro, ‘Consumer Information, Product Quality, and Seller Reputation’(1982) 13 *RJE* 20, 63.

case of large multinational corporations with influential trademarks, it can be generally assumed that the enticements to create short-term profit will not be prioritized over long sighted business objectives.³⁵⁷ These firms are induced by their trademarks to preserve ‘rich product diversity’ as previously discussed.³⁵⁸ However, in relation to short horizon firms, while it might be true that the market can naturally remedy problems arising from the manufacturer’s indifference to quality control by reducing market share, there is a time lag between the point by which the firms starts varying quality and the point of profit drop.³⁵⁹ This renders this criticism notable.

From a different perspective, it is alleged that the use of the term assurance to describe the ability of trademarks to signal quality is too optimistic since trademarks do not necessarily assure, but rather ensure specific performance.³⁶⁰ An interesting analogy was advanced by Dilbary who compared trademarks to warranties. Whilst both provide consumers with signals about qualities,³⁶¹ warranties usually signify high standard of performance but do not ‘guarantee’ the level of performance.³⁶² Generally, whether the use of the term ‘assurance’ should be perceived with such negativity depends on the competitive approach adopted by the firm.³⁶³

³⁵⁷ F. Beier, ‘Territoriality of Trademark Law and International Trade’ (1970) 1 *IIC* 48, 63.

³⁵⁸ Bone (n.265) 190.

³⁵⁹ N. Genel, ‘Keep it Real: A Call for Broader Quality Control Requirement in Trademark Law’ (2006) 8 *Fordham Intell. Prop. Media & Ent. L.J.* 269, 294.

³⁶⁰ Alessi, Staaf (n.347) 478.

³⁶¹ S. Dilbary, ‘Famous Trademarks and the Rational Basis for Protecting “Irrational Beliefs”’ (2006) John M. Olin Programme in Law, Law and Economics Working Paper 285, 4-6. p.41, fn.171.

³⁶² *Ibid.*

³⁶³ For a more detailed analysis on the different approaches to competition see R. Van Den Breghe, P. D. Camessaca, *European Competition Law and Economics: A Comparative Perspective* (2nd ed., Sweet and Maxwell, 2006).

For example, in the fashion industry, while a high-end brand such as Chanel wants its consumers to infer high quality from its trademark, a low-end brand such as Primark merely strives that its consumers associate its products with the idea of affordable fashion. Arguably, the quality of a Primark garment is unlikely to be within the buyer's set of considerations when making purchase decisions, as quality in its literal sense is only secondary in importance for a Primark customer. Hence, it is argued that the company can easily exploit this and vary quality without fear of losing its existing customers. Accordingly, at first appearances, it seems that a trademark's ability to 'assure' quality can indeed be challenged. However, the validity of the previous argument is relative to the breadth of the term quality espoused.³⁶⁴ A broad interpretation to the term quality which encompasses in addition to price and physical attributes other aesthetic and intangible characteristics, could explain the continued reliance on 'assurance'.

Whilst the previous criticisms do not have sufficient practical rigor, the role of advertising pull and its impact on quality perception is a compelling point worth addressing. Acting on the theory of cognitive conservatism, which is explained as the 'human's psychological inclination to seek evidence confirming previous findings and disregard evidence contradicting it', it is suggested that experience with products does not eliminate the psychological effect of advertising.³⁶⁵ Thus, in accordance with this theory, companies can freely modify the quality of their commodities without a real fear that consumers will switch to a different product. An illustration of this point would be that of factory outlet stores which produce lower quality products, but still

³⁶⁴ Griffiths (n.244) 625.

³⁶⁵ K. Assaf, 'Magical Thinking in Trademark law(' 2012)| 37(3) *L&Soc.Inq.*596, 610.

manage to attract consumers given the pull of their brands.³⁶⁶ This resounding psychological power of trademarks has promoted legal scholars to pronounce explicitly the advertising function of trademarks, which will be addressed in the next chapter, as being more substantial than the quality assurance function.³⁶⁷ Of course the validity of this argument depends on one's conception of 'quality'. A broad conception would possibly encompass this 'pull' of a trademark as part of the overall quality. Furthermore, consumers would usually only tolerate this variance in quality if it was against a price trade-off as in the case of outlet stores discussed above.

Similarly, it is suggested that firms with strong retention strategies that create strong, deep and personal brand ties with their customers and thereby create artificial product differentiation, may discourage customers to switch brands in case of quality deterioration. This argument is particularly evident in markets in which switching costs³⁶⁸ are prohibitively high.³⁶⁹ Switching costs, thus, act as a quasi- moderator which renders the consumers preference for other brands more expensive.³⁷⁰ Therefore, there is a circular relationship between product differentiation, brand loyalty, consumer retention and switching costs which, if evaluated thoroughly, could justify doubts concerning the quality assurance theory. To resolve these problems, it

³⁶⁶ G. Soysal, L. Krishnamuthri, 'Channel Interactions in a Vertically Differentiated Channel Structure: The Case of Factory Outlet Stores'(2012) *University of Texas at Dallas, Naveen Jindal School of Management* <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2298713.> accessed 28 September 2015.

³⁶⁷ R. Callmann, 'Trademark- Infringement and Unfair Competition'(1949) 14 *Law&Contemp.Probs.* 185

³⁶⁸ Switching Costs are the costs consumer incur when switch from one producer to another. These costs can be either explicit or implicit. See P. Klemperer, 'Competition when Consumers have Switching Costs: An Overview with Applications to Industrial Organization, Macroeconomics, and International Trade'(1995) 62 *Rev. Econ. Stud.* 515, 517.

³⁶⁹ J. Lee, J. Lee, L. Feick, 'The Impact of Switching Costs on the Customer Satisfaction-loyalty Link: mobile phone service in France' (1987) 15 *JSM* 35, 35.

³⁷⁰ S. Aydin, G. Ozer Gokhan, O. Arasil, 'Customer loyalty and the effect of switching costs as a moderator variable: A case in the Turkish mobile phone market' (2005) 23 *MIP* 89, 89.

can be proposed that a legal framework which controls quality could act as an ongoing deterrent for companies to provide inferior quality products.³⁷¹

The TMD for example currently permits licensing without imposing any specific requirements in relation to quality control.³⁷² Notwithstanding the specific license agreement, in general, only when a mark becomes deceptive will also it be subject to revocation.³⁷³ National legal remedies³⁷⁴ have been mainly used to resolve commercial disputes and are of minimal practical relevance for consumers.³⁷⁵ A more rigorous legal intervention can be useful for bridging the ever-increasing gap between the legal rationales for trademark protection and the economic consequences of its protection.³⁷⁶ This topic is of significant interest, yet, it remains beyond the scope of this thesis.³⁷⁷

3.3 Arguments Doubting the Adequacy of the Traditional Justifications for Trademark Protection

³⁷¹ An indirect example of legal system would be the Council Directive 2005/29/EC of 11 June 2005 concerning unfair business-to-consumer practices in the internal market [2005] OJ L149/22.

³⁷² Article 8 of the TMD.

³⁷³ In comparison in the United States, the quality assurance function is implicitly affirmed in the major statutes. For example, the introduction of a quality guarantee requirement for licensing trademarks under section 5(3) of the Lanham Act is a clearest illustration of the legal recognition of this assurance function: See Hanak (327)

³⁶³. Also, see *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 276 F.2d 358(2nd Cir., 1959). Also, see *Warner-Lambert v. Northside Development Corp.* 86 F.3d at 7(1996) for insights on the broad recognition of quality guarantee in the US.

³⁷⁴ For example, Trademarks Act 1994, Sec. 28.

³⁷⁵ Generally, see Parks (n.275), 557-562.

³⁷⁶ Generally, see J. Ammar, *Think Consumer; The Enforcement of The Trade Mark Quality Guarantee Revisited: a legal and economic analysis*(Cambridge Scholars Publishing, 2011). Also, see Genel (n.359) 269-300.

³⁷⁷ For more details see generally, *Ibid* .Griffiths (n.242).

Now that the practical problems with both the search cost theory and the quality assurance theory have been outlined and discussed, more general criticisms initiated against the utilitarian economic theories of trademark justification are worth considering. These criticisms are mainly advanced by the theorists of the Harvard school of economic thought. As such, this section will lay the foundation on which chapter four will be developed.

The essence of these criticisms is that economic theories advanced for the justification of trademark protection are insufficient. This is because they overlook the significance of the attractive power of the trademark itself, independent of the product, although this power contributes to the process of decision-making and the state of the market. This inadequacy is multidimensional.

First, it is argued that neo-classical economists developed their theories based on the mistaken conception of the rational economic man.³⁷⁸ They tend to analyse human behaviour as being rational under all circumstances (i.e. objective), with decision making being based on a set of systematic considerations. In practice, this is far from the case.³⁷⁹ Consumer decision making, as Sheff notes, is based on less analytical and systematic considerations than those assumed by economic theories. In practice, ‘it is unlikely that any modern consumer can, on reflection, honestly characterise their myriad and varied purchasing decisions as a series of calculations to determine

³⁷⁸ L. D. Keita, *Science Rationality and Neoclassical Economics* (University of Delaware Press, 1992) 105-106.

³⁷⁹ J. Sheff (n.286), M.J. Thomas, ‘Consumer market research: does it have validity? Some postmodern thoughts’ (1997) 15 *MIP* 54, G. Lowenstein, ‘The Creative Destruction of Decision Research’ (2001) 28(3) *J.Consum.Res.* 499.

likelihood of preference-satisfaction'.³⁸⁰ The economic theories of trademark justification, particularly the search cost theory, posit that consumers are inclined to purchase trademarked products over unmarked commodities, principally because of the information conveyed through the former. This proposition has been contested based on the fact that the prominent function of contemporary trademarks is not only to inform, but also to persuade.³⁸¹

Currently, trademarks supported by marketing activities are acting as spiritual entities that can create emotional and psychological product differentiation unrelated to the functional attributes of actual product.³⁸² These new functions of trademarks arguably prevent consumers from evaluating their choices and instead lulls purchasers into a process of 'lather, rinse and repeat',³⁸³ a process often referred to as brand bias.³⁸⁴ Allegedly, brand bias is alarming as it raises the possibility that strategic actors through their marketing techniques might compromise the efficiencies of a system by controlling information dissemination, thus, reducing welfare.³⁸⁵ The validity of this point will be evaluated in chapter four.

A final point to advance, which forms the foundational basis of the controversial Harvard school of thought, is that the Chicago based economic theories rest on

³⁸⁰ Sheff (n.286) 1252. Also, see H. Simon, 'Rationality in Psychology and Economics', (1986) 59(4) *J.Bus.* 209.

³⁸¹ K. Assaf, 'Brand Fetishism' (2011) 43 *Conn. L. Rev.* 83,147. G. Lunney, 'Trademark Monopolies' (1999) 48 *Emory L.J.* 367, 417.

³⁸² *Ibid*, Lunney, 417.

³⁸³ D. Desai, 'Response: An Information Approach to Trademarks' (2012) 100(6) *Ga.L.Rev.* 2119, 2124.

³⁸⁴ Sheff (n.286) 1302. Also, see generally B. Beebe, 'Search and Persuasion in Trademark Law' (2005) 103 *Mich.L.Rev.* 2020.

³⁸⁵ *Ibid*, Sheff, 1253.

unstated assumptions of the way trademarks are selected and marketed.³⁸⁶ The economic efficiency arguments assume a perfectly competitive market.³⁸⁷ They assume that the gross price of a product strictly comprises the net price in addition to the information costs. It follows that by reducing information costs through using identifiable trademarks decreases the overall gross price. However, it is counter-argued that this model is oversimplified as it assumes trademarks have a purely informational role, hence, creating an opportunity cost for customers.³⁸⁸

These points are of course worth elaborating on in the following chapters. However for the purpose of this chapter it suffices to state that the economic theories discussed so far fail to provide a complete and accurate explanation for the attractive power of a trademark. Recognising that purchase decisions incorporate elements beyond pure logical calculations constitutes a step towards comprehending the extended role of trademarks.

3.4 Conclusion and Findings

³⁸⁶ S. Carter, 'The Trouble with Trademarks' (1990) 99 *Y.L.J.* 759, 759.

³⁸⁷ Ramello (n.95) 559.

³⁸⁸ Alessi, Staaf (n.347).

It emerges from the previous analysis that the role of trademarks in facilitating customer decisions and providing quality assurance is profoundly intertwined with the legal function of identifying the mark's trade origin. This reaffirms that the importance of recognising the legal function lies within the economic benefits trademarks generate. Evidently, the previous analysis provided a simplistic view on how economic theory can be used to justify legal protection.

It has been shown that the competence of these theories in justifying trademark protection has been subject to extensive criticisms. One on hand, the economic theories are condemned for being incorrect and predominantly relative to the vision and objectives of the corporation in focus. The thesis proposes that these arguments are only credible in extremely exceptional circumstances. In the luxury fashion industry most products are credence. Thus, this 'trust' factor which characterises the quality assurance theory is regarded as crucial for decision making. However, this thesis accepts that the economic justifications fail to account for the persistent deviations from the rational consumer behaviour that occurs in the current market place. It is incontestable that trademarks entail persuasive, psychological, and emotional elements which these economic justifications tend to overlook. Even if we assume that quality is to be perceived very broadly so that it includes the emotional appeal of a brand, the current theories advanced for trademark protection fail to unveil the real functions of trademarks. The rational actor models which the economic theories are built upon are misleading, or at least narrowly constructed.³⁸⁹ This view has been interestingly acknowledged by some of the pioneers of the Chicago based school of economic

³⁸⁹ Generally, see H. Simon, 'Rationality in Psychology and Economics', (1986) 59(4) *J.Bus.* 209, 224-225
J. Sheff, 'Marks, Morals and the Markets' (2013) 65 *S.L.Rev.* 761, 767.

thought who propose that the economic theories on trademarks should be combined with theories of ‘fairness, autonomy, and desert’.³⁹⁰

That said, the expansion of trademark doctrines seems to be substantially conflicting with the approach of the Chicago school theory of trademark law, which relies on maximisation of individual welfare as a guiding principle.³⁹¹ These points will be further addressed in chapter four.

The significance of this chapter for the purpose of this thesis is that it lays out the basics on which trademark law traditionally was protected and justified. This will allow an understanding of traditional rationales of trademark law and accordingly, gives us an opportunity to compare various rationales, including the ones put forward as a justification for the expansion of trademark protection. Furthermore, although the economic functions are no longer capable, *per se*, of explaining the attractive power of a trademark, the thesis proposes that it is impossible to be able to neatly separate the economic functions from the modern functions. Thus, understanding the latter is unattainable without an analysis of the former. Building on the criticisms instigated against the economic justifications discussed in the final section of this chapter, the next chapter will discuss in more depth the modern functions of trademarks in the current commercial market place.

³⁹⁰ R. Merges, *Justifying Intellectual Property* (HUP, 2011) 2-3.

³⁹¹ L. Kaplow, S. Shavell, ‘Fairness Versus Welfare’ (2001) 114 *Harv.L.Rev.* 976, 976.

Chapter Four

The Modern Functions of Trademarks

4.1. Introduction

The astronomical growth in the wealth and cultural influence of multinational corporations over the last fifteen years can arguably be traced back to a single, seemingly innocuous idea developed by management theorists in the mid-1980s: that successful corporations must primarily produce brands, as opposed to products³⁹²

(Klein, 2002)

‘Those Louboutins are to die for’, ‘Chanel and Louboutins!! what else can I wish for’, ‘This Hermes bag is my dream! Someday!!!’. These quotes represent an abstract sample from an enormous body of material reflecting the intricate (love) relationships that consumers have developed with certain trademarks.³⁹³ Interestingly, many consumers in pronouncing their desire to purchase a particular commodity repeatedly refer to the brand name rather than the type of the product. From the stance of a third party, those passionate consumers are longing to purchase a ‘Louboutin’ rather than a shoe, a ‘Hermes’ rather than a bag, and thus, a trademark rather than a commodity.

³⁹² N. Klein, *No Space, No Choice, No Jobs, No Logo* (Picador, 2002) 3.

³⁹³ Fashion is My Drug <<https://www.facebook.com/home.php#!/FashionIsMyDrug?fref=ts>> Accessed 28 April 2013.

This trend prompts the observer to question the motives behind the propensity of fashion enthusiasts, among other consumers, to perceive a trademark as a commodity on its own. Is it the outstanding functional quality of a bag trademarked as Hermes or the remarkable attention to details during the manufacturing process that creates the desire to own a bag priced 7000 pounds at least?³⁹⁴ As discussed in chapter three, a trademark signifies to the purchasing public the consistency of the quality of its products which could be a driving factor for purchase. Alternatively, can it be suggested that the aesthetic features of the Hermes bag, which can also be classified under the broader notion of quality, makes it more appealing. Although the high quality and the admirable aesthetics of the product are important contributory factors, a trademark, particularly in the luxury fashion industry, has come to play a much more prominent role in the modern globalised economy. This new emerging role is *arguably* manipulating the probabilities of human choices and conduct.³⁹⁵

As a result of this emerging role, a general consensus has arisen both in the US³⁹⁶ and in Europe,³⁹⁷ that the purely economic theories for trademark justification are indeed unequipped to reflect accurately the contemporary functions of trademarks. Correspondingly, over the past decade, trademark protection has been remoulded to correspond to the evolution of trademarks on one hand, and to the development of the consumer society on the other hand.³⁹⁸ Courts, realising the value consumers attribute

³⁹⁴ Hermes Berkin priced at 7100 Euro In 2012. <<http://forum.purseblog.com/hermes-shopping/2012-hermes-hand-travel-bag-prices-no-chatting-722677.html>> Accessed 28 April 2013.

³⁹⁵ Z. Bauman, *Consuming Life*.(Wiley:2013) 25-82.

³⁹⁶ As early as 1925 in the US case of *Wall v. Rolls-Royce of Am.*, 4 F2d 333(3d Cir. 1925), the U.S Federal Court submitted that using the Rolls-Royce mark on radio tubes could injure the image of the Rolls-Royce Mark.

³⁹⁷ For example, see Case C-337/96 *Parfume Christian Dior SA v. Evora*[1997] ECR I-6013.

³⁹⁸ A consumer society is defined as one in which the possession and use of an increasing number and variety of products is the principal cultural aspiration and the surest perceived route to personal

to trademarks, have moved beyond the origin and quality assurance functions and have begun to incorporate brand dimensions in trademark protection. This arguably extreme legal liberalism has prompted many to describe trademark law as an ‘unwitting servant of the corporate side of brands’.³⁹⁹

For many legal observers, the new shape of trademark law which is characterised by striking support for free market capitalism is pernicious as it represents a bias towards brand owner interests, hence, encouraging rent seeking behaviour among many other things.⁴⁰⁰ For others, the recognition of the modern functions of trademarks is a natural result of the evolution of consumer society, but should be handled prudently.⁴⁰¹ This thesis will argue in favour of the latter. Given the modern commercial reality, it is no longer acceptable to overlook the modern functions of trademarks. The challenge however is for the courts to interpret these functions in a way in which the contribution of all players in the creation of these additional functions are considered. To achieve this objective it is crucial to understand the actual constituents of these functions.

This chapter uses an interdisciplinary approach to provide deeper insights into the substance of the modern functions of trademarks beyond the analysis advanced by the CJEU. The chapter will attempt to link emerging marketing and social trends to the

happiness, social status, and success. P. Elkins, ‘The Sustainable Consumer Society: a contradiction in terms?’ (1991) 3 *IEA* 243, 244.

³⁹⁹ D.R. Desai, ‘From Trademarks to Brands’ (2012) 64(4) *Fla.L.Rev.* 981, 1009.

⁴⁰⁰ Ramello (n.95) 14. Rent-seeking refers to instances in which a company uses its resources in order to obtain an increase in wealth, or to avoid a cost or reversal of an exclusive right. See P.McNutt, *The Economics of Public Choice* (EE, 2002) 116.

⁴⁰¹ S. Fhima, ‘The Court of Justice’s Protection of the Advertising Function of Trademarks- An (Almost) Sceptical Analysis’ (2011) 6(5) *JIPLP* 325, 329.

changes that have occurred in the legal landscape.⁴⁰² Among the plethora of issues that come to play in the modern trademark debate are the *advertising* strategies firms adopt, the enormous sums of *investments* they deploy to develop commercially differentiated brands, and the consequential *communicative* role of trademarks within modern society. These three points will be explored in the first part of this chapter. However, while these aspects of protection have been treated as separate in the landmark European trademark cases,⁴⁰³ they are inherently overlapping and arguably identical.⁴⁰⁴ In order to avoid the complexity associated with fragmentation, the thesis will only distinguish among them as far as necessary. The contemporary functions of trademarks will be investigated under one single notion which the author will call the ‘attractive power of a trademark’. The second part of the chapter will evaluate the impact of the attractive power of a mark on consumer behaviour, before discussing why the recognition of the modern functions is a reality that can no longer be escaped.

4.2 The Development of the Modern Functions: The Evolution of EU Case Law

⁴⁰² The modern functions of the trademark have been developed through the jurisprudence of the CJEU and are not explicitly mentioned in the European TMD.

⁴⁰³ C-487/07. *L’Oréal v. Bellure*[2009] ECR I-5185. C-323/09.

⁴⁰⁴ Tarawneh (n.231) 50.

The radical transformation in the stance of the CJEU, from perceiving trademark rights as impairing free movement of goods,⁴⁰⁵ to recognising trademark rights beyond the realm of the confusion theory,⁴⁰⁶ urges a consideration of the means by which these contemporary rights gained legal recognition. Thus, it is useful to start by retrospectively reviewing the leading CJEU cases in which the modern trademark functions were first mentioned.

The first step towards the European recognition of the contemporary trademark functions was in *Dior v. Evora*.⁴⁰⁷ In this case, Dior a well-known luxury manufacturer instigated a claim against Evora, for advertising its products in a way which allegedly damaged Dior's brand equity. In making its judgement, the CJEU made reference to the phrase advertising function for the first time. Although the court found no infringement in this case, it acknowledged that an injudicious trademark use could be 'detracting from the allure and prestigious image of the goods in question and from their aura of luxury'.⁴⁰⁸ Whilst in the course of the judgement there was no explicit clarification of the modern functions, the courts recognised for the first time the possibility of protecting a trademark beyond the boundaries of likelihood of confusion.

*Arsenal v. Reed*⁴⁰⁹ is the second pioneer case in the modern trademark debate. Interestingly, the CJEU in this case invoked 5(1)(a) of the TMD⁴¹⁰ to rule that using a

⁴⁰⁵ C-40/70 *Sirena S.r.l. v. Eda S.r.l and Others*[1971] ECR 69.

⁴⁰⁶ *Christian Dior* (n.397), *L'Oréal* (n.403), C-326/08 *Google France SARL and Google Inc. v. Louis Vuitton Malletier SA*[2010] E.T.M.R. 30.

⁴⁰⁷ *Ibid.*

⁴⁰⁸ *Ibid*, par.45.

⁴⁰⁹ C-206/01 *Arsenal Football Club v. Mathew Reed Case* [2002] E.T.M.R. 19.

⁴¹⁰ Directive 2008/95/EC of the European Parliament and the Council of Europe .

sign as a badge of support affects the right of Arsenal as a proprietor even in the absence of any likelihood of confusion.⁴¹¹ Reed's use of the mark arguably permitted it to take unfair advantage of the reputation of the protected trademark.⁴¹²

The CJEU pronounced that 'a third party's use of the sign in a way which affects or is liable to affect the functions of trademarks, can engender legal accountability'.⁴¹³ The CJEU's ambiguous reference to the trademark functions signified the recognition of contemporary roles of trademarks which cannot be reconciled with the classical theories of trademark protection.⁴¹⁴ This approach has been upheld by AG Ruiz who argued that limiting trademark to indication of origin constitutes a 'simplistic reductionism'.⁴¹⁵

The subsequent case of *L'Oréal v. Bellure*⁴¹⁶ provided clearer insights into the substance of the modern functions. Here, liability was found against Bellure for infringing section 5(1)(a) and section 5(2) of the TMD for using the L'Oréal mark in a way that triggered a connection between Bellure's product and L'Oréal. Although, there was no likelihood of confusion, deception or tarnishment to the distinctive character of the mark, the courts in applying Article 5(1)(a) and Article 5(2) of the trademark directive found liability on the premise of unfair advantage.⁴¹⁷ What is of

⁴¹¹ Mr. Reed, who was selling the products as a sign of affiliation and loyalty to Arsenal, displayed a clear mark stating that his merchandise bears no relationship to the official arsenal products.

⁴¹² *Arsenal* (n.409) par.50.

⁴¹³ *Ibid*, par.51.

⁴¹⁴ Roncaglia, Sironi (n.351) 164-165.

⁴¹⁵ *C-206/01 Arsenal v. Reed* [2002] E.T.M.R 18. Opinion of AG Ruiz Colomer, par.47.

⁴¹⁶ *L'Oréal* (403).

⁴¹⁷ Initially, Article 5(1)(a) aimed at protecting trademark owners in the case of straightforward counterfeiting cases. See chapter six, section 6.2.

particular significance in this case was the court's explicit pronouncement of three distinct additional functions of trademarks: communication, investment, and advertising.⁴¹⁸

Next, in *Google France v. Louis Vuitton*,⁴¹⁹ LV instigated an infringement claim against Google for selling the LV trademark as a keyword to a seller of counterfeit LV products. The CJEU had to decide whether Google had indeed infringed LV's essential and/or advertising function. The CJEU found that Google's sale of the LV mark did not affect either LV's essential function of signifying trade-origin or its advertising function, noting that the advertising function will be harmed if it is used in way that it affects the proprietor's use of this mark for promotional purposes.⁴²⁰

Finally, in the case of *Interflora v. Mark and Spencer*,⁴²¹ there was a reification⁴²² of the modern trademark functions by the CJEU, with particular focus on the investment function.⁴²³ In this case, Interflora instigated a claim against M&S for purchasing the Interflora keyword on Google Ads with the purpose of diverting traffic to its website. This enquiry was focused on whether the use of a trademark to acquire or preserve the reputation of a mark was adversely affected. It was held that protection should be

⁴¹⁸ *L'Oréal* (n.403) par.58.

⁴¹⁹ *Google France SARL* (n.406)

⁴²⁰ *Ibid*, par. 91.

⁴²¹ *Interflora v. Mark and Spencer's PLC* [2013] EWHC 1291 (Ch).

⁴²² Reification refers to the process of transforming the communicative value of trademarks into protectable property. See T. Hedrick, 'Reification in and through law: Elements of a theory in Marx, Lukas, and Honneth' (2013) 0(0) *EJPT* 1-21.

⁴²³ *Interflora* (n.421) par.42-43. Also, see C-46/10 *Viking Gas v. Kosan Gas* [2011] ECR I-06161 Opinion of AG Kitkott, for a post-Interflora discussion on the modern functions.

granted for Interflora as the use of its trademark by M&S amounted to substantial interference in the proprietor's ability to preserve his reputation.⁴²⁴

The above cases have been referenced to illustrate how CJEU has gradually come to realise that a trademark can signify more than merely the origin and quality of a mark.⁴²⁵ The interpretation of their implications on trademark law and on the high-end fashion industry will be addressed in the remaining chapters of the thesis.

Notably, because the CJEU's endeavours to explain these modern functions have been minimal, it is imperative to look beyond case law and address the established theories on trademark law, brand management, consumer behaviour, cognitive behaviour, and symbolic consumerism. As the subsequent analysis will reveal, these seemingly unrelated concepts form an elaborate network, which if addressed carefully, can illuminate the fundamentals of modern trademarks. Adopting such an interdisciplinary approach can be useful in revealing whether the CJEU's understanding of modern trademarks is compatible with the actualities of the contemporary consumer society.

4.3 Communication Function

⁴²⁴ *Ibid.*

⁴²⁵ While the modern functions have been only expressed legally at a European Level recently, they have been discussed in the US for over eight decades. See Schechter (n.202) 813. Also, see *Everlasting Valve Co. v. Schiller* 21 F.2d 641, 641(E.D Pa 1927).

In discussing the modern functions of trademarks, it might appear peculiar to start with the most ambiguous function, namely, the communicative function.⁴²⁶ This purposeful approach however, stems from the author's perception that communicative trademarks are nothing but the successful end results of the strategic advertising and the substantial investments companies make in developing a mark.⁴²⁷ Thus, communication as pronounced in modern CJEU case law is an outcome of other functions rather than a separate function *per se*.⁴²⁸ Possibly, on this premise, the CJEU refrained from providing clear guidance on what constitutes the communicative function.⁴²⁹ Understanding the communicative function will help set the scene for comprehensive discussion on the advertising and investment role of trademarks in the modern consumer society.

A logical initial question is: how can trademarks, which are literally speaking, no more than visual images or symbols, play such an immense communicative role? To answer this question, it is critical to emphasise several key points.

First, trademarks cannot be fully understood except within the broader theoretical spectrum of brand culture. To recall, trademarks now play the role of the mediator between the brand and its consumers. Of more concern, trademarks today represent almost all the elements of any brand. Trademarks protect brands, make them visible,

⁴²⁶ Regrettably, despite acknowledging this communicative role, the CJEU have failed to provide specific guidance on the constituents of this function. See *Parfums Christian Dior, L'Oréal, Marks and Spencer*.

⁴²⁷ Desai, (n.399) 981.

⁴²⁸ Gangjee (n.163) 40.

⁴²⁹ C-324/09 *L'Oréal SA v. Ebay* [2011] E.T.M.R. 53, fn20 stating that the communication function is part of the other functions.

foster their distinctiveness and enhance the overall brand awareness.⁴³⁰ Through trademarks, companies can disseminate to the market the desired information (both factual and emotional) about a brand, its values, and its connotations. Thus, the strength of a trademark is derived from the power of a brand in a marketplace. Simultaneously, the strength of the brand is directly correlated with the legal protection endowed to trademarks.⁴³¹

Secondly, no industry serves better than the luxury fashion industry to discuss the communicative power of a mark as this industry remains one of few in which inferences on status,⁴³² personality,⁴³³ lifestyle characteristics,⁴³⁴ are always made.⁴³⁵ In this industry, product demand is largely premised on hedonic and symbolic considerations in addition to the quality and aesthetic considerations. Thus, consumers in this industry attribute excessive value to trademarks for reasons which go beyond aesthetic features. Trademarks in this industry act as vehicles for communicating various messages at a cultural level, a group level, and at an individual level. Hence, examples from the luxury fashion industry will be used to illustrate the substance of the communicative function.

⁴³⁰ D. MacInniss, S. Shapiro, G. Mani, 'Enhancing Brand Awareness Through Brand Symbols' (1999) 26 *ACR* 601, 608 .

⁴³¹ See chapter three, section 3.2.1.

⁴³² H. Douty, 'Influence of Clothing on Perception of Persons' (1963) 55 *IJHE* 197. Also, see M. Rosencran, 'Clothing Symbolism' (1962) 54 *IJHI* 18, 18-22.

⁴³³ K. Gibbins, A. Schneider, 'Meaning of Garments: Relationship between Impression of an Outfit and the Message Carried by Its Component Garments' (1980) 51 *PMS* 287, 287.

⁴³⁴ H. Douty, 'Influence of Clothing on Perception of Persons' (1963) 55 *IJHE* 197, 197-198.

⁴³⁵ Generally, see R. Mayer, K. Bahn, 'The Eye of the Beholder: Individual Differences in Perceptions of Consumption Symbolism' (1982) 9 *ACR* 523.

4.3.1. Informative communication

In practice, a trademark has the power to communicate at three levels: first it calls to the mind of the purchaser the *rigid characteristics* of the product, secondly it communicates *images*, and thirdly it *communicates associations* to the relevant public.⁴³⁶ Whilst the former fall under informative communication, the latter two are often discussed under ‘brand communication’ and will be addressed in the next section.

At a basic level, a trademark’s signalling function involves educating consumers about the tangible features or the rigid characteristics of a product. As soon as a trademark identifies a certain category of products, it begins communicating with consumers through enabling them to associate all the product-related information available with the products that carry this mark.⁴³⁷ By identifying products and communicating information to consumers, trademarks mitigate the problems of moral hazard and adverse selection.

Such interpretation may suggest that the objective of developing strong trademarks is simply to infuse information about the product’s price and quality, and to communicate this information to consumers.

⁴³⁶ Jehoram et. al (n.232) 10.

⁴³⁷ Strasser(n.305) 383.

This neoclassical⁴³⁸ approach can be mostly understood in light of the product branding theory which regards a trademark strictly as, a source of information about a particular product.⁴³⁹ This view is intrinsically tied to the trademark's essential functions: source identification, search cost reduction, and the quality assurance function, all which have been already addressed in chapter three.

Nevertheless, an analytical reading of the judgements recently delivered by the CJEU⁴⁴⁰ clearly reveals that the courts have come to realise a communicative power for trademarks in modern consumer society which extends beyond pure communication of information. Strasser reiterates this view stating that 'what trademarks really do is communicate to consumers that because a product emanates from a certain source, it bears all the characteristics that consumers associate with this source'.⁴⁴¹ Characteristics include not only the rigid functional information about a product, but also the images and associations as previously mentioned.

Information communicated to consumers through a trademark is in many instances independent of the physical characteristics of a product.⁴⁴² Due to the clear shift from a product-information format of trademarks to the 'lifestyle format',⁴⁴³ it no longer suffices to rely on a narrow interpretation of the communicative function.

⁴³⁸ Neoclassical economics is an approach to economics that relates supply and demand to rationality and rational decision making. See T.Rawski, S.Carter, J.Cohen, S. Cullenberg, R.Sutch, 'Economics and The Historian'(University of California Press, 1996) 122.

⁴³⁹ Desai (n.399) 992-994.

⁴⁴⁰ *Christian Dior*(n.397), *L'Oréal* (n.403), *Google France* (n.406).

⁴⁴¹ Strasser(n.305) 383.

⁴⁴² *Ibid.*

⁴⁴³ R. Collins & D. Skover, 'Commerce & Communication' (1993) 71 *Tex.L.Rev.* 697, 699.

4.3.2. Brand Communication

‘Trademarks have moved from being “brand-reflecting-sources” to “brands-combining-product-and source’.⁴⁴⁴ The difference between those two terms, from both legal and marketing perspectives, is that while brands-reflecting-sources have informational connotations only, brands-combining-product-and-source are more multifaceted, entailing more than information communication.⁴⁴⁵ Both public and private dialogues are now infused with trademarks that facilitate the communication of value propositions, a term that encompasses functional, emotional, and self-expressive benefits.⁴⁴⁶ Taken together, those three form a strong brand with an influential communicative ability. This section will focus on the emotional and self-expressive values inherent in strong brands.

Given the additional values that trademarks now convey, using economic justifications to rationalise purchase decisions in the current post-modern consumer era can be misleading.⁴⁴⁷ For a trademark to have such strong representative power, it has to be first infused with both cognitive associations and emotional values. This occurs within the corporate environment.

⁴⁴⁴ J. Swann, D. Aaker and M. Reback, ‘Trademarks and Marketing’ (2001) 91 *TMR* 787, 795.

⁴⁴⁵ *Ibid*, Also, see T. Drescher, ‘The Transformation of Trademarks- from signals to symbols to myth’ (1992) 82 *TMR* 301, 309.

⁴⁴⁶ A. Papandreou, ‘The Economic Effect of Trademarks’ (1956) 44 *Cal.L.Rev.* 503,504. Also, see Swann et al (n.444) 790. Also, see C. Davies, ‘To Buy or not to Buy- the Use of a Trademark as a Communication Tool Rather than a Link Between a Product and its Source; a further consideration of the concept of Dilution’ (2013) 35 *EIPR*, 373.

⁴⁴⁷ P. Bourdieu, *Distinction: A Social Critique of the Judgement of Taste* (Routledge,1994) 180, 315.

4.3.2.1 Corporate Environment

According to the basic communications model of branding, a trademark's communicative power starts by a company encoding a message via the trademark and sending it to the consumer (the receiver) who decodes it accordingly.⁴⁴⁸ By adopting a strong branding strategy, it is assumed that a brand owner can control the message that he wishes his brand would deliver to the customer.⁴⁴⁹ They can produce social relationships, a shared meaning, or a common ground.⁴⁵⁰ Allegedly, a trademark then becomes a tool capable of narrowing the gap which exists between a particular product and its consumers.⁴⁵¹

Accordingly, this established brand meaning becomes the means by which a trademark enriches the communication process between corporations and all its stakeholders, namely its consumers.⁴⁵² The ability of the firm to manage its public communicative action is of central significance since now more than ever, this contributes to the economic governance of a firm.⁴⁵³ This explains the increased tendency of firms to use

⁴⁴⁸ Generally, see S. Nandan, 'An exploration of the Brand identity- Brand image Linkage: a communications perspective' (2005) 12(4) *Henry Stewart Publications* 264-278. See chapter two section 2.5.2.

⁴⁴⁹ Generally, see D. Aaker, E. Joachimsthaler, *Brand Leadership* (Knopf, 2000).

⁴⁵⁰ M. Hardt, A. Negri. *Multitude* (Penguin, 2004) 165.

⁴⁵¹ J.K. Galbraith, *The Autonomy of Power* (Hamish Hamilton, 1986) 6-7.

⁴⁵² M. Ligas, J. Cotte, 'The Process of Negotiating Brand Meaning: A Symbolic Interactionist Perspective' (1999) 26 *ACR* 609,611. Nandan (n.448).

⁴⁵³ Arvidsson notes that public opinion and sentiment is now a central parameter of the economic value of the firm. See A. Arvidsson, 'Brands' 5(2) *CCT* 235, 263.

a wide range of brand management instruments to produce social relationships with its customers based on a common symbolic framework.⁴⁵⁴

It is worth noting that the transition from using straightforward brand structures, to complex high-quality brand structures,⁴⁵⁵ has emphasised the communicative value of brands within the corporate environment. Particularly, modern branding strategies such as corporate branding, mixed branding, and house branding have fostered the communicative role of trademarks. For the purpose of exemplification, the concept of corporate branding will be briefly explored.⁴⁵⁶

Corporate branding involves using one corporate name to endorse all or part of a firm's product or service brands.⁴⁵⁷ Due to this approach, companies accrue additional benefits from investing in a mark whose value is not exclusively associated to one product, but is transferable to any product originating from the same company.⁴⁵⁸ With careful management of corporate brands, the overall company reputation would be maximised.⁴⁵⁹ Consumers will transfer their loyalty between products originating from the same company for two reasons. First, they trust the quality of the products labelled

⁴⁵⁴ *Ibid*, 241.

⁴⁵⁵ Swann et al. (n.444) 795.

⁴⁵⁶ Several studies confirm that corporate branding strategies are more positively correlated with the intangible value of the firm than other strategies, hence, the choice to explore this particular strategy. See generally, V. Rao . M., Agarwal, D. Dahloff, 'How Is Manifest Branding Strategy Related to the Intangible Value of a Corporation?'(2004) 68 *JM* 139, S. King, 'Brand building in the 1990s'(1990) 7(1) *JMM* 3.

⁴⁵⁷ Example of companies using corporate branding strategies: Disney, HIENZ, IBM, Nestle, Coca-Cola. For a detailed account of the concept of corporate branding. Generally, see N. Ind, *The Corporate Brand* (New York University Press, 2001).

⁴⁵⁸ M. Danesi, *Brands*(Routledge, 2006) 33.

⁴⁵⁹ Generally, see K. Saxton, 'Understanding and Evaluating Reputation' (1998) *Reputation Management* < <http://www.entegracorp.com/downloads/>> Accessed 13 July 2015.

under such brand. Second, they are attracted to the cues affiliated to any product marketed under this brand name.⁴⁶⁰ Whether the company decides to stretch (i.e. offering additional products) or expand (penetrating into new markets) its brand, this brand will continue to be ‘adored, venerated, and coveted’.⁴⁶¹

At a practical level, investing in corporate branding strategies facilitates the creation of brand equity and helps firms achieve economies of scale in marketing, all while lowering promotional costs.⁴⁶² More notably, such strategy provides an efficient mean for firms to communicate not only with consumers, but also with all its stakeholders (shareholders, employees etc.).⁴⁶³

4.3.2.2 Social Environment

‘Brands are more like discussions than like monologues’⁴⁶⁴
(Kay, 2006)

An analysis of the trademarks’ communicative function within the corporate environment does not provide an all-encompassing view on the elements of this function. In addition to the corporate environment in which a brand is owned, controlled, and shaped by the company managers, communication through trademarks also occurs in the social environment where brands are social constructs shaped by

⁴⁶⁰ Generally, see A. Lurie, *The Language of Clothes* (Random House, 1981).

⁴⁶¹ See J. Balmer, E. Gray, ‘Corporate brands: what are they? What of them?’(2003) 37(7/8) *EJM* 972, 972.

⁴⁶² Rao et al. (n.456) 128.

⁴⁶³ *Ibid*, 128.

⁴⁶⁴ M.J. Kay, ‘Strong Brands and Corporate Brands’ (2006) 40(7/8) *EJM* 742, 747.

individuals and communities.⁴⁶⁵ This aspect of trademark communication is under-emphasised within the current legal sphere and is, thus, worth analysing critically.

As aforementioned, although the communicative power of trademark starts from the companies' investment in the creation of a brand identity, brand meanings soon exceed corporate control.⁴⁶⁶ When, brand meanings are placed within a social context, reference should be made to the non-corporate side of brands.

In a democratic setting it is conceded that consumers have the autonomy to choose the products/brands they wish to be associated with. Central to post-modernism, is the fact that consumers have gone beyond the stage of making choices based exclusively on the products' utility.⁴⁶⁷ First, the symbolic meanings associated with brands help consumers 'achieve self-gratitude and self-satisfaction' which in turn inspire 'self-love'.⁴⁶⁸ Consumers' use of commodities to satisfy such emotional and psychological needs is known as experiential consumption (inward communication).⁴⁶⁹ The ownership of a Chanel bag for instance makes its owner happy. Also, consumers choose particular products for the purpose of social integration and classification (outward communication).⁴⁷⁰ Thus, in addition to the brand-consumer dialogue that

⁴⁶⁵ Desai (n.399) 992.

⁴⁶⁶ *Ibid.* Also, see chapter two, section 2.5.2.2

⁴⁶⁷ P. Bourdieu, *Distinction: A Social Critique of the Judgement of Taste* (Routledge:1994) 260-266. Also, see R. Belk, 'Possessions and the Extended Self' (1988) 15 *J.Consum.Res.* 139, 139-140.

⁴⁶⁸ Y. Gabriel, T. Lang, *The Unmanageable Consumer: Contemporary Consumption and its Fragmentation* (Sage Publications, 1995) 98.

⁴⁶⁹ M. Holbrook, E. Hirschman, 'Experiential Consumption' (1982) 9(2) *JCR* 132.

⁴⁷⁰ R. Elliot, 'Existential Consumption and Irrational Desire' (1997) 34(4) *EJM* 285,287. Elliot notes that the symbolic meanings associated with products operates in two directions, inward in constructing self-identity(self-symbolism) and outward for constructing the world(social-symbolism). Also, see Y. L. Han, J.C. Nunes, and X. Dreze, 'Signalling Status with Luxury Goods: The Role of Brand Prominence' (2010)74 *JM* 15, 15.

trademarks help facilitate, a trademark is now used as a tool of communication between individuals (the consumer) and the larger community. Since trademarked products are associated, either intentionally or unintentionally, with symbolic meanings,⁴⁷¹ ‘they then serve as vessels of cultural and personal meanings’.⁴⁷²

Both these motivations for consumption help protect consumers from the ‘looming threat of personal meaninglessness’ and aid them in constructing an identity which controversially, commands the respect of others.⁴⁷³ The symbolic meanings of brands are, thus, significant for their owners as well as for the broad public.⁴⁷⁴ By reference to the most basic rule of consumer behaviour, we are what we own, the significance of a brand’s symbolic meaning in communication becomes self-evident.⁴⁷⁵ Taking the Chanel example again, a Chanel bag also allows its owner to signal to the surrounding environment a sense of wealth, fashion, or exclusivity, stemming from the ownership of a very high-end product. In the narrow sense, a handbag is nothing but a functional product which has admirable aesthetics. However, when a consumer is buying a Chanel product, he is buying the organisational attributes associated to the mark.⁴⁷⁶

In the terminology of semiotic literature, when a brand falls into the social environment, the signifier becomes the consumer, the recipient becomes the larger

⁴⁷¹ R. Elliot, K. Wattamasuwan, ‘Brands as Resources for Symbolic Construction of Identity’ (1998) 17(2) *IJA* 131, 132.

⁴⁷² D. Holt, ‘How Consumers Consume: A Typology of Consumption Practices’ (1995) 22 *J. Consum. Res.* 1, 2. Holt refers to two different motives for consumption; ‘consumption as integration’ and ‘consumption as classification’.

⁴⁷³ Elliot, Wattamasuwan (n.471) 131.

⁴⁷⁴ H. Dittmar, *The Social Psychology of Material Possessions: To Have is To Be* (Harvester Wheatsheaf, 1992). Also, see J. Rosenbaum, *Is Your Volkswagen a Sex Symbol* (Hawthorn, 1972)

⁴⁷⁵ M. Solomon, R. Bennett, *Consumer Behaviour* (Pearson, 2012) 20.

⁴⁷⁶ Brønn, Wiig (n.158) 15.

society and the signified becomes the symbolic meanings attached to the trademark.⁴⁷⁷ In this sense, trademarks have come to play an important social role like any form of expressive culture such as books, films, and television programmes.⁴⁷⁸ This point will be elaborated on in more detail in chapter seven when assessing the significance of protecting expressive uses.

The strength of a trademark in communicating specific messages within the social nexus was reaffirmed by the results of an empirical study conducted by Maynardin. The study found that the primary motivation for purchasing a particular car was the statement it made about its users. Consumers presuppose that purchasing a hybrid car expresses a clear powerful message about the owner's commitment to an environmentally responsible life. Thus, Toyota was able to create a virtual image of the product and drive sales based on this image. Regardless of whether the differentiation created by Toyota is real or spurious the end result is no different. Customers will pay more to satisfy a specific preference which was created through investment in a mark. By satisfying this preference, consumers can communicate inwardly to themselves, or outwardly to the public. Thus, as both the hypothetical and the practical examples reveal, consumers advertise themselves (much as the sellers of goods advertise their goods) through consumption.⁴⁷⁹

But, what prompts consumers to believe that through trademarks they can communicate such messages? At this stage, two further overlapping phenomena will

⁴⁷⁷ D. Chandler, *Semiotics; The Basics* (Routledge, 2005) 14-21.

⁴⁷⁸ Holt (n.169) 84.

⁴⁷⁹ Landes and Posner (n.63) 305. Generally, see Elliot, Wattamasuwan (n.471).

be briefly addressed. The first relates to the inclination of individuals to make assumptions based on consumption objects and the second is associated with the role symbols play in social construction.

Generally, it is attested that one of the most dominant phenomenon underpinning consumer behaviour theories is the inclination of individuals to make inferences about others by reference to objects of consumption.⁴⁸⁰ Because inferences about individuals are likely to be predicated on objects of consumption,⁴⁸¹ trademarked products can send more accurate messages to the public than non-trademarked products. Having in mind the power of a mark to signal messages, a consumer who wishes to advertise himself becomes inclined to use this mark to communicate non-verbally.⁴⁸² Instead of using direct verbal language, the display of a trademark can signify the social, economic or political power of the consumer.⁴⁸³

The role of a trademark as a communicative tool, thus, does not stem from its ability to reflect social reality accurately, but from its power in enabling consumers to project themselves in a certain way.⁴⁸⁴ All things considered, the motives which drive

⁴⁸⁰ Generally, see R. Belk, K. Bahn, R. Mayer, 'Developmental Recognition of Consumption Symbolism' (1982), 9 *J.Consum.Res.* 4-17.

⁴⁸¹ M. Solomon, 'The Role of Products as Social Stimuli: A Symbolic Interactionism Perspective' (1983) 10(3) *J.Consum.Res.* 319, 319. C. Elliot, 'Peer Pressure and Poverty: Exploring Fashion Brands and Consumption Symbolism among Children of the 'British Poor' (2004) 3(4) *JCB* 347-359.

⁴⁸² Solomon (n.481) 323.

⁴⁸³ *Ibid.*

⁴⁸⁴ It shall be noted that messages that the consumers choose to communicate through the consumption of a specific objects are not always an accurate reflection of the consumer status . Y. L. Han, J.C. Nunes, and X. Dreze 'Signaling Status With Luxury Goods: The Role of Brand Prominence' (2010)74 *JM* 15, 15.

consumption of branded products depend on the type of consumer and the pledge of the individual for identity formulation.⁴⁸⁵

A very interesting legal argument emerges from the previous discussion. Namely, by increasing the legal protection endowed to trademark owners (whether through broadening the scope of what can constitute the mark or by lowering the threshold for establishing trademark infringement) it is arguable that the law is encouraging pretentious consumer behaviour. At the same time, the law is harming the interests of the less wealthy consumers by preventing them from acquiring similar products at the portion of the price. The answers to these legal dilemmas require an in-depth investigation of two points. The first point relates to the advertising function of a trademark and its relation to consumer behaviour. The second point regards the actual interpretation of the law and its anti-competitive implications. Both these points will be further addressed in the course of this thesis.

The previous analysis showed that if managed effectively, a trademark offers a shared meaning within both the corporate and the social nexus.⁴⁸⁶ Accordingly, trademarks in addition to being information devices have become ‘part of a network consisting of the product, the corporation, the consumer and the society’.⁴⁸⁷

⁴⁸⁵ Literature distinguishes between three types of consumers of luxury goods. Snobs, Bandwagons and Veblens. The first type use consumption to distinguish themselves from the masses, the second type use consumption as a method for social inclusion, and the final type intentionally purchase high products to achieve satisfaction. Generally, see H. Leibenstein, ‘Bandwagons, Snobs, and Veblen’s Effects in the Theory of Consumers Demands’(1950), 64(2) *Q J. Econ.* 183.

⁴⁸⁶ M. Ligan, J. Cotte, ‘The Process of Negotiating Brand Meaning: A Symbolic Interactionist Perspective’(1999) 26 *ACR* 609, 609.

⁴⁸⁷ Desai (n.399) 1009.

After briefly mentioning the influence of marketing techniques on developing a brands' communicative value, the subsequent section will provide an elaborate analysis on how firms use advertising and other marketing techniques to give a trademark a meaning which creates cues to memory.⁴⁸⁸

4.4 Advertising function

The creation of a market through an established symbol implies that people float on a psychological current engendered by the various advertising devices which give a trade-mark its potency.

(Mr. Justice Frankfurter in *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge*)⁴⁸⁹

The advertising function of trademarks is one which has been overtly emphasised in academic literature (particularly American),⁴⁹⁰ in American case law,⁴⁹¹ and more recently recognised in the rulings of CJEU.⁴⁹² The essence of this view is that the gradual growth of an advertising-conscious economy has transformed a trademark into

⁴⁸⁸ Aaker notes that developing brand associations requires a firm to employ appropriate advertising techniques. D. Aaker, *Managing Brand Equity: Capitalizing on the Value of a Brand Name* (The Free Press, 1991) 135.

⁴⁸⁹ See Frankfurt J in *Mishawaka Rubber & Woolen* (n.91) s.208.

⁴⁹⁰ For example, see Desai (n.399), B. Beebe (n.384), S. Zlinkoff, 'Erie v. Tompkins: In Relation to the Law of Trade-Marks and Unfair Competition' (1942) 42(6) *Colom.L.Rev.* 955.

⁴⁹¹ For example, see *Mishawaka Rubber* (n.91).

⁴⁹² For example see *Parfume Christian Dior* (n.397), *L'Oréal* (n.403), C-252/12 *Specsavers International Healthcare Ltd. v. Asda* [2013] E.T.M.R. 36.

a piece of advertising which influences the choices of customers through either identification or persuasion.⁴⁹³

Through a trademark, a business entity becomes capable of speaking to its consumers by disseminating to them both information about the relevant attributes of the product and further targeted messages independent of the functional aspects of the product.⁴⁹⁴ This renders a trademark, a tool which is often exploited by merchandisers to induce consumers to select products which they have been arguably led to believe they want.⁴⁹⁵ In this sense, advertising has been described as a tool for facilitating purchase decisions or more *unfairly* for manipulating purchase decisions and deluding consumers.⁴⁹⁶

To clarify the advertising function of trademarks, the subsequent section will be divided into several parts. In the first part, the distinction between informative advertising and persuasive advertising will be noted. As this thesis is primarily concerned with the shift in the rationale of trademark protection, the second part will link these findings to the general trademark debate.

⁴⁹³ S. Rose, 'Will Atlas-Shrug? Dilution Protection for "Famous" Trademarks: Anti-Competitive Monopoly or Earned "Property" Right?' (1995) 47(5) *Fla.L.Rev.* 653, 654.

⁴⁹⁴ M. Senftleben 'Trademark Protection- a black hole in the intellectual property Galaxy' (2011) 42 *IIC* 383,383. Also, see M. Senftleben, 'Keyword Advertising In Europe-How the Internet Challenges Recent Expansions of EU Trademark Protection' (2012) 27 *Conn.L.Rev.* 39, 44.

⁴⁹⁵ R. Brown, 'Advertising and The Public Interest: Legal Protection of Trade Symbols' (1948) 57(7) *Y.L.J.* 1165, 1165.

⁴⁹⁶ See Beebe (n.384), 2056-2060 criticizing the traditionalist view on advertising.

4.4.1 The Use of Advertising for Product Differentiation

The principal reason for advertising, as Brown observed, is to sell commodities and services.⁴⁹⁷ Upon a closer inspection, two more explicit functions for advertising materialize from the previous statement. The most ostensible role of advertising is economic, meaning that advertising is a marketing phenomenon which empowers companies to bring their products to the attention of the buying public by emphasising their utilitarian features, thus, increasing sales. A simple example is an advertisement which is created to inform the public about the existence of a producer X who offers customers high quality bags with unique inherent functional benefits. This approach is often referred to as informative advertising or the hard-sell approach to advertising.⁴⁹⁸

Alternatively, advertising, and precisely modern advertising, can play a more psychological role inducing consumers to purchase based on irrelevant attributes. For instance, an advert which instead of referring to the utilitarian features of the product places emphasis on how in purchasing shampoo X, the consumer will get ‘smooth and silky hair’, has a persuasive nature. Although consumers know nothing about the

⁴⁹⁷ Brown (n.495) 1167.

⁴⁹⁸ D. Rucker, A. Galinsky, ‘Conspicuous Consumption versus Utilitarian Ideals: How different levels of power shape consumer behaviour’ (2009) 45 *J.Exp.Psychol.* 549, 549.

validity of the claim, they trust that as a result of using the particular shampoo, they will receive positive results.

Evidently, the existence of these two distinct functions for advertising accentuated the debate on whether advertising represents an efficient provision of information or has simply become an exploitation of the buyer's lack of access to information.⁴⁹⁹ This naturally affects the debate on trademark protection as trademarks (as will be shown), are one of the most potent advertising tools.

4.4.1.1 Informative advertising (Constructive Advertising)

According to Fisher, 'advertising affects demand for goods because it lowers the gap between the market price received by the seller and the full price born by the buyer'.⁵⁰⁰ This informative view on advertising came to light during the 1960's through the work of the pioneers of the Chicago school of economic thought.⁵⁰¹ This view hypothesizes that advertising is a logical process which involves disseminating information (both direct and indirect) about the prices, the location, the physical features or the functions of the advertised product. By diffusing information about the desirable qualities of a product to the market, advertising plays a constructive role in remedying information

⁴⁹⁹ M. Hurwitz, C. Richard, 'Persuasion or Information? Promotion and the Shares of Brand Name and Generic Pharmaceuticals' (1988) 31(2) *J.L&Econ.* 299, 299.

⁵⁰⁰ E. Fisher, 'The Derived Demand for Advertising: A Theoretical and Empirical Investigation' (1982) 72(3) *AER* 366,366.

⁵⁰¹ For example, see S. Ozga, 'Imperfect Markets Through Lack of Knowledge' (1960) 74 *Q.J.Econ.* 29, G. Stigler 'The Economics of Information' (1960) 74(1) *Q.J.Econ.* 29.

asymmetry and in aiding consumers to make informed decisions.⁵⁰² When consumers receive direct and indirect information about products, they discover easily what the market offers for sale which inevitably reduces the 'time-price' of consumption.⁵⁰³ This, as a result, increases the elasticity of the demand and reduces price dispersion.⁵⁰⁴

As already stated, information signalled through advertising can be either direct or indirect. While the significance of direct information in reducing search costs is indisputable (e.g. it provides concrete facts about the quality attributes of a product), the value of indirect information is less comprehensible. However, according to Nelson, the value of indirect information cannot be overlooked particularly for consumers purchasing experience goods.⁵⁰⁵

Primarily, it is arguable that advertising signals the efficiency of a firm, indicating that it offers good deals. Take for example the case of a firm that advertises a medicine by using the slogan 'effective for pain relief'.⁵⁰⁶ Although the advert contains no direct information, the mere existence of an advertisement induces the consumer to extract indirect positive information about the product. As such, using brand atmosphere to signal product information is equivalent to using other techniques such as warranties, price premiums, and discounts.⁵⁰⁷ Thus, advertising provides a vehicle for producers

⁵⁰² M. Bartholomew, 'Advertising and the Transformation of Trademark Law' (2008) 38 *N.M.Law.Rev.* 1, 43.

⁵⁰³ D. Laband, 'Advertising as Information: An Empirical Note' (1986) 86(3) *Rev.Econ.Stud.* 517,517.

⁵⁰⁴ Stigler (n.501) 224.

⁵⁰⁵ Nelson (n.271) 312-316. See chapter three, section 3.3.2.1 for a discussion on the different types of search goods.

⁵⁰⁶ For example recent studies proved that branded paracetamol products (e.g. Panadol, Ibuprofen), are as effective as unbranded ones.

⁵⁰⁷ L. Bradford, 'Emotion, Dilution and the Trademark Consumer' (2008) 23 *BTJL* 1227,1258.

to relay signals about the quality of their products.⁵⁰⁸ This argument is premised on the presumption that only firms which can generate repeat purchase would invest high amounts on advertising. Thus, firms with the highest utility have the greatest incentives to advertise their products.⁵⁰⁹

Several theoretical models which endeavoured to test the validity of the above propositions found the relationship between quality and advertising to be subtle.⁵¹⁰ Empirical research carried out in this area has revealed inconsistent results. In some industries a positive correlation between quality, price, and advertising does exist in specific circumstances,⁵¹¹ this relationship however weakens in other industries.⁵¹² Accordingly, it can be inferred that no systematic correlation between advertising and quality should be expected as this relationship is affected by the general circumstances of the market.⁵¹³

Furthermore, the theory purports that even adverts which do not contain direct information can help consumers recall their previous experience with the product.⁵¹⁴ In reality however, several variables of consumer learning affect the information acquired by the consumer from previous purchases, depending on the type of goods in

⁵⁰⁸ Nelson (n.271) 327-328. Also, see R. Kihlstrom, M. Riordan, 'Advertising as Signal' (1984) 92(3) *J.Pol.Econ.* 327.

⁵⁰⁹ Nelson (n.271) 313.

⁵¹⁰ R. Schmalensee, 'A Model of Advertising and Product Quality' (1978)86(3) *J.Pol.Econ.* 931, 932.

⁵¹¹ For example, see R. Archibald, 'Quality Price Advertising and Published Quality Ratings' (1983) 9(4) *J.Consum.Res.* 347. I. Hostmann, G. McDonalds 'Is Advertising a Signal of Product Quality? Evidence from the Compact Disk Player Market 1983-1992' (2003) 21(3) *Int.J.Ind.Org.* 317.

⁵¹² For example, see R. E. Caves, D. P. Greene 'Brands' Quality Levels, Prices and Advertising Outlays: Empirical Evidence on Signals and Information Costs' (1996) 14 *Int.J.Ind.Org.* 29, 29-52.

⁵¹³ K. Bagwell, 'The Economic Analysis of Advertising' (2007) 3 *Handbook of Industrial Organization* 1701, 1805.

⁵¹⁴ Nelson (n.271) 313.

question. For instance, in case of durable luxury goods the initial period of consumption is insufficient for revealing perfect information about the goods.⁵¹⁵

To encapsulate, proponents of the informative view on advertising argue that both direct and indirect advertising promote market competition,⁵¹⁶ facilitate a broad spectrum for quality control,⁵¹⁷ facilitate the stream of commerce,⁵¹⁸ and arguably enable product introductions.⁵¹⁹ The latter point is premised on the assumption that new entrants can promote their products through advertising, thus, alerting the public to their existence.⁵²⁰ If one accepts this view, it is arguable that the role of advertising is simply to capture demand for existing products rather than stimulate demand for new products.⁵²¹ Advertising promotes market competition by providing consumers with an important source of both direct and indirect information.⁵²²

In general, this view is purely economic, isolated from the realities of the marketplace. Proponents of this approach regard advertising as having no value other than providing information about the physical aspects of the product's quality.⁵²³ However, the role of advertising since the advent of the industrial revolution has developed beyond information dissemination and quality signalling. A manufacturer now uses

⁵¹⁵ Hostmann, Macdonalds (n.511) 319.

⁵¹⁶ Bagwell (n.513) 1705.

⁵¹⁷ J. Swann, 'Genericism Rationalised' (1999) 89 *TMR* 639, 644.

⁵¹⁸ Brown (n.495) 1168.

⁵¹⁹ For example, see L. Tesler, 'Advertising and Competition' (1964) 72(6) *J.Pol.Econ.* 537.

⁵²⁰ Bagwell (n.513) 1710.

⁵²¹ J. Norris, *Advertising and the Transformation of American Economy, 1865-1920* (Praeger, 1990) 13.

⁵²² Tesler (n.519) 558. Tesler found that advertising have no direct impact on stabilizing market share and concentration in firms.

⁵²³ Generally, see L. BeView, 'Competitor Suits for False Advertising under Section 43(a) of the Lanham Act: A Puzzle in the Law of Deception' (1992) 78 *Va.L.Rev.* 1.

advertising to raise awareness about goods or even to persuade consumers to purchase a commodity.⁵²⁴ In fact, the modern evolution of advertising has prompted some academics to label advertisers as ‘business engineers’ for their scientific expertise and professionalism, ‘cultural engineers’⁵²⁵ for their power to organise how people think and feel, or ‘attorneys’ for their ability to defend the products which they represent.⁵²⁶ As such, the psychological role of advertisements should not be overlooked.⁵²⁷ At this point the alternative view on advertising being persuasive, as opposed to or along with being informative, will be explored.

4.4.1.2 Persuasive Advertising

The persuasive power of advertising which has been legally recognised recently (in the EU), has for long been debated in academic literature. Proponents of this view claim that it is no longer sufficient to label an advertisement simply as a signifier of raw information.⁵²⁸ By relying on emotional appeals and by creating specific campaigns which predetermine how information should be presented, advertising became capable of triggering consumers’ reactive spontaneous impulses.⁵²⁹ This in return permits firms to commercially differentiate their products through carving a market where demand, supply, and output can be manipulated.⁵³⁰ This is what has

⁵²⁴ Collins, Skover (n.443) 700. *Siekman*, Opinion of Advocate General Colomer (n.84) par.19.

⁵²⁵ Holt (n.169) 71.

⁵²⁶ D. Pope, *The Making of Modern Advertising* (Basic Books, 1983) 173-174.

⁵²⁷ It is also arguable that even informative advertising could be a wasteful resource given the birth of new media platforms which renders information abundant. T. O’Reilly, ‘What is Web 2.0: Design Patterns and Business Models for the Next Generation of Software’(2007) 1 *Communications and Strategies* 17.

⁵²⁸ Bartholomew (n.502).

⁵²⁹ Pope (n.526) 64.

⁵³⁰ Brown (n.495) 1171.

already been referred to as ‘artificial product differentiation’.⁵³¹ By creating their own markets, firms can reduce demand elasticity, and thus, control the prices in the market.⁵³² Arguably, advertising in this sense offers entrepreneurs a competitive advantage resulting in plenary control over the market place⁵³³.

To exemplify, it is worth considering a hypothetical scenario inspired from the landmark American case of *Louboutin v. YSL*.⁵³⁴ Imagine a situation where a consumer visits a department store and navigates freely with a predetermined aim of purchasing basic pumps. The consumer at face value wants to fulfil a functional need. In a department store, the consumer is met with a number of options which s/he needs to assess to make the final purchase decision. Among the available options, there is high-end products (e.g. Christian Louboutin) and high-street products (e.g. Topshop).

Upon initial inspection of the physical features of the available products, the hypothetical consumer narrows his/her choice down by selecting shoes which are made of 100% leather. Consumers proceed to the next level of inspection through evaluating the designs, colours, patterns and, accordingly, further narrow down their options. By reference to the aesthetic features of the product, the consumer formulates a vivid idea about his/her preferable commodity. Nevertheless, despite the physical

⁵³¹ Artificial product differentiation refers to the process by which firms differentiate their products by shaping their image rather than through changing their underlying characteristics. See D. Easley, *Networks, Crowds and the Market* (CUP, 2010) 1023.

⁵³² Reduced demand elasticity economically means that consumers become less prone to change the quantity of products demanded following an increase in the price of the product.

⁵³³ Bagwell (n.513) 1701.

⁵³⁴ *Christian Louboutin, S.A. v. Yves Saint Laurent Am. Holding, Inc.*, 2012 WL 3832285 (2d Cir. Sept. 5, 2012).

inspection of the products, the final purchase decision is not yet reached given the nature of the sought product.

Previously, in addressing the informative view, it was suggested that after physical inspection of available products, the consumer retrieves positive or negative information about the range of products with the trademark being the point of reference.⁵³⁵ The retrieved information can be gained from previous experience, or from informative advertising. In some instances this information is not available (or is inadequate). So what prompts a substantial segment of consumers to purchase the high-end shoes instead of the unbranded product despite lack of sufficient rational grounds to do so? What creates a desire among a segment of the consumers to purchase luxury brands despite them being not economically competent?

Proponents of the Harvard school of economic thought argue that advertising plays a more persuasive role.⁵³⁶ Through advertisements, trademark owners can convince the consumer that a product is better through employing a range of techniques. Some consumers are more attracted to brands which are more familiar or those which are frequently rehearsed.⁵³⁷ Advertisers, thus, exploit the natural inclination of humans towards preferring familiar brands to render their commodities memorable.⁵³⁸ By employing these techniques, advertising enhances product affect in way which is

⁵³⁵ See section 4.4.1.1.

⁵³⁶ Generally, see E. Chamberlin, *The Theory of Monopolistic Competition* (3rd, ed., HUP, 1938)

⁵³⁷ S. Hoeffler K. Keller, 'The Marketing Advantages of Strong Brands' (2003)10(6) *BM* 421, 424. Also, see S. Hoeffler, K. Keller, 'Building Brand Equity Through Corporate Societal Marketing' (2002) 21(1) *J.Pub.Pol.&Mark.* 78, 82.

⁵³⁸ Assaf (n.365) 620.

independent of the characteristics of the underlying product. For instance, in the case of Louboutin, the heavy celebrity endorsement campaigns persuade consumers to favour their shoes over other unheralded duplicates.⁵³⁹ This created desire is not accounted for under the informative view on advertising. As a result, advertisers are more than ever relying on unconventional techniques such as visual consumption,⁵⁴⁰ cultural based advertising strategies,⁵⁴¹ metaphor-based advertising,⁵⁴² or internet based advertising to draw consumers to their products. Advertisers convince the consumer that if you purchase an advertised product, you will be happier or look more attractive, thus, contributing to the creation of feelings towards brand, these feelings that certainly affect a consumer's purchasing behaviour.⁵⁴³

This persuasive power of advertising finds support under the neurological theory which shows that in many cases, seemingly rational decisions are 'reflexive snap judgements'.⁵⁴⁴ As such, persuasive advertising induces expectations or prejudices about particular products, sometimes, without conscious legitimization.⁵⁴⁵

⁵³⁹ Generally, see A. Caroll, 'Brand Communications in Fashion Categories Using Celebrity Endorsement' (2009) 17 *JBM* 146. G. Carpenter, R. Glazer, K. Nakamoto, 'Meaningful Brands from Meaningless Differentiation: the dependence on irrelevant attributes' (1994) 31(3) *JMR* 339.

⁵⁴⁰ Generally see J. Schroeder, 'Brand Culture; trademarks, marketing and consumption' in L. Bently, J. Davis, G. Ginsburg (eds) *Trademarks and Brands* (Cambridge Intellectual Property and Informative Law, 2008) 177-199.

⁵⁴¹ Generally, see J. Schroeder, D. Zwick, 'Mirrors of Masculinity: Representation and Identity in Advertising Images' (2004) 7 *CMC* 21.

⁵⁴² Generally, see G. Zaltman, R. Coulter, 'Seeing the Voice of the Customer: Metaphor-Based Advertising Research' (1995) 4 *JAR* 32.

⁵⁴³ R. Tushnet, 'Gone in Sixty Milliseconds: Trademark Law and Cognitive Science' (2008) 86 *Tex.L.Rev.* 507, 513.

⁵⁴⁴ *Ibid*, 515.

⁵⁴⁵ The ongoing debate on standardised tobacco packaging reinforces the idea that trademarks may affect emotions.

In practice, a countless number of cases in which two different products are so similar that no reasonable person could distinguish among them in the absence of a specific trademark exist. In certain cases, the same parent company manufactures and advertises two almost-identical products under different trademarks to sell them at abnormally different prices. Take for instance Bourjois and Chanel two companies offering beauty products. For an average consumer,⁵⁴⁶ those companies offer consumers products of different quality; it is thought that the former products are of superior quality, while the quality of the latter is lower. In reality, the quality (narrow interpretation) of the products offered by both companies is strikingly similar. In order to maintain its aura of chic exclusivity, Chanel refuses to market the products of the previous season.⁵⁴⁷ Instead, they relabel old-season Chanel products and resell them under the Bourjois mark. Still, some consumers are inclined to pay triple the price for the Chanel product.⁵⁴⁸

The previous discussion confirms that omnipotent business corporations are utilizing advertising techniques to create product differentiation which extends beyond the basic objective of distinguishing a product from its competitors on the basis of a relevant attributes (e.g. quality, taste). This is what modern marketers refer to as the persuasive power of advertising. At first glance, this aspect of advertising can be perceived with scepticism for manipulating purchase decisions or ever worse, for

⁵⁴⁶ An average consumer is 'reasonably well informed well observant and circumspect'. See C-291/00 *Soci t  LTJ Diffusion v. Sadas Vertbaudet SA* [2003] ECR I-2799 par. 50. For a criticism on the average consumer test employed within the EU see G. Dinwoodie, D. Gangjee, 'The Image of the Consumer in European Trade Mark Law' (2015) Oxford Legal Studies Research Paper No. 83/2014 <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2518986> Accessed 24 December 2015. Also, see J. Davis, 'Locating the Average Consumer: his judicial origins, intellectual influences and the current role in European trademark law' (2005)2 *IPQ* 183.

⁵⁴⁷ JB. Schor, *The Overspent America* (Harper, 1998) 62.

⁵⁴⁸ For example, Chanel Pro Lumiere is Price at ( 33) while Bourjois Healthy Mix is priced at ( 9) only.

creating non existing demand. While both these potential consequences of persuasive advertising are worrisome, a more comprehensive analysis in light of established consumer behaviour theories could shift the argument from one that condemns persuasive advertising to one that embraces it for adding emotional values to consumers. These different views on the interaction between the social consumer (rather than the legal consumer) and advertising will be focused upon subsequently.⁵⁴⁹

4.4.2 Trademarks and Advertising

This section will attempt to illuminate on how courts have come to realise that trademarks are an essential component of modern advertising. The simplest way to describe the association between the legal concept of trademarks and the marketing concept of advertising is that it is a *mutually reinforcing* relationship,⁵⁵⁰ and modern trademark law is said to have developed parallel to the evolution of advertising practices.⁵⁵¹

First, to be able to transform trademarks into brands with a unique identity, companies rely on several techniques the most advanced being advertising techniques.⁵⁵² Advertising agencies perform the role of charging and loading trademarked goods with meaningful connotations and cultural meanings.⁵⁵³ When

⁵⁴⁹ See section 4.6 below.

⁵⁵⁰ T. Drescher, 'Transformation and Evolution of Trademarks From Signals to Symbols to Myth'(1992) 82 *TMR*. 301, 303(fn.5).

⁵⁵¹ Bartholomew (n.502) 1-2.

⁵⁵² Schwarzkopf (n.129) 3-4.

⁵⁵³ *Ibid*, 4.

cultural meanings are transferred into trademarks through advertising, trademarks become useful resources for the construction of social-identity.⁵⁵⁴ Thus, advertising techniques used by marketers contribute significantly to differentiating products in a competitive market place.⁵⁵⁵ For example, through a set of high profile advertisements (e.g. celebrity endorsement campaigns by Kate Moss, Romeo Beckham) Burberry managed to revitalise its image to make it appealing not only for traditional consumers, but also for fashion conscious purchasers.⁵⁵⁶

Empirically, it is established that advertising is one of the most powerful sources of valorised symbolic meanings in the post-modern era, which companies use to educate consumers on how to project a self-image through trademarks.⁵⁵⁷ Furthermore, strong trademarks enable companies to achieve economies of scale as it allows the use of one unified mark in different geographical regions.⁵⁵⁸ Companies can cut costs of advertising by infusing the trademarks with universal human sentiments. This can help companies avoid the expenses associated with creating separate campaigns in every region, or for every product.

⁵⁵⁴ D. Mick, M. Buhl, 'A Meaning-based Model of Advertising Experiences' (1992) 19 *J.Consum.Res.* 317, 318. Also, see G. McCracken, 'Advertising Meaning or Information?' (1987) 14 *ACR* 121, 121-122.

⁵⁵⁵ Generally, see G. Grossman, C. Shapiro, 'Informative Advertising with Differentiated Products' (1984) 51(1) *Rev.Econ.Stud.* 63.

⁵⁵⁶ A. Hauge, D. Power, 'No Man's Brand – Brands, Institutions Fashion and the Economy' (2006) 39(1) *CRIID* 123, 138.

⁵⁵⁷ Generally, see E. Goffman, *Gender Advertisements* (Harper & Row, 1976). J. Lannon, P. Cooper, 'Humanistic Advertising: A Holistic Cultural Perspective' (1983) 2 *IJA* 195.

⁵⁵⁸ Economies of scale are achieved if firms achieve unit-cost savings as it increases production of a given good or service. See D. Besando, D. Dranove, M. Shanley, *Economics of Strategy* (Wiley, 2009) 43.

Second, advertising campaigns, which entities invest substantial sums to create and sustain, are of negligible value in the absence of trademarks.⁵⁵⁹ Trademarks are now regarded as essential tools of any successful advertising strategy due to their continuity of use and brevity. As a symbol, they provide advertisers with vivid imagery which can be used to transfer information about the characteristics of the goods and to generate a psychological appeal.⁵⁶⁰ In certain instances, the influence of the psychological pull of a mark can be more prominent than a full advertising campaign. DailmerChrysler for example, was able to rely on very simple yet effective advertising campaigns which featured the trademark ‘JEEP’ only.⁵⁶¹ On this basis companies with powerful trademarks, tend to get a higher Return on Investment (RIO) from an advertising campaign for the same budget compared to a company with a weaker trademark.

Third, trademarks, in the advent of new communication platforms, have and will continue to be the principal tool for advertisers. The increased reliance on search engines to obtain information about products, the incessant growth of web 2.0 tools, the increased popularity of online shopping, and finally the emergence of keyword advertising, all reinforces the significance of trademarks in advertising context. Consumers are dedicating time to compare, discuss, and carry dialogues about brands.⁵⁶² A trademark in this sense becomes the starting point and arguably the most important point of the search process. This growing trend certainly heightens the importance of trademarks as advertising species.

⁵⁵⁹ L Bently, B. Sherman, *Intellectual Property Law* (4th ed., OUP, 2015) 816-817.

⁵⁶⁰ *Ibid*, 817.

⁵⁶¹ Swann et al. (n.444) 787, 808.

⁵⁶² J.Schor, *The Overspent American* (Basic Books,1998) 184.

This growing importance has been clearly highlighted in recent keyword advertising cases.⁵⁶³ The process of keyword advertising can be encapsulated as follows: a company enters into a contractual relationship with the search engine (e.g. Google) to bid on certain keywords that will trigger its web-link once the user searches these words. Problematically, advertisers often bid on the trademarks of their competitors. Not only does a company benefit by bringing its products to the attention of the consumer, but also they use their competitor's trademarks to drive online sales. In this sense, a trademark becomes an integral marketing tool for companies to compete in the marketplace. Although the legality of this practice is disputable,⁵⁶⁴ keyword advertising remains an additional medium in which trademarks and advertising are inseparable.

Therefore, without the legal protection endowed to trademarks, anyone can counterfeit a brand and exploit the advertising value associated with it. This will essentially jeopardise both the information integrity of advertisements and their persuasive ability. Trademark protection amplifies the influence of advertisers by permitting them to exclusively use a trademark symbol to develop an association between the desired mental image and the advertised products.⁵⁶⁵

⁵⁶³ For a legal analysis on keyword advertising see G. Dinwoodie, 'Secondary Liability for Online Trademark Infringement: The International Landscape' (2014) 37 *Colum.J.L.&A.* 1, 12-25.

⁵⁶⁴ *Interflora* (n.421).

⁵⁶⁵ *Economides* (n.72) 523.

Evidently, the legal recognition of the advertising function in Europe has been driven by a desire to prevent trademark uses which have intangible repercussions on the advertising power of trademarks and their inherent promotional value. This desire manifested itself in the benchmark set by the CJEU for upholding breaches of this function. As noted in *Google France*, to evaluate breach, the courts focuses on whether the trademark's ability to inform or persuade consumers has been affected.⁵⁶⁶ Finally, given that trademarks, unlike other advertising tools, can be easily replicated due to their static nature, it is easy to understand why segregating trademark law from advertising law is an exercise of absurdity.⁵⁶⁷ This interdependency is reflected in the practice of comparative advertising which is regulated under both the TMD and CAD.

4.5. Investment Function

This section expands on the CJEU's recognition of modern functions of a trademark by explaining the third pronounced function, the investment function. At the outset, it should be noted that the investment function of a trademark is but an extension of the advertising function with the former being much more encompassing.⁵⁶⁸ This point was acknowledged by the CJEU in *Interflora*:

⁵⁶⁶ *Google France* (n.406).

⁵⁶⁷ *Barthholomew* (n.502) 42.

⁵⁶⁸ According to the High Court of England and Wales in *Interflora v. Mark and Spencer's PLC* [2013] EWHC 1291 (Ch) par. 271, it is difficult to understand what the investment function is, and how it differs from the advertising function.

When the use by the third party, such as a competitor of the trademark proprietor, of a sign identical with the trademark in relation to goods and services identical with those which the mark is registered substantially interferes with the proprietor's use of its trademark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty, the third party's use must be regarded as an adversely affecting the trademark's investment function.⁵⁶⁹

By reference to the CJEU's judgements on the matter, in discussing the investment function the concepts of goodwill and brands should necessarily be considered.⁵⁷⁰ Here, Jehoram upholds the CJEU's stance in *Interflora* stating that by protecting investments made in a mark, the courts will be helping a company preserve its reputation, its attractive power, and its ability to draw consumers and retain them.⁵⁷¹ If an alleged infringement interferes with the owner's ability to attract consumers and retain the loyalty of their customers, then the investment function will significantly be harmed and the trademark owner will be adversely affected.⁵⁷² So what is the investment function and why do we need to distinguish it from the advertising function?

Contemporary business research has shown that in addition to advertising, other tools have been employed by multinational corporations to generate a strong brand which

⁵⁶⁹ *Interflora* (n.421).

⁵⁷⁰ For a full discussion on the concepts of goodwill and brand reputation see chapter two, section 2.4.1.3, 2.5.

⁵⁷¹ *Interflora* (n.421) par. 60.

⁵⁷² *Ibid*, par. 60.

encompasses a stand-alone value.⁵⁷³ In particular, for a brand to occupy an exclusive place in the mind of the consumer, it should have a value independent of the products themselves, 'an aura'. This aura is built through a complex range of marketing techniques and branding strategies.⁵⁷⁴

These techniques include, in addition to advertising, the pricing strategy adopted by the firm, the marketing strategy, quality differentiation strategies, research and development. The role of packaging in communicating brand meanings and stimulating sales will be used for illustration purposes.⁵⁷⁵ In practice, packaging is not a traditional brand-building or advertising technique, but rather another type of investment a company uses as a strategic tool for brand differentiation and identity.⁵⁷⁶ It helps companies appeal to the emotions of the consumers, therefore, affecting their final purchase decisions. Therefore, the investment function comprises all the commercial value which is built in a mark.⁵⁷⁷

By protecting the investment function of a mark from exploitation and damage, the courts will be protecting the salience of the mark.⁵⁷⁸ Salience generally depends on all

⁵⁷³ Generally, see Schechter (n.202) 813.

⁵⁷⁴ J. Dabovic, 'Protection of Investments by Protection Against Trademark Dilution- the legal framework in international trademark law, trademark law of the European Union and trademark law of the south east Europe countries' (World Finance and Banking Symposium, China, 2012). <http://www.e-axes.com/content/proceedings-conference-asian-finance-banking>> Accessed 25 September 2015.

⁵⁷⁵ Generally, see R. Underwood, 'The Communicative Power of Product Packaging: Creating Brand Identity via Lived and Mediated Experience' (2003) 11(1) *JMTP* 62.

⁵⁷⁶ *Ibid*, 67. A. Ehrenberg, N. Barnard, J. Scriven, 'Differentiation or Salience' (1997)37 *JA* 7,7.

⁵⁷⁷ A. Bailey, 'Trade mark Functions and Protection for Marks with Reputation' (2013)8(11) *JIPLP* 868, 870-871.

⁵⁷⁸ 'Salience' is defined as the positive feeling which a consumer associates with a particular trademark or brand. Ramello (n.95) 565.

possible measures of performance available rather on one specific measure (including brand awareness, brand familiarity, brand loyalty, brand recognition).

The advantages of investing in a mark to build a strong reputation are multiple. In addition to the obvious advantage of driving sales and increasing channel power, strong brands provide opportunities for brand extensions through licensing and franchising.⁵⁷⁹ By implementing a trademark-style of management such as licensing and franchising,⁵⁸⁰ companies with strong brands can form alliances and networks within the firm and with other firms in the market.⁵⁸¹ In this sense, reputable trademarks permit their owners to utilize the power of the mark in new forms of production and exchange.⁵⁸² Furthermore, companies who invest heavily in brands are able to preserve stronger brand retention strategies and to overcome occasional crises.⁵⁸³

Marks in essence are the ‘ciphers’ around which investment in the promotion of a product is built.⁵⁸⁴ However, in order to protect these investments and to guarantee that trademark owners will acquire an adequate return on their investment, legal protection of the ‘goodwill’ becomes critical. The CJEU’s protection of the investment function of a mark mirrors the court’s awareness that the unqualified use of registered

⁵⁷⁹ Swann et al. (n.444) 810-811.

⁵⁸⁰ C. Lury, ‘Trademarks as a Way of Fixing Things’ in L. Bently, J. Davis, G. Ginsburg (eds) *Trademarks and Brands* (Cambridge Intellectual Property and Informative Law, 2008) 201.

⁵⁸¹ *Ibid*, 201-222.

⁵⁸² Lury (n.580) 201. Also, see C. Ng. ‘The Irrational Lightness of Trademarks’ in L. Bently, J. Davis, G. Ginsburg(eds) (n.579) 223.

⁵⁸³ Swann (n.94) 955.

⁵⁸⁴ W. Cornish, *Intellectual Property: Patents, Copyrights, Trade Marks and Allied Rights* (3rd ed., Sweet & Maxwell, 1999) 527.

trademarks by third parties, even in the absence of confusion, could interfere with the commercial strategy of firms, hence, undermining the mark salience. Evidently, the courts are attempting to reconcile trademark law with the ever-evolving branding practices through legally considering brand aspects in decision-making. Now, not only can a trademark not be copied, but also the brand attributes which burgeon as a result of trademark investments cannot be linked to third parties.

4.6 Trademark Protection and Consumer Behaviour

On reflection, the previous discussion demonstrates that through trademarks, marketers transmit the persuasive power of advertising to the symbol which gradually acquires the status of a commercial magnet.⁵⁸⁵ By legally protecting the commercial magnetism of the mark, the influence of trademark law on consumer purchase decisions becomes evident.⁵⁸⁶

One of the most relevant questions that emerge in discussing the modern functions is: how does the legal recognition of the modern trademark functions and the extended protection of trademarks affect consumer behaviour? Regrettably, the CJEU failed to analyse this aspect of the modern functions, but rather it presented an impressionistic, ad hoc discussion of the impact of the modern functions on consumer behaviour. Therefore, it is necessary to address the relationship between consumers and the communicative value of a trademark as this will affect the discussion on the most

⁵⁸⁵ Brown (n.495) 1187.

⁵⁸⁶ *Ibid*, 1189.

favourable approach to integrate the modern functions into the trademark system. This point will be addressed in the next section.

4.6.1 Classical View

In the context of high-end fashion, consumers are led to believe through specific brand-building techniques that a product bearing a specific trademark is a strong means for self-expression.⁵⁸⁷ A luxury consumer is no longer purchasing a product originating from a single source, but rather the respective trademark experience and brand image.⁵⁸⁸ Through exploiting the tendency of consumers to attach significance to the expressive message that a brand signals, entrepreneurs become more capable of differentiating their products. The trademark then becomes the selling power for the company.⁵⁸⁹

So in the aforementioned Louboutin example, the advertising campaigns along with the investments made in the mark gave the red sole shoes a distinctive character. Following this strategy, trademark owners ‘lift the product out of the market of standardized goods and create a speciality which is independent of the price, quality or durability judgement’, urging consumers to aim beyond their basic needs toward

⁵⁸⁷ For example, through extensive repetition, a trademark may start acting as a vehicle for persuasion as it predisposes the consumer to purchase.

⁵⁸⁸ Hoeffler, Keller (n.537) 425, ‘Marketing...’.

⁵⁸⁹ Schechter (n.202) 839. Also, see F. Schechter, ‘Trade Morals and Regulation: The American Scene’ (1937) 6 *Fordham L.Rev.* 190, 204 .

their emotional wants.⁵⁹⁰ As such, a trademark salience has obvious impact on consumer behaviour.

The classic and arguably the most acknowledged view on the impact of trademark salience on consumer behaviour was introduced by Brown who regards consumers as irrational weighers who are persuaded to overvalue branded goods.⁵⁹¹ By infusing into trademarks irrelevant attributes such as luxury and sex appeal, a trademark stimulates irrational desires which can conflict with consumer interests.⁵⁹² A trademark in this sense acts subliminally to manipulate choices and induce a consumer through extraneous pressures. It encourages the public to believe that in order to avoid social humiliation/isolation, they should spend the resources they have (even if those were so little) on senseless objects rather than on basic needs.⁵⁹³

Advocates of this view premise their arguments on several grounds. Primarily, they perceive consumers as being infinitely gullible and unable to develop resistance mechanisms against the aura of the trademark. In their view, consumers, when exposed to a trademark, are left defenceless in front of the skilfulness of advertisers and the strong brand strategies adopted by firms.⁵⁹⁴ As several scholars and judges suggest, the strong power of psychological advertising insulates trademark owners from the normal pressures of price and quality advertisements and causes consumers to lose control

⁵⁹⁰ P. Gregory, 'The Deformed Thief' (1947) 7(4) *The Antioch Review* 519, 528. Also, see Assaf (n.365) 626.

⁵⁹¹ Brown (n.495) 1181. Also, see S. Timber, 'Trademarks, Monopoly and the Restraint of Competition' (1949) 14 *Law&Contemp.Probs.* 323, 325-26. Also, see M. Lemley, 'The Modern Lanham Act; the Death of Common Sense' (1999) 108 *Y.L.J.* 1687,1692.

⁵⁹² Brown (n.495) 1181. Also, see Bradford (n.507) 1251.

⁵⁹³ Bauman (n.395) 138.

⁵⁹⁴ Brown (n.495) 1167.

over their actual preferences.⁵⁹⁵ Accordingly, it is suggested that the low persuasion sophistication of consumers leads to irrational decision making which in most cases occurs subconsciously.⁵⁹⁶

A further assumption made by neoclassical theorists is that drawing a borderline between the physical attributes of the product and its intangible value is an easy task.⁵⁹⁷ This point will be addressed in the subsequent section. For now, it suffices to note that now more than ever, distinguishing between various product attributes is not readily doable.⁵⁹⁸

Several theories have been developed to explain the negative influence of trademark attractiveness on consumer behaviour, the most dominant being the Pavlovian model of conditioning.⁵⁹⁹ According to this model, three central forces transform trademarks from a source of information to a powerful force shaping human behaviour. These forces are drive, cue response, and reinforcement.⁶⁰⁰ Once a particular cue (trademark) is associated with a specific drive such as luxury or sex appeal etc., eventually, humans will continue to experience this drive upon exposure to the cue. Brand owners exploit the vulnerability of human beings to these forces to stimulate the irrational attachment to brands.

⁵⁹⁵ Judge Browning in the case of *Smith v. Chanel*, 402 F.2d 526 (9th Cir. 1968).

⁵⁹⁶ For example, see Brown (n.495).

⁵⁹⁷ Dilbary (n.361) 4-6.

⁵⁹⁸ Griffiths (n.244) 627.

⁵⁹⁹ Other models include Instrumental Conditioning or Observational Learning. See M. Solomon, R. Russell-Bennett, *Consumer Behaviour* (Pearson, 2012) 86.

⁶⁰⁰ J. O'Shaughnessy, N. O'Shaughnessy, *Persuasion in Advertising* (Psychology Press, 2004) 100. Also, see P. Kotler, 'Behavioural Models for Analysing Buyers'(1965) 29(4) *JM* 37, 40-41.

On this premise, a plethora of economists called for the eradication of persuasive advertising to prevent the creation of monopolies, and to reduce the barriers of entry for new competitors.⁶⁰¹ From a moral perspective, the persuasiveness of a trademark has been regarded as a social ill which encourages materialism.

If the arguments proposed by the proponents of this view are true, then the criticisms that have been engendered against the protection of the attractive power of a trademark are explicable. Empowering trademark owners by protecting trademarks for its advertising and investment values will encourage artificial product differentiation which in turn, will give well-established firms an advantage in terms of their ability to derive sales.⁶⁰²

4.6.2 Alternative view

Contrary to the classical view on advertising, some propose that ‘there is an objective truth behind intangible brand values’.⁶⁰³ Accordingly, Brown’s classical claims have been critiqued on several convincing grounds which will be considered. First, it is difficult to prove that the attractiveness of trademark affects consumer preferences.⁶⁰⁴

Even if consumer behaviour is affected, Brown’s approach to modern trademark

⁶⁰¹ For example: Brown (n.495), S.L. Dogan, M. Lemley, ‘A Search-Costs Theory of Limiting Doctrines’ in Dinwoodie and Janis(eds.), *Trade Mark Law and Theory: A Handbook of Contemporary Research*(EE, 2008).

⁶⁰² Lunney (n.381) 421.

⁶⁰³ Tushnet (n.543) 508.

⁶⁰⁴ G. Becker, K. Murphy, ‘A Simple Theory of Advertising as Good or Bad’ (1993) 109 *Q.J.Econ.* 941, 942.

protection presumes that there exists a state of nature where all intrinsic wants are genuine and by which human beings are equipped with endless knowledge, time and information processing power. Regrettably this is not the case. In practice, this rational sovereign consumer that Brown refers to, let alone citizen, does not exist.

In fact, one can correctly note that the emotive values which Brown and his followers rely upon to attack the modern functions, have proved to be a core determinant for both commercial and non-commercial decision making.⁶⁰⁵ Instead of hindering rational-decision-making, which does not exist in gross anyway, the emotional impulses created through modern advertising, are critical for any consumer decision making as they help in reducing cognitive effort associated with purchasing decisions in some markets.⁶⁰⁶

In the absence of the somatic tones which can be created by advertising of a mark, Damasio states that consumers can become paralyzed and indecisive.⁶⁰⁷ The significance of the emotional value created by advertising is particularly prominent in mature markets where there is little or no opportunity for actual product differentiation.⁶⁰⁸ In these industries, both consumers and the companies benefit equally from the product variety that they will be offered.⁶⁰⁹ On one hand, the purchase

⁶⁰⁵ Generally, see A. Damasio, *Descartes's Error: Emotion, Reason and the Human Brain* (Quill, 2004). Also, see N. Naqvi, B. Shiv, A. Bechara., 'The Role of Emotion in Decision Making; a cognitive neuroscience perspective'(2006)15(5) *CDPS* 260.

⁶⁰⁶ Bradford (507) 1260. Also, see chapter four, section 4.4.1.2.

⁶⁰⁷ Generally, see S. Rick G. Loewenstein 'The Role of Emotion' in M. Lewis, J. Haviland-Jones, L. Barret(eds) *Handbook of Emotions* (3rd ed., Guilford Press,2008).

⁶⁰⁸ A. Chronopoulos, 'Legal and Economic Arguments for the Protection of Advertising Value Through Trademark Law' (2014) 4(4) *QMJP* 250, 262.

⁶⁰⁹ E. Chamberlin, 'Product Heterogeneity and Public Policy' (1950) 40 *AER* 85, 88. M. Spence, 'Product Differentiation and Welfare' (1976) 66 *AER* 407.

decision process occurs more smoothly for consumers. On the other hand, competition will be facilitated for corporations that operate in industries in which infusing a trademark with non-product related attributes is the only way of achieving product differentiation.⁶¹⁰

Apart from the emotional relief resulting from persuasive advertising, such advertising offers consumers with value propositions which satisfy their emotional and expressive needs.⁶¹¹ Therefore, the allure of a mark provides consumers with intangible attributes which helps them 'lift themselves from the 'grey and flat' invisibility of the society'.⁶¹²

These attributes become equally significant as any of the other utilitarian functions of the product. This view is particularly true in the context of prestige goods (luxury fashion being one) which fulfil two different needs: the real need and the hedonistic need. A consumer who is purchasing designer shoes for instance, can legitimately expect to derive both premium quality and a sense of sex appeal, both of which can produce hedonistic impulses that please the consumer and help him determine whether he has made the optimal decision. This emotional value created by brands is an essential characteristic of the perceived utility derived from consuming luxury goods.⁶¹³

⁶¹⁰ A. Chronopoulos, 'Goodwill Appropriation as a Distinct Theory of Trademark Liability: a Study on the Misappropriation Rationale in Trademark and Unfair Competition Law' (2014) 22 *Tex.Intell.Prop.L.J.* 204, 215-223.

⁶¹¹ Aaker and Joachimsthaler (n.448) 48.

⁶¹² Bauman (n.395) 12.

⁶¹³ Generally, see B.Dubois, G. Laurent, 'Attitudes towards the Concept of Luxury: An Exploratory Analysis' (1994)1 *ACR* 273.

Under this view, the consumer is 'reflexively defiant' and is not gullible or easily manipulated.⁶¹⁴ The consumer is fully aware of and consenting to the emotional connection the brands offer him.⁶¹⁵ He chooses to pay a premium price because his consumption of a particular commodity 'promises gratification of their desires'.⁶¹⁶ This is evidenced by the fact that there is a positive correlation between a firm's financial performance and the perceived quality of the products. Aaker proposes that it is practically impossible to achieve positive perceptions of quality if the functional quality claims have no substance. In this sense, reliance on persuasion solely is impossible, as persuasion and information are complementary.⁶¹⁷

Furthermore, one can argue that the persuasion resulting from the use of a trademark is in itself information, regardless of whether this information is real or fanciful.⁶¹⁸ Trademarks might convey to consumers attributes unrelated to the product, but it still provides information concerning a certain lifestyle. As long as the trademark does not misrepresent facts, then there is no real problem which requires legal interference. The brand identity that is developed through brand differentiation becomes valuable information for consumers who use it to make purchase decisions. This point reaffirms

⁶¹⁴ J. Ozanne, J. Murray, 'Uniting Critical Legal Theory and Public Policy to Create the Reflexively Defiant Consumer' (1995) 38(4) *ABS* 516, 516.

⁶¹⁵ Swann et. al (n.444) 800.

⁶¹⁶ Bauman (n.395) 10.

⁶¹⁷ Aaker (n.167) 19-20. For an earlier view see *Premier-Pabst Corp. v. Elm City Brewing Co.*, 9 F.Supp 754 (1935) 754-758.

⁶¹⁸ Becker, Murphy (n.604) 941-942. Also, see generally: P. Nelson, 'Advertising as Information' (1974) 82. *J.Pol.Econ.* 729.

Nelson's argument that there are no clear boundaries between informational advertising and persuasive advertising.⁶¹⁹

The previous arguments advanced in favour of informative advertising are particularly relevant in the context of high-involvement purchases. High-involvement purchases include expensive products, products which are difficult to pre-inspect, products which consumers are not familiar with, or products which consumers are naturally highly interested in.⁶²⁰ Generally speaking, when a consumer is highly involved in a product, he will be motivated to exert cognitive effort, and thus, is less likely to be confused as to the source of the product.⁶²¹ This is often referred to as high search sophistication.⁶²² The thesis however takes a step further arguing that high search sophistication is positively correlated with high persuasion sophistication.⁶²³ In other words, consumers who are not easily confused about the source of the products will not be easily deluded by advertising, contrary to what is generally accepted within literature.⁶²⁴

The assumption made here is that high-end luxury products provide a perfect example of high-involvement products given both the price and the level of interest and

⁶¹⁹ *Ibid*, Nelson, 729.

⁶²⁰ M.Dahlen, F.Lange, T. Smith, *Marketing Communications: A Brand Narrative Approach* (Wiley, 2009) 295. Bradford (n.507). T. Lee, G. Christensen, E. DeRosia, 'Trademarks, Consumer Psychology, and the Sophisticated Consumer' (2008) 57 *Emory L.J.* 575, 585.

⁶²¹ R. Celsi, J. Olson, 'The Role of Involvement in Attention and Comprehension Processes' (1988) 15 *J.Consum.Res.* 210, 211.

⁶²² Beebe (n.384) 2039.

⁶²³ *Ibid*, Beebe (n.384), 2062. Generally, see J. Alba & J. W. Hutchinson, 'Dimensions of Consumer Expertise' (1987) 13 *J.Consum.Res.* 411(discussing empirical results of studies relating to consumer expertise).

⁶²⁴ *Ibid*, Beebe, 2069-2070.

knowledge consumers usually present.⁶²⁵ In these cases, thus, consumers do not react subconsciously to the emotive impulses created by advertising. They instead measure the attributes of the product against their own experience before making an intentional judgement.⁶²⁶ Hence, consumers who purchase luxury products despite its premium price do so willingly, because they desire to be associated with the brand image attached to a certain commodity.

The practicality of developing a system of law based on categorising consumers according to their motivation/involvement is practically unfeasible given the intricacy of the matter. Certainly, what has been advanced so far oversimplifies the issue by ignoring case specific factors which determine whether a particular purchase is high/or low involvement. However this point illustrates the significance of considering industry specific factors, among other factors, in ruling on trademark cases in general and particularly in the context of modern trademark protection.

Generally, the thesis accords with this alternative view, arguing that consumers value and demand such an emotional connection with brands. However, the validity of this argument is subject to an assumption that an opposite force which permits resistance to the brands' emotive value exists. In practice, this opposing force is increasingly

⁶²⁵ F. Vigneron, L. Johnson, 'A Review and a Conceptual Framework of Prestige-Seeking Consumer Behaviour' (1999) 1999(1) *AMS* 1,2.

⁶²⁶ In contrast in low-involvement or System I processing purchases (in which there is low interest or complexity), consumers rely on heuristics and emotional impulses to make purchase decisions. See V. W. Mitchell, G. Walsh, M. Yamin, 'Reviewing and Redefining the Concept of Consumer Confusion' (2004) Presentation at the University of Queensland <<http://leannec.free.fr/MEMOIRE/Fiches%20de%20lecture/reviewing%20and%20redefining%20the%20concept%20of%20consumer%20confusion%20-%20Manchester%20School%20of%20Management/reviewing%20and%20redefining%20the%20concept%20of%20consumer%20confusion%20-%20Manchester%20School%20of%20Management.pdf>> Accessed 24 October 2015, p. 18-20.

exhibiting itself within the modern consumer society. The emergence of anti-branding communities, in addition to an increased trend towards cultural expression, facilitated by the growth of new web tools, is rendering consumers more sophisticated than ever.⁶²⁷ As discussed in section 4.3.2, information is no longer generated in one direction, from corporations to consumers. The availability of new research platforms provides consumers with valuable opportunities for interactive exchange of information. Prior to purchasing any product a consumer can, and increasingly does,⁶²⁸ search for information related to the product to form an idea about the meaning of a product. Although the marketer's ability to control the mind of the consumers has not vanished, it is suggested that consumers, through micro-emancipatory principles, are gradually eroding the marketers' control.⁶²⁹ We have moved into an era of consumer control and this shift is significantly influencing the way consumers receive and react to market information.⁶³⁰

From a cultural theory perspective, contemporary society is loaded with a wide range of cultural resistance mechanisms which are gradually breaking the dominance of marketing.⁶³¹ This point can help refute the claim made by proponents of the Harvard

⁶²⁷ A brand community is a 'specialized non-geographically bound community, based on a structured set of social relationships among admirers of a brand'. See A. Muniz, T.O'Guinn, 'Brand Community'(2001)27(4) *J.Cons.Res.* 412, 412.

⁶²⁸ F. Rashtchy, A.M. Kessler, P. J. Bieber, N. H. Shindler, J.C Tzeng, 'From The User Revolution: The new advertising ecosystem and the rise of the Internet as a mass medium'(2007) MN: Piper Jaffray Investment Research Lecture <<http://people.ischool.berkeley.edu/~hal/Courses/StratTech07/Lectures/Google/Articles/user-revolution.pdf>> Accessed 23 August 2015. 38. Also, see G. Mangold, D. Faulds, 'Social Media: The New Hybrid Element of Promotion Mix'(2009) 52 *Bus.Horizons* 357.

⁶²⁹ A. Firat, A. Venkatesh, 'Liberatory Postmodernism and the Re-enchantment of Consumption' (1999) 22 *J.Cons.Res.* 239, 255.

⁶³⁰ Generally, see C. Vollmer & G. Precourt, *Always on: Advertising, Marketing, and Media in an Era of Consumer Control* (McGraw-Hill, 2008).

⁶³¹ Generally, see Firat, Venkatesh (n.627).

school of thought, that consumers are being ‘duped by unscrupulous marketers’ through the trademark allure.⁶³² The essence of this counterargument is that consumers are gradually seeking for social spaces in which they produce their own culture apart from that dictated by the markets.⁶³³ In creating their cultural identities through self-productive consumption, consumers are creating new meanings for products.⁶³⁴

Thus, nowadays, consumers are not passive objects as much as they are subjects who give brand-owners economic success due to the value they themselves place on brands. As stated by Holt, ‘consumers pursue a noncommittal fragmented lifestyle which is most likely to flourish in social spaces removed from market influence’.⁶³⁵ The significance of legal intervention in nurturing these cultural spaces will be addressed in chapter seven of the thesis.

4.7 The Legal Recognition of the Modern Functions

Building on the previous analysis, this section will attempt to address a deceptively simple question: while the social functions of trademarks certainly exist within the commercial market place, should they be legally recognised?

⁶³² D. Vaver, *Intellectual Property Rights: Critical Concepts in Law* (Taylor&Francis,2006) 28.

⁶³³ Firat and Venkatesh (n.627), Holt (n.169) 72.

⁶³⁴ J. Litman, ‘Breakfast with Batman: The Public Interest in Advertising Age’ (1998) 108 *Y.L.J.* 1717. Also, see Z. Bauman, *Consuming Life*.(Wiley:2013), Holt(n.477) 72, J. Fiske, *Reading the Popular* (Routledge,1989) 13.

⁶³⁵ Holt (n.169) 72.

To answer this question, one should start by acknowledging that the protection of the social functions of a trademark necessarily involves the recognition of extended proprietary interests inherent within a mark.⁶³⁶ This indeed has been the main criticism advanced against the protection of extended forms of brand goodwill.⁶³⁷ But, should this provide sufficient grounds to restrict trademark protection to its traditional boundaries? More importantly, is the fear against the recognition of these functions justifiable? Two perspectives can be advanced in this context, the first is economic and the favourable second view is practical.

From an economic perspective, monopoly-phobic arguments have dominated academic literature in this area. Proponents of this approach perceive the legal recognition of the modern functions as an ‘economic evil’ empowering vast corporate monopolies, stifling commercial competition, and oppressing free competition.⁶³⁸ Arguably the protection of the modern functions renders demand inelastic and empowers corporations to impose prices which are distinct from the prices of other products of the same class that would otherwise be competitive with it.⁶³⁹ It is arguable that firms that focus on differentiating their products through the allure of their brands deter vigorous competition in the marketplace of goods and impoverish the marketplace of ideas.⁶⁴⁰ Accordingly, since the recognition of these functions does not necessarily promote efficient competition their legal protection has been viewed

⁶³⁶ C. Lury, *Brands, The Logos of the Global Economy* (Routledge,2004) 102-105.

⁶³⁷ Generally, see J. r. Lunsford, ‘Woe Unto You Trade-Mark Owners’(1951) 49 *Mich.L.Rev.* 1103, Lunney (n.381), G. Dinwoodie, ‘The Rationale Limits of Trademark Law’ in H. Hansen(ed.) *US Intellectual Property Law and Policy* (EE, 2006). For early case law see *Chadwick v. Covell*, 23 N.E. 1068 (Mass., 1890).

⁶³⁸ Dilbary (n.361) 2, describing the different opinions on extending trademark protection.

⁶³⁹ E. Chamberlin, *The Theory of Monopolistic Competition* (5th Ed., HUP,1946) 246-250.

⁶⁴⁰ T. Greene, ‘of Trademarks and Brands’(Jotwell, April 2013)<<http://ip.jotwell.com/of-trademarks-and-brands/>>Accessed 25 October 2015.

sceptically.⁶⁴¹ This myopic interpretation of the modern functions problematically overlooks other possible approaches to evaluating the relationship between trademarks and competition.⁶⁴²

Basically, it is alleged that in the absence of legal protection for the commercial magnetism of a mark, owners will be discouraged from investing in the mark, as return on their investments will be short-lived and the selling power would remain weak.⁶⁴³ Of more concern, lack of legal protection would foster a culture of imitation and unethical free-riding by others, which contradicts with the basics of a healthy competition.⁶⁴⁴ This undermines the incentive to ensure sufficient investments in a trademark and the products associated with it. Simultaneously, a trademark owner will have little control over the future of their goodwill, which may harm a portion of consumers who may retain an interest in a single supplier's use.⁶⁴⁵ Since investments made in the mark hold significant value, then it is arguable that it deserves protection.⁶⁴⁶ But, does the objective of advancing the interests of trademark owners justify legal intervention?

⁶⁴¹ J. Litman, 'Breakfast with Batman: The Public Interest in Advertising Age' (1998) 108 *Y.L.J.* 1717, 1718.

⁶⁴² Generally, see Chronopoulos (n.608) 256.

⁶⁴³ *National Basketball Association v. Motorola Inc.*, 105 F.3d 841 (2nd Cir., 1997) 853. This view was contested in section 5.3.1.3 A.

⁶⁴⁴ D. Barnes, 'Free-Riders and Trademark Law's First Sale, Rule' (2011) 27(3) *Santa Clara Computer & High Tech.* 457,490-496. Also, see R. Smith, 'The Unresolved Tension Between Trademark Protection and Free Movement of Goods in the European Community' (1992) 3 *Duke J.Comp.&Int'l.L.* 89, 93.

⁶⁴⁵ *Ibid*, Barnes, 460. Fhima (n.401) 357.

⁶⁴⁶ Cornish (n.584) 527. For a detailed analysis on the economics of free-riding see chapter 5, section 5.3.1.4.

Chronopoulos offers a suggestive economic alternative to the economics of modern trademark recognition. Emphasising the significance of product variety, he argues that the availability of a mark with strong commercial magnetism benefits consumers who are offered more products, despite paying a premium price. This generally leads to an increase in consumer welfare.⁶⁴⁷ More interestingly, protecting the modern functions in unrelated markets creates economies of scales (reduced advertising costs) and secures incentives to maintain quality.⁶⁴⁸ In particular, because the protection of the modern function secures the trademark owner's right to brand extensions, costs of advertisements would be spread over multiple products, this creates economies of scale. From a consumer welfare perspective, recognising these functions within the legal spectrum places a higher onus on the seller to maintain the quality of his goods across the various markets in which he operates. Failure to do so may result in harsh consumer punishment as customers will lose trust in the seller and not in a particular product.⁶⁴⁹

Conclusively, evaluating the issue through the prism of pure economic theory although alluring may sometimes be challenging. This makes it difficult to reach a definite answer as to whether the functions should be recognised. The effect of recognising the modern functions on competition cannot be ascertained without reference to market constellations and the specific industry factors. So, it is crucial to engage in a more realistic discussion in deciding whether the functions should be legally recognised. In essence, several points can be advanced in support of the recognition of the functions.

⁶⁴⁷ Chronopoulos (n.608) 263.

⁶⁴⁸ *Ibid*, 258-265.

⁶⁴⁹ Generally, see H. Hendrick, M. Peitz, 'Umbrella Branding and the Provision of Quality' (2008) 26(2) *IJO* 546.

First, the mere recognition of the existence of the modern functions does not *per se* imply granting trademark owners extended rights. In fact, the recognition of these functions may form the basis of an anti-trademark owner regulation. The most topical example would be that of the plain packaging proposal which will most likely be introduced through a special legislation in the United Kingdom.⁶⁵⁰ The recognition of the commercial magnetism of a trademark prompted legislators to propose a limitation to the use of a trademark on tobacco products with the objective of preserving public health through decreasing tobacco consumption. This approach could expand to other industries such as the pharmaceutical industry in which the recognition of the impact of advertising on price as well as on consumer behaviour may be the premise for a general public policy exception in trademark law.⁶⁵¹ In practice, the regulation of trademarks depends ultimately on the functions which are attributed to the trademark.⁶⁵²

Thus, the recognition of these functions is the basis for developing a coherent framework which is capable of confronting modern commercial realities and integrating modern policy objectives. It seems absurd to continue to attempt to restrain trademark law to its source origin function when there are other equally important functions which have emerged. Indeed, the continued focus on confusion undermines

⁶⁵⁰ L. Harms, 'Plain Packaging and Its Impact on Trademark Law' (2013) 46(2) *On-Line* 387-400, 389.

⁶⁵¹ A. Scott, 'Doctors vote to stop drug ads to consumers' (*Market Place*, 2015) <<http://www.marketplace.org/2015/11/18/health-care/video/doctors-vote-stop-drug-ads-consumers>> Accessed 20 November 2015

⁶⁵² Memorandum on the Creation of EEC trademark (1976) Sec.76 2464 par.68.

the importance of other values such as fair competition and effective communication which are as crucial for trademark protection as protection against confusion.⁶⁵³

Second, the recognition of property elements in a trademark is not absolutist, but simply provides trademark owners with a bundle of authorities over tangible and intangible elements of this mark.⁶⁵⁴ In light of a sound limitation infrastructure, the fears of the absolute property theory of trademark law can be rebutted. This argument will be validated in the chapter seven which demonstrates how in embracing and protecting expressive uses through clear limitations, the rights flowing from trademark ownership can be logically confined.

Third, in relation to the ethicality of branding and the irrational behaviour that it allegedly prompts, the thesis has shown that at least within the luxury fashion industry, the brand allure is demanded by the consumer who consciously appreciate the emotional connection he/she develop with brands. The protection of the modern functions reflects not only the interest of the trademark owner, but also the interest of the consumer who communicates through trademarks either inwardly, or outwardly. In practice, drawing a fine line between the informative value of trademarks and its persuasive value is very difficult. Accordingly, choosing to pay premium prices for luxury products is a part of the consumer autonomy that should be embraced within a democratic setting. However, this argument is based on the presumption that just as brand owners should be able to use their resources to foster an economic relationship

⁶⁵³ McGeeveran, McKenna (n.72) 254.

⁶⁵⁴ Generally, see Carter (n.66).

with brands, the public should be provided the space to develop resistance mechanisms against brands. Only then would the alternative view on the commercial magnetism of a mark be valid. While these mechanisms are not constrained within the boundaries of trademark law, trademark law may facilitate this process through developing a balanced system of protection. Whether the law in its current form successfully facilitates such process is a point that will be addressed in chapter seven. According to the previous analysis, the modern functions can be justified based on a realistic appraisal of the modern commercial realities which necessitate the recognition of the modern functions.

4.8 Conclusion and Findings

The objective of this chapter was to conceptualize, define, and analyse the modern functions of trademarks in the current commercial marketplace. To encapsulate, within the present marketplace, the functional product characteristics have become subordinate and the brand attributes of a product, which are reflected through trademarks, have become central to purchase decisions. Consumers increasingly use brands to narrate stories about themselves, to establish their social identities, and as source of self-satisfaction.

However, for a trademark to achieve this strong communicative status, organisations have to invest substantial sums to promote and advertise their brands. When all marketing oriented, social, and psychological processes are infused into a mark, the mark becomes recognisable, reputable, and thus 'attractive'. The attractiveness of a

trademark is valuable as it empowers trademark owners to draw consumers to their products for reasons which go beyond the essential function of origin identification.

When a mark achieves this attractive status it becomes more vulnerable to damage or exploitation. Potential damage could occur even if a third-party use does not impede the trademark's capacity to perform its essential function.⁶⁵⁵ In such case, protecting a mark against confusion does not sufficiently protect the distinctiveness of the mark.⁶⁵⁶

Trademark owners as a result have lobbied for the expansion of protection to target two interests. At the basic level, they called for the protection of the link which exists between a company and the products which it represents (identification function). This interest can be safeguarded by protecting trademarks against confusion. Also, trademark owners argued that the law should preserve their reputation through protection of the extended forms of goodwill namely, inherent goodwill.⁶⁵⁷

To keep pace with the expansion of trademark functions and as a response to trademark owners' pressure, the law has indeed expanded. The CJEU has not only affirmed the need to protect the advertising function of a trademark, but explicitly confirmed that a

⁶⁵⁵ A. Griffiths, 'The Trade Mark Monopoly: An Analysis of the Core Zone of Absolute Protection under Art. 5.1(a)' (2007) 3 *IPQ* 312, 326. The damage can take the form of blurring or tarnishment. The author argues in the next chapter that the damage resulting from dilution by blurring is ungrounded.

⁶⁵⁶ For an expansive analysis on confusion in trademark law see A. Bartow, 'Likelihood of Confusion' (2004) 41 *Saint Diego L.Rev.* 722, A. Griffiths, 'The Impact of Global Appreciation Approach on the Boundaries of Trademark Protection' (2001) 4 *IPQ* 326,331, P. Maeyaert, J. Muyldermans, 'Likelihood of Confusion in Trademark Law: A Practical Guide Based on the Case Law in Community Trade Mark Oppositions from 2002 to 2012' (2013) 103(5) *TMR* 1032.

⁶⁵⁷ See chapter two, section 2.4.1.3 for a discussion on the different types of goodwill.

trademark owner can use a trademark for advertising to either inform or persuade consumers.⁶⁵⁸

Since the implementation of the TMD, these ‘new’ functions have been indirectly recognised by an additional layer of trademark protection for marks with reputation, namely under Article 5(2). More controversially, these functions are now expressly recognised by the expansion of the traditional trademark infringement criteria under 5(1)(a) to include communication, investment, and advertising. The law now recognises ‘the right of the trademark owner to use that trademark for the purpose of putting a product into circulation for the first time, and therefore, protects him against competitors wishing to take advantage of the status and reputation of the trademark by selling products illegally bearing that mark’.⁶⁵⁹

This approach understandably triggered a plethora of criticisms against the current trend of trademark protection. However, after employing a practical reasoning, the thesis argued that recognition of the modern functions and the need to reconcile them with the current trademark system is an unescapable reality. Hence, these criticisms should not be directed towards the recognition of the functions *per se*, but towards the theoretical and practical method for protecting them. Accordingly, the next chapter will attempt to evaluate the various theoretical justifications that have been developed to justify extended trademark protection.⁶⁶⁰

⁶⁵⁸ *Google France* (n.406) par.91-92.

⁶⁵⁹ C-16/74 *Centrafarm BV v. Winthrop BV* [1974] ECR I-1183, par.8. Cornish (n.584) 612.

⁶⁶⁰ Generally, see M. McKenna, ‘The Normative Foundations of Trademark Law’ (2007) 97 *TMR* 1126.

Chapter Five

The Normative Justifications for Extended Trademark Protection

5.1 Introduction

Chapter four focused on the evolution of trademarks and the modern functions they play in the current marketplace. The chapter concluded that, at least in the luxury fashion industry, consumers receive in addition to the tangible product, an intangible output that adds complementary value to the products they receive. Whether the law should protect this communicative value and the resulting emotional connection that consumers develop with brands depends primarily on whether one agrees that the law should intervene in building an individual's moral system.⁶⁶¹ As argued in the previous chapter, the thesis disagrees with such interference. On this premise, it was argued that modern trademark law should no longer be governed by traditional policy objectives.

However, compelling justifications should be advanced to be able to convincingly argue for constructing trademark systems in accordance with these functions. Otherwise, trademark law would amount to arbitrary protection based on pure legal realism.⁶⁶² As already argued, the pure economic theories discussed in chapter three

⁶⁶¹ A. Chronopoulos (n.608) 267.

⁶⁶² A. Chronopoulos, 'Determining the Scope of Trademark Rights by Recourse to Value Judgements Related to the Effectiveness of Competition- The Demise of the Trademark Use Requirement and the Functional Analysis of Trademark Law'(2011) 42 *IIC* 535, 554. Legal realists tend to view legal reasoning as being independent from moral and political discourse. For a general overview see M. Alexander, 'Realism' (*Stanford Encyclopaedia of Philosophy*, July, 2014) <<http://plato.stanford.edu/entries/realism/>>Accessed 25 December 2015.

have obvious descriptive failings in predicting consumer, as well as, producer behaviour, and thus, cannot fully justify modern trademark protection.⁶⁶³ Accordingly, this chapter, taking the luxury fashion industry as an evaluative tool, will analyse the two other justifications on which modern trademark protection is currently predicated: the dilutive harm principle and the unfair advantage principle.⁶⁶⁴

5.2 Dilutive Harm

5.2.1 Background

The first justification advanced for the protection of the modern functions is that failure to grant trademark owners extended forms of legal protection would result in dilutive harm.⁶⁶⁵ Dilution is defined as the ‘gradual whittling away of a trademark’s distinctive capabilities’.⁶⁶⁶ Under this view, non-confusing use of famous marks can dilute their selling power due to cumulative harm. This can eventually lead to the loss of distinctive character, and thus, the demise of the mark.⁶⁶⁷ Protection against dilution supposedly ensures that trademark owners will be able to maintain an association in the mind of the consumers between their marks and their products.⁶⁶⁸ The dilutive

⁶⁶³ Generally, see Sheff (n.389) 762.

⁶⁶⁴ Some academics argue that finding a theoretical justification for intellectual property protection is unimportant. See A. Rahmatian, ‘Copyright and Commodification’(2005) 27 *EIPR Review* 371, 374. In contrast see Fisher (n.10).

⁶⁶⁵ Schechter (n.202) 825.

⁶⁶⁶ *Ibid*, 825. Also, see *Allied Maintenance Corp. v. Allied Mechanical Trades Inc.* 369 N.E.2d 1162 (N.Y, 1977) 1165 where dilution was defined as ‘cancer-like growth which feeds upon the reputation of an established distinctive trademark’.

⁶⁶⁷ This view was embraced in a numerous number of particularly US cases. See for eg. *Allied Maint. Corp* (n.666).

⁶⁶⁸ This view is compatible with the CJEU’s reasoning in the case of *Interflora* (n.421).

harm theory proposes that the use of a mark on an unrelated product leads to the impairment of the trademark's strength through either blurring of the distinctive character of the mark, or through tarnishing it with unsavoury associations.⁶⁶⁹

Generally, such an explanation of dilutive harm, which has been accepted in both the US⁶⁷⁰ and in Europe,⁶⁷¹ can be criticised for being imprecise, vaguely constructed, and engendering a number of possible interpretations. Given the imprecision of the dilutive harm theory, it is arguable that Schechter's reference to the need to preserve the uniqueness of a mark was merely an attempt to satisfy legal realists,⁶⁷² through diverting their attention from the misappropriation rationale which *actually* underlies the theory. This constitutes a more compelling reason to consider the dilution theory afresh.

The prospective analysis will review existing literature to determine whether Schechter's dilutive harm claim has sufficient rigour that renders it convincing enough to justify modern trademark protection. The dilution provision protects famous trademarks against either blurring, or tarnishing.⁶⁷³ Whilst both types of actions have

⁶⁶⁹ E. A. Prager, 'The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion' (1996) 7 *Fordham Intell.Prop.Media.&Ent.L.J.* 121, 123-124 .

⁶⁷⁰ In the US case of *Mosely v. Victoria Secret Catalogue* 537 U.S.418 (2003), the courts quoted Schechter's comment that the preservation of the uniqueness of the trademark should constitute the only basis for trademark protection.

⁶⁷¹ *Premier Brands UK v. Typhoon Europe Ltd* [2000] E.T.M.R 1071, 1092. In Europe, LJ Sharpston in the case of *Intel* acknowledged that its duty was to interpret the wording of the directive rather than Schechter's rational basis. However, Schechter's influence remains clear. See *Intel Corp* (n.730) par.10.

⁶⁷² Bone describes dilution as atypical example of legal realism project. See R. Bone, 'Schechter's Ideas in Historical Context and Dilution's Rocky Road'(2008) 24 *Santa Clara Computer&High.Tech.L.J.* 469, 471.

⁶⁷³ 'Blurring' and 'tarnishment' refer to American terminology and are not explicitly mentioned under the EU directive. However, they are used in CJEU case law. See chapter six, section 6.3.1.

raised a series of theoretical and legal controversies and will be addressed,⁶⁷⁴ the former has been particularly controversial as it allegedly has a more subtle, yet, eroding impact on luxury fashion brands. Accordingly, it will be focused on in more details.

5.2.2 Dilution by Blurring

Briefly, blurring is a traditional form of dilution which occurs when a well-known mark is used in connection to goods and services of another. The long-term consequence of such use is, arguably, the erosion of the capability of a mark to ‘evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner’.⁶⁷⁵

The practical validity of the dilution by blurring can be contested on several general and industry specific grounds which will be addressed subsequently. Because the luxury fashion industry is considered among the most vulnerable industries to dilutive harm, evaluating the theory from this lens allows a pro-trademark owner analysis of the theory and its rigour, thus, reflecting the highest tolerable level of protection that can be logically advanced.⁶⁷⁶ As the subsequent analysis will show, even if analysed from this perspective, the theory entails a range of theoretical and practical limitations which renders its adoption seriously problematic. These criticisms will be evaluated in

⁶⁷⁴ Rierson notes that the concept of dilution by tarnishment has more intuitive appeal than dilution by blurring, however, both can be criticised. S. Rierson, ‘The Myth and Reality of Dilution’ (2012) 11 *Duke L.&Tech.* 213, 246. Also, see J. Taran, ‘Dilution by Tarnishment: A Case for Vulgar Humour’ (2002) 7 *Intell.Prop.L.Bull.* 1 for a detailed criticism on tarnishment.

⁶⁷⁵ Restatement (Third) of Unfair Competition Section 25 cmt. c (1995).

⁶⁷⁶ P. Kort, J. Caulkins, R. Hartl, G. Feichtinger, ‘Brand Image and Dilution in the Fashion Industry’ (2006) 42 *Journal of IFAC* 1363, 1364.

the following section. It should be noted that these criticisms will also be recalled in discussing tarnishment given their applicability in that context too.

a. Immutable language

Linguistically, words can have several meanings which are used in varied contexts, and yet, their distinctive character remains unchallenged. Beyond the realm of trademarks, rarely has any one claimed that the presence of additional meanings affect the strength of the original mark.⁶⁷⁷ Because individuals derive meanings from contexts, and since trademarks are common language, it is arguable that the use of a similar mark in a different context does not necessarily influence the distinctiveness of the original mark. For example, when an LV mark is used on products distinct from those offered by the original manufacturer, consumers will attach a different meaning to the new trademark.⁶⁷⁸ Based on this view, the effect of blurring cannot be ascertained.

However, this criticism of blurring reflects a very restricted view on how a mark can be diluted. It can be argued that in practice multiple uses of a mark, even in the absence of confusion, could affect the ‘selling power of trademarks’ in ways divorced from the proliferation of associations’ justification.⁶⁷⁹ The ultimate claim advanced in favour of blurring is that when a brand is being used uncontrollably in different consumer

⁶⁷⁷ Rierson (n.674) 239.

⁶⁷⁸ Rierson (n.674) 239-240.

⁶⁷⁹ See discussion in chapter four, section 4.4.1.2 on the significance of the selling power.

channels, it will lose its clarity in the mind of consumers.⁶⁸⁰ Arguably, within the luxury industry in particular, a brand value derives substantially from the exclusivity of the products associated to it. On this premise, companies within this industry will have a strong desire to protect and sustain the exclusive image of their brand through investment and advertising.⁶⁸¹ It is argued that overexposure can repulse consumers, thus, discouraging them from consuming the overexposed brand. Simply put, following overexposure, the utility of the product in the eyes of the consumer will decrease.⁶⁸² As a result, the selling power of a mark will be eroded. The problem however is that such effect on the selling power of a mark remains speculative. This criticism will be evaluated in the next section.

b. Speculative Harm

It is commonly argued that ‘the luxury consumers of the twenty first century are neither inclined to nor interested in this level of interactivity with one single luxury brand’.⁶⁸³ Thus, when they feel the brand loses its exclusivity, they will readily switch to another brand. This will affect the ‘selling power’ of a trademark which is generally understood

⁶⁸⁰ J. Kapferer, *Kapferer on Luxury: How Luxury Brands Can Yet Remain Rare* (Kogan Page, 2015) 8.

⁶⁸¹ See chapter four, section 4.3.2.2.

⁶⁸² T. Dornis, T. Wein, Trademark Rights, Comparative Advertising, and the “Perfume Comparison Lists”- An Untold Story of Law and Economics (2014) Inst. für Volkswirtschaftslehre, Working Paper Issue 332 <http://www.leuphana.de/fileadmin/user_upload/Forschungseinrichtungen/ifvwl/WorkingPapers/wp_332_Upload.pdf> Accessed 22 October 2015.

⁶⁸³ U. Okonkwo, *Luxury Fashion Branding; Trends, Tactics, Techniques* (Palgrave Macmillan, 2007) 301. Also, see M. Reddy, N. Terblanche, How Not to Extend Your Luxury Brand (*HBR*, December 2005) <<https://hbr.org/2005/12/how-not-to-extend-your-luxury-brand>> Accessed 7 December 2015. Also, see The Fashion Law, ‘Louis-Vuitton and the Risk of Overexposure’ (*The Fashion Law*, October 2013) <<http://www.thefashionlaw.com/louis-vuitton-the-danger-of-over-exposure/>> Accessed 1 December 2015.

in economic terms.⁶⁸⁴ Some empirical research conducted in this area confirms that luxury brands may be vulnerable to brand extensions especially those extensions which are not along adjacent brand categories.⁶⁸⁵

Two examples from within the luxury fashion industry are often flagged up to validate the previous argument. These will be briefly summarised.

The first case is that of Pierre Cardin. Pierre Cardin is a successful fashion designer who was among the 21 early elite members of the *Chambre Syndicale de La Couture Parisienne*,⁶⁸⁶ and whose name was among the most highly recognised in the luxury fashion arena.⁶⁸⁷ It has been argued that Pierre Cardin, a fashion designer who in recognition of the aura of his brand adopted a multiple-licensing strategy, was confronted with a remarkable drop in his revenue, particularly subsequent to licensing his brand name on unrelated products (cigarettes, alcoholic beverages).⁶⁸⁸ So, it has been assumed that the loss of uniqueness and the scarcity (i.e. luxury aura) of the brand are particularly responsible for the loss in revenue.⁶⁸⁹

⁶⁸⁴ The economic connotation of the term 'selling power' can be inferred from the court's requirement of 'change in economic behaviour' as an evidence for dilution by blurring. See T 570/10 *Environmental Manufacturing v. Office for Harmonization in the Internal Market (OHIM)*[2012] E.T.M.R 54, par.54.

⁶⁸⁵ Brand Adjacency is defined as the 'extent to which a particular brand extension is consistent with the values embodied by the core brand'. Aaker (n.160) 86.

⁶⁸⁶ E. Langle, *Pierre Cardin: Fifty Years of Fashion and Design* (Thames and Hudson, 2005) 2.

⁶⁸⁷ Okonkwo (n.683) 297.

⁶⁸⁸ *Ibid.* Also, see M. Reddy, N. Terblanche, L. Pitt, M. Parent, 'How Far can Luxury Brands Travel? Avoiding the Pitfalls of Luxury Brand Extension' (2009) 52 *Business* 187, 191.

⁶⁸⁹ B. Dubois, G. Laurent, S. Czeller, 'Consumer Rapport to Luxury: analysing complex and ambivalent attitudes' (2011) HEC Paris, Jouy-en-Josas

<<http://www.hec.fr/var/fre/storage/original/application/5ecca063454eb4ef8227d08506a8673b.pdf>>
> Accessed 1 December 2015, 11.

The second case is that of Burberry. As a consequence of their increased advertising and their focus on the famous check mark, the brand became popular with the emerging ‘chav generation’.⁶⁹⁰ According to Jones, the day the ‘celebrity chav’ Danniella Westbrook stepped out in a head to toe Burberry outfit, the company’s credibility died.⁶⁹¹ Burberry, however, managed, *without any legal interference*, to reinvent its brand image through a simple branding technique, by simply shifting the brand focus to the iconic products that made the brand famous, focusing on more subtle logo placement.⁶⁹²

Although, *at first appearances*, these two examples seem to support the dilutive harm theory, analysing them from an economic prism yields far more complex results. Both the theoretical and the practical problems will be discussed.

First, the case of Pierre Cardin in which allegations of economic harm are reflected in the clear drop of revenue will be considered. Proponents of blurring often claim that the excessive availability of Pierre Cardin products rendered it less desirable within the luxury consumer market given the blurring effect it was subject to.⁶⁹³ The thesis

⁶⁹⁰ Daily Mail, ‘The Luxury Brand with a Chequered Past, Burberry’s Shaken Off its Chav Image to Become the Fashionistas Favourite Once More’ (*Daily Mail*, June 2008) <<http://www.dailymail.co.uk/femail/article-1023460/Burberrys-shaken-chav-image-fashionistas-favourite-more.html>> Accessed 16 October 2013.

⁶⁹¹ J. Cunningham, S. Cunningham, *Sociology and Social Work* (Learning Matters, 2014) 212 .

⁶⁹² C. Ostler, ‘As Romeo Beckham stars in their new ad, how Burberry went from chic to chav to chic again’ (November, 2014) <<http://www.dailymail.co.uk/femail/article-2822546/As-Romeo-Beckham-stars-new-ad-Burberry-went-chic-chav-chic-again.html>> Accessed 24 November 2015.

⁶⁹³ A. Som, C. Blanckaert, *The Road to Luxury: The Evolution, Markets and Strategies of Luxury Brand Management* Wiley, 2015) 111.

argues that such claim is over-simplistic as it mistakenly assumes that harm, reflected through drop in revenue, is the result of the blurring effect.⁶⁹⁴ A more plausible explanation is that uncontrolled licensing agreements, unaccompanied with stringent measures of quality control, lead to such drop in revenue.⁶⁹⁵ In light of the concept of brand goodwill discussed in chapter two, one can argue that the negative associations attached to products emanating from Pierre Cardin have transferred to all Pierre Cardin products (corporate branding).⁶⁹⁶ This is likely to constitute a problem within the legal spectrum *only if* confusion as to the source or confusion by association exists. In the case of dilution by blurring, such confusion does not exist. This is evidenced by the fact that for many years, marks have been used concurrently on dissimilar products without evidence of the harm caused by dilution.⁶⁹⁷ Bottom line, a better licensing structure would have been able to effectively guard the aura of the mark sufficiently in the Pierre Cardin case.

A closer inspection of the Burberry example does not provide definitive answers in relation to the validity of dilutive harm theory either. By reference to the gross profit of Burberry, during the periods of the alleged loss of exclusivity (2004-2006), it is obvious that in monetary terms, there was no apparent economic harm.⁶⁹⁸ A possible explanation of this result is that Burberry, which was once sought after by snobs who

⁶⁹⁴ Generally, see K. Port, 'the 'Unnatural' Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?'(1994) 18 *Seton Hall Leg.J.* 433, 448. P. Prescott, 'Has the Benelux Trade Mark Law Been written Into the Directive?'(1997) 18 *EIPR* 99.

⁶⁹⁵ I. Calboli, 'The Sunset of Quality Control in Modern Trademark Licensing' (2007) 57(2) *Am.U.L.Rev.* 341, 374-376.

⁶⁹⁶ See chapter four, section 4.3.2.1 for a discussion on the concept of corporate branding.

⁶⁹⁷ For example see Delta Airlines and Delta Faucets, United Airlines and United Van Lines. Generally, see A. Griffiths, 'An Economics Perspective on Shared Name Issues in Trade Mark Law' in S. Fhima(eds.), *Trademarks and Sharing Names*(EE,2009) 13-27.

⁶⁹⁸ Burberry's Gross Profit in 2004 was £391.6 million, in 2005 was £ 424.2m and in 2006 was £446.1m. See Burberry Group Plc Annual Report and Accounts 2004/05.44, 2005/06, 47.

derive utility from exclusivity, became a more attractive brand for bandwagons who derive utility from excessive availability of products.⁶⁹⁹ More convincingly, through a clever marketing strategy Burberry managed to restore its initial image. In terms of selling power as interpreted by the CJEU, it is difficult to prove with certainty the level of economic harm caused by blurring.⁷⁰⁰ Ultimately, the argument is that mere speculation of harm cannot provide sufficient grounds for expansive trademarks rights (and possible reduction of competition) manifested through an anti-dilution remedy.⁷⁰¹

Two interrelated points are further emphasised by proponents of the blurring theory. First, economic loss caused by blurring accumulates overtime and is difficult to measure in the short run,⁷⁰² hence, the CJEU's reference to likelihood of future change to the distinctive character.⁷⁰³ Second, 'loss of selling power' should be understood as the erosion of the exclusivity of a trademark.⁷⁰⁴ Both these claims presuppose that the traditional significance of 'exclusivity' within the luxury environment continues to exist. Accordingly, an interpretation of the concept of exclusivity and its current underpinnings is crucial for the evaluation of blurring, and for the overall thesis.

⁶⁹⁹ Generally, see G. Akerlof, 'A Theory of Social Custom, of Which Unemployment May be a Consequence' (1980) 84 *Q.J. Econ.* 749. Also, see G. Corneo, O. Jeanne, 'Snobs, Bandwagons, and The Origin of Social Customs in Consumer Behaviour' (1997) 32(2) *J.Econ.Behav.Organ.* 333.

⁷⁰⁰ *Intel Corp Inc v. CPM United Kingdom Ltd* [2008] ECR I-8823 par.77-81. Also, see C-252/12 *Specsavers International Healthcare Ltd. v. Asda* [2013] *Bus.L.Rev.* 1277, [2013] ECWA Civ. 494. Both the CJEU and the English courts failed to provide additional clarification on what constitutes change in economic behaviour simply concluding that the claimant failed to provide sufficient evidence of such change.

⁷⁰¹ B. Pattishall, 'The Dilution Rationale for Trademarks – Trademark Identity Protection, Its Progress and Prospects' (1977)67 *TMR* 607, 614.

⁷⁰² McCarthy (n.331) 24:120. McCarthy draws an analogy between dilution and bee strings in which significant injury is caused by accumulative harm not by just one bee sting.

⁷⁰³ For example see *Intel* (n.700) par.38-39.

⁷⁰⁴ It may be argued that the uncontrolled use of a mark, albeit in a non-confusing manner, could interfere with the trademark owner's efforts to assure his customers about the exclusivity they desire. See *Hermes Int'l v. Lederer de Paris Fifth Ave., Inc.* 219 F.3d 104,108 (2d. Cir. 2000) in defence of the status confusion doctrine. See Beebe, Sunder (n.37) 34.

c. The Modern Concept of Exclusivity

Traditionally, exclusivity and luxury has been equated with rarity. The rarer a brand is, the more it is sought after. In light of the modern changes within the luxury fashion environment, this understanding needs to be re-evaluated. Three particular points need to be addressed: the reinterpretation of luxury within consumer society, the paradox of luxury fashion, and democratization of luxury fashion brands.

Studies on consumers' perception of luxury reveal that exclusivity is only one of many characteristics associated to luxury. Elegance, comfort, style, and fashion are all additional factors also associated with luxury.⁷⁰⁵ Thus, associating luxury to exclusivity alone inaccurately limits the concept of luxury. This is particularly true in the context of the luxury fashion. In particular, while exclusivity is a characteristic of luxury, the opposite can be stated about fashion. Fashion refers to the modal or popular style of a particular group at a particular time, and therefore, is in essence premised on the idea of overexposure.⁷⁰⁶ Thus, there is an oxymoron underlying the concept luxury fashion. This makes it somewhat difficult to explain or even expect the loss of selling power as a direct consequence of overexposure to marks.

⁷⁰⁵ C. Chiari, *Everlasting Luxury. The Future of Inaccessibility* (Le Fonti, 2009) 5-7.

⁷⁰⁶ F. Davis, *Fashion, Culture and Identity* (Chi.U.Press, 1992) 17-18.

The third, and the most critical point which further weakens the blurring effect of multi-mark use, is the democratization of luxury is general. Luxury consumers who were once defined as head-to-toe ‘designer-clad’ loyalists are now defined as brand literate, fashionable consumers who make luxury choices based on their understanding of their own style.⁷⁰⁷ The current luxury consumer is smart, powerful, individualistic, demanding, and above all can easily navigate between luxury and high street fashion to create his ‘distinctive’ style. Luxury fashion brand owners are more than ever aware of this change and are now targeting their products to middle class consumers.⁷⁰⁸ Companies are expanding either vertically,⁷⁰⁹ or horizontally,⁷¹⁰ to target new consumers with the purpose of democratizing luxury. Armani for example has stretched its brand into new market segments through offering Armani products at lower prices (Armani Exchange) to make its products more affordable. Major fashion houses are collaborating with lower end brands to make their products more accessible (H&M and Balmain collaboration).⁷¹¹

This discussion sheds light on an often under-emphasised finding. Consumption within luxury fashion industry is now less ‘about exclusivity’ and more about personalization

⁷⁰⁷ Okonkwo (n.683) 297, Kapferer (n.680) 52.

⁷⁰⁸ J.M. Bellaiche A. Mei-Pochtler, D. Hanisch, ‘The New World of Luxury: Caught between Growing Momentum and Lasting Change’ (*Boston Consulting Group*, December 2010) <<http://www.bcg.com/documents/file67444.pdf>> Accessed 24 November 2015, 5.

⁷⁰⁹ Vertical brand extension, involves introducing a brand extension in the same product category as the core brand, but at a different price point and quality level. See K. Keller, D. Aaker, ‘The Effects of Sequential Introduction of Brand Extensions’ (1992) 28 *J.Mark.Res.* 35, 36.

⁷¹⁰ Horizontal brand extension occurs when an existing brand name is applied to a new product either in a related product class, or in a product category completely new to the firm. See D.A. Sheinin, B. Schmitt, ‘Extending Brands with New Product Concepts: the role of category attribute congruity, brand affect, and brand breadth’ (1994) 31(1) *J.Bus.Res.* 1, 5-6.

⁷¹¹ C. Leaper, ‘Everything you Need to Know About the Balmain X H&M Collaboration’ (*MarieClaire*, November 2015)< <http://www.marieclaire.co.uk/news/fashion/550623/balmain-x-h-m-the-balmain-h-and-m-collaboration-in-pictures.html#index=1>> Accessed 7 January 2016.

and masstige.⁷¹² Thus, even if we equate dilutive harm with loss of exclusivity in its general sense, the significance of protection against blurring to preserve exclusivity has lost rigour in the recent years⁷¹³

d. Increased Search Cost

A line of thought has unpersuasively attempted to justify dilution by blurring by extending the boundaries of the search cost theory.⁷¹⁴ According to proponents of this view, when a mark is used on two distinct goods, ‘consumers will have to think harder- incur as it were a higher imagination cost- to recognise the name as the name of the store’.⁷¹⁵ Thus, absence of protection against blurring would burden consumers with extra costs for having to filter from their mind the other uses of trademarks.⁷¹⁶ If this allegation is true, then protection against blurring is justifiable, as it relocates trademark protection to its original nexus of protecting consumers.⁷¹⁷ This view fits comfortably within Landes and Posner’s dominant efficiency of the reduced search cost argument.⁷¹⁸

⁷¹² Silverstein, Fiske (n.43).

⁷¹³ Also, see results of empirical study conducted by H. Kruger, ‘Trademark and Brand Dilution: An Empirical Investigation’ (PhD thesis, Stellenbosch University, 2014).

⁷¹⁴ See chapter three section 3.2.2.1 for a detailed analysis on the search cost theory.

⁷¹⁵ Judge Posner in *Ty Inc. v. Perryman* 306 F 3d 509 at 512(7th cir., 2002). Also, see R. A. Posner, ‘When Is Parody Fair Use?’(1992) 21 *J.Legal.Stud.* 67, 75.

⁷¹⁶ G. W. Austin, ‘Tolerating Confusion about Confusion: Trademark Policies and Fair Use’ (2008) 50 *Ariz.Law.Rev.* 157, 159.

⁷¹⁷ C. R. Bird, ‘The Impact of the Moseley Decision on Trademark Dilution Law’ (May 17, 2006) < http://papers.ssrn.com/sol3/papers.cfm?abstract_id=903003> Accessed 25 November 2015, 3.

⁷¹⁸ S. Dogan ‘What Is Dilution Anyway?’(2006) 105 *Mich.L.Rev.* 103, 105. Also, see Tushnet (n.543) 508.

Although this view finds some support in cognitive science,⁷¹⁹ it does not entail sufficient rigour to be transformed into the legal sphere. In particular, empirical research in this area shows that experimentally, blurring can cause consumers to think longer; thus, to incur extra search costs, however such increase is measured in milliseconds. More interestingly, research has also proven that famous marks which are most vulnerable to free-riding, are the least likely to result in an increase in search costs as a result of blurring.⁷²⁰ Thus, the question that should be addressed is not whether blurring increases search costs numerically, but rather whether this increase is economically significant to be translated into the language of law. The empirical information available to this date shows that proportionally this increase in search cost is insignificant.⁷²¹ In fact, one can take a step further arguing that there are reasons to think that at least some dilutive uses can reinforce, rather than chip away at, the strength of a mark.⁷²² Accordingly, the blind reliance on assumptions of increased search costs to confirm and justify extended trademark protection is problematic.⁷²³

In conclusion, the analysis shows that the blurring theory is predicated on a complex, incompletely theorised, and uncertain concept, namely, trademark distinctiveness. This naturally leaves the whole doctrine feeble. The uncertainty surrounding blurring stems from the fact that it cannot be measured quantitatively, proven economically,

⁷¹⁹ See for example, M. Morrin, J. Lee, G. Allenby, 'Determinants of Trademark Dilution' (2006) 33 *J.Consum.Res.* 248, 288. 'Cognitive science is the interdisciplinary study of mind and intelligence, embracing philosophy, psychology, artificial intelligence, neuroscience, linguistics, and anthropology', see T. Paul 'Cognitive Science' (Stanford Encyclopaedia of Philosophy, 2014) <<http://plato.stanford.edu/entries/cognitive-science/>> 22 December 2015.

⁷²⁰ M. Mauren, J. Jacoby, 'Trademark Dilution: Empirical Measures for an Elusive Concept' (2000)19(2) *JPP&M Marketing* 265, 288.

⁷²¹ Tushnet (n.543) 528. In contrast see J. Kang, 'Trojan Horses of Race' (2005) 118 *Harv. L. Rev.* 1489.

⁷²² J. Meyers-Levy, 'The Influence of a Brand Name's Association Set Size and Word Frequency on Brand Memory' (1989) 16 *J.Consum.Res.* 197.

⁷²³ Tushnet (n.543) 531.

and is becoming less important with the advent of the post-modern consumer society.⁷²⁴ This section concludes that continuing to rely on blurring to protect the modern functions will inject inconsistencies into a provision that is already riddled with its own contradictions.⁷²⁵ Accordingly, the thesis argues that blurring can only serve as a subordinate justification for extended trademark protection. Whether tarnishment provides a more convincing argument is the focus of the next section.

5.2.3 Dilution by Tarnishment

Another form of dilution, not explicitly mentioned by Schechter, is dilution by tarnishment.⁷²⁶ Tarnishment is defined as ‘the damage to the first mark which occurs when the second mark itself or the products to which it is associated either intentionally, or unintentionally, result in damage to the reputation of the first mark’.⁷²⁷ Generally, a mark is regarded as being tarnished when it is linked to products of shoddy quality, it is portrayed in an unwholesome or unsavoury context, especially when the alterations to the mark are made by a competitor with the intention of diminishing the favourable

⁷²⁴ D.A. Franklyn., ‘Beyond Dilution: Toward a Comprehensive Theory of the Anti-Free Riding Impulse in American Trademark Law’ (2003) Bepress Legal Series. Working Paper, <<http://law.bepress.com/cgi/viewcontent.cgi?article=1130&context=expresso>> Accessed 12 December 2015, 58.

⁷²⁵ P. Prescott, ‘Has the Benelux Trade Mark Law Been written Into the Directive?’ (1997) 18 *EIPR* 99, 102.

⁷²⁶ Often blurring and tarnishment are addressed conjunctively. For example see UK case: *Intel Corp v. Sihra* [2003] EWHC 17.

⁷²⁷ Griffiths (n.656) 351. Also, see B. Beebe. ‘A Defence of the New Federal Trademark Anti-Dilution Law’ (2006) 16 *Fordham Intell.Prop.Media&Ent.L.J.* 1143, 1150.

attributes of the plaintiffs' mark.⁷²⁸ Allegedly, this will cause the public to associate the lack of quality, or lack of prestige in the defendants' goods with the plaintiffs' goods.⁷²⁹ The end result will be damage to the reputation of the tarnished mark and a negative effect on its power to attract.⁷³⁰ This extremely broad conception of tarnishment has been criticised for considering any basic type of use as tarnishing, however, this point will be readdressed in chapter six. This section aims to illustrate why dilution by tarnishment, despite criticisms instigated against it, constitute a more justifiable theory on which modern trademark protection could be protected; although not as a separate cause of action, but rather as part of the unfair advantage rationale.

Like blurring, tarnishment as a justification for extended trademark protection has been criticised on several often overlapping grounds. The main criticisms are: that language is not immutable, that consumers derive meanings from contexts, and that the harm is not actual, but rather speculative.⁷³¹ While all these arguments are understandable, counter-arguments can be advanced to support why a *laissez-faire* approach towards tarnishing uses may become counterproductive.

As already discussed, trademark owners exert considerable effort to ensure that consumers attach positive information to their marks. When a mark is used by a third party on goods which are unsavoury (among other types of goods), new *negative*

⁷²⁸ For example see U.S. case *Victoria Secret* (n.670). See L. Oswald, 'Tarnishment' and 'Blurring' Under the Federal Trademark Dilution Act of 1995' (1999) 36 *Am. Bus. L.J.* 255, 277.

⁷²⁹ *Deere & Co. v. MTD products Inc.* 41 F.3d 39, (2nd Cir. 1994) 43-44, R-1004/2000 *Ferrero v. KinderCare Learning* (KINDER CARE/ Kinder et al)[2005] E.T.M.R. 6.

⁷³⁰ C-252/07 *Intel Corporation Inc. v. CPM United Kingdom Limited* [2008] ECR I-08823 Opinion of AG Sharpston. Also, see C-408/01 *Adidas-Salomon v. FitnessWorld Trading* [2004] 2 W.L.R. 1095.

⁷³¹ Generally, see Rierson (n.671)

associations become attached to this mark.⁷³² Once consumers are exposed to these negative associations, the amount they will be willing to pay for the original mark will decrease.⁷³³ Consider the very basic example of the Chanel trademark being used by a third party to sell sex-related products.⁷³⁴ Following such use, Chanel will generate two conflicting sets of associations. The first set of associations involves classy, respectable, fashionable set of associations (original associations). The second set involves less respectable, arguably vulgar types of associations. Since the thesis argued that the positive associations of the senior mark can transfer to the junior brand (transferability of inherent goodwill), it is only logical to accept that the contrary is true.⁷³⁵ Upon encountering a Chanel trademark (the original mark), the negative associations created by the junior user will remain active, even if this happens unconsciously.⁷³⁶ For personal, cultural or social reasons, this may discourage consumers from purchasing original Chanel products.

The impact of tarnishment on consumer purchase intentions was evident in a primary study conducted by Morin and Jacoby. The study confirmed that exposure to the defendant's tarnishing advertisement caused a significant number of consumers to draw negative associations to the plaintiff's mark.⁷³⁷ However, despite the intuitive appeal of the tarnishment justification, it suffers from two main problems. First, like dilution by blurring, the economical verification of the impact of tarnishment is almost unattainable. Second, if a likelihood of tarnishment standard is employed,

⁷³² P. Emerson, "I'm Litigating It': Infringement, Dilution, and Parody Under the Lanham Act' (2011) 9(7) *Nw.J.Tech.Intell.Prop.* 477, 482.

⁷³³ W. Landes, R. Posner, 'Indefinitely Renewable Copyright' (2003) 70 *U.C.L.R.* 471, 487.

⁷³⁴ This scenario is similar to the scenario of the case *Victoria Secret* (n.670).

⁷³⁵ See chapter two, section 2.4.1.3.

⁷³⁶ *Ty Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002) 511. Tushnet(n.543) 523.

⁷³⁷ Morrin, Jacoby (n.128) 269, Jacoby(n.92) 1061.

unpredictability will certainly become a serious issue as judgements will remain highly dependent on the economic prediction of courts about consumer tastes and their reactions to specific uses.⁷³⁸ This risk can be illustrated through the Chanel example provided above. The example was based on the common conception that sex related associations are tarnishing. But, how can this tarnishing effect be ascertained? On what basis are these judgements being premised?⁷³⁹

To resolve these problems two points can be put forward in this thesis. First, the definition of tarnishment can be interpreted narrowly to avoid the protection of trademark owners against any type of use which is distasteful, as in the case of expressive uses (this will be further addressed in chapter six and seven).⁷⁴⁰ Second, tarnishment needs not to be treated under a separate type of commercial tort.⁷⁴¹ This is supported by the fact that tarnishment and blurring are often overlapping. In the case of *Victoria Secret v. Mosely*⁷⁴² for instance, the use of the Victoria secret on sex-toys was logically discussed under both tarnishment and blurring.

Accordingly, the thesis proposes that tarnishment as well as blurring can constitute compelling evidence for a successful claim of misappropriation. Such approach will

⁷³⁸ *V. Secret v. Mosley* (n.728).

⁷³⁹ A recent study conducted by Buccafuso, Heald and Bu shows that there is very little evidence that sex related associations result in tarnishing. See C. Buccafusco, P. Heald, W. Bu., 'Testing Tarnishment in Trademark and Copyright Law: The Effect of Pornographic Versions of Protected Marks and Works' (December 2015) < http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2700840> Accessed 11 December 2015 33-51.

⁷⁴⁰ McCarthy (n.331) 24:89. It should be noted that interpreting tarnishment narrowly does not mean confining tarnishment to cases of low quality goods as currently the attitude in the EU. This will be further illustrated under chapter six, section 6.3.4.3

⁷⁴¹ *Ibid.*

⁷⁴² *Victoria Secret* (n.670).

reduce the inconsistencies that may emerge as a result of over-reliance on blurring and tarnishment as separate causes of action. Therefore, understanding the misappropriation rationale will be the focus of the next section.⁷⁴³

5.3 Unfair Advantage

Alongside the dilution rationale, several jurisdictions have resorted to misappropriation or free-riding considerations as a premise for extending trademark protection. As will become apparent in the next chapter, modern trademark law within Europe is only partially shaped by Schechter's dilutive harm theory. Predominantly, prevention of misappropriation (free-riding)⁷⁴⁴ has been injected into the language of the CJEU not only as a basis of the anti-dilution provision under Article 5(2) of the TMD, but more worryingly under the absolute ground of protection under Article 5(1)(a) of the TMD.⁷⁴⁵ This section will discuss this rationale, its underpinnings, and its validity from the lens of the luxury fashion industry. The misappropriation cause of action will be interpreted from both economic and deontological perspectives.⁷⁴⁶ The objective of this section is to explain why the free-riding rationale, despite the

⁷⁴³ See chapter five, section 5.3.1.3. Also, see chapter six, section 6.3.4.3.

⁷⁴⁴ Free-riding has not been explicitly mentioned under 5(2). However, it has 'crept' into the language of the European decisions. See R-308/2003-1 *Mango Sport System S.R.L. Socio Unico Mangone Antonio Vincenzo v. Diknah S.L.* [2005] E.T.M.R. 5, par. 19. For the purpose of this thesis, misappropriation will be used interchangeably with free-riding.

⁷⁴⁵ See chapter six, section 6.2 for a discussion on the extended trademark protection under 5(1)(a).

⁷⁴⁶ A deontological approach focuses on the rightness or wrongness of actions themselves, as opposed to the rightness or wrongness of the consequences of those actions. See L. Alexander, M. Moore, 'Deontological Ethics' (*Stanford Encyclopaedia of Philosophy*, Spring 2015) <<http://plato.stanford.edu/entries/ethics-deontological/>> Accessed 22 October 2015.

extensive criticisms instigated against it, can be rationalised as a basis for extended trademark protection, though *within clear and limited parameters*.

5.3.1 The Free-riding Rationale

Increasingly, extended trademark protection is being interpreted as an overarching mechanism to prevent free-riding on the reputations of famous trademarks, either implicitly (US),⁷⁴⁷ or explicitly (Europe).⁷⁴⁸ Free-riding is defined as ‘any act that a competitor or another market participant undertakes with the intention of directly exploiting another person’s industrial or commercial achievement for his own business purposes without substantially departing from the original achievement’.⁷⁴⁹ To determine whether an unfair advantage claim can be successful in Europe, courts have to evaluate whether the vendor who uses another’s trademark has unfairly profited from this use. Hence, emphasis is placed mostly on the moral unfairness of such use, as opposed to the actual economic harm that results from the use of a senior mark in unrelated markets.⁷⁵⁰ Free-riding arguments have been brought to light in a variety of modern trademark contexts including merchandising, parody, keyword advertising, and comparative advertising cases.

⁷⁴⁷ Lanham Act 43 (c). Under the Lanham Act, there is no explicit mention of unfair advantage, yet in interpreting blurring or tarnishment, misappropriation arguments are often flagged up.

⁷⁴⁸ TMD, Article 5(2). Under 5(2), unfair advantage is explicitly recognised as a separate cause of action.

⁷⁴⁹ WIPO, Introduction to Intellectual Property, Theory and Practice (Kluwer Law International, 1997) 272.

⁷⁵⁰ For a criticism of this approach see opinion of Jacob LJ in: *L’Oréal v. Bellure NV* [2010] EWCA Civ 535. It is worth noting that common law regimes including the UK, give precedence to competition considerations over fairness, considering fairness to be actionable only in very extreme cases. On the contrary, in civil law countries, focus is placed on regulating competition through attributing to all elements of competition equal significance. See M. LaFrance, ‘Passing Off and Unfair Competition: Conflict and Convergence in Competition Law’ (2011) 2011 *Mich. St. L. Rev.* 1413. Also, see J Huntley, F. Stephen, ‘Unfair Competition, Consumer Deception, and Brand Copying: An Economic Perspective’ (1995) 15 *Int’l Rev. L. & Econ.* 443.

As a gateway to an analysis on unfair advantage, it is useful to refer to the CJEU ruling in the case of *L'Oréal v. Bellure*, in which it was concluded that a defendant should not be allowed to ride on the coat-tails of a famous mark. This approach, although profoundly criticised,⁷⁵¹ finds support in a blend of different rationales.

According to Barnes, the Lockean Labour theory, the concept of unjust enrichment, and the role of courts of equity in the society, all provide support for this approach.⁷⁵² In light of the modern trademark functions, a free-riding approach to extending trademark rights appears to shift the emphasis from consumer deception towards a more 'realistic appraisal' of all the interests worth protecting.⁷⁵³ Using free-riding as a justification for extended trademark protection can also be supported by a number of economic arguments which will be advanced in the final part of this section.

5.3.1.1 Free-Riding and Luxury Fashion

Primarily, it should be asked whether free-riding, in the absence of consumer confusion, occurs in practice, and if the answer is yes, in what circumstances? Within academic literature, there has been disagreement as to whether the use of a mark in a

⁷⁵¹ Numerous scholars and speech advocates have written about the dangers of what they label as a property-based view of trademark law. For example, see Dogan (n.715) 103. It should always be emphasised that unlike the economic (consequential justification) provided in chapter three this deontological justification of trademark law typically relates only to a producer-side wrong.

⁷⁵² Barnes (n.644) 470. See section 5.3.1.2 A and B for a justification of these approaches.

⁷⁵³ J. Caleshu, 'The "Free Ride" Doctrine: Unfair Competition. Trademark Infringement' (1964) 16(3) *S.L. Rev.* 736, 741.

non-deceptive manner could actually generate an advantage for the junior users, especially if a mark is used on unrelated products or in unrelated markets.

Lemley and McKenna argued that using similar marks on unrelated goods and services has no practical effect unless consumers are confused as to the source. Thus, they dismissed free-riding as a logical ground for extended trademark protection.⁷⁵⁴ Their view is based on the assumption that if in cases of likelihood of association junior users only benefit under restricted conditions, then naturally in the absence of such likelihood, a junior user cannot benefit. Therefore, there is no case for free-riding. Anyhow, even if free-riding exists, it is only for a short period of time and will probably have negligible impact on the final purchase decision of the consumer.⁷⁵⁵ If these claims are correct, then attempting to argue for a free-riding rationale for extending trademark protection is pointless.

The problem with the previous assertions is that they overlook the significance of 'brand love' in purchase decisions.⁷⁵⁶ As already discussed, while consumers are becoming increasingly sophisticated and more aware of the links between brands,⁷⁵⁷ they are simultaneously developing affective feelings towards brands.⁷⁵⁸ Consumers develop love relationships with brands, relationships that bear much resemblance to

⁷⁵⁴ M. Lemley, M. McKenna, 'Owning Mark(ets)' (2012) 109 *Mich. L. Rev.* 137, 160-161. Also, see M. McKenna, 'Testing Modern Trademark Law's Theory of Harm' (2009) 95 *Iowa L. Rev.* 63.

⁷⁵⁵ D Gervais, M. Hokmes, P. Kruse, G. Perdue, 'Is Profiting from the Online Use of Another's Property Unjust? The use of Brand Names as Paid Search Keywords' (2013) 53 *IP L.Rev.* 131, 131.

⁷⁵⁶ For a discussion on the concept of brand love see B. Carroll, A. Ahuvia, 'Some Antecedents and Outcomes to Brand Love' (2006) 17 *Springer Science* 79.

⁷⁵⁷ This development in consumer behaviour can be used to argue for adopting stricter criteria for evaluating the existence of confusion. This however, remains beyond the scope of this thesis.

⁷⁵⁸ See chapter four, section 4.3.2

interpersonal relationships.⁷⁵⁹ As a result of this relationship, consumers become obsessed with owning anything which bears the logo of the brand they like, even if they are fully aware that the product is non-authentic. Therefore, free-riding occurs because consumers love to own products bearing these famous trademarks. This will harm the advertising and communicative functions of trademarks.

By taking a fashion industry perspective, two different cases can illustrate how free-riding occurs in the commercial marketplace through the use of famous trademarks in a non-deceptive manner. The first case involves dissimilar goods, and the second involves similar goods.

Consider the example of cake designers who offer consumers personalised cakes. Cake designers are increasingly offering customers, *at a premium price*, cakes featuring designs and logos of famous marks such as Chanel. In this case consumers are fully aware that there is no connection between Chanel the brand and the cake manufacturing company, yet, they choose to purchase them at such price, principally because of the communicative value the logo featured on the cake offers them (both internal and external communication). Here, the trademark is used by the third party in an unrelated market. According to Lemley and McKenna's reasoning, free-riding cannot occur. However in practice, consumers will purposefully choose branded products in unrelated markets, although they are fully aware that these products do not originate from the original manufacturers. They simply believe that owning an

⁷⁵⁹ A. C. Ahuvia, 'Beyond the Extended Self: loved objects and consumers identity narratives' (2005) 32 *J.Consum.Res.* 171, 171.

accessory (e.g. mug that has Chanel logo) is cool, cute, funky, or fun and satisfies a certain hedonic need. The previous example, thus, presents a clear case of free-riding, which arguably, ‘unjustly’ enriches the junior user. This viewpoint is aligned with the attitude of the German courts in both the cases of *ODOL* and that of *DIMPLES*, in which the liability of the defendant was found based on the notion of ‘*Gegen die Guten Sitten*’ (contrary to good morals). In the latter case, the courts found that the use of DIMPLE which originally represented a whiskey brand on cosmetics as being contrary to honest practices in industrial or commercial matters.⁷⁶⁰

A second scenario to highlight refers to instances in which a trademark is used in a way which brings into the attention of consumers a range of imitated (or alternative) products. Here, although the question of whether there is an actual case of free-riding is less controversial, determining whether it should be legally actionable remains one of the most difficult tasks of modern trademark law given the conflicting interests present in the debate.

In the aforementioned *L’Oréal* case, it is not difficult to argue that the use of the L’Oréal mark to bring into the attention of customers a range of fragrances with an identical smell will advantage the junior user. Also, in cases of referential use, it is easy to see how a (hypothetical) third party purchasing the Louis Vuitton keyword to advertise his own goods would benefit from being able to draw attention to his own products. The fashion industry in particular is an industry in which junior users

⁷⁶⁰ *Odol, Landgericht Elberfeld* [1925] NJW 502, *Dimple* [1985] GRUR 550. These two decisions also reflect the differences in the attitudes of Member States in dealing with unfair uses.

(especially those operating in low-end markets), strive to draw attention to their products by emphasising their similarity to high-end products.⁷⁶¹

The question which emerges at this stage is whether such acts of free-riding should be indeed legally prohibited, and if so, on what normative premise. It is crucial to explore the various normative theories that can be advanced to explain extended trademark protection based on free-riding considerations. As the analysis will reveal, neither a deontological approach nor a purely economic approach can *per se* explain the extension of trademark protection based on free-riding considerations. However, economic considerations can be used to support a strong moral case for the protection against free-riding. This combined approach will help exclude the risk that could result from blanket prohibition against free-riding.⁷⁶²

5.3.1.2 Deontological Approaches to Extending Trademark Protection

A. Lockean theory of labour

The Lockean labour theory,⁷⁶³ being the most common articulation on free-riding, is a good starting point to this section.⁷⁶⁴ According to this theory, subject to the Lockean Proviso (discussed below), a labour which has been applied to an object with no owner

⁷⁶¹ Forever 21, Zara, NewLook are all examples of high-street fashion brands whose marketing strategies revolve around replicating high-end fashion designs.

⁷⁶² This view is generally supported by Lemley and McKenna who argue that free-riding arguments which take for granted that defendants should not make money using plaintiffs' marks should be avoided in the court. See Lemley, McKenna (n.754) 188.

⁷⁶³ For a detailed analysis on the theory see J. Locke, *Two Treatises of Government* (CUP, 1964).

⁷⁶⁴ S. Maniatis, 'Trade Mark Rights- a Justification Based on Property' (2002) 2 *IPQ* 123, for a justification of trademark protection based on real-property theories. In contrast see M. E. Kenneally, 'Misappropriation and the Morality of Free-Riding' (2015) 19 *Stan. Tech.&L.Rev.* 289,301.

becomes owned by the subject.⁷⁶⁵ ‘Furthermore, one man may not reap where another has sown, nor gather where another has strewn’.⁷⁶⁶ Simply put, an individual who exerts labour upon an object and transforms it into something useful and worthy of protection should be the only person reaping the benefits of this labour, and the contrary is true.⁷⁶⁷

In the context of trademark law, a brand owner is the labourer who, by mixing his efforts with the raw material, creates a brand with value. Since a trademark proprietor invests in the creation of brand meanings, then only the trademark owner has a proprietary right to exclude others from using this mark.⁷⁶⁸ This argument is in line with the reward rationale that drives protection for most intellectual property law.⁷⁶⁹ However, the application of this theory to trademark law has been criticised on several grounds that will be addressed briefly.⁷⁷⁰

⁷⁶⁵ J. Locke, D. Wooton, *Political Writings* (Hackett Publishing, 1993) 274.

⁷⁶⁶ *International News Service v. Associated Press*, 249 U.S. 215(1918) 238 .

⁷⁶⁷ Locke (n.763), W. Gordon, ‘On Owning Information: Intellectual Property and the Restitutory Impulse’ (1992) 75 *Va. L. Rev.* 149, 166-175.

⁷⁶⁸ B. Isaac, *Brand Protection Matters* (Sweet and Maxwell, 2000) 273.

⁷⁶⁹ Gordon (n.767) 160. J. Coleman, ‘Intellectual Property and Corrective Justice’ (1992) 78 *Y.L.J.* 160. Also, for a fuller account of this theory see M. Spence, ‘Passing off and the Misappropriation of Valuable Intangibles’ (1996) 112 *L.Q.Rev.* 472.

⁷⁷⁰ M. Naser, ‘Re-Thinking the Foundations of Trademarks’ (2007) 5(1) *Buff.Intell.Prop.L.J.* 1,6.

First, this theory in its initial formulation was intended for tangible property solely.⁷⁷¹

The main problem here is that treating intangible property as property in the legal sense may generate significant problems as it will result in granting word monopolies.⁷⁷²

Second, this theory is restricted by the ‘no harm principle’, which purports that if the appropriation of an unowned object worsens the situation of others, then such an ownership needs to be prohibited.⁷⁷³ In the case of trademarks, it is arguable that granting monopolistic property rights over a word will affect the common pool of marks and will not leave enough symbols to be used by others, rendering absolute protection of trademarks harmful and, thus, prohibited under this theory.⁷⁷⁴

Third, unlike literary and artistic work, trademarks never fall in the public domain. Therefore, continuing to grant rewards for trademark owners based on the Lockean theory of labour results in infinite monopolisation of the communicative value of their marks, a privilege which is disproportionate to the effort expended in creating brand meanings.⁷⁷⁵ This, of course, is not favourable unless such monopolies are counterbalanced through effective internal or external limitations.

⁷⁷¹ For a discussion on the application of the theory in the context of intellectual property see, see Horacio M. Spector, ‘An Outline of a Theory Justifying Intellectual and Industrial Property Rights’ (1989) 11 *EIPR* 270. For a detailed analysis on the problems of applying the Lockean theory in the context of trademark law see M. K. Kenneally, ‘Intellectual property Rights and Institutions; A Pluralist Account’ (PhD, Harvard University, 2014).

⁷⁷² See chapter two, section 2.3.

⁷⁷³ R Nozick, *Anarchy, State and Utopia* (Basic Books, 1974) 175.

⁷⁷⁴ J. Waldron, *The Right to Private Property* (OUP, 1988) 210.

⁷⁷⁵ Isaac (n.768) 273.

Finally, as the discussion in chapter two clarified, consumers contribute significantly to the creation of the communicative value of a mark, which largely drives extended trademark protection. Thus, for the reward argument to be valid, the law should strive to reward not only trademark owners, but equally consumers who participate in the creation of brand meanings.⁷⁷⁶ The profits associated with sowing, therefore, are not all legitimately the right of the agent as claimed. As such, while the labour theory succeeds in regulating the producer-producer relationship to a certain extent, it overlooks the producer-consumer relationship, which now more than ever, needs to be encompassed in establishing the limits of trademark protection.⁷⁷⁷ As a response to this problem, it has been suggested that consumer rights can be realised based on the Lockean ground by allowing the public to invoke and change brand meanings as part of the social discourse.⁷⁷⁸ While this suggestion entails some credibility, given the other criticisms against this rationale, it can be concluded that the moral case for accepting the natural rights of corporations in the monopolisation of brand meanings remains weak.⁷⁷⁹ Quite the contrary, the unjust enrichment ground provides a more explainable normative ground for accepting morality based arguments in the context of trademark law.

B. *Unjust Enrichment and Moral Permissibility*

⁷⁷⁶ See chapter 2, section 2.5.2.2 for a discussion on the consumer input in the creation of brand meanings.

⁷⁷⁷ Sheff (n.389) 773.

⁷⁷⁸ J. Gordon, 'A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property' (1993) 102 *Y.L.J.* 1533 1556-1559.

⁷⁷⁹ Sheff (n.389) 773, 815.

‘Let the word go forth - there is no free ride. The commercial hitchhiker seeking to travel on the fame of another will have to learn to pay the fare or stand on his own two feet’.⁷⁸⁰ The main difference between the Lockean theory and the unjust enrichment theory is that the former focuses on the right of the plaintiff to capture the full benefit of his investments, while the latter is concerned with the defendant and the unfairness that emerge as a result of him acquiring an underserved benefit.

Unjust enrichment is a flexible doctrine, mainly based on principles of justice and equity, empowering courts to recognise equitable causes of action in certain circumstances.⁷⁸¹ The doctrine of unjust enrichment supports an independent cause of action that aim at the disgorgement of unjust gains, since these are contrary to good morals.⁷⁸² According to Black’s legal Dictionary unjust enrichment is:

The retention of a benefit conferred by another, without offering compensation, in circumstances where compensation is reasonably expected; (2) A benefit obtained from another, not intended as a gift and not legally justifiable, for which the beneficiary must make restitution or recompense; and (3) The area of law dealing with unjustifiable benefits of this kind.⁷⁸³

⁷⁸⁰ *Onassis v. Christian Dior-New York, Inc.*, 472 N.Y.S.2d 254 (N.Y. Sup. Ct. 1984) 261.

⁷⁸¹ Restatement (Third) of Restitution and Unjust Enrichment, 1cmt. B(2011).

⁷⁸² *Ibid.* Also, see Coleman (n.769) 284.

⁷⁸³ Black’s Legal Dictionary, ‘Unjust Enrichment’ (8th ed., 2004).

Given the strong communicative value of trademarks as discussed in chapter four,⁷⁸⁴ it is not difficult to understand how an entity that uses another entity's distinctive trademark may earn unjustified benefits.⁷⁸⁵ The implications of this are manifold. On one hand, the free-rider will curtail the costs associated with marketing and branding a new product, which are extremely expensive in the current crowded market.⁷⁸⁶ Simultaneously, s/he can minimize the risk of failure which emerges in entering new markets. This is not only unfair for trademark owners whose marks are being unjustly exploited, but also for 'genuine' new entrants who prefer to exert a real effort for marketing their products. These 'genuine' traders might feel compelled to sacrifice either the quality of their products, or the promotional budget to be able to compete effectively in the market.⁷⁸⁷ As a result, the free-riders will be able to sell their products at lower prices since they are not paying the full costs of production, whilst the competitor will have to incur extra costs.⁷⁸⁸

At first appearances, unjust enrichment appears to provide the ideal basis for the recognition of the modern functions, thus, justifying extended trademark protection. Once it is acknowledged that the second user is unjustly enriched by the use of the senior trademark, it seems perplexing as to why this rationale (*as a general theory*) is subject to this much criticism. Indeed, the intuition of fairness cannot be utterly disregarded especially when entire businesses are built on the aggregation of the

⁷⁸⁴ See chapter four, section 4.3.

⁷⁸⁵ See chapter five, section 5.3.1.1. This benefit was confirmed in a number of empirical studies: Keller, Aaker (709) 47. Also, see Barnes (n.644).

⁷⁸⁶ Dinwoodie and Janis argue that limiting trademark functions to source identifying undermines the multi-billion dollar industry of brand merchandising. See G. Dinwoodie, M. Janis, 'Confusion Over Use: Contextualise in Trademark Law' (2007) 92 *Iowa L.Rev.* 1597,1654.

⁷⁸⁷ Since the free-rider avoids the costs of having to make the source indicator a familiar reference for consumers, then he can increase his spending on the performance, features and quality of his products.

⁷⁸⁸ *Dresser-Rand v. Virtual Automation*, Cp. 361 F.3d at 839(2004).

reputation of well-known marks.⁷⁸⁹ This view is supported by Rawls' perception on the morality of free-riding which reasons that 'a person who has accepted the benefits of the scheme is bound by the duty of fair play to do his part and not to take advantage of the free benefit'.⁷⁹⁰ Viewed from this perspective, the thesis proposes that the prevention of unjust enrichment provides a solid foundation on which the modern functions and their protection can be logically justified. However, for the purpose of objectivity, the counterarguments instigated against this approach will be evaluated and scrutinized.

The main objection to the unjust enrichment justification is that it is too idealistic, especially if placed within the nexus of a society which repeatedly dedicates itself for promoting economic salvation and the need to protect public interest. Allegedly, morality and economic efficiency are not always congruent, and in fact, are usually contradictory. Converging these two concepts is believed to be challenging, and there is a general tendency towards protecting the former at the expense of the latter. This point will be further evaluated subsequently.⁷⁹¹

On this premise, a plethora of sources rejected the extension of trademark protection on the premise of unjust enrichment rationales.⁷⁹² The rejections of this rationale are

⁷⁸⁹ Kenneally (n.764) 290, 294-301. This view finds support in the case of *Int'l News Serv* (n.766).

⁷⁹⁰ J. Rawls, *Legal Obligation and the Duty of Fair Play* (Sidney Hook e 1964) 10. Hart also argued that 'we are morally obligated to obey the law because free-riding is unfair'. See H.L.A. Hart, 'Are There Any Natural Rights?' (1955) 64 *Phil.Rev.* 175, 185- 186.

⁷⁹¹ See section 5.3.1.3

⁷⁹² For example, see M. Lemley, 'Property, Intellectual Property, Free Riding' (2005) 83 *Tex.L.Rev.* 1031. H. Dorsen, 'Satiric Appropriation and the Law of Libel, Trademark and Copyrights: Remedies Without Wrongs' (1985) 65 *B.U.L.Rev.* 923.

based either on economic considerations, or on the view that unjust enrichment in the context of trademark law constitutes a remedy without a wrong.⁷⁹³ Lemley for instance argues that in a market economy, the only relevant aspect which dictates legal interference is whether producers are generating enough return to cover their costs, including making a reasonable profit. The fact that the consumers value the good for more than the price, or that others also benefit from the products should not be considered legally problematic in his view.⁷⁹⁴

Unjust enrichment based arguments are also criticised on the premise that one cannot grant people benefits and then demand payment in return.⁷⁹⁵ As Nozick states, why should a benefit provider who freely chooses to engage in an activity count on the support of benefit receivers?⁷⁹⁶ The essence of this counterargument is that the presumption that free-riding is immoral is inherently erroneous. Thus, based on Hume's no-ought-from-an-is suggestion,⁷⁹⁷ one should not deduce that free-riding is immoral merely because they believe it ought to be immoral. Additionally, it shouldn't be assumed that humanity insists that all the benefits received ought to be paid back to whoever made them possible.⁷⁹⁸ Adopting Nozick's notion of morality, one would be

⁷⁹³ *Ibid*, Dorsen, 923. Dorsen labelled dilution as a satiric misappropriation which although may hurt feelings, or cause embarrassments should not be actionable as the defendant has not committed any wrong.

⁷⁹⁴ Lemley (n.792) 1050.

⁷⁹⁵ R. Nozick, *Anarchy, State and Utopia* (Basic Books; 1974) 95.

⁷⁹⁶ *Ibid*.

⁷⁹⁷ The principle is based on the idea that you cannot deduce moral conclusions from non-moral premises. For a detailed analysis see D, Hume, *The Treatise of Human Nature* (L.A. Selby Biggie, Clarendon Press, 1896).

⁷⁹⁸ M. Kenneally (n.764) 308. Nozick's claim that free-riding cannot ground an enforceable duty to obey the law has been met with objections from a number of philosophers who formulated new versions of free-riding principles. For example see R. Arneson, 'The Principle of Fairness and Free-Riders Problems' (1982) 82 *Ethics* 616, G. Klosko, 'Presumptive Benefit, Fairness and Political Obligation' (1987) 16 *Phil.&Pubc.Aff.* 241, 245-253.

able to argue that impermissible free-riding ought to be legally permissible even when such free-riding does not serve the public interest.⁷⁹⁹ This argument goes too far and is neither commended nor acceptable. Instead of arguing that all free-riding should be permissible, one can attempt to draw a line between permissible and impermissible, and develop a principle of law accordingly.⁸⁰⁰

The reluctance to recognise fuller property rights in trademarks is another argument raised against unjust enrichment. Unjust enrichment once applied to the trademark context implies that trademark owners have thereby created a thing of value through advertising and branding, a thing of value is property. The creator of property is entitled to protection, and the third party should not benefit from the value generated from this property.⁸⁰¹ It is suggested that treating a trademark, which is in essence language of the commons, as property, will grant trademark owners a right of unequal commercial exploitation of language.⁸⁰² Although this argument is logical in its structure, since trademarks are not property in the literal sense, trademarks entail specific property elements and, thus, bear protection based on quasi-property interests.⁸⁰³ Recognising property rights in trademarks is necessary for the protection of traders' interests in their exclusive use of a source designator, as well as their ability to build and retain their business goodwill.⁸⁰⁴ Such protection is critical for the proper functioning of the market, as explained in chapters three and four.

⁷⁹⁹ Gordon (n.767) 181.

⁸⁰⁰ See opinion of Jacob LJ. in *L'Oréal SA v. Bellure NV* [2010] EWCA Civ. 535.

⁸⁰¹ B. Pattishall, 'The Dilution Rationale for Trademarks – Trademark Identity Protection, Its Progress and Prospects' (1977)67 *TMR* 607 620, citing *Mishawaka Rubber* (n.489).

⁸⁰² Cohen (266) 816.

⁸⁰³ K. B. McCabe, 'Dilution-by-Blurring: A Theory Caught in the Shadow of Trademark Infringement' (2000) 68 *Fordham L. Rev.* 1827, 1835.

⁸⁰⁴ Chronopoulos (n.608) 255.

Finally, it is argued that since consumers contribute to the creation of trademark value,⁸⁰⁵ trademark owners are indirectly free-riding on the efforts of consumers. If this is the case, then unjust enrichment arguments can be instigated against trademark owners as well. However, as the analysis in chapter two provided, consumers are capable of either adding value to trademarks, or distracting from their value.⁸⁰⁶ Thus, trademark owners are either benefiting from, or being harmed by the consumer contribution to the development of brand meanings. That said, it should be noted that by allowing consumers to act on brands, a desired equilibrium can be achieved between a trademark and the consumer. This would result in an overall increase in social welfare. This desired equilibrium, however, does not exist when a competitor (direct or indirect) uses an established trademark with the objective of driving sales, charging premium prices or advancing their own interest.

The thesis argues that completely disregarding the moral wrong inherent in free-riding is objectionable. This is particularly true in cases in which the intention of the party to profiteer from the senior mark is incontestable. By reference to the example of companies selling mugs bearing famous logos, there is no convincing explanation as to why a junior user would sell Chanel mugs expect to exploit the affection consumers have developed towards the original brand. So why should the law tolerate this form of profiteering in the context of trademark law? Whilst in other fields of intellectual property, a certain level free-riding can further innovation or technical advancements,

⁸⁰⁵ See chapter two, section 2.5.2.2.

⁸⁰⁶ *Ibid.*

it is difficult to advance this argument in the context of trademarks. On the contrary, entirely dismissing free-riding as ground for protection actually encourages third parties to rely on established trademarks to sell products. This may sometimes discourage creative work which is indirectly protected by trademarks, especially in industries which rely heavily on the aesthetics of products.⁸⁰⁷

Also, academics instigating forceful attacks against trademark owners for manipulating consumer demand⁸⁰⁸ overlook the fact that by permitting third parties to exploit the affective emotions consumers develop towards brands, they are contributing to strengthening the emotional appeal of brands in the marketplace. In their opinion, such protection constitutes a waste of resources and reduces social welfare. These arguments, therefore, entail a level of self-contradiction. Furthermore, given the increased emphasis on corporate social responsibility within the legal landscape it should be accepted that entities should be encouraged to behave ethically not only towards consumers, employees, and the environment, but also towards their competitors (direct or indirect).

In conclusion, the thesis argues that despite the abundant criticisms cited against the unjust enrichment theory in the context of free-riding, it remains the most convincing grounds for the recognition of the modern functions. Despite its shortcomings, the

⁸⁰⁷ It is important to note that in the fashion industry, trademarks play the dual role of protecting image protection and encouraging product innovation. See WIPO, 'Branding, Innovation and Competition'(2013) < http://www.wipo.int/export/sites/www/econ_stat/en/economics/wipr/pdf/wipr_2013_chapter3.pdf > p.109 Accessed 23 September 2015.

⁸⁰⁸ This argument was criticised in chapter four. See chapter four, section 2.5.2.2-B.

immorality inherent in free-riding in specific instances certainly constitutes more justifiable grounds than the conceived fantasy of alleged economic harm resulting from blurring or some types of tarnishment. Also, whilst adopting a broad interpretation to free-riding is not recommended, a limited well-articulated free-riding cause action is not only harmless to the public interest, but also in some circumstances advantageous as will be explored in the following section.⁸⁰⁹

5.3.1.3. Limiting the Concept of Free-riding

Despite the author's propensity to favour a free-riding based justification for protecting the modern trademark functions, it is crucial to draw contours to this broad concept. Accordingly, this section will engage in both a moral and an economic discussion to help confine the concept of free-riding in the context of trademark law.

The first step for limiting the broad concept of free-riding is to determine instances in which a third party should generally have a justified expectation to receive compensation for a third party use. According to Kennelly, to determine whether this justified expectation exists, it is crucial to evaluate the motivation of the free-rider. In the words of Keneally, 'a free-rider who obtains something he already had a decisive

⁸⁰⁹ Callmann convincingly notes that 'as long as it is firmly borne in mind that these rules cannot be the same as those which govern relations between men at peace with each other, there is nothing in competitive relationships which makes it incapable of being governed by the law'. R. Callmann, 'He Who Reaps Where he has Not Sown: Unjust Enrichment in the Law of Unfair Competition' (1942)55 *Harv.L.Rev.*595, 601.

reason to seek at his own expense bears an obligation to contribute something if asked by the part whose investment created the free-riding opportunity'.⁸¹⁰

In the context of trademark law, the free-rider who uses a mark principally to promote his business or to sell his products etc. cannot claim that he accepted the benefit solely because it was freely available to him.⁸¹¹ In this context, a benefit provider (trademark owner) has a justified expectation to receive compensation for such third-party use. Accordingly, the intention of the party to free-ride constitutes the first step in evaluating whether a particular act of free-riding should be permitted. Despite the theoretical credibility of the moral expectation argument discussed above it remains too broad. So, to avoid the counterproductive consequence of an open policy against free-riding, the justified expectation test has to be limited by other factors.⁸¹² By reference to the previously suggested criteria alone, the objective of developing a 'well-articulated' and 'limited' cause of action cannot be fulfilled.

However, developing this clear, definable remedy based on unjust enrichment considerations is challenging.⁸¹³ Accordingly, the final section of this chapter will focus on the economic factors which can guide the courts in determining whether a free-riding claim can be justifiably prohibited. Reasonably, the considerations that may be relevant in determining impermissible free-riding cannot be exhaustively

⁸¹⁰ Kenneally (n.764) 310. Also, see G. Klosko, 'Presumptive Benefit, Fairness and Political Obligation' (1987) 16 *J.Phil.&Puc.Aff.* 241, 245-253.

⁸¹¹ Kenneally (n.764) 309.

⁸¹² See chapter five, section 5.3.1.4.

⁸¹³ D. Swann, T. David, 'Dilution; an Idea Whose Time Has Gone: Brand Equity as Protectable Property, the New/Old Paradigm' (1994) 11 *Intellectual Property Law* 219, 252-253.

discussed in the context of this thesis. However, using hypothetical scenarios from the fashion industry would be useful to illustrate the limits that could be placed on the concept of unfair advantage.

A. An Economic Approach to Free-riding

This section aims to discuss whether an economic case that can act as an ancillary for the moral reasoning provided above for free-riding can be advanced. The significance of such an economic analysis was provided by Griffiths who argued that in extending trademark protection, an economic analysis which takes into account the interests of various market interests is crucial.⁸¹⁴ Generally, the search cost reduction and quality assurance theories discussed in chapter three cannot explain extending trademark protection based on inherent goodwill protection. Quite the contrary, from the perspective of these theories, it is arguable that extending trademark protection based on extended goodwill may stifle competition.⁸¹⁵ Accordingly, the thesis will look beyond the classical view of economic welfare to demonstrate that a free-riding based justification has a valid economic justification. Furthermore, the thesis will attempt to provide a mixed approach (economic-moral) which can help frame the justified expectation reasoning discussed above. By adopting this framework, it is hoped that the misappropriation rationale will be confined within a logical legal structure.

⁸¹⁴ See A. Griffiths, 'A law and Economics Perspective' in Bently, Davis and Ginsburg (eds) *Trademarks and Brands; an Interdisciplinary Critique* (CUP,2008) 250.

⁸¹⁵ *Cadbury Schweppes Pty Ltd v. The Pub Squash* [1981] A.L.J.R. 333, 339.

Several attempts have been made to transplant efficiency based arguments of the Chicago School which are based on the need to prevent market failure resulting from the informational asymmetry⁸¹⁶ into modern trademark law.⁸¹⁷ The end result was a series of speculative, unconvincing economic arguments to support extended goodwill protection.

Most commonly, an incentive based argument has been advanced.⁸¹⁸ According to this view, free-riding merits legal intervention because failing to intervene would discourage private investment as owners will, in the presence of free-riding, refrain from investing sufficient resources. Consequently, in order to maintain market efficiency, free-riding needs to be eliminated.⁸¹⁹ However, Lemley rightfully objects to this view arguing that trademark owners will continue to invest in brands simply because they need a strong brand to compete effectively.⁸²⁰ Indeed, the US anti-dilution experience shows that the market for luxury products would not collapse in the absence of misappropriation provisions.⁸²¹ Thus, as long as trademark owners are

⁸¹⁶ For example see W. Kratzke, 'Normative Economic Analysis of Trademark Law' (1991) 21(2) *University of Memphis Law Review*, University of Memphis Legal Studies Research Paper No. 63.<http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1702386> Accessed 24 December 2015, arguing that the informational and identificatory role of trademarks is the source of their value and the basis of trademark protection.

⁸¹⁷ M. McKenna, 'The Normative Foundation of Trademark Law' (2007) 82 *Notre Dame L.Rev.* 1839, 1850-1873

⁸¹⁸ This view was cemented in the US case of *National Basketball Association v. Motorola Inc.*, 105 F.3d 841(2d Cir. 1997), 853.

⁸¹⁹ *National Basketball Association v. Motorola Inc.*, 105 F.3d 841(2d Cir. 1997), 853.

⁸²⁰ M. Lemley, 'The Modern Lanham Act and the Death of Common Sense' (1999) 108 *Y.L.J.* 1687, 1705.

⁸²¹ A. Ohly, 'The Freedom of Imitation and its Limits- a European Perspective' (2010) 41(2) *IIC* 502, 518.

capturing enough benefits, they will continue to invest even if they do not fully internalise positive externalities of their investments.⁸²²

The main problem with the classical efficiency based argument presented above is that it assumes that even competition which is predicated on non-constructive efforts should be embraced, as long as it enhances the price value of commodities. The subsequent discussion will proceed by discussing why generally a complete laissez-faire (unethical) competitive environment is not recommended, even from an economic perspective, before delving into the particularities of the economics of misappropriation.

Simply put, when free-riding is permitted limitlessly, unhealthy competition will emerge.⁸²³ Although it is true that rivalry is an essential part of the order of struggle, this rivalry should be constrained by rules which ensure a pro-competitive and fair process.⁸²⁴ These rules are both sound and crucial, as they guarantee that each trader succeed with his unaided efforts and not at an expense of another competitor.

Two main allegations have been raised against the prohibition of misappropriation based on fairness. The first argument purports that potential economic arguments such

⁸²² M. Lemley, 'Property, Intellectual Property, and Free Riding' (2005) 83 *Tex.L.Rev.* 1031, 1057. B. M. Frischmann, M. Lemley, 'Spillovers'(2007) 107 *Colum. L. Rev.* 257, 258.

⁸²³ S. Rickeston, "'Reaping Without Sowing': Unfair Competition and Intellectual Property Rights in Anglo-Australian Law' (1984) 7 *U.N.S.W.L.J.* 1, 3.

⁸²⁴ H. Nims, *The Law of Unfair Competition and Trademarks* (3rd ed, 1929) in Callmann (n.809) 596.

as facilitation of competition in mature markets are outweighed by public concerns.⁸²⁵

The second argument suggests that it is very difficult to conceive the harm emerging from misappropriation in the absence of deception.⁸²⁶ Both these arguments will be evaluated.

As far as the first argument is concerned, in the context of trademark law, free-riding occurs when a defendant seeks to gain a competitive advantage for himself in his own area of activity by *appropriating without consent* an image which the plaintiff has developed in association to his products. In such a situation, there seems to be little, if any, public interest in allowing free-riding as the third-party can develop his own promotional campaign.⁸²⁷ The general condemnations that misappropriation based protection creates trade-barriers are largely speculative and require functional case-to-case determination. In fact, as Chronopoulos points out, even if this is the case, the impediment of market entry flowing from trademarks can in certain industries help keep the number of brands to optimal levels.⁸²⁸

In fact, one may take a step further and suggest that the public is better off by the prohibition of such practices. One supporting argument for the latter view lies within the ‘characteristic approach’ to consumer behaviour which measures utility by the

⁸²⁵ M. Senftleben, ‘The Tower of Babel Dilution Concepts in International, US and EC Trademark Law’ (2008) 40(1) *IIC* 45, 55-54.

⁸²⁶ Beebe (n.98) 63.

⁸²⁷ A. Terry, ‘Unfair Competition and The Misappropriation of a Competitor’s Trade Values’ (1988) 51 *M.L.R.* 296, 308., S. Ricketson, ‘“Reaping Without Sowing”: Unfair Competition and Intellectual Property Rights in Anglo-Australian Law’ (1984) 7 *U.N.S.W.L.J.* 1, 26.

⁸²⁸ Chronopoulos (n.608) 274. For a contrasting view see J. Tarawneh (231) 68. Tarawneh argues that there is no optimal level of brands as an increase in the number of brands would logically increase competition and lower prices.

availability of product characteristics and not by the number of units produced.⁸²⁹ As already discussed in chapter four, consumers are often consciously seeking to satisfy a preference for specific product characteristics, and thus, the protection of the inherent goodwill help protect product variety to the benefit of consumers.⁸³⁰ Viewed from this perspective, an economic case for free-riding can be advanced.

Also, the general economic benefit of a free-riding based rationale for extending trademark protection is better demonstrated in light of a ‘collective view on competition’.⁸³¹ In particular, in evaluating the competitive effect of free-riding, it should be understood that the defendant is gaining an *undeserved* competitive advantage for himself in his own area of activity to the detriment of other traders within this industry.⁸³² A collective view on competition may demonstrate that the public are better off with a prevention of free-riding.

As for the second economic objection to the misappropriation based rationale, it is argued that identifying the damage that the plaintiff should suffer from is almost impossible.⁸³³ Although the author disaccords with the view that harm should be a perquisite to a free-riding claim (since unjust enrichment focuses on the benefit the claimant acquire), the existence of damage can certainly support a free-riding claim. Several types of harm can be identified.

⁸²⁹ *Ibid*, 272. L. Carbal, *Introduction to Industrial Organisation* (MIT Press, 2000) 208.

⁸³⁰ See, chapter four, section 4.7 for a deeper insight on the product variety argument.

⁸³¹ Terry (n.827) 308.

⁸³² Ricketson (n.823) 21.

⁸³³ Lemley, McKenna (n.754) 170. Beebe (n.98) 63,

The first type of harm occurs when the plaintiff is deprived of the opportunity to internalize the benefits of creating a famous mark by expanding their operations into new markets.⁸³⁴ Brand expansion is indeed a crucial strategy for external growth.⁸³⁵ This harm is particularly manifest in instances in which the free-rider operates in a similar market to that of the plaintiff and the products s/he offers are, thus, a natural expansion of the plaintiff's products. In such cases, the defendant's conduct can clearly demonstrate harm resulting from free-riding.⁸³⁶

The second type of harm emerges from the use of a mark on goods and services in a tarnishing manner (or blurring in extreme cases).⁸³⁷ The unfavourable impression that might attach to the plaintiff's mark as a result of third party use increases the likelihood of damage. Dilution and its implications have been discussed in section 5.2. As already mentioned, harm resulting from dilution cannot justifiably explain a stand-alone cause of action for extending trademark protection. However, given the overlap between unfair advantage and dilutive harm, the latter can be used as supporting evidence for the former. This approach will be further discussed in chapter six.⁸³⁸

B. A Workable Criteria for Deciding Free-riding.

⁸³⁴ Generally, see R. Marks, 'Trademark Protection Under the "Natural Area of Business Expansion" Doctrine' 53 *Notre Dame L.Rev.* 869. Lemley and McKenna (n.825) 177.

⁸³⁵ K.L Keller, 'Managing brands for the long run: brand reinforcement and revitalization strategies' (1999) 41(3) *Cal.Mang.Rev.* 102, 102-112.

⁸³⁶ For a criticism on this view see, Lemley, McKenna (n.754).

⁸³⁷ Rickeston (n.823) 21.

⁸³⁸ See chapter six, section 6.5.

Although an alternative economic view based on fair competition has been proposed as a complementary for a moral based free-riding justification for extended trademark protection, it remains crucial to develop workable criteria that define the limits of the exclusionary effort purported by this rationale.

Ruling on trademark cases certainly requires a functional case-to-case analysis. However, the thesis proposes that a general formula could be advanced to help analyse cases that emerge in this context. Simply put, free-riding in the context of trademark law should be prohibited if it provides the defendant with a *substantive advantage* in the market in which he operates, or if it inflicts on the plaintiff a *substantive disadvantage* (or both).

Several factors could help in evaluating the nature of the competitive advantage gained by the defendant. For example, if the use allows the junior user to avoid substantial cost associated with production in his own market, or to increase the price of his commodities drastically, then the advantage should be deemed as unfair. Similarly, if the use of a trademark by a third becomes the principal motivator for sales, then the advantage should also be regarded as substantial.⁸³⁹

A similar line of argument can be advanced in evaluating the substantiality of the harm inflicted on the trademark owner. For example, if the third party starts operating in a

⁸³⁹ Certainly, such approach entails a level of subjectivity which may decrease the level of certainty in legal determinations. However, given the hybrid nature of trademark cases, and the significance of case specific factors, it provides a more logical approach any static criteria.

market which is consistent with the core values of the brand, then such disadvantage should be regarded as substantial unless the defendant can prove otherwise. In markets whose core value are not in line with those of the plaintiff, an advantage should be regarded as substantial if evidence that the right-holders' intention to extend the use of their mark into this market is provided.

To test these arguments, two hypothetical cases from the fashion industry will be considered. The first example is that of a cake manufacturer who sells customised cakes bearing brand logos (e.g. Chanel) at exaggerated prices. The second case is that of a tourism operator who chose to operate under the name Sunset, although this trademark is already in use by a leading fashion brand.

In the first case, the goodwill of Chanel clearly generates demand for the cake manufacturer (particularly given the strength of emotional connection consumers develop with brands in this industry).⁸⁴⁰ Furthermore, such use allows the junior user to discriminate in prices in the market in which he/she operates. To avoid this, competitors within the same market may adopt a similar approach and rely more on existing brands to sell products. Arguably, this will curtail in creativity in an industry which should be driven by originality and creativity. On balance, taking into account the details of the products advertised, the message delivered, and the buyers in question, such use ought to be prohibited. On the contrary, in the second case, although one may argue that the tour operator may have benefited from the familiarity of the Sunset brand,

⁸⁴⁰ Chronopoulos (n.608) 272.

this use is unlikely to confer an overall substantive advantage on the third party user. First, the fact that Sunset has a suggestive meaning within the market in which the tourism company operates may help prove that the intention of free-riding is not paramount.⁸⁴¹ Even if such intention exist, the type of services offered by the tourism operator makes it unlikely that their consumers would choose to opt for their services principally because of the familiarity of the earlier fashion brand. Accordingly, the advantage conferred by the third party is not substantial.

All things considered, the thesis proposes that a functional analysis which considers the impact of market structures, product characteristics and consumer behaviour within particular market segments, in evaluating of free-riding is imperative.⁸⁴² For example, if the hypothetical scenario involved a dispute within the pharmaceuticals industry, given the type of products involved, a more stringent approach towards free-riding should be adopted. This is based on the commonly accepted view that branding activities in this industry aim to suppress competition from generics.⁸⁴³

⁸⁴¹ *United Lace & Braid Mfg. Co. v. Barthels Mfg. Co.*, 221 F. 456, 461.(E.D.N.Y, 1915)

⁸⁴² M. Lemley, M. McKenna, 'Is Pepsi Really a Substitute for Coke? Market Definition in Antitrust and IP' (2012) 100 *Geo Law Journal* 2055, 2058, 2117. K. Leffer, 'Persuasion or Information? The Economics of Prescription Drug Advertising' 24 *J.L&Econ.* 46.

⁸⁴³ *Ibid*, Lemley & McKenna, 2117. R. Harris, *The Real Voice* (Macmillan, 1964) 90.

5.4 Conclusion and Findings

Using the luxury fashion industry as an evaluative tool, the analysis revealed that the dilutive harm theory is very vague, ill-defined and despite its allure, it cannot justify the recognition of the modern functions and their extended protection. The much criticised misappropriation theory on the other hand, despite lacking a univocally accepted economic ground, provides a more convincing justification for extending trademark protection. However, despite the plausibility of such argument, it needs to be confined within logical boundaries. Accordingly, a two-step was advanced.

The first step involves delving into intention-based analysis to determine whether a benefit provider (trademark owner), can justifiably expect to be compensated for a third party use. If the third-party had an intention to ride on the coat-tail of an earlier mark, courts move to next step. This step involves evaluating the substantiality of the advantage taken by the third party or/and the substantiality of disadvantage inflicted on the trademark owner. If such dis/advantage is substantial, free-riding should be prohibited.

The thesis argues that recognising free-riding as the premise on which the modern functions are integrated into the trademark system would enhance the clarity of the law and would avoid unwarranted fragmentation in legal theory. Although from a UK perspective such approach entails increased tolerance to fairness-based considerations

in competition, being part of Europe means that 'it's time to accept unfair competition as part of the law'.⁸⁴⁴

An assessment of the extent to which the proposed approach has been adopted in Europe requires an evaluation of case-law in this context. Accordingly, the next chapter will attempt to critically evaluate the interpretative approach adopted in Europe for extending trademark protection. Using the theoretical discussion advanced in this chapter as a reference point, the thesis will shed-light on the practical shortcomings of the current approach to modern trademark protection in Europe.

⁸⁴⁴ L. Hoffman, 'Finale: EU Case law and judicial system: Cacophony or Harmony?' ECTA 28th Annual Conference <http://www.ecta.org/IMG/pdf/Lord_Hoffmann.pdf> Accessed 17 January 2014.

Chapter Six

Extended Trademark Protection under the Trademark Directive

6.1 Introduction

After evaluating three possible justifications for extending trademark protection, chapter five concluded that the misappropriation rationale provides the most appropriate ground for the recognition and the protection of the modern functions. To add a practical dimension to the debate, it is critical to test the applicability of the proposed theoretical justifications to the European trademark system. Therefore, this chapter, by reference to the TMD⁸⁴⁵ and key case decisions, explores the current state of law, sheds light on the imbalances within the current system, and proposes solutions to remedy existing inadequacies. This practical analysis also underlines the significance of effective limitations to achieve an overall balance in the trademark system.

The modern functions of trademarks are realised and protected under Articles 5(1)(a) and 5(2) of the TMD.⁸⁴⁶ Although it is arguable that contemporary confusion doctrines (e.g. post-sale confusion) comprise elements of modern trademark protection, within

⁸⁴⁵ The TMD represents the first attempt for the approximation of national laws relating to trademarks at a European level. The aim of the directive was to set out the fundamental principles of the Community trademarks in terms of regulation and enforcement. See preamble to the TMD.

⁸⁴⁶ Equivalent to sections 10(1) and 10(3) of TMA. Although the principal objective of 5(1)(a) was traditionally geared towards the protection of the essential functions, it has recently been used for the protection of the modern functions.

Europe, the traditional boundaries of source confusion are still prevalent.⁸⁴⁷ Accordingly, Article 5(1)(b) will not be addressed in this chapter.

The first part of this chapter delves into the conditions laid for protection under Article 5(1)(a). It discusses the shortcomings of the current approach, and highlights the issues that emerge from the protection of the modern functions under its remit. The second part discusses the various conditions laid for protection under 5(2) and sheds light on the problems with the current interpretation of the Article. Based on the analysis, the chapter recommends a solution to enhance the clarity and utility of 5(2).

6.2 Article 5(1) (a)

Article 5(1)(a)⁸⁴⁸ of the TMD provides the first ground for infringement, commonly referred to as the ‘double identity ground’.⁸⁴⁹ This Article prohibits the use of an identical trademark on identical goods and services without the consent of the original owner. Instigating a claim under this Article does not require proof of confusion, as confusion in this case is simply presumed.⁸⁵⁰ The objective of presumed confusion, as pronounced in *Société LTJ Diffusion*, is that it would be ‘both redundant and

⁸⁴⁷ For a contrasting view, see P. Morris, ‘Guess What Gucci? Post-Sale Confusion Exists in Europe’ (2013) 47(1) *Val.U.L.Rev.* 1. For a detailed analysis on the post-sale confusion doctrine see M. McCarthy, ‘The Post-Sale Confusion Doctrine: Why The General Public Should be Included in the Likelihood of Confusion Inquiry’ (1999) 67(6) *Fordham L.Rev.* 3337.

⁸⁴⁸ Equivalent to Article 9(1)(a) of the CTMR.

⁸⁴⁹ Hobbs QC in *re Direct Wines Application O-306-03* (13 Oct. 2003) par. 13.

⁸⁵⁰ A similar approach is used under Art.16(1) of the TRIPS agreement. See A. Kur, ‘The EU Trademark Reform –(Too) Bold a Step Ahead or Back to Status Quo?’ (2015)19(1) *Marq.Intell.Prop.L.Rev.* 15, 30-32.

extravagant’ to require proof of likelihood of confusion where identical marks are, used in the course of trade, for identical goods and services.⁸⁵¹

In this sense, infringement under this Article is regarded as absolute, although subject to few limited defences set under Article 6.⁸⁵² Article 5(1)(a) provides a useful platform in cases of blatant counterfeiting and, supposedly, it helps preserve the integrity and reliability of the trademark system by protecting the essential source identification function.⁸⁵³ According to recital 11 of the preamble to the TMD, this provision is geared towards preserving the traditional role of trademarks, in particular, ‘to guarantee the role of a trademark as an indicator of origin’.⁸⁵⁴ Likewise, recital 8 of the CTMR preamble states that:

The protection afforded by the community trademark, the function of which is in particular to guarantee the trademark as *an indication of origin*, should be absolute in the case of identity between the mark and the sign and the goods and services (Emphasis added).⁸⁵⁵

⁸⁵¹ *Société LTJ* (n.546) par. 37. Also, see *Arsenal Football* (n.415) Opinion of AG Colomer, par.41.

⁸⁵² Article 6 of TMD. For a general discussion on defences see Bently, Sherman (n.54) 931-958. Also, see chapter six, section 6.4.

⁸⁵³ Griffiths (n.655) 313.

⁸⁵⁴ Recital 11, preamble of TMD. Also, see *C-48/05 Adam Opel AG v Autec AG*[2007] ECR I-1017, par.25.

⁸⁵⁵ Recital 8, preamble of the CTMD.

Article 5(1)(a) states:

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(a) Any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered.

The apparent simplicity of this Article, which Griffiths once considered as its greatest strength, implies that in interpreting Article 5(1)(a), no problems are expected to arise.⁸⁵⁶ ‘The clear and sharp parameters of this section give adjudicators a scope to fine tune its application’.⁸⁵⁷ However, in practice, apart from the clear cut cases of counterfeiting, in which the origin function would be undoubtedly harmed, complications emerge once Article 5(1)(a) is interpreted in light of the controversial modern functions theory.⁸⁵⁸ The subsequent section will address both the technical and the legal problems that have emerged in interpreting this Article, whilst understandably focusing on the latter. In the final part of this section the thesis will evaluate the current approach, arguing that although the misappropriation principle should drive modern trademark protection, there is a fundamental problem in protecting the modern functions under 5(1)(a).

⁸⁵⁶ Griffiths (n.655) 328.

⁸⁵⁷ Griffiths (n.655) 323.

⁸⁵⁸ See chapter four for a discussion on modern trademark functions.

6.2.1 Identical Goods and Services

Article 5(1)(a) requires trademark owners to prove that the goods and services to which the application relates are identical. This requirement reflects the conventional role of trademarks as means of establishing the identities of products.⁸⁵⁹ As shown in the case of *British Sugar plc. v. James Robertson & Son*, ‘when it comes to construing a word used in a trademark specification, one is concerned with how the product is, as a practical matter, regarded for the purposes of trade’.⁸⁶⁰ So, this concept is justifiably, construed very narrowly. Assessing whether services are identical, however, has been more difficult as illustrated in the case of *Reed Executive v. Reed Business Information*.⁸⁶¹ A thorough analysis of this area however remains beyond the ambit of this thesis.

6.2.2 Identical Marks

To be able to bring a claim under Article 5(1)(a), the two marks in question need to be identical.⁸⁶² In *SA Société LTJ Diffusion*, the CJEU concluded that for two marks to be regarded as identical, they should be identical in all respects.⁸⁶³ The decision is based on the view of the average consumer who is ‘reasonably well informed, observant, and circumspect’.⁸⁶⁴ Among the aspects taken into account in assessing the average

⁸⁵⁹ Griffiths (n.655) 324

⁸⁶⁰ *British Sugar plc v. James Robertson & Son* [1997] RPC 281, 289. Also, see *Omega SA v. Omega Engineering Inc.* [2003] FSR 49.

⁸⁶¹ *Reed Executive v. Reed Business Information* [2004] EWCA Civ 159

⁸⁶² L. Bently, B. Sherman, *Intellectual Property Law* (3rd ed., OUP, 2009) 861.

⁸⁶³ *Société LTJ* (n.546) par. 50. For more guidance on whether a sign is identical to registered mark see C-342/97 *Lloyd Schuhfabrik Meyer & Co GmbH v. Klisjen Handel BV* [1999] ECR I-3819. Also U.K. Court of appeal in *Reed Executive v. Reed Business Information* [2004] EWCA Civ 159.

⁸⁶⁴ *Société LTJ* (n.546) 50. Also, see C-210/96 *Gut Springenheide and Tusky v. Oberkreisdirektor des Kreises Steinfurt* [1998] ECR I-4681.

consumer view, the category of goods in question and how consumers perceive the mark are of critical importance.⁸⁶⁵ Since the average consumer in forming an impression about a mark, tends to ignore specific details, then the existence of *insignificant* differences, such as adding a word to an original trademark, is insufficient to render the two marks not identical for the purpose of this Article.⁸⁶⁶

So far, the discussion demonstrated the reluctance of the CJEU to provide trademark owners with a leeway to avoid the requirement of proving likelihood of confusion through instigating arbitrary claims under 5(1)(a). This approach is reasonable given the confusion presumption that underlies this Article. Unfortunately, the CJEU's attempt to limit the boundaries of Article 5(1)(a) has not been followed in analysing the functions which are protectable under this Article. This controversial approach will be discussed thoroughly in the next section.

6.2.3 Expansion of the Core Zone

In addition to the procedural issues that emerge from the interpretation of the conditions laid under 5(1)(a), challenges have emerged as a result of the expansion of the boundaries of this Article. The far-reaching impact of these new challenges urges a reconsideration of whether the objective of this Article, to prevent any potential harm to the origin function, is still relevant. Griffiths, who previously applauded the Article for its simplicity, adopted a different approach in his 2007 article. He correctly noted

⁸⁶⁵ T-183/02 and T184/02 *El Corte Inglés v. OHIM (Trade Marks and Designs)* [2004] E.T.M.R. 103, par.68.

⁸⁶⁶ *Saville Perfumery v. June Perfect & F.W Woolworth* [1941] 48 R.P.C. 147.

that the CJEU failed to restrict the core zone of protection to instances where the origin function of a trademark is harmed.⁸⁶⁷ The failure of the CJEU to clarify the boundaries of this Article, along with its broad definition of the trademark use requirement,⁸⁶⁸ resulted in the exploitation of Article 5(1)(a) by trademark owners as to acquire stronger monopolistic rights as will be demonstrated in this section.⁸⁶⁹

Simply put, the current interpretation of Article 5(1)(a) explicitly opens the possibility for non-confusion based infringement. Recent decisions demonstrate that the CJEU currently favours a view in which a trademark use that jeopardises any of the functions of a trademark (including the modern functions) is to be prohibited under this Article. Several questions emerge as result of the recognition of the modern functions under 5(1)(a). First, is the legal protection of these functions in this context necessary to promote a system of undistorted competition, which according to EU legislators is the main objective of the TMD?⁸⁷⁰ If the answer is no, then what are the drawbacks of such approach?

Modern developments under 5(1)(a) have been notable in two key areas: *comparative advertising* and *keyword advertising*.⁸⁷¹ Accordingly, the following section will address the previous questions through the lens of these two areas.

⁸⁶⁷ Griffiths (n.655) 313.

⁸⁶⁸ See *Arsenal* (n.409). Also, see chapter seven, section 7.6.1 for a discussion on the trademark use requirement.

⁸⁶⁹ *Ibid.*

⁸⁷⁰ First recital in the preamble of the TMD. Also, see C-39/97 *Canon Kabushiki Kaisha v. MGM* [1999] R.P.C. 117, par.28.

⁸⁷¹ Other interesting developments on this topic occurred in merchandising rights and parallel Importing. For an analysis see, M. Senftleben, 'Function Theory and International Exhaustion- Why is it Wise to Confine the Double Identity Rule to Cases Affecting the Origin Function' (2014) 36(8) *EIPR*

6.2.3.1 Comparative Advertising

The first appropriate setting to critique Article 5(1)(a) is that of copycat products and comparative advertising.⁸⁷² Several jurisdictions including the UK, saw truthful comparative advertising as a valuable tool for commercial speech and effective communication of information, and therefore, legally tolerated it.⁸⁷³ In other regimes (especially Benelux),⁸⁷⁴ a restrictive approach to comparative advertising was adopted. Within these regimes, comparative advertising was perceived as a form of unfair competition that grants newcomers an opportunity to ride on the coat-tails of established marks.⁸⁷⁵

Such conflicting views on comparative advertising prompted the EU to introduce a directive with the aim of harmonising such practices. The adoption of the Comparative Advertising Directive (CAD),⁸⁷⁶ reflects, at first appearances, a trend towards the

518. O. Arikan, *Trademark Rights and Parallel Importation in the European Union* (PhD Thesis, University of Manchester, 2014) 189-256.

⁸⁷² Comparative advertising refers to 'advertising which explicitly or by implication identifies a competitor or his goods and services'. CAD, Article 2(c). For a detailed analysis on comparative advertising see C. Romano, 'Comparative Advertising in the US and France' (2005) 25 *Nw.J.Int'l.L.&Bus.* 371.

⁸⁷³ This liberal attitude towards comparative advertising was apparent in the UK approach in interpretation Article 10(6) of the TMA. *Barclays Bank Plc. v. RBS Advanta* [1996] RPC 307, *Vodafone Group Plc. v. Orange Personal Communications Services Ltd.* [1997] FSR 34. Generally, see S. Nye, 'In Defence of Truthful Comparative Advertising' (1977) 67 *TMR* 353. Also, see the opinion of Jacob L.J. in *L'Oréal SA & Bellure Ltd.* [2010] EWCA Civ. 535, par. 10-13.

⁸⁷⁴ Benelux is a politico-economic union which constitutes of three countries: Netherlands, Belgium and Luxembourg.

⁸⁷⁵ For example, traditionally, in Germany almost all forms of comparative advertising were prohibited. See S. Kirmani, 'Cross-Border Comparative Advertising in the European Union' (1996) 19(1) *B.C. Int'l & Comp.L.Rev.* 201, 206.

⁸⁷⁶ Directive 2006/114/EC of the European Parliament and of the Council concerning Misleading and Comparative Advertising.

liberalisation of comparative advertising. Regrettably, the relationship between the CAD which harmonises and fairly liberalises comparative advertising, and the TMD which grants trademark owners broad protection, has been overlooked. Hence, it remained uncertain whether Article 5(1)(a) could capture comparative advertising cases, especially since most, if not all, comparative advertising campaigns revolved around unauthorised third-party uses. The Issue was addressed in two key cases which will be evaluated: *O₂ v. Hutchison*⁸⁷⁷ and *L'Oréal v. Bellure*.⁸⁷⁸

In *O₂ v. Hutchison*, O₂ initiated a claim against Hutchinson under both Articles 5(1)(a) and 5(1)(b) for displaying a television advertisement featuring a mark closely similar to their mark. The CJEU held that insofar as the defendant did not use a mark in the exact configuration as the O₂ mark, the double identity rule cannot apply. The significance of the decision, however, lies within the obiter comment that 'CAD does not take precedence over trademark law to the effect that trademark law does not apply to cases falling under these rules'.⁸⁷⁹ Since the conditions laid under CAD indirectly recognise the modern functions, such comment clearly implied the expansion of the core zone to protect the modern functions.⁸⁸⁰ Thus, the decision clarified that Article 5(1)(a) can be invoked to limit comparative advertising, even if such uses did not harm the origin function.⁸⁸¹

⁸⁷⁷ C-533/06 *O2 Holdings v. Hutchinson* [2008] ECR I-4231, par. 40.

⁸⁷⁸ *L'Oréal* (n.418)

⁸⁷⁹ A. Kur., 'Harmonization of Intellectual Property Law In Europe: The CJEU Trade Mark Case Law 2008-2012' (2013) 50(3) *CMLR* 773, 785.

⁸⁸⁰ Particularly, see conditions 4(f) on unfair advantage, and 4(g) on representing goods as imitations.

⁸⁸¹ Article 4 of the CAD lays down the conditions that need to be fulfilled for comparative advertising to be admissible.

In the case of *L'Oréal v. Bellure* the stance of the CJEU was radically different, possibly given the specific facts of this case. In this dispute, which mainly concerned smell-alike fragrances, the CJEU had to respond to a question raised by the Court of Appeal on whether using an established mark in a comparative chart falls under the double identity ground.

Surprisingly, the CJEU stated that protection under 5(1)(a) is reserved to cases where the third party's use of a mark affects, or is likely to affect, *any of the functions* of the trademark, these functions being the *origin*, the *communication*, *advertising*, and the *investment* functions.⁸⁸² Evidently, the range of potentially infringing uses which fall under the ambit of Article 5(1)(a) is much wider than it has ever been suggested previously.⁸⁸³ The CJEU further concluded that the presentation of the comparison lists in this case, amounted to presenting the Bellure products as imitations to L'Oréal's products, an action which is prohibited pursuant to Article 4(g) of the CAD. The second part of this chapter will criticize the reliance on imitation to rule on trademark cases.⁸⁸⁴

Controversially, this decision signals the inclination of the CJEU to implement of a right-holder friendly line of jurisprudence.⁸⁸⁵ The reliance on the non-essential trademark functions broadened the ambit of a 5(1)(a), stretching trademark protection against unfair competition significantly (arguably contrary to the original purpose of

⁸⁸² *L'Oréal* (n.418) par.51.

⁸⁸³ For example in *Adam Opel* (n.844) it was held that so long as the public did not assume the sign was affixed to the toy, this Article cannot apply.

⁸⁸⁴ See section 6.3.4.1

⁸⁸⁵ *Kur* (n.879) 785.

the Article). According to LJ Jacob, relying on the ‘conceptually vague and ill-defined’ modern functions to expand 5(1)(a) could significantly jeopardise consumers’ interests in free competition and free speech’ (including the right to receive information via truthful advertising).⁸⁸⁶

6.2.3.2 Keyword Advertising

The uncertainty associated with constructing the boundaries of Article 5(1)(a) also emerged in the context of keyword advertising.⁸⁸⁷ However, in this context, the CJEU’s stance can be, *generally*, described as more conservative compared to their decisions in the context of comparative advertising. Preliminarily, two types of cases can be distinguished: cases in which the defendant is the search engine (e.g. Google), and cases in which the defendant is the competitor, buying or exploiting the plaintiff’s keyword, normally their trademark.

The CJEU in *Google France v. Louis Vuitton*⁸⁸⁸ submitted that since the role of the service provider is passive,⁸⁸⁹ then their use of the plaintiff’s mark is unlikely to affect the origin function.⁸⁹⁰ More relevant to this discussion is the CJEU’s opinion on the liability of Google for interfering with the advertising function of the plaintiff. Following a restrictive interpretation, it was ruled that although Google’s use had an

⁸⁸⁶ *L’Oréal SA v. Bellure NV* [2007] EWCA(Civ) 968, 9-14.

⁸⁸⁷ Generally, see R. Knaak, ‘Metatags and Keywords as Comparative Advertising’ (2014) 9(9) *JIPLP* 770.

⁸⁸⁸ *Google France* (n.406) par.96-104.

⁸⁸⁹ In assessing the liability of Google, the CJEU had to consider whether Google, being an information service provider, is exempted from liability under Article 14 of Electronic Commerce (EC) Directive 2002.

⁸⁹⁰ *Google France* (n.406) par. 82-90.

adverse impact on the advertising strategies of the claimant, the advertising function has not been affected.⁸⁹¹

On the other hand, in *Interflora v. Marks and Spencer*,⁸⁹² it was held that since M&S used an identical mark in connection to identical goods, such use accords with the absolute protection offered under 5(1)(a).⁸⁹³ Again, the CJEU noted that the origin function is not the only function worth protection under the double identity ground.⁸⁹⁴

In this case, it was noted that the investment function would be affected if the use by a competitor can interfere with the ability of the claimant to acquire or preserve the reputation attached to a trademark. Thus, only if the repercussions of M&S's use are to render the Interflora mark generic, would the investment function be harmed. Although the outcome was in favour of M&S, technically, the case confirms the extended boundaries of trademark protection. Therefore, while in keyword advertising cases a more conservative attitude was advocated, the end result remains unchanged. The boundaries of Article 5(1) (a) are being stretched unreasonably too far.

6.2.4 Discussion and Findings

⁸⁹¹ *Ibid*, par.95.

⁸⁹² *Interflora* (n.421).

⁸⁹³ *Ibid*, 36-47. For insights on the application of the Interflora test on similar bidding platforms see U.K. decision of *Cosmetic Warriors Ltd v. Amazon.co.uk* [2014] EWHC 1316.

⁸⁹⁴ This decision is in line with the District Court of Massachusetts decision in the case of *Hearts on Fire, Company v Blue Nile, Inc*, 603 F.2d 274, (2009).I. Pak, 'The Expansion of Trademark Rights in Europe'(2013) 3(2) *IP Theory* 158, 161.

Chapter five of the thesis argued that in certain, albeit, limited circumstances, the misappropriation ground should be the ground on which trademark protection should be extended. The recognition of the modern functions under Article 5(1)(a), arguably, is a reflection of the misappropriation ground. However, recognising these functions under 5(1)(a) engender a range of practical problems which need to be evaluated for the purpose of this thesis.

Primarily, in light of the above review of the case law, it is observable that the CJEU has lost track of the objective of 5(1)(a). The current interpretation widens the scope this Article too far, and misuses the presumed confusion prerequisite which underlies the Article.⁸⁹⁵ In practice, the fact that the rights flowing from 5(1)(a) surpasses those flowing from 5(1)(b), in which confusion should be proven, is objectionable as a matter of principle.⁸⁹⁶ The absolute nature of this Article and its intended purpose as explained in the TMD recitals confirm this latter point.

Unpredictability is another problem resulting from the employment of the ‘functions theory’⁸⁹⁷ under 5(1)(a). The liberal interpretation of 5(1)(a), along with the hybrid nature of the CJEU’s function theory have led to a difficulty in defining the contours of trademark functions. This is clearly reflected in case law in which the criteria used for proving infringement based on the modern functions varies considerably among

⁸⁹⁵ *Ibid*, Pak, 161, I. Fhima, ‘How Does the Essential Function Drive European Trademark Law’ (2005) 36 *International Institute for Communications* 401. In contrast, see L. Ramsey, J. Schovsbo, ‘Mechanisms for Limiting Trade Mark Rights to Further Competition and Free Speech’ (2013) 44(6) *IIJ* 672, 679 in which it is argued that the recognition of the functions under 5(1)(a) limits trademark rights.

⁸⁹⁶ Senftleben (n.871) 523.

⁸⁹⁷ *Ibid*, 518.

cases. As it stands now, the CJEU, which does not feel constrained by the statutory language of the directive, may continue to stretch the boundaries of 5(1)(a), further exacerbating the situation.⁸⁹⁸

Not surprisingly, the Max Plank study in a report on the overall function of the European system of trademark rights, concluded that the current position of the EU legislation on referential use under 5(1)(a) remains inconsistent.⁸⁹⁹ In order to remedy this inconsistency, and to preserve the objective of free and undistorted competition, it justifiably proposed that Article 5(1)(a) should be constrained to cases of absolute counterfeiting.⁹⁰⁰

Such proposal does not necessarily imply the absolute eradication of the modern functions, but rather regulating them under a distinct, nuanced, well developed, and most importantly purposeful branch of protection. This is Article 5(2). This will lead to a transparent and clear distribution of tasks between the protection of the origin function in the subsystem of protection against confusion under 5(1)(a) & 5(1)(b), and protection of extended goodwill functions in a subsystem of protection against free-riding under 5(2).⁹⁰¹ Furthermore, this will prevent the dilution provision from

⁸⁹⁸ Ramsey, Schovsbo (n.895) 679. Also, see C-46/10 *Viking Gas v. Kosan Gas* [2011] ECR I-06161. Opinion of AG Kottkott for another approach for the application of the functions theory under 5(1)(a).

⁸⁹⁹ A. Mulendahl, 'The Max Plank Study " Study on the Overall Functioning of the European Trademark System; Background, Findings, Proposals' (ECTA, 2011) <http://www.ecta.org/IMG/pdf/519b-von_muhlendal_2_.pdf> Accessed 10 January 2014 8-9.

⁹⁰⁰ *Ibid*, 9.

⁹⁰¹ Senftleben (n.871) 524.

becoming simply a theory caught in the shadow of infringement, thus, avoiding unnecessary protection overlap.⁹⁰²

However, proposals to limit 5(1)(a) to its traditional boundaries has fuelled debates particularly between Senftleben and Kur. Most notably, Kur argued that if Article 5(1)(a) is constrained to the origin function, referring to another person's trademark in comparative advertising cannot be dealt with under trademark law.⁹⁰³ Furthermore, she suggested that confining Article 5(1)(a) to the origin function, limits the basis on which parallel importation is found.⁹⁰⁴ In most circumstances, marks first marketed outside the EU will have to be considered genuine, thus, legally permissible, as most uses would not affect the origin function.⁹⁰⁵ This will arguably constitute a move towards a *de facto* recognition of international exhaustion.⁹⁰⁶ This scepticism towards the reform was criticised by Senftleben who counter-argues that the current jurisprudence of the CJEU implicitly recognises a regime of international exhaustion. In his view, when goods are genuine they can hardly have an impact on quality, communication and advertising functions.⁹⁰⁷ This proposition is certainly contentious as it fails to recognise the communication function as one being entirely independent from the origin function.

⁹⁰² However, the existence of goodwill plays an important role in assessing likelihood of confusion. This discussion remains beyond the ambit of this thesis. Generally, see McCabe (n.803).

⁹⁰³ Kur (n.850) 31.

⁹⁰⁴ For illustration, see C-335/96 *Silhouette Int'l Schmied GmbH & Co. KG v. Hartlauer Handelsgesellschaft mbH*[1998] E.C.R. I-04799.

⁹⁰⁵ Kur (n.850) 31.

⁹⁰⁶ Under the international exhaustion principle, a proprietor of a mark cannot prohibit the use of his mark on genuine goods and services that come from outside the EU. R. Sack, in Senftleben (n.871) 525.

⁹⁰⁷ *Ibid*, 525.

The thesis proposes that given the delicate nature of 5(1)(a), the above concerns cannot convincingly justify its expansion. The exceptional cases flagged up by opponents of a restricted interpretation of 5(1)(a) should be dealt with separately (possibly through explicit limitations).⁹⁰⁸ Given the breadth of this controversial topic, it deserves particular attention beyond this thesis.⁹⁰⁹

Regrettably, both the EU commission,⁹¹⁰ and the EU parliament,⁹¹¹ rejected the proposals of the Max Plank, advising that the recognition of the modern functions is critical to maintain an open language to the provision.⁹¹² Accordingly, in order to resolve the inconsistencies of the current law, carving appropriately broad defences that clearly delineate the contours of exclusive rights becomes even more compelling.⁹¹³ Without such defences, trademark rights will become impinging on essential freedoms, including freedom of expression, as will be thoroughly discussed in chapter seven.⁹¹⁴

⁹⁰⁸ Kur suggests that an alternative approach would be to concede to the possibility of infringement of the 'additional' trademark functions, permitting use of an identical mark for identical good and service as long as this is necessary. This does not constitute a major change in terms of remedying the deficiencies of the current system. See Kur (n.879) 32.

⁹⁰⁹ For a detailed discussion see Tarawneh (n.231) 200-214.

⁹¹⁰ Resolution of 25 February 2014 on the Proposal for a Regulation of The European Parliament and the Council to Approximate the Laws of the Members States Relating to Trademark Marks. Parl. Eur. Doc. P7 TA 0119.

⁹¹¹ Presidency Compromise Proposals for a Directive of the European Parliament and the Council to Approximate the Laws of Member States Relating to Trade Marks, March 27, 2013 Document COM(2013).

⁹¹² This approach was followed under Directive (EU) 2015/2436 (n.912).

⁹¹³ *Ibid*, 33. J. Davis, 'Promoting the public interest and the European Trade Mark Directive' (2013)14 *ERA* 117, 117-129.

⁹¹⁴ See section 6.4 & chapter seven, section 7.5.

6.3 Article 5(2)

Both Article 5(1)(a) and 5(1)(b) represent the mandatory protection of trademarks which originally intended to protect the essential function of origin identification. Article 5(2), on the other hand, represents the additional protection which was introduced to safeguard the economic value of reputable marks from uses that can damage their reputation, exploit their goodwill, and erode their selling power.⁹¹⁵ This provision is, hence, underpinned by an implicit recognition of the communicative value of trademarks.⁹¹⁶ Article 5(2) rests primarily on the assumption that a trademark's uniqueness is a determinative factor for stimulating and managing goodwill, and thus, should be protected against harm. Although the term dilution is not explicitly used in the wording of Article 5(2),⁹¹⁷ the language of the Article closely resembles the anti-dilution provisions previously existing in Benelux countries.⁹¹⁸ In this sense, Benelux trademark law has had a clear influence on the drafting of 5(2).⁹¹⁹ However, in addition to the objective of protecting the distinctive character of the mark, 5(2) also aims at preventing misappropriation, as evidenced by the unfair advantage cause of action.⁹²⁰

⁹¹⁵ Griffiths (n.655) 314.

⁹¹⁶ R. Annand, H. Norman, *BlackStone's Guide to Trade Marks Act 1994* (Blackstone Press, 1998) 156-157 noting that the TMA recognised the protection of modern trademark functions through the introduction of an anti-dilution provision.

⁹¹⁷ Only in 2003 was the term dilution used in Europe. C-408/01 *Adidas-Salomon AG. v. Fitness world Trading Ltd.* [2003] E.T.M.R 91, Opinion of AG Jacobs par.36-40.

⁹¹⁸ See Sec. 13 of Benelux Trademark Act(1978).

⁹¹⁹ A. Robinson, G. Pratt and R. Kelly, 'Trademark Law: Harmonization in the European Union: Twenty Years Back and Forth' (2013)23 *Fordham Intell.Prop.Media&Ent.L* 731, 742. It is important to note by reference to Neuberger LJ's opinion that although the US concepts of tarnishment and blurring are useful they should not be blindly rewritten or copied. See *Premier Brands* (n.671) 1092.

⁹²⁰ See in contrast, Section 43 of the Lanham Act.

Practically, defining the scope of Article 5(2) has created significant theoretical uncertainty⁹²¹ and judicial perplexity.⁹²² This is due to complicated structure of the Article on one hand, and the reluctance to accept reputation based arguments for protection in some Member States (UK), on the other hand.⁹²³ Dilution based protection has often been generally perceived, as an extraordinary remedy which should require evidentiary support by the law.⁹²⁴ In the EU, following the expansion of 5(1)(a), dilution could problematically become a tack-on claim to absolute protection and likelihood of confusion provisions.⁹²⁵ Despite uncertainty on the practical implications of Article 5(2), it is undisputable that the provision is revolutionary in nature. In fact, if the stringent attitude followed by the CJEU in interpreting the modern functions under 5(1)(a) continues (as evidenced in *Interflora*), it is very likely that the provision may gain enhanced practical value.

Recent European case law demonstrates that the current interpretation of the provision is tentative and vague.⁹²⁶ To illustrate, the subsequent section explores the case law on Article 5(2) and its conditions, evaluates it, and attempts to discuss how the misappropriation justification discussed in chapter five could enhance the clarity and

⁹²¹ This uncertainty was demonstrated in the discussion under chapter five.

⁹²² This point will be illustrated in the subsequent analysis.

⁹²³ N. V. Laan, 'The Use of Trademarks in Keyword Advertising: Developments in the CJEU and National Jurisprudence' (2012) MPI for Intellectual Property and Competition Law Research Paper No. 12-06, 6 < http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2041936 > Accessed 25 October 2015, arguing that the political compromise which preceded the directive lead to the complex nature of Article 5(2).

⁹²⁴ This is currently the case in the United States. See, T. McCarthy, 'Proving a Trademark has Been Diluted: Theories or Facts?' (2004) 41 *Hous.L.Rev.* 713, 724.

⁹²⁵ This is a problem which also crystalized in the US, although for different reasons. See W. Derenberg, 'The Problem of Trademark Dilution and Anti-Dilution Statutes' (1956) 44 *Cal.L.Rev.* 448, 463, criticising the US approach towards using likelihood of confusion as the *ratio decidendi*, even in dilution claims.

⁹²⁶ McCarthy, (n.924) 719.

practicality of the provision. To do this, it is important to analyse the provision its self which states:

Any Member State may provide that the proprietor of a mark shall be entitled to prevent all third parties not having his consent from using, in the course of trade, any sign which is identical, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.⁹²⁷

By examining the language of the article we can conclude that the conditions laid out under Article 5(2) are as follows:

- That in the mind of an average consumer there is a link between the junior mark and the senior mark.
- That the mark has reputation.
- That the used mark is similar or identical.
- That the trademark use ‘takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark’.
- That the trademark was used in the course of commerce.
- That the mark was used without due cause.

⁹²⁷ Equivalent to Article 9(1)(c) of the CTMR.

In the following sections, each of these conditions will be evaluated against the current developments of trademark protection.⁹²⁸

6.3.1 Existence of a Link in the Mind of the Consumer

Despite not requiring consumer confusion under Article 5(2), the CJEU approach requires that some sort of connection between the two marks exists.⁹²⁹ To satisfy this requirement, it is tantamount that the junior mark calls the senior mark to the mind of the average consumer.⁹³⁰ Determining the existence of such link must be appreciated globally taking into account all the factors of the case.⁹³¹ Whilst the approach adopted in determining the existence of such link has been generally lenient,⁹³² the CJEU noted that the relevant section of the public as regards the goods or services for which the earlier mark was registered must not be completely distinct from the relevant section of the public as regards the goods or services for which the later mark was used.⁹³³

6.3.2 Reputation

Article 5(2) requires that a trademark must have a reputation. Article 5(2) recognises that trademarks with reputation are more vulnerable to damage and exploitation, and

⁹²⁸ However, conditions 5 and 6 will be addressed in chapter 7, section 7.5.1. for practical reasons.

⁹²⁹ *Adidas-Salomon* (n.730), Case C-102/07 *Adidas and Adidas Benelux* [2008] ECR I-0000 ('Adidas II') par. 43-45, C-228/03 *Gillette Company v. Gillette Group Finland*[2005] E.C.R I-2337, par. 43.

⁹³⁰ *Intel Corp.* (730) par.48-49.

⁹³¹ *Adidas-Salomon* (n.730) 20-30.

⁹³² See the decision of the UK HC of Justice in *Red Bull GmbH* (n.931) p.103.

⁹³³ *Intel Corp Inc.* (n.730). For an application of the global appreciation test, see *Thomas Pink Limited v. Victoria's Secret UK Limited* [2014] HC 13 B05417 par. 189-192.

therefore, should be protected. The reputation requirement under the TMD mirrors the ‘fame’ requirement under section 43(c) of the Lanham act and the ‘well-known mark’ requirement under the Paris Convention, although in practice the threshold for proving reputation differs considerably among these three requirements.⁹³⁴

Preliminarily, it is critical to distinguish between reputation and fame/renown. Whilst fame focuses on the quantity of consumer knowledge (e.g. 70% of individuals know that the mark exists), reputation focuses on the commercial magnetism of the mark, independent of the level of knowledge the general public possess.⁹³⁵ Because reputation is independent of the percentage of consumer knowledge, the ‘renown’ standard accepts that reputation can take several forms. It can be either deep (targeting niche market, such as Hermes) or wide (a company that is known across different market sectors, such as Virgin).

The paramount reference point for the reputational threshold required under 5(2) was provided in the case of *General Motors v. Yplon SA*.⁹³⁶ First, it was held that a trademark does not need to have a reputation throughout the Member State, but rather

⁹³⁴ See sec. 56 of the TMA. AG Jacob submitted that to establish reputation under the TMD 1994 would require less knowledge and fame than that required for proving a mark is ‘well-known’ under the Paris convention. See C-375/97 *General Motors Corp v. Yplon SA* [1999] E.T.M.R. 122, Opinion of AG Jacobs, par.36.

⁹³⁵ A. Kur, ‘Well Known Marks, Highly Renowned Marks and Marks Having (High) Reputation’ (1992) 23(2) *IIC* 218, 228. L. Tittermore, S. Murphy, ‘Hot Topics in Trademark Law: Trademark Rights in A Global Economy -Protection and Enforcement of Well-Known and Famous Marks’(2012) <http://www.americanbar.org/content/dam/aba/administrative/litigation/materials/2012_hot_topics_in_ip_lit/2012_aba_panel3_aba_hot_topics_in_trademark_law_-_protection_of_famous_and_well_known_marks.authcheckdam.pdf> Accessed 25 November 2015.

⁹³⁶ C-375/97 *General Motors Corp v Yplon SA*[1999] ECR I-5421, par. 25

in a substantial part of it.⁹³⁷ Second, a mark having reputation does not need to be well-known by a large segment of the public, but rather by a significant portion of the consumers concerned with the products which the mark covers. Manifestly, the concept of niche fame is accepted in Europe.⁹³⁸ This standard lowers the threshold for proving reputation considerably, recognising both marks with deep and broad reputation.⁹³⁹

Factors to be considered in making a reputational assessment include: the market share of goods and services sold under this mark, duration of use, amount of investment made by the entity in promoting and advertising a trademark, and intensity of use.⁹⁴⁰ The CJEU, according to Vaver and Bently, escaped into the traditional formula that all relevant factors of the case must be balanced and rightfully favoured a more subjective, less structured, approach to determining reputation.⁹⁴¹

Although this approach provides the courts with an inherent level of flexibility, it is limited in the sense that it cannot measure with certainty the state of mind of consumers. A company for example, may have invested financially in promoting and advertising a mark, but may still fail to gain a sufficient level of recognition in the mind of the public. Arguably, under the current all-relevant-factors-test, companies that do not

⁹³⁷ *Ibid.* Also, see C. Gielen, 'Trademark Dilution under European Law' (2014) 104 *TMR* 701 for an extensive analysis on the geographical extent of reputation required both at a regional and at a community level.

⁹³⁸ S Fhima, 'The fame Standard for Dilution in the United States and the EU Compared' (2008) 18 *TLCP* 631. 643-645.

⁹³⁹ J. Phillips, *Trade Mark Law: A Practical Anatomy*(OUP,2003) 37-375.

⁹⁴⁰ Market Surveys according to the CJEU are certainly relevant but not necessarily decisive in deciding on reputation. See OHIM Guidelines Part 5, III 1.4.4.

⁹⁴¹ D. Vaver, L. Bently, *Intellectual Property in the New Millennium: Essays in Honour of William R. Cornish.*(CUP, 2004) 167-169.

have reputation in the practical sense, can still be able to access Article 5(2). With this wide access, concerns have been voiced that dilution may become an anti-competition weapon prohibiting the use of similar marks in every market sector, granting its owners a right in gross over the use of a trademark.⁹⁴²

To avoid these consequences, it has been suggested that the concept of niche fame should be eliminated, and that only marks which are considerably known by the public as a whole in a given region should be able to have access to 5(2). Still, such an approach will result in disadvantaging companies within certain industries, particularly in industries with a niche target audience. It should be borne in mind that in certain cases (e.g. Hermes fashion house), firms strategically aim to limit the audience for their products. On this premise, it is arguable that eradicating the concept of niche fame is neither logical nor desirable. Furthermore, proponents of a high threshold for the reputation requirement tend to overlook the fact that reputation merely provides access to Article 5(2). Successful protection under 5(2) is dependent on the fulfilment of other conditions which will be addressed subsequently.⁹⁴³

In fact, one can further argue that a high threshold requirement for reputation may be disadvantageous as it endows a legal advantage to companies that are already powerful. Of more concern, setting a high threshold for establishing reputation would certainly encourage the use of 5(1)(a), particularly by companies that cannot pass the reputation

⁹⁴² J. McCarthy, 'Dilution of a Trademark: European and United States Law' (2004) 94 *TMR* 1163, 1178.

⁹⁴³ Griffiths (n.656) 326.

requirement. The previous discussion raises another significant question. Should Article 5(2) be constricted to marks with reputation only?⁹⁴⁴

The basic argument for affording reputable marks with an extra layer of protection is that the popularity of such marks and their profitability renders them more vulnerable to misappropriation. Ethically, image creation does not come free or without financial & human resources and creative investment.⁹⁴⁵ Thus, companies should commonly be protected against free-riding and any resulting detriment to their image.⁹⁴⁶

Furthermore, the delicate nature of these marks, in addition to their significant contribution to the rise and fall of corporate giants necessitates judicious handling. Uncontrolled use, or misuse, of a reputable mark could provoke negative associations with it, thus, weakening its commercial magnetism.⁹⁴⁷ Therefore, affording trademarks with reputation an extra layer of protection rests primarily on the transitory nature of goodwill captured within a trademark. However, as Griffiths notes, only if the additional benefits of this layer of protection outweigh the costs associated with it, such protection could be justified.⁹⁴⁸ On this premise, it is significant to adopt an

⁹⁴⁴ For a general discussion on the issue see Fhima (n.938) 631.

⁹⁴⁵ Kur (n.935) 220.

⁹⁴⁶ M. Lehmann, 'Unfair Use and Damage to the Reputation of Well-Known Marks, Names and Indications of Source in Germany. Some Aspects of Law and Economics' (1986) 17 *ICC* 746, 751.

⁹⁴⁷ For example, Ratners Jewellers, a company which was extremely popular among the public had its value plummeted by around £500 million in response to a speech made by Gerald Ratner describing his products as totally crap. L. Buckingham, F Kane, 'From the archive, 22 August 1992: Gerald Ratner's 'crap' comment haunts jewellery chain'(The Guardian, 2014) <<http://www.theguardian.com/business/2014/aug/22/gerald-ratner-jewellery-total-crap-1992-archive>> Accessed 12 October 2015.

⁹⁴⁸ Griffiths (n.656) 326.

interpretation of Article 5(2) which ensures that these additional net benefits are attained.

To ensure that a net benefit is obtained from such protection, it can be suggested that the low threshold for establishing reputation should remain minimal as to dissuade mark owners from relying on 5(1)(a). Simultaneously, the threshold for proving the required consequences, such as blurring, tarnishment, or unfair advantage, should be high. It should be noted that marks with a strong reputation should naturally have an advantage which will be taken into account when evaluating liability resulting from the aforementioned consequences.⁹⁴⁹ All things considered, the thesis proposes that focus should be placed on achieving a balanced interpretation for the content of Article 5(2), as opposed to the reputation requirement.

6.3.3 Similar or Dissimilar Goods and Services

Article 5(2) requires that the trademark owner proves that the sign used is similar or identical to the earlier trademark. This condition is premised on the presumption that unless two marks are similar enough, they cannot possibly have any of the prescribed effects of 5(2).⁹⁵⁰ Like in the case of identical marks under Article 5(1)(a), a sign is regarded as identical if it reproduces all the elements constituting the earlier mark, or if it contains insignificant differences that may go unnoticed by the average

⁹⁴⁹ Lehmann (n.946) citing German supreme court, *Magirus* [1956] GRUR 172.

⁹⁵⁰ See *Adidas-Salomon* (n.730) par.29.

consumer.⁹⁵¹ A global appreciation test which takes into account all the factors relevant to the circumstances of the case is employed.⁹⁵² In all circumstances, there should be a sufficient degree of visual, aural and conceptual similarity for this requirement to be fulfilled.⁹⁵³

Whilst Article 5(2) purports the need to find similarity between the sign used and the reputable mark, it does not propose that the concerned goods need to be similar. Initially, 5(2) was reserved to cases in which the goods in question are dissimilar. Nevertheless, in the case of *Davidoff*,⁹⁵⁴ this condition was waived. The CJEU, challenging the wording of the TMD held that 5(2) is an over-arching legal remedy applicable regardless if the goods are competitive, similar, or dissimilar.⁹⁵⁵ This approach is not particularly surprising as holding otherwise would leave reputable marks with a higher level of protection in cases of dissimilar goods.⁹⁵⁶ This would result in an arbitrary and an unfair state of law, particularly in light of the comparatively high threshold for proving likelihood of confusion under 5(1)(b).⁹⁵⁷ Noting that 5(1)(b) is the provision which would have been usually invoked if similar marks were used on similar goods.

⁹⁵¹ *Société* (n.546). It is worth noting that even if two marks are identical, use of one may not call the other to mind. For example see Polo clothing and Polo Mints.

⁹⁵² *Adidas-Salomon* (n.730) par. 30.

⁹⁵³ C-251/97 *Sabel BV v. Puma* [1997] ECR I-06191. This test is also used to assess the similarity of goods under the likelihood of confusion test,

⁹⁵⁴ C-292/00 *Davidoff & Cie SA v. Gofkid* [2002] E.T.M.R 99, Opinion of AG Jacobs, par.36.

⁹⁵⁵ Also followed in *Adidas-Salomon* (n.730).

⁹⁵⁶ *Robinson, Pratt and Kelly* (n.919) 744.

⁹⁵⁷ For a criticism of this approach see C. Morcom, 'Extending Protection for Marks Having a Reputation: what is the effect of the decision of the European Court of Justice in *Davidoff v. Gofkid*?' (2003) 25(2) *EIPR* 281.

6.3.4 The Possible Effects

In bringing a claim under Article 5(2), plaintiffs can instigate three types of claims: unfair advantage, tarnishment, and blurring. Each will be addressed separately.

6.3.4.1 Unfair Advantage

As aforementioned, Article 5(2) prohibits a third party from using an established trademark if such use allows this party to free-ride on the reputation of the earlier mark.⁹⁵⁸ In the terminology of the TMD, this is referred to as unfair advantage.⁹⁵⁹ Driven by unjust enrichment considerations, this cause of action aims to prevent the misappropriation of someone else's reputation, effort, or time without their consent.⁹⁶⁰ In this context, there is no need to prove that the trademark owner suffered harm.⁹⁶¹ It is frequently assumed that unfair advantage is a straightforward cause of action that enables a trademark owner to instigate a claim against any use that could create an association between his goods and the third party users.

Arguably, this presupposition, which lacks credibility as it has almost never been accepted in the judicial realm, has heightened the criticisms against 5(2).⁹⁶² Jacob LJ for instance, suggested that unfair advantage should only arise if the use of a mark by

⁹⁵⁸ WIPO, *Introduction to Intellectual Property, Theory and Practice* (Kluwer Law International, 1997) 272.

⁹⁵⁹ Unfair Advantage is also referred to as parasitism and free-riding.

⁹⁶⁰ Griffiths (n.656) 356.

⁹⁶¹ *L'Oréal* (n.403) par.96.

⁹⁶² For example see LJ Jacob's comment on the CJEU decision in *L'Oréal SA v. Bellure NV* [2007] EWCA(Civ) 968 par.9-14.

the third party causes harm to the distinctive character or repute of the first mark.⁹⁶³ Jacob's assertion that unfair advantage should not constitute a claim in the absence of tarnishment or blurring reflects an implicit attempt to divorce the unfair advantage provision from protection based on unjust enrichment.⁹⁶⁴ Hence, most attacks on unfair advantage are driven by a rejection of broad unfair competition laws.

However, as aforementioned, the best way to account for new commercial realities (modern trademark functions) is to accept claims based on unjust enrichment, and to develop a *limited* cause of action on its premise.⁹⁶⁵ The challenge however, is to find the optimal balance between instances where the advantage taken is unfair and should be prohibited, and when it is against social welfare to prevent such uses. Whether the CJEU has achieved this balance can only be determined by reference to the limited CJEU rulings on this topic.⁹⁶⁶

The earliest judgement addressing the issue of unfair advantage in the context of the TMD was in *Premier Brands*.⁹⁶⁷ Citing the German case of *Dimple*,⁹⁶⁸ Neuberger J. noted that:

The courts have repeatedly held that it constitutes an act of unfair competition to associate the quality of one's goods or services with that of prestigious

⁹⁶³ *Ibid.*

⁹⁶⁴ *Ibid.* Generally, see Robinson Pratt and Kelly (n.919) 742. B Pattishall (n.16).

⁹⁶⁵ See chapter five section 5.3.

⁹⁶⁶ Generally, see McCarthy (n.942) 1177-1180.

⁹⁶⁷ *Premier Brands* (n.671) p.1092.

⁹⁶⁸ *Dimple* (n.752).

competitive products for the purpose of exploiting the good reputation of a competitor's goods or services in order to enhance one's promotional efforts.

According to the subsequent CJEU judgements, to determine whether an unfair advantage was taken, a global appreciation test must be applied. This test takes into account all factors relevant to the circumstances of the case, including the strength of the mark's reputation, the degree of distinctiveness of the mark, the degree of similarity between the marks at issue, the nature and degree of proximity of the goods or services concerned, and the likelihood of dilution to the earlier mark.⁹⁶⁹

Despite the rationality of the global appreciation test, in the sense that it is aligned with the functional approach proposed in chapter five, it remains critical to determine whether *in practice* it is ensuring that only unfair uses are being prohibited.⁹⁷⁰ As already discussed, an advantage should be regarded as unfair only if it confers a substantial advantage on the third-party user, or if it inflicts substantial harm on the senior user. Theoretically, this point has been acknowledged in *Shimer's TM Application*,⁹⁷¹ in which it was held that taking an advantage of a first mark means more than merely attracting attention by feeding on its fame. The association should give the products bearing the second mark a substantial marketing advantage.⁹⁷² In practice, although it has been suggested that unfair advantage is determined through

⁹⁶⁹ *L'Oréal* (n.403) par.44.

⁹⁷⁰ *Interflora* (n.421) par.92.

⁹⁷¹ O//158/99 CA *Shimer's (M) Sdn Bhd's Trademark Application* [2000] RPC 484.

⁹⁷² *Ibid.*

the global appreciation of all relevant factors, two particular factors have, *unjustifiably*, been decisive in ruling unfair advantage cases.

The first factor relates to whether the products are presented as imitations or merely as alternatives.⁹⁷³ This factor has also been considered in interpreting Article 5(1)(a), and, accordingly, this analysis is applicable in its context also. The imitation factor, which has been unsatisfactorily imported from CAD, suffers from serious theoretical and practical problems.⁹⁷⁴ Theoretically, arguments contending that the prohibition of imitation is anti-competitive have understandably arisen against the background of *L'Oréal*.⁹⁷⁵ Proponents of this view suggest that imitation is the 'lifeblood of competition' and should be embraced.⁹⁷⁶ Evaluating the validity of this view requires a detailed engagement with the economics of imitation, which is beyond the scope of this thesis. However, for the purpose of this analysis it should be emphasised that by considering imitation as an element of unfair advantage, the courts are not prohibiting the act of imitation its self, but rather the use of an established mark to draw attention to the imitated product. Accordingly, it is illogical to apply general imitation arguments to the specific context of trademark law. However, the principal drawback of relying on this element to determine liability is the unpracticality of attempting to draw a line between imitations and alternatives. Existing case law implicitly reflects a

⁹⁷³ *L'Oréal* (403) par.82, *Interflora* (n.421), C-229/03 *Gillette Co v L-A Laboratories Oy*[2005] FSR 37, par.35.

⁹⁷⁴ It should be noted that the imitation factor existed in previous CADs. See Comparative Advertising Council Directive 97/55 [1997] 290/18/. M. Ellis, 'Does the Trade Mark Concept of Unfair Advantage Guard Against Justifiably Harmful Free Riding or do Brands Free Ride on the Protection of The Law to Avoid Legitimate Competition' (2010) (Masters Thesis, London School of Economics, 2015)< <https://oami.europa.eu/knowledge/mod/data/view.php?id=4&advanced=0&paging=&page=3>.> Accessed 18 July 2015. p. 25.

⁹⁷⁵ Dornis, Wein (n.682) 10. Dogan and Lemley (n.601) 73.

⁹⁷⁶ See US case *Smith v. Chanel*, 402 F.2d 526 (9th Cir. 1968).

view in which products offered within a similar price range are assumed to be alternatives. If this inclination is true, it should certainly be reconsidered. To avoid the practical problems of attempting to draw such a distinction, the thesis proposes that regardless of whether the goods offered are imitations or alternatives, courts should focus on the substantiality of the advantage. In *L'Oréal v. Bellure*, the advantage gained by Bellure should be regarded as unfair, only if evidence can be presented that, *principally*, Bellure's goods are sold because of the importation of the L'Oréal reference.⁹⁷⁷

The second decisive factor often advanced in this context is the intention of the competitor/third party. In *Specsavers International Healthcare v. Asda*, it was ruled that Asda clearly and intentionally gained an advantage by drawing on the reputation of an already established mark. In essence, 'because Asda attempted to benefit from the power of attraction, the reputation and the prestige of Specsavers and to exploit, without paying any financial compensation, and without making efforts of his own, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image, then this advantage was regarded as unfair'.⁹⁷⁸ This factor was also raised in the UK case of *Jack Wills Ltd v. House of Fraser (Stores) Ltd*,⁹⁷⁹ in which it was claimed that, among other things, the defendant (House of Fraser) reproduced the pigeon logo which represents Jack Will *intentionally*. The emphasis on intention (particularly if divorced from other case specific factors) is problematic since it will most likely be present in most cases emerging under unfair advantage. Therefore,

⁹⁷⁷ See chapter five, section 5.3.1.4

⁹⁷⁸ *Specsavers International* (n.700) par. 40. Also, see *Red Bull GmbH v. Sun Mark Ltd and Sea Air & Land Forwarding Ltd* [2012] EWHC 1929(Ch) p.103.

⁹⁷⁹ *Jack Wills Ltd v. House of Fraser (Stores) Ltd* [2014] EWHC 110 Ch.

continuing to focus on intention as a decisive factor will substantiate the criticisms against this cause of action. The thesis suggests that intention is only significant insofar as it demonstrates that the defendant has a just expectation in receiving compensation.⁹⁸⁰ However, as already discussed, this expectation should be limited, and relying on the intention of parties solely would result in stretching the boundaries of the unfair advantage provision too far. This, as discussed in chapter five, could stifle competition contrary to the objective of the TMD.⁹⁸¹

A more promising application of the test, however, can be seen in light of the UK Court of Appeal decision in the case of *Whirlpool Corp v. Kenwood Ltd*.⁹⁸² Here, in evaluating the nature of the advantage taken by Whirlpool, the courts considered the fact that the junior user had a goodwill separate from that of the trademark owner. Because the second user had a strong goodwill associated to his trademark, then the registration of a shape mark similar to that of the original trademark would not constitute an unfair advantage. This should be true even if the second user is deriving a commercial benefit from such use. The Court of Appeal further added that ‘it may be that, in a case in which an advantage can be proved, the unfairness of that advantage can be demonstrated by something other than intention’.⁹⁸³ The fact that the defendant has a separate goodwill justifiably supports the view that the benefit derived from the use is not substantial. Similarly, in *Jack Wills* the courts looked beyond the intention of the parties to evaluate whether the advantage taken was substantial. In particular, the courts noted that the impact of a trademark use on the economic

⁹⁸⁰ For insights on the just expectation approach see chapter five section 5.3.1.2- B.

⁹⁸¹ See chapter five section 5.3.1.3.

⁹⁸² *Whirlpool Corp v. Kenwood Ltd* [2009] EWCA Civ 353.

⁹⁸³ *Ibid*, par.136.

behaviour of the defendant's customers is a crucial factor for determining whether an advantage was unfair. Although this requirement contains a level of ambiguity,⁹⁸⁴ it serves well in evaluating the substantiality of the advantage taken.⁹⁸⁵

These cases underline that the judiciary are practically capable of employing a functional analysis to evaluate the nature of the advantage taken by the third party, beyond the imitation/alternative and intention approaches. This constitutes a step in the right direction towards making judgements based on the substantiality of the advantage taken. By explicitly noting that intention to exploit a brand image, is not, *per se*, sufficient to establish liability, the courts will be placing reasonable limits on the misappropriation rationale. This will ensure that incorporating unfair advantage under Article 5(2) should not be necessarily perceived with this level of scepticism.⁹⁸⁶

In short, the thesis proposes that the global appreciation test established to determine a claim under unfair advantage is reasonable and in fact recommended if employed correctly. Also, the thesis views the negative attitude towards unfair advantage in general as problematic and lacking in its understanding the factors that can help limit this causes of action. Mostly criticisms against unfair advantage simply suggest that *L'Oréal's* decision is in crude terms 'monopoly' over the advertising value of a

⁹⁸⁴ Such determination requires evidence which is mainly be obtained through consumer surveys. Despite the wide spread use of surveys in some jurisdictions (for example in the US) their credibility has been contested. For example, see I. Manta, 'In Search of Validity: A New Model for The Content and Procedural Treatment of Trademark Infringement Surveys'(2007) 24 *Cardozo Art& Ent L.J.* 1027, 1046-1056.

⁹⁸⁵ T-215/03 *SILGA AG v. OHIM* [2007] ECR-II-00711.

⁹⁸⁶ Also, see *Environmental Manufacturing* (n.684) par.52. 'Such a finding may be established, in particular, on the basis of logical deductions made from an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case'.

mark,⁹⁸⁷ or that 5(2) is a safeguard against insignificant free-riding.⁹⁸⁸ Taken together, the thesis contests the negative attitude that has been displayed towards unfair advantage especially. The UK by adopting Article 5(2) despite it being an optional provision is bound by an obligation to interpret 5(2) as viewed by the CJEU.⁹⁸⁹ Hence, this thesis proposes that the criticisms made against unfair advantage should be redirected towards articulating the concept of fairness.

6.3.4.2 Blurring

In deciding blurring cases, claimants have been faced with significant impediments due to the high threshold set by CJEU for establishing blurring. It should be recalled that in chapter five the theory of blurring was criticised for being vague, speculative, and practically insignificant. Indeed, as the case law analysis will confirm, the practical application of the blurring theory has engendered undesirable uncertainty. To recall, blurring is defined as ‘the damage to the trademark reputation which weakens its distinctive character rather than its reputation in the minds of the consumer’.⁹⁹⁰

For a practical analysis, Thomas Bingham’s judgement in the case of *Taittinger v. Allbev* provides a good starting point:

⁹⁸⁷ Fhima (n.401) 329.

⁹⁸⁸ A similar view was advanced by Pattishall who criticises the unjustified criticism against a free-riding based cause of action. Generally, see B. Pattishall (n.16).

⁹⁸⁹ Article 10bis of the Paris Convention for the Protection of Industrial Property (1983) 972-983.

⁹⁹⁰ Griffiths (n.656) 354. Also, see G. Howell, ‘Depreciation of Goodwill: A ‘Green Light’ for Dilution from the Supreme Court of Canada in an Accommodating Infrastructure’ (2008) 17(3) *T&CP* 689, 706. *High Sch. Ass’n v. GTE Vantage Inc*, 99 F.3d 244,247(7th Cir., 1996).

[Taittinger's] reputation and goodwill in the description Champagne derive not only from the quality of their wine and its glamorous association, but also from the very singularity and exclusiveness of the description, the absence of qualifying epithets and imitative descriptions. Any product which is not Champagne but is allowed to describe itself as such must inevitably, in my view, erode the singularity and exclusiveness of the description Champagne and so cause [Taittinger] damage of an insidious but serious kind.⁹⁹¹

In *Premier Brands*, Neuberger J. found that significant damage to the advertising of the first mark was necessary for a plea of blurring to be successful.⁹⁹² At face value, it may seem that countless pleas can be made against trademark uses which erode the distinctiveness of the earlier marks. This case demonstrated a possibility that the provision may have developed into a catch-all category. If true, this is, of course, unfavourable, particularly given the unconvincing justification of the theory to begin with.

Subsequent CJEU cases limited this open-ended approach to blurring through developing stringent criteria for determining infringement.⁹⁹³ In both *Intel* and *General Motors*, it was remarked that proving likelihood of dilution requires proving some

⁹⁹¹ *Taittinger v. Allbev Ltd.* [1993] F.S.R. 641, 677. Also, see C-39/97 *Canon Kabushiki Kaisha v. MGM* [1999] R.P.C. 117 at 132-133. Also, see U.S. case: *Wedgwood Homes Inc. v. Lund* 659 P.2d 377, 380(Or., 1983).

⁹⁹² *Premier Brands* (n.671) p.1094.

⁹⁹³ *General Motors* (n.936), *Intel Corp* (n.730).

actual detriment through providing credible evidence.⁹⁹⁴ Interestingly in *Intel*, despite recognising that a trademark performs an advertising function, AG Sharpston noted that distinctiveness relates to the traditional view of trademark law, in particular, trademark's essential function.⁹⁹⁵ The courts proposed that a successful claim against blurring requires proof that there is actual, or a very high potential, for change in the economic behaviour of consumers.

The CJEU regrettably failed to elaborate and to provide clear guidance on the meaning of this key evidential requirement. What can be inferred with certainty about this requirement is that, unlike the reputation requirement, in which indirect evidence about the state of mind of consumers would suffice, establishing a successful blurring claim requires direct evidence. In the UK case of *Dailmer Chrysler*, it was remarked that evidence can take the form of future unfair advantage or detriment to the mark⁹⁹⁶ interestingly, reference to unfair advantage as evidence for dilution by blurring reinforces the idea that attempting to segregate the three causes of actions is impractical.

Taken together, the lack of concrete guidance on the requirement of change in economic behaviour increases the unpredictability of the cause of action. The impression given by the CJEU is that the evidence needs to be clear and very strong,

⁹⁹⁴ *Ibid*, *General Motors*, par.43.

⁹⁹⁵ C-253/07 *Intel Corporation Inc. v. CPM United Kingdom Limited* [2008] ECR I-08823 Opinion of AG Sharpston. Fhima (n.968) 328.

⁹⁹⁶ T-128/01 *Dailmer Chrysler Corporation v. OHIM* [2003] ECLI II-00701. For more recent UK cases see *Red Plc v. WHG International Ltd* [2011] EWHC 62 (Ch) at [133], *L&D S.A. v In the Matter of An Application for Invalidity No. 16182* [2015]

which is near impossible as discussed in chapter five.⁹⁹⁷ This renders the blurring provision of limited practical use.

However, it should be noted that hope for trademark owners to successfully establish blurring in the absence of actual harm comes from a recent General Court (GC) decision in *Environmental Manufacturing*.⁹⁹⁸ In this case, it was held that blurring could be demonstrated as long as the ability of the mark to identify products has been weakened. No explicit reference to the need to provide evidence of change or likelihood of change in economic behaviour was made. The decisive factor was whether the plaintiff can provide more than mere suppositions to demonstrate detriment to an earlier mark.⁹⁹⁹ In another recent case, it was also proposed that a blurring action can be successful if it can be established that consumers would treat the products of the defendants as substitutes to products of the plaintiff.¹⁰⁰⁰

Whether this emerging trend should be celebrated, depends predominantly on whether one views blurring as a cause of action that deserves separate protection to start with. Some argue that the imposition of an actual blurring prerequisite defies the objective of the provision. Thus, lowering the threshold for blurring should be perceived positively.¹⁰⁰¹ As a result, a more flexible attitude towards blurring, similar to that adopted in the US, should be accepted in which dilution of blurring can be established

⁹⁹⁷ See chapter five, section 5.2.2.

⁹⁹⁸ *Environmental Manufacturing* (n.684).

⁹⁹⁹ A high burden of proof in relation to detriment to distinctive character has been established in this case. However, unlike the approach in *intel*, this approach remains open for reasonable inferences. *Ibid*, par.34.

¹⁰⁰⁰ *L&D S.A. v. In the Matter of An Application for Invalidity* [2015] No. 16182 par.148.

¹⁰⁰¹ See T. Garde, 'The 'whittling away' of the Federal Trademark Dilution'(2003) 34(6) *II C* 614, 620.

regardless of the presence of actual economic injury.¹⁰⁰² However, as the discussion in chapter five already highlighted, blurring as a separate cause of action lacks convincing justification. Accordingly, the thesis proposes that neither the US approach, nor the traditional EU approach is favourable to this end. Section 6.3.5 will propose an alternative method to deal with cases involving dilution by blurring.¹⁰⁰³

6.3.4.3 Tarnishment

As aforementioned, tarnishment by association (though not elaborated upon by Schechter) is a form of dilution which arguably is more justifiable than blurring.¹⁰⁰⁴ To recall, a mark is usually tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavoury context.¹⁰⁰⁵ When marks are used in such a manner, damage to the reputation of the tarnished mark occurs as the power of the original mark to attract will be negatively affected.¹⁰⁰⁶ The key parameters of the concept, as evident in case law, will be highlighted and evaluated in this section.

The primary point regards the type of marks that can be protected against tarnishment. Initially, it was ruled that only a trademark with a ‘positive, special’ image by virtue

¹⁰⁰² In the US, regardless of the presence of an economic injury, dilution by blurring can be found if there is an ‘association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark’. *Starbucks Corp. v. Wolfe’s Borough Coffee*, 2011 WL 6747431 (S.D.N.Y. 2011) par.33.

¹⁰⁰³ See chapter five, section, 5.2.3.

¹⁰⁰⁴ Nelson argues that tarnishment should be analysed in the context of likelihood of confusion. See R. Nelson, ‘Unravelling the Trademark Rope: Tarnishment and Its Proper Place in the Laws of Unfair Competition’(2002) *The IDEA* 133, 172-177.

¹⁰⁰⁵ For example see U.S. case *Victoria Secret* (n.670).

¹⁰⁰⁶ Opinion of AG Sharpston in *Intel Corporation Inc.* (n.730).

of its use and promotion can be protected against tarnishment.¹⁰⁰⁷ This arguably places an unnecessary burden on trademark owners seeking to demonstrate that their marks have been tarnished.¹⁰⁰⁸ Rightfully, this requirement has been rejected by the CJEU in the case of *Elleni Holdings*,¹⁰⁰⁹ and more importantly in subsequent OHIM decisions.
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The second more controversial point relates to the scope of the tarnishment cause of action. Early case law reveals that the European concept of tarnishment is limited to instances in which the nature of the goods is entirely different.¹⁰¹¹ For example, in the often cited case of *Lucas-Bols* the owner of CLAERYN mark for gin objected to the registration of KLAREIN mark on all-purpose cleaners.¹⁰¹² The Benelux court in this case found that any use which impairs the ability of the senior mark to appeal to the senses of the junior mark would be regarded as tarnishing.¹⁰¹³

However, in the case of *L'Oréal*,¹⁰¹⁴ a broader definition for tarnishment was adopted by the CJEU, *at least in theory*. In particular, the CJEU held that tarnishment is determined by comparing the connotation of each mark by reference not only to the

¹⁰⁰⁷ See OHIM Opposition Guidelines, 'Trade Marks with reputation Article 8(5) CTMR'(OHIM, 2004) <http://oami.europa.eu/en/mark/marque/pdf/part_5-EN.pdf> Accessed 24 July 2014. p.39 . Also, see 105/1999 HOLLYWOOD / HOLLYWOOD (FR).

¹⁰⁰⁸ I. S. Fhima, *Trademark Dilution in Europe and the United States* (OUP, 2011) 5.19.

¹⁰⁰⁹ T-215/03 SIGLA SA v. OHIM [2007] ECR II-711.

¹⁰¹⁰ R-339/2008-1 SUPERSOL/SUPERSOL [2009], in Fhima(n.1008) 5.19.

¹⁰¹¹ See OHIM Opposition Guidelines (n.1007). In comparison, the U.S approach under Section 43(c) (2) (c) of the Lanham Act takes every junior use as being potentially tarnishing.

¹⁰¹² *Lucas-Bols v. Colgate Palmolive* [1976] 7 IIC 420, 423.

¹⁰¹³ This approach has seen then been acknowledged and applied in European Cases. See AG Jacobs in *Adidas Salomon AG. v. FitnessWorld Trading Ltd*[2003] E.T.M.R 91.

¹⁰¹⁴ *L'Oréal v. Bellure NV* (C-487/07)[2009] ECR I-5185 par. 40.

type of goods, but also the communicated messages.¹⁰¹⁵ However, in illustrating instances in which tarnishment may occur, courts continued to situate tarnishment in the realm of dissonant goods only (which was also interpreted very strictly).¹⁰¹⁶ Applying the CLAERYN/KLAREIN standard, dissonance was mainly found in cases where the junior goods are unsavoury. On the contrary, in cases of goods which are incompatible in nature,¹⁰¹⁷ or of low quality,¹⁰¹⁸ tarnishment was not found.

Unfortunately, the current approach of ruling on tarnishment reflects a high level of subjectivity in deciding the type of uses the can potentially inflict harm. The end result is a muddled state of law characterised with inconsistency, unpredictability, and irrationality. The current approach overlooks the possibility of harm which can arise from trademark use beyond the realm of dissonant goods.

For example, in the aforementioned case of *L'Oréal*¹⁰¹⁹ not much focus was placed on the fact that Bellure's products were of shoddy quality. Irrespective of whether tarnishment should have been successful in this case, it is important not to overlook the possibility of a successful tarnishment claim in the context of goods of low quality. It is undeniable that expanding the concept of tarnishment to include such uses may increase the risk of restraining other freedoms, such as freedom of speech. However,

¹⁰¹⁵ *Ibid.*

¹⁰¹⁶ See I. S. Fhima (n.1008) 179. For national cases involving dissonant goods see *CA Shimer's (M) Sdn Bhd's Trademark Application* [2000] RPC 484. R-1513/2009 *MerSi/ Merci* (30 July 2009), *Pfizer Ltd v. Eurofood Link Ltd* [2000] E.T.M.R. 896, *Miss World Ltd v. Channel Four Television Corp* [2007] E.T.M.R. 66.

¹⁰¹⁷ *Esure Insurance Ltd v. Direct Line Insurance Plc* [2008] EWHC 1557(Ch).

¹⁰¹⁸ T-67/04 *Monopole Spa v. OHIM(SPA-FINDERS)* [2005] E.T.M.R. 109, par. 49.

¹⁰¹⁹ *Coca Cola Co. v. Gemini Rising Inc.* 346 F. Supp. 1183 (EDNY).

this thesis proposes that it is more sensible to acknowledge that tarnishment might occur in such context. Indeed, Fhima speculates that that recognition of the modern functions of trademarks will open the door for a broader scope of tarnishment in Europe.¹⁰²⁰ It is suggested any possible negative repercussions that may emerge, can be countered through other mechanisms, such as explicit defences.¹⁰²¹

6.3.5 Discussion

A thorough analysis of Article 5(2) disclosed an incongruity in the attitude of the CJEU in dealing with anti-dilution cases. Namely, deciding both tarnishment and blurring cases, the CJEU consistently agreed that evidence of detriment (or likelihood of detriment) should be demonstrated through change in economic behaviour, thus, placing a high threshold for liability.¹⁰²² On the contrary, in interpreting unfair advantage the CJEU's attitude was lenient as the mere demonstration of a simple probability that a mark would take unfair advantage was regarded as a sufficient stimulus for bringing a successful claim. Thus, evidently, the CJEU has provided diametrically opposed standards for establishing liability under different categories of Article 5(2). This attitude implicitly reflects the CJEU's tendency towards favouring interpretations based on unfair competition justifications. This approach, as the thesis constantly argued, is recommended.

¹⁰²⁰ Fhima (n.1008) 5.19.

¹⁰²¹ See chapter seven, section 7.4.2, 7.6.3.1.

¹⁰²² In contrast, the US sets a lower threshold for tarnishment. See *Victoria Secret Catalogue* (n.670).

However, based on the previous analysis, and given the complexity that resulted from the fragmentation of 5(2), the thesis proposes that both blurring and tarnishment should act as supporting evidence for an unfair advantage claim. This approach, which finds support in the *Jack Wills* decision, comprises two main advantages. The first advantage is that it avoids the development of modern trademark protection based on unjustified rationales which are very highly speculative. Second, this approach is logical since in practice, the harm resulting from blurring, and particularly from tarnishment, renders both the moral and the economic case for free-riding more compelling.

In order to be able to critically evaluate whether the CJEU's approach towards trademark rights and their interpretation is failing to truly promote a system of undistorted competition, an analysis of existing limitations is compelling. This analysis will be provided in chapter seven.

6.5 Conclusion and Findings

Building on the analysis provided in chapter five, this chapter underscored and criticised the legal means by which the modern functions are protected. The analysis revealed that the scope of 5(1)(a) should be limited to cases of origin identification for practical and theoretical reasons. The modern functions should only be recognised and protected under 5(2). However, the discussion also highlighted certain pitfalls in the current interpretation of 5(2). Relying on three causes of action will necessarily result in fragmentation, which is both unjustifiable (particularly in relation to blurring), and unpractical. Accordingly, it was suggested that unfair advantage should be the

principal ground for extending trademark protection, and that harm resulting from blurring and tarnishment should simply support a claim for unfair advantage.

However, even if a stringent approach for determining liability under 5(2) is employed, the current system will still reflect a pro-trademark owner orientation by which only the trademark owner's investment in a mark is realised. This arguably 'reinforces the process in which the imperial labour of consumers is rationalised, measured and commoditized and made amenable to market transaction'.¹⁰²³ Accordingly, effective counterbalances need to be in place to ensure that this company-centric view to brand creation which still dominates the legal discourse is eliminated.¹⁰²⁴ Only once effective limitations are put in place would it be justifiable to claim that consumers are indeed not fooled or manipulated by the aura of brands.¹⁰²⁵

On this premise, the next chapter will provide a detailed analysis on the significance of expressive uses for the purpose of enhancing social welfare, and the effectiveness of the current limitations for the protection of expressive uses.

¹⁰²³ *Ibid*, 26.

¹⁰²⁴ Madow argues against image and publicity rights for celebrities for similar reasons. See Madow M., 'Private Ownership of the Public Image: Popular Culture and Publicity Rights' (1993) 81 *Cal. L. Rev.* 139.

¹⁰²⁵ See L. Penazola, L. Price, 'Consumer Resistance- A Conceptual Overview' 20(1) *Ad. Consum. Res* 121. V. Cova, E. Remy, *I Feel Good: Who Needs the Market- Struggling and Having Fun with Consumer Driven Experiences* (Routledge, 2007) 123,

Chapter Seven

When Trademarks Meet Fashion: Towards an Expressive Use Defence in European Trademark Law

7.1 Introduction

The principal objective of chapter six was to analyse the current system of modern trademark protection, and to shed light on the most constructive method for integrating the misappropriation rationale into the trademark system. Following the analysis, it was recommended that Article 5(1)(a) should be limited to the traditional origin function and that the modern functions (including any emerging functions), should be served by and limited to Article 5(2). However, chapter six also underlined the need for appropriate counterbalances to achieve equilibrium in the trademark system. Therefore, it was argued that a well-developed limitation system which strikes a proper balance between the rights of trademark owners and the need to preserve essential freedoms, such as freedom of expression,¹⁰²⁶ is essential.¹⁰²⁷

Using the luxury fashion industry as an analytical tool, this chapter will provide an in-depth analysis of the existing limitations which are set forth within European trademark law. For the purpose of this analysis, the focus will be on expressive uses,

¹⁰²⁶ For an analysis on how extended intellectual property rights restrict fundamental freedoms such as freedom of expression and freedom of competition see W. McGeeveran, 'Four Speech Goals of Trademark Law' (2008) 18 *Fordham Intell.Prop.Media &Ent.L.J.* 1205.

¹⁰²⁷ Senftleben (n.13) 13. Also, see G. Dinwoodie, 'Ninth Distinguished IP Lecture: Developing Defences in Trademark Law' (2009) 13(1) *LCLR* 102.

particularly expressive uses emerging in commercial contexts.¹⁰²⁸ As will be demonstrated in this chapter, the use of trademarks for the purpose of expression is a key area in the debate on how to strike a balance between the interests of the main players in the trademark system. Thus, this area enables the author to address the relationship between the modern functions of trademarks, contemporary trends of trademark protection, and the intrinsic right of freedom of expression. A comprehensive understanding of this relationship will allow the author to propose a solution which can help reduce the tension between trademarks and freedom of speech, hence achieving a desired equilibrium in the trademark system.

The chapter will be divided into four parts. The first part introduces the concept of expressive use within the fashion industry and discusses the emerging trends within this area. The second part uses freedom of expression theories to explain the significance of protecting expressive use, before discussing why expressive use in the fashion context are particularly important. The third part categorises expressive uses and evaluates the value of each category of expression. The final part evaluates the current approach for protecting expressive uses in the EU and proposes an alternative which is viewed as appropriate to limit trademark rights.¹⁰²⁹

¹⁰²⁸ Expressive uses which are non-commercial in nature such as the use of trademarks in demonstrations (for example Allegro.com), or in non-commercial exhibitions (for example *Wheat is Wheat*) are absolute in nature, often protected under the ECHR. These fall outside the use in the course of trade requirement and will remain outside the remit of this thesis.

¹⁰²⁹ Within academic literature, some argue that specific categorical limitations on trademark rights provide predictability and, thus, reduce frivolous claims of trademark violations. Generally, see Ramsey, Schovsbo (n.895).

Preliminarily, it should be noted that the chapter will focus on expressive fashion for two main reasons. First, trademarks play a significant role in the evolution and preservation of expressive fashion, which in turn motivates an analysis of this interesting relationship. Second, trademarks and freedom of expression are in constant conflict,¹⁰³⁰ and the spread of what is often coined as ‘Fashion Parodies’, which coincided with the outstanding expansion of trademark rights has reinforced this conflict.¹⁰³¹ Therefore, this area provides an ideal lens through which expressive use protection in the context of trademark law can be evaluated. Given the complexity of the area, a defence that achieves the necessary balance here should serve equally well in other contexts.

7.2 Background: The Expressive Fashion Phenomenon

Recently, consumers are coming across a wide range of fashion products which make reference to luxury fashion trademarks for the purpose of expression. In particular, famous luxury trademarks are being integrated into slogans or artistic pictures for the purpose of expression, and are being sold as part of fashion products. Though the average consumer may realise that these products are not genuine, so that confusion may not always be the main issue, dealing with these uses in the legal parlance becomes the real challenge. In order to make sense of this issue, it is crucial to first understand what underlies this trend, and why is it important to address it in the legal context.

¹⁰³⁰ R.C. Dreyfuss, ‘Reconciling Trademark Rights and Expressive Values: How to Stop Worrying and Learn to Love Ambiguity’ in Dinwoodie and Janis (eds) (n.601) 263 .

¹⁰³¹ W. McGeeveran, ‘Rethinking Trademark Fair Use’ (2008) 94 *IOWA L.Rev.* 49, 56.

First, what underlies this new trend? When marketing these products, traders tend to term them all ‘fashion parodies’. However, strictly speaking, a parody is defined as a ‘humorous form of social commentary and literary criticism’,¹⁰³² which involves incorporating ‘some recognisable features of its object while altering other features so as to ridicule the object and achieve a humorous or provocative effect on political social or cultural issues’.¹⁰³³ In practice, however, many type of expressive uses which are often labelled as fashion parodies fail to satisfy the basic definition of a parody. Regularly, the messages displayed on these products entail no humour or are not targeted towards the original brand.¹⁰³⁴ Accordingly, for the purpose of this thesis, the term expressive fashion will be used as an umbrella term providing an alternative to the commonly used term fashion parodies.¹⁰³⁵ Yet, because parody is a common example of expressive use, reference to parodies will be made repeatedly.

A simple google search is sufficient to expose the abundance of such products and thus, the practical significance of the expressive fashion phenomenon.¹⁰³⁶ Increasingly, both low-end,¹⁰³⁷ and high-end¹⁰³⁸ designers are engaging in the sale of products bearing an altered form of original trademarks. This trend now represents a revolution in the fashion industry, generating considerable profits for its

¹⁰³² *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 28(1st Cir. 1987). J. Prowada, ‘Parody and Fair Use in Copyright Law: Setting a Fairer Standard in *Campbell v. Acuff-Rose Music Inc.*’(1995) 17 *Communications & The Law* 54, 55.

¹⁰³³ R. J. Shaughnessy, ‘Trademark Parody: A Fair Use and First Amendment Analysis’ (1986) 72 *Va.L.Rev.* 1079, 1079. G. Myers, ‘Trademark Parody: Lessons from the Copyright Decision in *Campbell v. Acuff-Rose Music Inc.*’ (1996) 59(2) *L.C.P.*181, 182.

¹⁰³⁴ R. Petty, ‘Brand Parody Products: is the harm worth the howl?’(2009) 26(2) *JCM* 64,64.

¹⁰³⁵ Expressive fashion may also be used to describe artistic fashion in general. For the purpose of this thesis the term will be limited to uses which involve freedom of expression.

¹⁰³⁶ Entering the term ‘fashion parodies’ in Google redirect users to several websites selling products featuring high-end fashion brands. For example, see <http://www.zazzle.co.uk/>, <http://www.redbubble.com/>.

¹⁰³⁷ For example, see www.zazzle.co.uk. www.redbubble.com.

¹⁰³⁸ For example see Brian Lichtenberg <<http://www.shopbrianlichtenberg.com/>. >

originators.¹⁰³⁹ Of more concern from a legal perspective, expressive fashion users are no longer focusing on mainstream corporate logos only, but have also moved towards re-contextualizing luxury fashion brands.¹⁰⁴⁰ Moreover, the increased availability of e-commerce channels,¹⁰⁴¹ and social media platforms,¹⁰⁴² which offer consumers unlimited space for self-expression,¹⁰⁴³ is rendering these products accessible, accepted and influential.¹⁰⁴⁴ This trend is embraced by the post-modern consumer who has evolved from being a ‘head-to-toe single brand loyalist’, to being one who places less emphasis on brand names and more emphasis on style.¹⁰⁴⁵ Even celebrities are endorsing this trend by mixing their high-end classical pieces with these expressive pieces to create a rebellious look, thus, contributing to the spread of expressive fashion at a very fast pace. As such, expressive fashion products have their own market within the fashion industry, a market worth addressing from a legal perspective particularly given the direct connection between such uses and the modern functions of trademarks.¹⁰⁴⁶

¹⁰³⁹ K. Dachine, ‘Clothes-Minded: Trademark Law and Fashion “Parodies’ (*Creative Art Advocate*, 2014) <<http://creativeartsadvocate.com/clothes-minded-trademark-law-and-fashion-parodies/>> Accessed 24 January 2015. Also, see A. Symonds, ‘Fashion Logo Parodies, Strictly Tongue in Chic’ (*NYTimes*, December 2013) <http://www.nytimes.com/2013/12/12/fashion/fashion-logo-parodies-tshirts-strictly-tongue-in-chic.html?_r=0> Accessed 25 January 2015.

¹⁰⁴⁰ A. Schreiber, ‘Ten Street Designers Making The Best Fashion Parodies Logos Right Now’ (*Paper Magazine*, June, 2013) <http://www.papermag.com/2013/06/ten_best_streetwear_brands_fashion_logo_parodies.php> Accessed 9 June 2015.

¹⁰⁴¹ Okonkwo (n.683) 68.

¹⁰⁴² See L. Sherman, ‘The 20 Most Influential Personal Style Bloggers Right Now’ (February 2015) <<http://fashionista.com/2015/02/most-influential-style-bloggers-2015>> Accessed 24 November 2015, for a list of the most influential fashion bloggers now.

¹⁰⁴³ R. Belk, *Handbook of Qualitative Research Methods in Marketing* (Elgar Publishing Inc, 2008) 129-55.

¹⁰⁴⁴ Generally, see I. Mohr, ‘The Impact of Social Media on the Fashion Industry’ (2013) 15(2) *JAEER* 17. G. Kretz, K. De Valck, ‘“Pixelize Me”; Digital Story Telling and the Creation of Archetypal Myths Through Explicit and Implicit Self-Brand Association in Fashion and Luxury Blogs’ (2010) *RCB* 313.

¹⁰⁴⁵ *Ibid.*

¹⁰⁴⁶ IPKAT, ‘Is parody--not imitation-- the sincerest form of flattery for high fashion brands?’ (*IPkitten*, July 2013) <<http://ipkitten.blogspot.co.uk/2013/07/is-parody-not-imitation-sincerest-form.html>> Accessed 8 March 2015.

Dealing with expressive uses within the legal spectrum has engendered considerable judicial uncertainty, and this uncertainty is yet to be resolved especially within the EU. It is fair to state that the current trademark jurisprudence lacks sufficiently nuanced analytical tools to adjudicate the lawfulness of expressive uses in a coherent way. As a result, the courts' analysis in such cases has lacked the desired consistency. This renders the outcome of these cases uncertain to say the least. Hence, this chapter will attempt to remedy this inconsistency by arguing for a better developed defence which encompass not only parody, but also other equally important types of expressive uses.

7.3 The Significance of Expressive Uses

7.3.1 Theories of Freedom of Expression: Towards a Democratic–Dialogue Understanding of Freedom of Expression

Understanding why expressive uses should warrant legal protection requires a solid comprehension of the basic theories on freedom of expression. By reference to contemporary theories on freedom of expression, the section will underline the significance of protecting expressive fashion.

Traditionally, freedom of expression referred to the class of protected acts that are immune from the restrictions which other acts are subject to.¹⁰⁴⁷ Generally, there has been disagreement as to whether the doctrine of freedom of expression rests on natural

¹⁰⁴⁷ T. Scanlon, 'A Theory of Freedom of Expression' (1972) 1(2) *Phils.Pub.Aff.* 204, 204 .

moral principles or is alternatively the making of political institutions.¹⁰⁴⁸ Irrespective of this disagreement, freedom of expression has been mainly understood as the right of an individual to communicate, seek, or impart thoughts and opinions without any undue restriction.¹⁰⁴⁹ This interpretation of freedom of expression views expression as an ‘individualistic, one-dimensional’ mode of social engagement which simply enables ‘individuals’ to express freely.¹⁰⁵⁰

Although this individualistic dimension of freedom of expression is still important, democracy-based theories of free speech have convincingly gained increased prevalence.¹⁰⁵¹ According to these theories, the ultimate objective of protecting freedom of expression should be to enhance the actual effect of speech rather than to promote personal autonomy.¹⁰⁵²

To achieve this objective, protection of speech should entail not only the exemption of certain ‘acts’ from legal liability, but also the protection of the ability of groups and persons to influence the meanings carried by major symbols in the society’.¹⁰⁵³ Freedom of speech under these theories is a creative, interactive process which is important to community and self- formulation.¹⁰⁵⁴ Proponents of this collectivist view correctly recognise the interdependence between free speech and democracy and,

¹⁰⁴⁸ A. Meiklejohn, *Political Freedom: the constitutional power of people* (OUP, 1965) 79, arguing that freedom of expression is the creation of political institutions.

¹⁰⁴⁹ S. Mill, *On Liberty and Other Essays* (OUP, 2008) 71.

¹⁰⁵⁰ A. Hutchinson, ‘Talking the Good Life: From Free Speech to Democratic Dialogue’(1989) 1(4) *Y.J.L.L.* 17, 24.

¹⁰⁵¹ A. Giddens, *Beyond Left and Right: The Future of Radical Politics*(John Wiley & Sons, 2013) 113-116.

¹⁰⁵² O. Fiss, ‘Free Speech and Social Structure’(1981) 71 *IOWA L.Rev.* 1405, 1408-1411.

¹⁰⁵³ Sakulin (n.9) 139.

¹⁰⁵⁴ J. Balkin, ‘Digital Speech and Democratic Culture: A Theory of Freedom of Expression for The Information Society’(2004) 79(1) *NYU L.Rev.*1, 34.

accordingly, embrace the role of participative free speech in the promotion of democratic cultures. They correctly note that forces of democratization operate not only through regular elections or governmental deliberations, but more importantly through changes in institutions, practices, speech and dress.¹⁰⁵⁵ Unlike the individualistic perception to freedom, this view purports that conversation and connection are inherently valuable and not simply means to the personal end of self-expression.¹⁰⁵⁶

To achieve a culture characterised by a democratic-dialogue, ordinary people should be given a fair opportunity to participate in the creation and evolution of meaning-making, those meanings that shape them and become part of them. A democratic culture is valuable because it gives ordinary people a say in the progress and development of the cultural forces that in turn shape those people.¹⁰⁵⁷ This active engagement in the world is what should underscore the concept of freedom of speech.¹⁰⁵⁸ Aligned with this understanding, Fiss recommends a more active role for the state in combating the corrosive effects of private wealth and in enhancing the quality of public debate.¹⁰⁵⁹

This modern understanding of the concept of freedom of expression, which the author agrees with, raises two questions which will be addressed respectively. First, how can

¹⁰⁵⁵ *Ibid.*

¹⁰⁵⁶ Hutchinson (n.1050) 24.

¹⁰⁵⁷ Balkin (n.1054) 33.

¹⁰⁵⁸ Generally, see L. J. Fiske. See *Television Culture* (Routledge, 1987). Also, see W. Fisher, 'Property and Contract on The Internet' (1998) 73 *Chic-Kent L.Rev.* 1203, 1217.

¹⁰⁵⁹ Generally, see Fiss (n.1052).

an ordinary person contribute to the process and evolution of meaning-making within a social group? Second, what impact would the modern understanding of freedom of expression have on the regulation of expressive use within trademark law?

According to the theory of bricolage,¹⁰⁶⁰ common meanings within a social nexus can only be engaged with, altered, deleted, transposed, or substituted if a certain degree of borrowing is permitted. In other words, to be able to make a momentous social impact, a ‘bricoleur’¹⁰⁶¹ should be able to freely appropriate pre-existing materials which are already in hand to be able to produce new forms of cultural expressions.¹⁰⁶² This view recognises that a *democratic* view of free expression entails building upon the debris of what was once a social discourse.¹⁰⁶³

For the purpose of trademark law, in order to participate effectively in the democratic-dialogue, members of the public should have access to the appropriate networks and tools, including trademark symbols.¹⁰⁶⁴ For participation to be meaningful, members of the public should not be expected to use trademark symbols conventionally. On the contrary, they are expected to create meanings that run contrary, or parallel to, the dominant culture and use them accordingly.¹⁰⁶⁵ Expressive use of trademarks provides the ideal facilitative tool for such participation in the development of the culture and

¹⁰⁶⁰ Bricolage refers to crafts-people who creatively use materials left over from other projects to construct new artefacts. See M. Rogers, ‘Contextualizing Theories and Practices of Bricolage Research’(2012) 17 *TQR* 1, 1.

¹⁰⁶¹ A Bricoleur is a person who creates improvised structures by appropriating pre-existing materials which are ready to hand. See, D. Chandler, *Semiotics; The Basics* (2nd ed., Routledge,2007) 205-206.

¹⁰⁶² Sakulin (n.9) 139.

¹⁰⁶³ Chandler (n.1061) 205-206.

¹⁰⁶⁴ J. Cohen, *Configuring The Networked Self: Law, Code and the Play of Everyday Practice* (Yale University Press, 2014) 10.

¹⁰⁶⁵ A. King, *Postmodern Political Communication: The Fringe Challenges the Centre* (Greenwood Publishing Group, 1992) 12.

the community. Once consumers are given the opportunity to transform, criticise, deconstruct, and comment on brands, the value of trademarks as the means for self-expression and self-definition of groups will truly materialise. As such, not only should the transformation of brands through various means be permitted, but also it should be encouraged in order to foster a culture characterised with democratic-dialogue.¹⁰⁶⁶ Trademark owners need to accept that recodification of their symbols can always be deployed against the grain, and this can only be achieved if a liberal attitude towards expressive trademark uses is implemented.¹⁰⁶⁷

It should be noted that the right of individuals to act on brands (particularly to critique brands) gain increased significance given the convergence between political, social and commercial dimensions within corporations.¹⁰⁶⁸ Desai argues that given the strong influence of corporations within societies, it is only reasonable to view companies as powerful figures that attract the penalty for criticism for speech purposes.¹⁰⁶⁹ If corporations are to be granted the same legal rights as natural persons in terms of their reputational protection, they should be subject to the same limits to protection as other powerful public figures.¹⁰⁷⁰ It is no longer logical to limit the types of criticisms that could be instigated against brands based on the mistaken belief that a corporation's activities are limited to the commercial spectrum. Corporations also participate in

¹⁰⁶⁶ For a parallel discussion in the context of copyright see J. Tehranian, 'Whither Copyright? Transformative Use, Free Speech and Intermediate Liability Proposal'(2005) 2 *BYU Law Review* 1201, 1026-1030.

¹⁰⁶⁷ K. Aoki, 'How the World Dream Its Self to be American: Reflections on the Relationship between Expanding Scope of Trademark Protection and Free Speech Norms'(1997)17 *Loy.LA.Ent.L.Rev.* 523, 542-543.

¹⁰⁶⁸ R. Desai, 'Speech, Citizenry, and the Market: A Corporate Public Figure Doctrine'(2013) 98 *Min.L.Rev.* 455, 456.

¹⁰⁶⁹ This point was advanced in the US case of *Citizens United v. Fed. Election Comm'n*, 558 U.S. 310,343 (2010).

¹⁰⁷⁰ Desai (n.1068) 457.

democratic life, often engaging intentionally in topical debates about matters of public importance including gay rights (Google), ethical fair trademark rights (Lush), and women's rights (Shiseido) to make statements about themselves.¹⁰⁷¹ The powerful status of corporations necessitates that mediums which allow consumers to speak about corporations are made available.¹⁰⁷² Enabling such free exchange is not only logical, but also advantageous as it allows people to know 'who is producing and selling what product, for what reason, and at what price'.¹⁰⁷³

The analysis so far emphasizes the significance of expressive uses for the purpose of cultural advancement and for the enhancement of the political and social debate.¹⁰⁷⁴ A significant question which emerges here relates to the applicability of the previous analysis to speech which entails commercial elements (such as expressive fashion). Several points can be advanced to support extending democratic theories of freedom of expression to include speech encompassing commercial elements.

First, speech which partly proposes a commercial transaction acts as a facilitative tool for non-commercial, transformative, cultural, and political speech. Fashion as already discussed in the introductory chapter is not a private matter. Fashion has for long

¹⁰⁷¹ For a detailed analysis on how companies use CSR to portray an image about their brands see M. Porter, M.Kramer, 'Strategy and Society; The Link between Competitive Advantage and Corporate Social Responsibility' (2006) *HBR* <<http://f2.washington.edu/fm/sites/default/files/Porter%20Business%20Case%20for%20CSR.pdf>> Accessed 24 October 2015.

¹⁰⁷² Desai (n.1068) 459. Also, see the opinion of Justice Scalia in the US case of *New York Times Co. v. Sullivan* 376 U.S. 254,269 (1964).

¹⁰⁷³ *Va. State Bd. of Pharmacy v. Virginia Citizens Consumer Council*, 425 U.S. (1976) 765.

¹⁰⁷⁴ In this context, political and social speech focuses on condemning the activities of big corporations. Cultural and transformative speech is more personal and may simply complement or add to existing brand meanings.

helped to give expression better form and stronger meaning given its influential social connotation.¹⁰⁷⁵ The hippie countercultural movement for instance was primarily expressed through the ‘outrageous’ fashion which symbolized their freedom and rebellion.¹⁰⁷⁶ The strong symbolism of their fashion garments is what rendered the hippie movement impossible to ignore.¹⁰⁷⁷ Also, several fashion designers such as Mainbocher and Yohji Yamamoto use their collections as outlets for socio-political commentary.¹⁰⁷⁸ In an ultra-connected globe any statement made through fashion is likely to spread across at a faster pace.

Second, speech intertwined with commercial elements constitutes a form of communicative action which embodies democratic participation. Unlike purely commercial speech (pure commercial advertising),¹⁰⁷⁹ intertwined speech invites a reciprocal dialogue and discussion, which is essential for the dialogic model of freedom of expression.¹⁰⁸⁰

Third, it is arguable that the content of the communicated speech and its general social utility, as opposed to the medium of communication should be the central issue in this analysis. This reasoning suggests that using a commercial medium to communicate a non-commercial message should not, in general terms, act as a deterrent for the

¹⁰⁷⁵ A. Lynch, M Strauss, *Changing Fashion: A Critical Introduction to Trend Analysis and Meaning* (Bloomsbery,2007) 35.

¹⁰⁷⁶ Cultural Expressions in the 1960s(n.d.) <<https://macahe.wordpress.com/4-fashion/>>. Accessed 24 July 2015.

¹⁰⁷⁷ J. Howard, ‘The Flowering of the Hippie Movement’(1969) 283 *AAAPS* 43, 45.

¹⁰⁷⁸ Another Magazine, ‘Political Movements in Fashion’ (*Anothermag*, March 2015) <<http://www.anothermag.com/fashion-beauty/3473/political-movements-in-fashion>> Accessed 24 September 2015.

¹⁰⁷⁹ For a discussion on freedom on commercial speech see generally, JE Rothman, ‘Commercial Speech- Commercial Use and Intellectual Property Quagmire’ (2015)101 *Va.L.Rev.* 1929.

¹⁰⁸⁰ Desai (n.1068) 487.

protection of such speech.¹⁰⁸¹ The law should strive to enable, rather than hinder the different voices of speech including transformative expression and political speech that emerge in commercial settings. The end result would be enhanced social utility, improved autonomy, and an increase in the number of decentralised sources of information about corporations.

On the latter point, one may argue that failing to effectively police intertwined, particularly socio-political speech, may jeopardise the likelihood of informed choice. This raises the question of whether the emphasis within the legal sphere should be placed on the objectivity of the communicated information or the amount of available information for public use. The author generally favours the second view arguing that in a free debate a level of subjective statements can enhance social utility.¹⁰⁸² This argument proposes that interest in avoiding tarnishment, blurring, misappropriation or even some extended types of confusion¹⁰⁸³ cannot override the interest in free speech.¹⁰⁸⁴

Finally, granting legal protection to speech which comprises commercial elements can act as an essential counter-weight to the market-oriented approach to trademark protection which ties trademark rights closely to ownership of property.¹⁰⁸⁵ The author

¹⁰⁸¹ This point finds support in the U.S. *Sullivan* (n.1072) in which it was argued that expression does not lose constitutional protection to which it would otherwise be entitled because it appears in the form of a paid advertisement.

¹⁰⁸² *Ibid*, 271. For a contrasting view see generally, C. Guzelian, 'True and False Speech'(2010) 670 *B.C.L.Rev.* 51.

¹⁰⁸³ In particular initial interest and post-sale confusion. Source confusion, however, should be protected under all conditions as doing otherwise would lead to deception, which would have the effect of undermining the whole trademark system.

¹⁰⁸⁴ *United States v. Alvarez*, 132 S. Ct. 2537, 2549 (2012) at 2545-2549.

¹⁰⁸⁵ Balkin (n.1054) 29.

has argued in chapter four that the legal recognition of the modern functions is now essential even if this demands an increased recognition of property elements in trademark law.¹⁰⁸⁶ However, this market-oriented approach is bound to lead to monopolisation of trademarks, if the primacy of private interests is favoured over public interests in all instances.¹⁰⁸⁷ Accepting that speech intertwined with commercial elements should not prohibit it from qualifying for protection constitutes an essential first step for countering the dominance of trademark owners over the meanings imposed by their marks.

In conclusion, by reference to the democracy-based theories of freedom of expression which the thesis agrees with, trademark law should leave ample room for experimentation and bricolage.¹⁰⁸⁸ This is applicable not only to purely non-commercial speech, but equally to speech entailing commercial elements for the reasons discussed previously.¹⁰⁸⁹ This approach is significantly congruent with the social-planning justification to trademark protection.¹⁰⁹⁰ According to this theory, trademark systems should strive to achieve a fair, democratic, vibrant, attractive, and above all a just culture.¹⁰⁹¹ Fisher proposes consumer welfare, semiotic democracy, sociability, and hence, the protection of expressive uses constitutes the cornerstone of such culture.¹⁰⁹² The subsequent analysis will reflect more accurately on the

¹⁰⁸⁶ See chapter four, section 4.7.

¹⁰⁸⁷ Hutchinson (n.1050) 17, 18.

¹⁰⁸⁸ M. Balkin, 'Room for Manoeuvre: Julie Cohen's Theory of Freedom in Information State' (2012) 6(1) *Jerusalem Rev.L.S* 79, 80. Balkin makes a similar argument with respect to copyright law.

¹⁰⁸⁹ Hutchinson (n.1050) 27.

¹⁰⁹⁰ For a detailed analysis on the social planning approach see generally, W. Fisher (n.10), 17. Naser (n.770) 1.

¹⁰⁹¹ A. George, *Constructing Intellectual Property* (CUP, 2012) 348.

¹⁰⁹² Fisher (n.10), 17. Also, see W. Fisher, 'Reconstructing the Fair Use Doctrine' (1988) 101 *Harv.L.Rev.* 1661, 1661-1666.

significance of trademarks as tools for protecting social interests in expression from the perspective of all interested parties within the fashion industry.

7.3.2 Implications of Expressive Uses on the Fashion industry

The previous analysis highlighted the significance of expressive fashion for advancing a democratic-dialogue understanding of freedom of expression. This section will provide a more tailored analysis for evaluating the significance of expressive fashion from the perspectives of the three main players within the trademark debate: the public, the third party uses, and the trademark owners.

7.3.2.1 Public

From the perspective of the public, the protection of expressive fashion can be understood from two different angles. At a basic level, the general public members would perceive the legalisation of expressive fashion uses as being advantageous and in fact fair given their contribution in the creation of brand value. The direct benefit that such uses provide is that it allows a wider audience to participate in the fashion conversation. Fashion conscious consumers who cannot afford to shell out thousands of pounds for a branded bag or a t-shirt can now express their fashion savvy through expressive fashion products without resorting to counterfeit products.¹⁰⁹³

¹⁰⁹³ Schreiber (n.1040). Gos.IP.Girl, 'Postmodernism and the Deconstruction of High Fashion; Youth culture – Intellectual Property and Fashion Parodies - The latest on Street Fashion, IP & Parody Tee's '(Goss-IP Girl, 2013)<<http://goss-ippgirl.blogspot.co.uk/2013/11/postmodernism-and-deconstruction-of.html>> Accessed 28 June 2015.

More importantly, expressive fashion provides consumers with an important channel for expression, developing self-identity and communication.¹⁰⁹⁴ Indeed, many consumers base their consumption choices on the message that the consumed product will convey to the recipients, be it other fashion conscious consumers or the wider social environment.

In this sense, expressive fashion allows consumers to actively engage in the brand meaning conversation which according to Litman is a natural result of the 'omnipresent lifestyle marketing' that brand owners are using.¹⁰⁹⁵ Two points can be advanced as to why a positive view towards this type of participation is important. First, as already argued in the second chapter, brand meanings are a result of a co-creation process which occurs between consumers and trademark owners.¹⁰⁹⁶ Thus, brands should be freely available for all consumers to be used for the purpose of self-advancement and self-expression. Protecting expressive uses in this context constitute an implicit legal recognition of the contribution of consumers in the creation of brand meanings.

Second, a legal environment which allows expressive uses protects consumers from the persuasive effects of strong brands. It was argued in chapter four that consumers

¹⁰⁹⁴ P. Hamid, 'Style of Dress as a Perceptual Cue in Impression Formation' (1968) 26 *PMS* 904, 906. Also, see K. Gibbins, A. Schneider, 'Meaning of Garments: Relationship Between Impression of an Outfit and the Message Carried by Its Component Garments' (1980) 51 *PMS* 287, 287-291.

¹⁰⁹⁵ J. Litman, 'Breakfast with Batman: the Public Interest in Advertising Age' (1999) 108 *Y.L.J.* 1717, 1732.

¹⁰⁹⁶ S. Cordero, 'Cocaine-Cola, the Velvet Elvis, and Anti-Barbie: Defending the Trademark and Publicity Rights to Cultural Icons' (1997) 8(2) *Fordham Intell.Prop.Media &Ent.L.J.* 599, 602. For a parallel analysis on image and publicity rights see, J. Jollymore, 'Expiration of the Right of Publicity-When Symbolic Names and Image Pass into the Public Domain' (1994) 84 *TMR* 125. Also, see Madow (n.1024).

cannot be regarded as gullible and, thus, are not really manipulated by strong brands.¹⁰⁹⁷ Consumers in the context of luxury fashion simply develop emotional connections with brands. However, this statement presumed that an opposite force which allows the resistance and the alternation of imposed brand meanings exists. Expressive fashion is a valuable tool which enables consumers to resist the allure of high-end fashion brands.¹⁰⁹⁸ This is particularly relevant in the context of those expressive uses which communicate rebellious messages against capitalism, consumerism or other emerging social phenomena (e.g. Label Whore, Nadia Plesner's Louis Vuitton T-shirt etc.). As noted by Desai, 'These interactions are the "small shocks" that break a herd's run in one direction or break us out of heuristic thinking into evaluative thinking'.¹⁰⁹⁹

However, this positive attitude towards expressive fashion can be challenged by the specific consumers of the targeted luxury brands. Allegedly, this segment of the public has an upmost interest in the preservation of the original brand meanings, and hence, will logically object to the protection of expressive uses. Arguably, although shoddy and petty motives may control the desire of consumers to protect original brand meanings, if the buyers wish to be snobs, the law should protect their snobbery.¹¹⁰⁰ Despite the credibility of this statement, it can be contested on two grounds. First, legalising expressive uses would not necessarily result in the eradication of original brand meanings, but rather the creation of parallel, or opposite,

¹⁰⁹⁷ See chapter four, section 4.6.2.

¹⁰⁹⁸ M. Redish, 'First Amendment Theory and the Demise of the Commercial Speech Distinction: The Case of the Smoking Controversy' (1994) 24 *N.Ky.L.Rev.* 553, 557.

¹⁰⁹⁹ D. R. Desai, 'Bounded by Brands: An Information Network Approach to Trademarks' (2014) 47 *Cal.L.rev.* 821, 847.

¹¹⁰⁰ Judge L. Hand in *Benton Announcements, Inc. v. FTC* 130 F.2d 254,255 (2nd Cir. 1942).

brand meanings. Companies are resourceful enough to ensure that their original brand meanings will not be affected.¹¹⁰¹ Second, expressive fashion can act as filtering mechanism which ensures that only consumers that have a genuine emotional interest in a particular brand would pay a premium price to obtain it. To this end, the general public interest in the protection of expressive fashion outweighs the interest of specific consumer segments.

7.3.2.2 Third Party Users

The significance of protecting expressive fashion from the perspective of third party users is aligned with that of consumers. The products offered by these users act as a vehicle which facilitates the post-modern fashion movement in several ways.¹¹⁰²

Expressive fashion contributes to lifting the consumer from the herd status and places him in the nexus of the autonomous consumer who uses fashion, as aspired, in order to express. Post-modern fashion is defined as ‘fashion that is aware of itself as fashion—or as art—and embraces that artificiality while actively subverting it for the sake of social or artistic commentary’.¹¹⁰³ It is fashion that does not distinguish between high-end and low-end and which aims to collapse the distinction between elite, mass, and street. Just as large fashion houses such as Vivienne Westwood and Hussein Chalayan draw inspiration from the street, expressive users draw inspiration

¹¹⁰¹ For example, Burberry managed to restore its original brand meaning without legal interference. Chapter five, section 5.2.2.

¹¹⁰² Post-modern theory in the context of fashion interpreted as a challenge to traditional modes of clothing scholarship. For a full account see M. Morgado, ‘Coming to Terms with Postmodern: Theories and Concepts of Contemporary Culture and Their Implications for Apparel Scholars’ (1996) 14(1) *CTRJ* 42.

¹¹⁰³ Goss-IP (n.1093).

from high-end designers and other corporate brands to re-contextualise original brands to allow consumers to express themselves as they aspire to. Brian Lichtenberg, the pioneer of the expressive fashion movement has pictured his designs as contributing to the post-modern fashion movement stating that ‘consumers often mix a Céline bag, with my products and it makes me happy because that's exactly how I pictured it: just merging street and luxury’.¹¹⁰⁴

Expressive fashion also helps free consumers from the control of original designers. On this premise, third party users argue that their designs help resist or subvert the impact of capitalism ideology which encourages continuous consumption and distract people from the real social problems.¹¹⁰⁵

Furthermore, it is arguable that contrary to what trademark owners claim, expressive fashion helps publicise original brands, therefore, popularising them among fashion conscious consumers. Lichtenberg stated that his designs have fostered the support of some high-end designers. Céline Dion t-shirts for example had even been ordered for the entire crew at the genuine Céline showroom in Paris.¹¹⁰⁶

¹¹⁰⁴ K. Rudulfo, ‘Brian Lichtenberg on 90’s Fashion, Miley Cyrus, and Twerking Contests’ (Elle, September 2013) < <http://www.elle.com/fashion/news/a23654/brian-lichtenberg-ss14-collection/> > Accessed 23 July 2015.

¹¹⁰⁵ F. Jameson, Postmodernism, or the Cultural Logic of Late Capitalism’ (1984) 146 *New left Review* 53, 65. Also, see generally, M. Morgado, ‘Coming To Terms With Postmodern: Theories and Concepts of Contemporary Culture and Their Implications for Apparel Scholars’ (1996) 14(1) *CTRJ* 42.

¹¹⁰⁶ Schreiber (n.1040).

7.3.2.3 Trademark Owners

Trademark owners would argue that those who infuse their brand names into allegedly expressive messages and use them in a commercial context are taking an unfair advantage of the goodwill, reputation, and established associations of the mark. In their view, dilution is another potential result of expressive fashion.¹¹⁰⁷ It is no surprise that trademark owners would object to such practices as in their view (perhaps correctly) many of these expressive uses are not intended as subversions but rather as a way to pay homage to a certain designer or labels.¹¹⁰⁸ Accordingly, the main objective of such uses is to free-ride on the coat-tails of original marks, which under a classical dilution claim is objectionable.

Of course, potential confusion as to the source cannot be ruled out in evaluating expressive fashion uses. In certain instances, particularly when the message underlying the expressive use is unclear, the potential for such confusion can be high. Two interests can be harmed from such practices. At a basic level, trademark owners may suffer market harm due to diverted sales as these products are now more than ever acting as substitute to original brands.¹¹⁰⁹ Usually, the existence of such market harm

¹¹⁰⁷ For example see the 'I Like Cocaine' parody t-shirt which Coca-Cola objected to for tarnishing its image. See *Coca-Cola Co. v. Gemini Rising Inc.* 346 F.Supp, 1183, 1189 (E.D.N.Y, 1972).

¹¹⁰⁸ Schreiber (n.1040).

¹¹⁰⁹ See *Campbell v. Acuff Rose Music Inc.*, 510 U.S. 569 (1994) for a more detailed analysis of market harm and its use in law. On a side note, the explosive growth of the internet is resulting in the spread of fashion parodies at unprecedented levels. Generally, see C. Kohli, R. Suri, A. Kapoor, 'Will social media kill branding?' (2015) 58(1) *Bus.Horizons* 2015.

under a standard global appreciation test is regarded as evidence to demonstrate likelihood of confusion.¹¹¹⁰ This substantiates the claims that the protection of expressive uses may lead to confusion. This would harm consumers who would suffer from deception, a result which trademark law attempts to eliminate under all circumstances. Therefore, it is arguable that in these cases, the interest of trademark owners in protection of their mark as an informative tool should prevail over the interest of third parties in expression.¹¹¹¹ This will be further discussed in the final section of this chapter.

The above discussion clearly highlights the tensions that exists in protecting expressive fashion uses, and hence, the importance of striking a balance between all the interested parties. This balance should recognise the interest of trademark owners in preserving the integrity of their marks, but should limit these rights when appropriate through effective counterbalances.

7.4 Types of Protectable Expressive Uses

Bearing in mind the social value of these forms of expression, the thesis argues that apart from specific exceptions, a liberal attitude towards some expressive uses in the context of fashion should be accepted. Such attitude ensures that when needed, the broad public interest in free expression prevails over the private interests of trademark

¹¹¹⁰ D. Simon, 'The Confusion Trap: Rethinking Parody in Trademark Law' (2013) 88 *Wash. L. Rev.* 1021, 1068.

¹¹¹¹ *Ibid.* Also, see Cordero (n.1096) 600 arguing that in cases of confusion, parodies should not be allowed.

owners.¹¹¹² This suggestion, however, cannot be taken to mean that anyone who calls himself an expressive user can ‘skim the cream’ using the notion of ‘expressive fashion’ as a fig leaf to free-ride or confuse.¹¹¹³ The subsequent analysis will identify various controversial types of expressive uses which may emerge, and will attempt to highlight the value of protecting some types of expressive uses within the legal spectrum. Three categories of expressive uses will be discussed: cultural commentary (including parody, satire, social critique, and artistic expression), tarnishing uses, and most controversially vague expressive uses (including brands parodies).

7.4.1 Cultural Commentary: Social commentary and Artistic Reaction

Cultural commentary, refers to both clear-cut criticisms and comments made on issues of social significance (social commentary), or more controversially, less comprehensible speech which may simply be a personal reflection on issues of public significance (artistic reaction).

For the purpose of this thesis, social commentary will be used as an umbrella term which includes several types of expressive uses that aim at commenting on the overall social experience (mainly countercultural). Artistic reaction, on the other hand, refers to the use of trademarks to express the personal relationship consumers develop with luxury brands mainly through art. The following section will briefly discuss each of

¹¹¹² J. Gunnell, ‘Evaluation of the Dilution-Parody Paradox in the Wake of Trademark Dilution Revision Act of 2006’ (2008) 26 *Cardozo Art& Ent L.J.*411, 466.

¹¹¹³ *Campbell* (n.1109) 589.

these types of expressive uses and the significance of protecting them, despite the legal issues that they may engender.

7.4.1.1 Parody

As already explained, parody is a ridiculing dialogue¹¹¹⁴ which involves transforming the nature of the original trademark, or making a ‘burlesque’ imitation of it.¹¹¹⁵ Increasingly, parodists in the context of trademarks are becoming culture jammers that use trademarks to comment and illuminate on specific activities of big businesses in a humorous way.¹¹¹⁶

Often, trademarks are useful targets for parodists because of their ability to act as a short-hand for expression, especially when the expression needs to be very concise. A Barbie doll figure for example can effectively communicate a message about the undesirability of creating unrealistic body expectations within the society.¹¹¹⁷ Using the Barbie trademark to communicate such a conflicting message helps in the delivery of this socially valuable message more effectively. Similarly, the use of Dumb

¹¹¹⁴ D. Kemp, L. Forsythe, I. M. Jones, ‘Parody in Trademark Law: Dumb Starbucks Makes Trademark Law Look Dumb’ (2015) 14 *J.Marshall Rev.Intell.P.L.* 143, 159. D. Voorhoof, ‘Freedom of Expression, Parody, Copyright and Trademarks’ in J.C. Ginsberg, J.M. Besek(eds), *Adjuncts and Alternatives to Copyrights* (ALAI Congress, 2001), 29.

¹¹¹⁵ L. Eade, ‘Getting Away with (Brand) Murder: The Limits of Trademark Parody’ (*National Law Office*, 2009) <<http://www.internationallawoffice.com/newsletters/detail.aspx?g=d30cba2f-38ce-448b-99f5-e0329cacfb1f>> Accessed 9 March 2015. Also, see Gehring in B. Vakken, *Christopher Guest’s Social Critique* (ProQuest, 2008) 66.

¹¹¹⁶ V. Carducci, ‘Culture Jamming: A Sociological Perspective’ (2006) 6 *JCC* 116, 122. Also, see generally, M. Rimmer, ‘The Black Label: Trademark Dilution, Culture Jamming and the No Logo Movement’ (2008) 5(1) *Script-ED* 70. For more illustration on the cultural jamming movement see, <http://www.brandalism.org.uk/the-project>.

¹¹¹⁷ A. Jaroff, ‘Big Boi, Barbie, Dr. Suez and the King: Expanding the Constitutional Protection for Satirical Use of Famous Trademarks’ (2007) 57 *Am. U. L. Rev.* 641, 660. M. Mortz, ‘Seen Through Rose-Tinted Glasses, The Barbie Doll American Society’, in K Lause(eds), *Popular Culture: An Introductory Text* (Bowling Green University Popular Press, 1992) 212-225.

Starbucks trademark to mimic the famous Starbucks brand and its consumers is another example of an influential parody which emerged in the context of trademark law. These parodies have fostered considerable global attention which simply emphasises their understated communicative value.¹¹¹⁸

7.4.1.2 Satire

Parodies and satires are two terms that are often confused, particularly within the academic sphere given the humour element which they both entail.¹¹¹⁹ However, in practice, whilst parody involves criticising, mocking or commenting on an original work for the purpose of shedding a new light on it,¹¹²⁰ a satire serves to critique a broad social issue using the original work as a means or a tool.¹¹²¹ Satire uses humour to go against power and its oppressions and thus, is a valuable source for freedom of expression.¹¹²² The use of the LV mark in a Hyundai television commercial which, according to Hyundai representatives, aimed to redefine the concept of luxury and to emphasise the idea of ‘luxury for all’ constitutes a perfect example of satire.¹¹²³

¹¹¹⁸ L. Borodkin, ‘Dumb Starbucks was the Perfect Crime, but Starbucks was Smart to Play Dumb’ (*The Guardian*, February 2014) <<http://www.theguardian.com/commentisfree/2014/feb/12/dumb-starbucks-trademark-lawyer>> Accessed 24 August 2015. Also, see *Smith v. Wal-Mart Stores, Inc.*, 475 F. Supp. 2d 1318, 1320 (N.D. Ga. 2007).

¹¹¹⁹ Some theorists labelled parody as a form of satire. For example see R.P. Blackmur, ‘Parody and Critique: Mann’s Doctor Faustus’ in *Eleven Essays in European Novel* (Brace & World: 1964) 97-116.

¹¹²⁰ S. Weakley, *Internet Law and Practice in California* (Continuing Education of the Bar—California, 2004) 1.42.

¹¹²¹ *Malletier v. Hyundai Motor Am.*, 2012 U.S. Dist. LEXIS 42795 (S.D.N.Y., 2012).

¹¹²² M. LeBoeuf, ‘The Power of Ridicule; An Analysis of Satire’ (2007) Senior Honors Projects. <<http://digitalcommons.uri.edu/cgi/viewcontent.cgi?article=1065&context=srhonorsprog>>

¹¹²³ *Malletier v. Hyundai Motor* (n.1119).

Within legal jurisprudence, particularly within the US, parody seems to have a preferred status as a legally protectable expressive use compared to satire.¹¹²⁴ Courts tend to emphasise the availability of alternative mediums for expression to justify the lack acceptance of satirical uses in the context of trademark law. This approach is objectionable for reasons that will be elaborated in section 7.4.1.5.

7.4.1.3 Social Criticism

Whilst both parodies and satires can be classified as a form of social criticism,¹¹²⁵ social criticism does not entail an element of mockery, humour or mimicking. Social criticisms are often instigated by individuals speaking to other individuals, and whose speech constitutes a reflection on the conditions of the collective life.¹¹²⁶ An accurate example of a social critique which does not entail humour, but yet encompasses an extremely powerful underlying message is the Nadia Plesner example. Here, the artist used the LV mark to make a general commentary about poverty and social injustice. This type of commentary is as significant as other types of social commentary that use humour.

¹¹²⁴ See *Campbell* (n.1109). For a contrasting view see *MasterCard International Inc. v. Nader 2000 Primary Committee Inc.* Civ. 6068 (GBD), 2004 WL 434404(S.D.N.Y. Mar. 8, 2004) . As far as the UK attitude is concerned, there is no clear decision on satire in the context of trademark law. However, under the Copyright and Rights in Performances (Quotation and Parody) Regulations 2014, there is no explicit reference to satires as a legitimate species of fair dealing. This may imply that strict of forms of parodies also have a preferred status in the UK, at least in the context of copyright law.

¹¹²⁵ C. Watson, *Comedy and Social Science; Towards a Methodology of Funny* (Routledge, 2015) 5.

¹¹²⁶ M. Walzer, *Interpretation and Social Criticism* (HUP,1993) 33 .

7.4.1.4 Artistic Reaction

A more controversial phenomenon which does not engage in straightforward critique of high-end fashion brands is the use of established trademarks as a means for artistic expression.¹¹²⁷ Instead of using existing trademarks to criticise particular issues, a number of designers are simply borrowing the imagery of luxury fashion and manipulating them in clever, artistic yet complex ways. Often, these uses are personal in nature, and endow their users with a significant monetary value when placed in a commercial context, hence, the objections against their use. However, the clear artistic value of such uses ‘could not be reduced into a product-driven free-riding on the prestige of established marks’.¹¹²⁸ This type of users (artists) feel that while luxury fashion offers objects that facilitate personal expression, the imagery embedded within them is inadequate to express their true emotions, thoughts, or ideas.¹¹²⁹ Although such uses do not fall within the conventional definition of social commentary, they constitute an important medium for personal commentary which fosters transformative expression. This, as already discussed, constitutes a main pillar of the democratic approach to freedom of expression.

Logos associated with the famous brands are being recreated in such a way that they convey a range of contradictory impulses and emotions as opposed to a single articulable message. So, although the imagery of high-end luxury is being used in an expressive manner by the creator, the meaning of this expression is not necessarily

¹¹²⁷ Brian Lichtenberg, Bio BRIAN LICHTENBERG, <<http://www.brianlichtenberg.com/bio.html>> Accessed February 25 2015.

¹¹²⁸ Colman (n.181) 11.

¹¹²⁹ J. Baudrillard, *The Consumer Society: Myth and Structures* (SAGE, 1988) 149.

accessible to others. On this premise, it is unsurprising to find serious objections against allowing this form of trademark use. This is principally true if viewed from the perspective of trademark owners who would naturally object to the use of what they call ‘their property’. This type of use has caused legal speculations as illustrated in the US case of *Chanel, Inc. v. Heller*.¹¹³⁰ Chanel in this case, understandably, objected to the use of their mark as part of an artistic picture. They argued that the third party was not articulating a clear message, but rather using the Chanel mark on their products simply because of the iconic status of the mark.¹¹³¹ However, this view is limited in that it undermines the importance of transforming logos to produce a distinctive self-identity as part of a truly democratic culture.¹¹³²

7.4.1.5 Discussion

On the face of it, the critique element that underlies most types of expressive uses contradicts the essence of Article 5(2) that is to preserve the reputation and the goodwill of famous marks.¹¹³³ However, given the overriding public interest in freedom of expression, and significance of such type of uses in the promotion of a democratic understanding of freedom of expression, the thesis argues that all of these types of uses should be embraced. Protectable uses should not be limited to humorous targeted commentary, but also to any other types of social commentary which promote

¹¹³⁰ *Chanel, Inc. v. Heller*, 1:14-CV-08011-JGK (S.D.N.Y filed Oct. 3, 2014).

¹¹³¹ The Fashion Law, ‘Chanel Slaps “What About Yves” Brand with Trademark Infringement Lawsuit’ (*The Fashion Law*, 2014) <<http://www.thefashionlaw.com/chanel-slaps-what-about-yves-brand-with-trademark-infringement-lawsuit/>> Accessed 15 March 2015.

¹¹³² Colman (n.181) 33.

¹¹³³ Levy (n.5) 436.

a ‘dialogic’, ‘communicative’, ‘discursive’ and most importantly ‘transformative’ culture.¹¹³⁴ This argument can be justified on several grounds which will be addressed.

Generally, these types of expressive uses enable individuals to take the carefully manipulated brand imagery, and transform it once again to convey either linguistically or visually, idiosyncratic feelings about luxury fashion and the society in general.¹¹³⁵ On one hand, the interested public and competitors should be encouraged to participate in the development of the anti-brand movement and be able to challenge the luxury allure and the bullying of trademark owners as already discussed.¹¹³⁶ On the other hand, the interested public should be able to express their deep understanding through visual self-expression beyond the contours set by luxury brand makers. Censorship of these types of expressive uses slackens the ability of other interested parties to act on brands, which is an undesirable effect that the law should resist.

As for the parody/satire distinction, which is generally favoured within the legal spectrum, this should be completely eradicated in the context of trademark law for both theoretical and practical reasons. Theoretically, and contrary to conventional legal wisdom, attributing more social value to parodies compared to satires is inherently problematic.¹¹³⁷ Both these types of uses constitute an equally important social tool to challenge popular ideas, make a comical incision on common beliefs, and to promote

¹¹³⁴ *Campbell* (n.1109) at 583 See K. Baxter, ‘Trademark Parody: How to Balance the Lanham Act with the First Amendment’ (2004) 44(4) *Santa Clara Law Review* 1180, 1189.

¹¹³⁵ Colman (n.181) 35.

¹¹³⁶ Kemp, Forsythe (n.1114) 178.

¹¹³⁷ Lemley and Dogan Argue that unlike in the case of copyrights, it is not clear whether trademark owners have any need to prevent satire. S. Dogan, Lemley M., ‘Parody as a Brand’ (2013) 47 *U.C. Davis Law Review* 475, 502, R. Desai (n.1068) 459. Rierson (n.674) 214.

consumer autonomy. This is supposedly the principal rationale for the protection of expressive uses in trademark law. Even parody scholars have themselves resisted a narrow definition suggesting that parody needs not to be always at the expense of the parodied text, thus, implicitly recognising satire as a form of parody.¹¹³⁸ Practically, distinguishing between parodies and satires burdens courts with the challenge of having to categorise different types of expressive uses, instead of focusing their efforts on examining the validity of an expressive use.¹¹³⁹ In the aforementioned Hyundai T.V. commercial for example, it is difficult to testify whether the company intended specifically to create an association with LV, or to make a general social commentary. Hence, the elimination of this distinction is logical.

Social critique, which does not entail an element of humour, should warrant equal protection to other types of expressive uses. In essence, pre-requiring a humorous element for protection is unjustifiable given that the total social utility derived from the expressive message is unchanged. More crucially, humour is highly subjective depending on the individual's personal interpretation of the particular message.¹¹⁴⁰ Maintaining this element of humour will result in inconsistency as cases will be decided according to the judges' perception of humour.¹¹⁴¹

¹¹³⁸ L. Hutcheon, *A Theory of Parody: The Teachings of Twentieth-century Art Forms* (University of Illinois, 1985), Also, see S. Dentith, *Parody* (Routledge, 2000).

¹¹³⁹ Kemp, Forsythe (n.1114) 178. Also, see Dogan, Lemley (n.1137) 500.

¹¹⁴⁰ E. Adelman, 'Trademark Parodies: When is It OK to Laugh?' (2006) 6 *J.Marshall Rev.Intell.P.L.* 72, 80. D. Pannick, 'When is a Joke a Constitutional Issue? When It's a Brand of Parody' *TIMES* October 11 2005.

¹¹⁴¹ In *L.L Bean Inc.* (n.1030) For example, it was argued that the message conveyed by a parody may simply be that we are free to laugh at images and associations of the mark. Other courts upheld a more stringent approach.

In relation to artistic expression, the thesis proposes that this often understated type of use represents the most robust form of expressive fashion. Thus, it should be embraced. Because each person's relationship with luxury fashion differs, the law should encourage consumers to express their emotions or experiences through visual artistic expression as opposed to the use of specific language. Two interrelated reasons can be proposed to support this claim. First, artistic reaction to brands is the clearest manifestation of transformative expression which lies at the heart of the democratic understanding of freedom of expression.¹¹⁴² Permitting such artistic reaction enables the public to opt-out of the commonly accepted brand meanings and provides them with semiotically rich alternatives to the mainstream 'pre-packaged fantasies' of luxury fashion.¹¹⁴³ Second, such an approach contributes to the rise of the 'consumer-as-creator' phenomenon which breaks the dominance of producers in the market place, an aspect which the thesis has clearly argued for. Perhaps it is difficult to reconcile artistic reaction with the general counter-cultural brand movement which occupies the social parlance. However, its broader social utility in promoting consumer autonomy, diversity, and creativity cannot be overstated. By blocking out cases of artistic expression, the court would be placing rigid, unwanted limits on valuable forms of cultural and individual expression.¹¹⁴⁴

To encapsulate, when dealing with social commentary and artistic reaction targeting the image or representation of reputable marks,¹¹⁴⁵ any unauthorized use should be allowed as long as it does not cause likelihood of confusion to the source or trademark

¹¹⁴² See section 7.3.1 for a discussion on freedom of expression.

¹¹⁴³ Colman (n.181) 33.

¹¹⁴⁴ Colman (n.181) 51.

¹¹⁴⁵ See F. Allen, *Secret Formula: How Brilliant Marketing and Relentless Salesmanship Made Coca-Cola The Best-Known Product in the World* (HaperBusiness, 1994) for a general discussion on how brands evolve to become cultural icons.

origin of the product.¹¹⁴⁶ Such cultural icons regardless of their strength should be subject to criticism and genuine artistic reaction even if this means that certain infringing acts are tolerated in certain prescribed circumstances.¹¹⁴⁷ This point will be addressed subsequently.¹¹⁴⁸

7.4.2 Tarnishing Uses

Tarnishment was discussed in the previous chapter as part of the prescribed effects of Article 5(2). However, in this context, tarnishing uses refer to expressive uses which may aim at broad social commentary but may still have a tarnishing effect.

As the name suggests, uses that tarnish encompass an element of vulgarity, crudity or abusiveness. These include the association of a brand with an offensive theme such as explicit sexual content,¹¹⁴⁹ drug references,¹¹⁵⁰ or offensive groups or parties.¹¹⁵¹ The association of a brand to a distasteful topic such as child labour,¹¹⁵² racism,¹¹⁵³ promiscuity, and stereotyping.¹¹⁵⁴ Associating a brand with products which allegedly do not fit its brand image such as diapers bags¹¹⁵⁵ and pet product line etc.¹¹⁵⁶

¹¹⁴⁶ Cordero (n.1096) 607. Although Cordero argues that other types of confusion should also be prohibited.

¹¹⁴⁷ *Ibid*, 654.

¹¹⁴⁸ See section 7.6.3.1.

¹¹⁴⁹ *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.* 604 F.2d 200 (2d Cir. 1979). Also, see *Pizza Slut t-shirt, S.A.R.L One Tel v. Nicolas* (WIPO case No D2000-0858).

¹¹⁵⁰ *Coca-Cola, Co. v. Gemini Rising Inc.* 346 F. Supp. 1183(E.D.N.Y 1972).

¹¹⁵¹ *Louboutin v. Vlaams Belang* [2013] C/13/00138.

¹¹⁵² For example. see *Labour Whore T-shirt*.

¹¹⁵³ *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International and Another* (CCT42/04) [2005] ZACC 7.

¹¹⁵⁴ *Mattel Inc. v. MCA Records, Inc.* 28 F. Supp. 2d 1120, 1125 (C.D. Cal. 1998).

¹¹⁵⁵ *Gucci Shops, Inc. v. R.H. Macy & Co.*, 446 F. Supp. 838 (S.D.N.Y. 1977).

¹¹⁵⁶ *Louis Vuitton Malletier S.A. v. Haute Diggity Dog*, 50 7.3d 252 (4th Cir., 2007).

Such uses may or may not use parody for this effect. Two examples will be used to illustrate the scope of what is referred to as tarnishing expressive uses.

The first example is that of anti-smoking activists who use established brand names not only to counteract the appeal of 'cigarettes', but also to criticise the widespread cultural images often used in advertising campaigns.¹¹⁵⁷ To achieve these objectives, one approach adopted by these users is to sell fashion products that display influential messages such as death and cancer, though creating a clear association with well-known cigarette brands. Such uses were opposed by brand owners such as Phillip Morris (Marlboro owners), who managed through a simple cease and desist letter to prohibit over 2000 commercial references in a year.¹¹⁵⁸

Another notable example is that of *Laugh it Off Promotions*. In this case, a clothing company sold and marketed in South Africa a t-shirt bearing an illustration of the Carling Black Label logo, replacing the words 'Black Label' with 'Black Labour'. The South African court condemned the 'unwholesome, unsavoury or degrading association' which the defendant created.¹¹⁵⁹

¹¹⁵⁷ C. Farley, K. DeVaney, 'Considering Trademark and Speech Rights Through the Lens of Regulating Tobacco' (2014) Washington College of Law Research Paper No.2015-12
<http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2507863> Accessed 23 September 2015, p.20-24.

¹¹⁵⁸ In 2014, Phillip Morris sent a cease and desist letter to SkygraphX for selling a t-shirt which turns a Marlboro box into one labelled "Death,". Phillip Morris claimed that such use infringed and diluted its trademark. See M. Netsel, 'Big Tobacco Tries to Snuff Out T-Shirt Artist' (*Vocativ*, June 2014).<
<http://www.vocativ.com/money/business/big-tobacco-tries-snuff-t-shirt-artist/>> 23 September 2015.
(See appendix).

¹¹⁵⁹ *Gucci* (n.1155)

The outcomes of both of these examples reflect an attitude which regards every unpleasant connection made with the trademark as actionable. But is this extremely judicious attitude towards expressive uses that tarnish famous brands recommendable?

Generally, despite the understandable resistance to any use which is regarded as tarnishing, it could be argued that certain unpleasant expressions should be conceived as being encompassed under the notion of freedom of expression.¹¹⁶⁰ In both the examples provided above the expressive users are criticising specific brands for to raise awareness, to encourage the public to participate in the brand conversation, or arguably to compel brand owners to rethink their practices. Criticisms against companies who place themselves in the public light should be accepted.¹¹⁶¹

Given this obvious expressive value, the thesis supports an approach which interprets the term tarnishment in the context of expressive use very narrowly. This approach is particularly significant in addressing cases which involve distinctive marks which possess secure images in the mind of consumers, such as LV, Chanel, or Coca Cola. Although such suggestion may seem paradoxical as these marks are the most vulnerable to free-riding, these marks are the ones most capable of garnering public attention. So, they are able to convey strong messages which contain redeemable social value.¹¹⁶² The legal attitude towards expressive uses that tarnish should resemble the approach adopted in the U.S. case of *Smith v. Wall-Mart Stores*,¹¹⁶³ in which it was

¹¹⁶⁰ *Ibid.* at 1339. Also, see *Mattel* (n.1154) in which it was decided that despite evidence of actual confusion, using the mark Barbie to make a social commentary about negative body and lifestyle should be legally permissible. In contrast see *Original Appalachian Artworks Inc. v. Topps Chewing Gum, Inc.* 642 F.Supp. 1031, 1032 (N.D.Ga.1986).

¹¹⁶¹ EctHR 15. Feb. 2005. *Steel and Morris v. United Kingdom* [2015] ECHR 15, par. 94.

¹¹⁶² Adelman (n.1140) 84.

¹¹⁶³ *Smith* (n.1115).

held that the association that Smith created between the words Walmart with words such as Walocaust were not actionable. The courts correctly noted that in deciding on the presence of tarnishment, focus should be placed on how the public perceive the expressive use.¹¹⁶⁴ This positive attitude towards tarnishing expressive uses contributes to the creation of a desired balance between various interests in the trademark debate. Furthermore, it avoids the pitfalls of categorising every attempt to criticise as being tarnishing as ‘one person’s tasteless rip-off, another person’s hilarious amusement’.¹¹⁶⁵

7.4.3 Vague expressive uses

This section deals with the most problematic types of expressive uses. These are uses which are commonly referred to as expressive, although in certain instances they simply constitute an attempt to confuse the consumer or misappropriate the inherent goodwill of an original mark. Concern against such type of uses has already risen in academic literature, and within the legal spectrum.¹¹⁶⁶ The problem with these types of uses is that they are more likely to cause confusion on the source. Furthermore, given their vagueness, they provide strong material for undesirable free-riding. As such, if these uses are not handled carefully, they may offer a fig leaf for infringing activity. As argued elsewhere, it should be the objective of the law to ensure that not any commercial use is rationalised post hoc as an expressive use.¹¹⁶⁷ Determining with certainty the legal eligibility of such uses is, therefore, essential. Two types of uses

¹¹⁶⁴ *Ibid*, 1324.

¹¹⁶⁵ Myers (n.1033) 201.

¹¹⁶⁶ *Campbell* (n.1109) .

¹¹⁶⁷ *Ibid*, 600.

will be discussed for illustration: uses which slightly alter original marks (BUCCI) and the use of original marks in the context of brand parodies (PUDEL). The section will briefly discuss these types of uses shedding light on their value, before discussing why they need to be protected at face value. It is worth noting that a third type of use which can fall under this category, but will not be considered thoroughly is affiliative uses. In this context users attempt to display messages of love for particular luxury fashion brands. Because such uses most likely fall under the absolute ground of protection under 5(1)(a) (use identical goods on identical services) the overriding interest in protection against confusion certainly outweighs any expressive value.

7.4.3.1 Slightly Altering Original Mark

A wide range of products displaying a slightly altered form of an original mark are being offered in the marketplace. Bucci instead of Gucci, Ballain instead of Balmain, Feline instead of Celine, all provide good examples of such uses. At first appearances, it is arguable that the use of the Bucci Mark in reference to (Gucci) for example, is simply an attempt to exploit the reputation of Gucci and more controversially to confuse consumers. However, upon a closer inspection, Bucci, a supposedly meaningless word, in the world of hip-hop music refers to aspects of life that are amazing, remarkable, or fun.¹¹⁶⁸ Ballain, another not-readily comprehensible expressive use refers to a wealthy person living the good life. Undeniably, Bucci along with other similar urban vocabulary may have had negligible value prior to its use by Brian Lichtenberg the pioneer of this trend in the fashion industry. Admittedly also,

¹¹⁶⁸ Urban Dictionary, 'Bucci' <<http://www.urbandictionary.com/define.php?term=Bucci>> Accessed 2 December 2015. See appendix for picture.

the proximity between the iconic Gucci brand and Bucci has drawn attention to this parody. However, it is undeniable that, these less comprehensible expressions encompass a communicative value that is embraced by a segment of the public and is used for the formation of unique identities.

Unfortunately, despite this expressive value of such products the proximity between Gucci and Bucci may lead to confusion under a traditional likelihood of confusion analysis. In practice, an expressive use to be non-infringing it should not be confusing.¹¹⁶⁹ Also, under a traditional misappropriation analysis, when the principal intention is to acquire a commercial benefit, such use should be prohibited. Whether the law should tolerate these types of controversial expressive uses will be addressed in the subsequent discussion.¹¹⁷⁰

7.4.3.2 Brand Parodies

Within both the legal and the academic spectrum, there is a general inconsistency in handling brand parodies.¹¹⁷¹ Brand parodies refer to uses in which the original trademark is modified and used for source identification.¹¹⁷² The US Lanham Act for example explicitly recognises parody as being fair use, but excludes parodies that are

¹¹⁶⁹ McCarthy (n.100) 31.37.

¹¹⁷⁰ See the discussion under section 7.6.3.1

¹¹⁷¹ For example see Lemley and Dogan (n.1137) arguing that brand parodies deserve the same level of protection as other types of parodies. Also, see Kemp, Forsythe (n.1114) 183. In contrast, see A. Fletcher, 'The Product with the Parody Trademark: What's Wrong with CHEWY VUITON?'(2010) 100 *TMR* 1091.

¹¹⁷² Petty (n.1034) 64.

designating source for the person's own products.¹¹⁷³ This reflects, at least to a certain extent, lack of enthusiasm to regard brand parodies as protectable expressive uses.

Opponents of the protection of these types of expressive uses argue that the primary intention of these users is to attract attention to their trademarks.¹¹⁷⁴ Gucci Goo,¹¹⁷⁵ Charbucks coffee,¹¹⁷⁶ Chewey Vuitton,¹¹⁷⁷ Tommy Holedigger,¹¹⁷⁸ and Pudel,¹¹⁷⁹ are all good examples of such types of uses. It is arguable that the intrinsic speech value underlying these types of uses are negligible compared to the intention of commercial exploitation/confusion. Thus, they suggest that these parodies should not be subject to any special treatment within the law.¹¹⁸⁰ This view, however, is exaggerated and can be contested on several, often overlooked, grounds.

Before delving into these grounds, for illustration, and to understand the real value of these uses, the case US *Chewey Vuitton* provides is worth considering. In this case Haute Diggity Dog manufactured and sold dog toys, which, as claimed, parody famous trademarks on luxury products, including LV. Convincingly, the US courts suggested that Chewey Vuitton represents an interesting comment on the rich and famous and on conspicuous consumption in general.¹¹⁸¹ Whilst some argue that this inference is

¹¹⁷³ Sec. 43(c)(3)(A).

¹¹⁷⁴ Fletcher (n.1171) 1144.

¹¹⁷⁵ *Gucci* (n.1155).

¹¹⁷⁶ *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.* 588 F.3d 97,102-03(2d Cir. 2009).

¹¹⁷⁷ *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410 (S.D.N.Y. 2002).

¹¹⁷⁸ *Louis Vuitton Malletier* (n.1156).

¹¹⁷⁹ *Puma v. Pudel* [2015] I ZR 59/13.

¹¹⁸⁰ *Ibid*, *Dr. Seuss Enters, L.P. v. Penguin Books USA, Inc.* 109 F.3d 1394, 1405(9th Cir. 1997) .

¹¹⁸¹ *Louis Vuitton Malletier* (n.1156).

ungrounded,¹¹⁸² the thesis suggests that the assessment of the value of speech should not be restricted to the question of what the junior user intended, but rather how the consumers receive this use. The conclusion reached in *Chewey Vuitton*, may be based on the way consumers use this mark within the broader social nexus where the actual communicative value of a mark is realised.¹¹⁸³

7.4.3.3. Discussion

Given the existence of an expressive value (although not paramount) in some types of vague expression, this section will argue that both brand parodies, and slightly altered uses, should, *generally speaking*, warrant special legal treatment. The eligibility to this special treatment can, and should, be challenged in light of other case-specific factors which will be addressed subsequently.¹¹⁸⁴

As far as slightly altered expressive uses are concerned, the use of the Bucci mark although giving Lichtenberg an advantage, contributes to the creation of a dialogue on fashion iconography and imagery. Therefore, it adds an element of ‘fun’ to an industry which has for long been overburdened with a mania of for image preservation and signalling luxury through symbols.¹¹⁸⁵ According to Dworkin, the richer the language of the culture is, the more opportunities for creativity and communication will

¹¹⁸² Fletcher (n.1169) 1143.

¹¹⁸³ See Chapter four, section 4.3.2.2 for a discussion on the social communicative value of a trademark.

¹¹⁸⁴ See section 7.6.3.1.

¹¹⁸⁵ See chapter four, section 4.3.2.2.

emerge.¹¹⁸⁶ Since such use may help promote a just and an attractive culture, it should be encouraged.

A similar line of argument can be advanced in relation to brand parodies. Brand parodies offer the public a platform not only to comment on specific brands, but more importantly to evaluate the phenomenon of branding all together.¹¹⁸⁷ As such, brand parodies 'are able to call into attention the pervasiveness of branding in our societies'.¹¹⁸⁸ By encouraging commentary on the process of branding as well as brands, consumers will be able to develop stronger resistance mechanisms against the emotive values of brands. As described by Lemley and Dogan, just as prestige brands offer value to consumers who wish to project an image of exclusivity, brand parodies bring utility to those who want to resist this image of exclusivity.¹¹⁸⁹ In practice, brand parodies like classical types of expressive uses allow others to participate in broader social conversation. This is a value which should be accepted.¹¹⁹⁰

Both brand parodies and slightly altered uses cannot fit comfortably within both a traditional confusion and/or an unfair advantage analysis.¹¹⁹¹ The loss of informational clarity that may arise as a result of allowing such parodies is in some circumstances tolerable compared to the broader social objectives that trademark law should aim to promote. If all other cases specific factors are ignored, these types of uses should, in

¹¹⁸⁶ R. Dworkin, 'Panel Discussion: Art as a Public Goods'(1985) 9 *Art and the Law* 153, 153.

¹¹⁸⁷ Lemley and Dogan (n.1137) 492.

¹¹⁸⁸ *Ibid.*

¹¹⁸⁹ See the opinion of Justice Sachs of the South African Constitutional Court in the case of *Laugh it Off Promotions*(1) SA 63-64.

¹¹⁹⁰ Gordon (n.778) 1577.

¹¹⁹¹ The difficulty of applying a traditional likelihood of confusion analysis to brand parodies can be seen in light of the case: *Anheuser-Busch Inc. v. VIP Prods*, 666 F.Supp. 2d 974(E.D. Mo 2008).

principal, qualify for the special legal treatment which the thesis argues for. Given the incontestable value of expressive uses, it is arguable that any attempt to evaluate the legality of a particular expressive use should start with a pro-defendant presumption of fairness.¹¹⁹² This presumption is rebuttable if there is preponderant evidence which disproves or outweighs it. For example, evidence of intention to mislead could serve to disprove this presumption.¹¹⁹³ This point will be further elaborated on in section 7.6.3.1.

In conclusion, the threshold for determining what may constitute a legally permissible expressive use should remain low. It should suffice that a use has an expressive value, and does not fall under the core zone of protection 5(1)(a) to qualify for protection.¹¹⁹⁴ Namely, at the early stage of classification less focus should be placed on the clarity of the expressed message, and more focus should be placed on its overall social value.¹¹⁹⁵

7.5. Current State of Law

¹¹⁹² Simon (n.1110) 1054. This approach was adopted in the U.S case *Rogers v. Grimaldi* 875 F.2d 994 (2d Cir. 1989).

¹¹⁹³ For an analysis on the significance of presumptions in law see A. Bernando 'A Theory of Legal Presumptions'(2000) 16(1) J.L&Econ.1. On the previous point, McGreen correctly points out that providing evidence of intention could be complicated. See W. McGreen, 'The Imaginary Trademark Parody Crisis(And the Real One) '(2015) 90 *Wash. L. Rev.* 713, 719.

¹¹⁹⁴ For a thorough explanation of the artistic relevance test see K. Timbers, J. Huston, "The Artistic Relevance Test Just Became Relevant: The Increase Strength of The First Amendment'(20) 93 *TMR* 1278.

¹¹⁹⁵ This approach was adopted in the Land Mark U.S. case of *Dallas Cowboys* (1149). See Kemp (1114) 163.

The final section of this chapter attempts to assess how expressive uses in the context of trademark law should be protected. To achieve this objective, two questions should be addressed. First, what are the shortcomings of the current state of the law (if any) in relation to protecting expressive uses and second what is the best mode of protecting these uses? Preliminarily, it should be noted that despite the lack of explicit defences to protect expressive uses, European courts have immunised certain conduct from liability through developing limitations which are principally derived from the language of the infringement criteria.¹¹⁹⁶ The following section will explore the limits of the trademark exclusive rights and will evaluate their effectiveness in protecting expressive uses.

7.5.1 Use in the Course of Trade

The first limit to the exclusive rights granted to trademark owners is found under the ‘use in the course of trade requirement’ which applies to all three Articles of infringement. In brief, for a use to qualify for protection under the trademark act, it has to be performed in the course of trademark. A use is considered to be in the course of trade under the TMD if it has been performed in a commercial context, predominantly for the purpose of gaining an economic advantage, and if it harms any of the functions of a trademark including the modern functions.¹¹⁹⁷ Thus, a use may qualify as being in the course of trade even if it was not used in the trademark sense, for the purpose of identifying goods and services.¹¹⁹⁸ The broad interpretation of the use in the course of

¹¹⁹⁶ This approach is consistent with the US approach. Generally, see Dinwoodie (n.1027)

¹¹⁹⁷ C-206/01 *Arsenal v. Reed* [2002] E.T.M.R 18. Opinion of AG Ruiz Colomer. Also, see C-17/06 *Celine SARL v. Celine SA* [2006] ECR I-07041.

¹¹⁹⁸ In the United Kingdom prior to the TMA, a use was regarded as use in the course of trademark if it was used in the trademark sense. See *Mars(GB) v. Cadbury* [1987] R.P.C. 113.

trade requirement certainly makes it difficult for trademark owners to invoke this inherent limitation to escape liability.

As it stands now, given the economic advantage received from most expressive fashion uses, the majority of cases discussed in this chapter would be regarded as falling under the notion of ‘course of trade’. So, as the law currently stands, it is difficult for expressive users to be able to evoke the use in the course of trade requirement to escape liability. This is particularly true in instances in which expressive users run entire businesses on the basis of the idea of selling expressive fashion products,¹¹⁹⁹ or when their use aims at identifying goods and services (brand parodies).¹²⁰⁰ As for expressive uses which include a commercial element, but are yet intrinsically intertwined with speech, it cannot be ascertained whether the use in the course of trademark limitation can be useful. Generally, recent CJEU decisions on comparative advertising¹²⁰¹ and keyword advertising¹²⁰² indicate that a mere element of commerciality will be sufficient to regard a trademark use as a use in the course of trade. Taken together, the use in course of trade requirement provides an insufficient safeguard for expressive uses in the context of trademark law.

7.5.2 Due Cause

¹¹⁹⁹ For example, Brian Lichtenberg parody brand.

¹²⁰⁰ *Puma v. Pudel* [2015] Case No. I ZR 59/13.

¹²⁰¹ For example, see *L’Oréal* (n.1014).

¹²⁰² For example, see *Inteflora* (n.421).

According to Article 5(2) of the TMD, for a use to trigger one of the prescribed effects under Article 5(2), the use should be ‘without due cause’. In evaluating whether a use was without due cause, courts focused either on the commercial necessity,¹²⁰³ or the justifiability of such use.¹²⁰⁴ The fact that a mark was adopted ‘in good faith’ was not regarded sufficient to render a use with due cause.¹²⁰⁵ More recently, after examining the due cause caveat in the case of *Leidseplein*,¹²⁰⁶ it was decided that due cause means ‘legitimate interest’ in using the reputable mark as opposed to a ‘compelling need’ for use. The most critical aspect in deciding whether a use is with due cause, is balancing the interests of the trademark owner with that of the third party.¹²⁰⁷ It should be emphasised that ‘due cause’ is a caveat for Article 5(2) of the TMD only, and thus, cannot be invoked in cases brought under Article 5(1).

The applicability of the due cause limitation in the context of expressive uses has been discussed in a limited number of cases. To this end, the most cited case in this respect is *Lady GooGoo*.¹²⁰⁸ The claimant here objected to the release of an internet song ‘The Moshi Dance’ performed by the fictional character Lady GooGoo which bore resemblance to Lady Gaga’s famous ‘Bad Romance’ song. In deciding the case, the courts applied a traditional likelihood of confusion test and concluded that the risk of confusion was sufficient to grant an interim measure. What is of particular interest for the purpose of this thesis is the court’s invocation of the due cause defence to evaluate

¹²⁰³ R-283/1993-3 *Hollywood S.A.S. v. Souza Cruz S.A.* [2002] E.T.M.R. 705, par.66. *British Sky Broadcasting Group Plc v. Microsoft Corp* [2013] EWHC 1826 (Ch).

¹²⁰⁴ *Premier Brands* (n.671) p.1096.

¹²⁰⁵ *Ibid.*

¹²⁰⁶ C-65/12 *Leidseplein Beheer BV v. Red Bull GmbH* [2013] ECLI:EU:C:2013:196, Opinion of AG Kokott.

¹²⁰⁷ *Ibid.*

¹²⁰⁸ *Ate My Heart Inc. v. Mind Candy* [2011] EWHC 2741 (Ch.).

liability under Article 5(2). Vole J. argued that although there is no specific parody defence, parody may be relevant in determining whether the use was with due cause. A similar approach is adopted within Benelux jurisdictions¹²⁰⁹ which also requires a mark to be used ‘without due cause’ to be subject to Article 5(2).¹²¹⁰ However, the general efficacy of this limitation is reduced in two ways: first, the fact that it only applies to Article 5(2) and secondly that it relies heavily on the specific judicial interpretations.

7.5.3 Freedom of Expression under Article 10 of the ECHR

Finally, expressive uses arising in the context of trademark law can in theory be protected under Article 10 of the European Convention on Human Rights (ECHR hereinafter).¹²¹¹ Article 10(1) which proposes that ‘everyone is entitled to freedom of expression’¹²¹² is qualified by Article 10(2) which protects the reputation and the rights of others when necessary.¹²¹³ In principle, expressive uses would qualify as free speech under Article 10(1), and thus, will be exempt from liability under Article 5 of the TMD. Yet, applying this defence to trademark expressive uses has produced a level of complexity given the potential conflict between the right to property under Article 1 of the convention,¹²¹⁴ and the right to freedom of expression.

¹²⁰⁹ The justification for trademark use in cases of expressive use is found in Article 2.20.1 (d) of the Benelux Convention on Intellectual Property (Trademarks and Designs) of February 25, 2005.

¹²¹⁰ See German case: *Gewerblicher Rechtsschutz and Urheberrecht* (Lila PostCarte) [2005] I ZR 159/02.

¹²¹¹ Article 10 of the ECHR is also protected under Article 11 of the Charter of Fundamental Rights of the European Union. See Preamble 2012/C Charter of Fundamental Rights of the European Union [2012] OJ C326, noting that when the Charter contains rights that stem from this Convention, their meaning and scope are the same.

¹²¹² ECHR Article 10(1).

¹²¹³ ECHR Article 10(2).

¹²¹⁴ The ECHR in the case of *C-73049/01 Anheuser-Busch Inc v. Portugal* [2007] E.T.M.R. 24 confirmed that a trademark is considered as a possession under Art. 1 of the ECHR.

Before discussing the shortcomings of Article 10 of the ECHR in protecting trademark expressive uses two further points bear emphasis. First, all EU Member States being signatories to the ECHR are bound by an international obligation to comply with the provisions of the treaty.¹²¹⁵ Secondly and more controversially, although the European Charter draws on the ECHR, the EU not currently being a signatory of the convention is not bound by an obligation to directly apply Article 10(1) in its judgements.¹²¹⁶

In order to determine whether an expression is eligible for protection under the ECHR, the courts have established a three-part test. According to this test, any limitation to expression must be proscribed by the law,¹²¹⁷ must be a legitimate under Article 10(2),¹²¹⁸ and must be as a result of a pressing social need for the intervention in a democratic society. The third condition in particular may have the effect of limiting the effectiveness of Article 10 in preserving the right of expression.¹²¹⁹ In particular, in ruling whether an intervention is necessary, courts tend to grant a great margin of appreciation for Member States in cases involving commercial speech (as opposed to purely artistic/non-commercial speech).¹²²⁰ This margin of appreciation endows

¹²¹⁵ The UK for example, has implemented the directive through the Human Rights Act 1998.

¹²¹⁶ I. Fhima, 'Trade Marks and Free Speech' (2013) 44 *IIC* 293, 297.

¹²¹⁷ See for example, *A/165 Markt intern Verla GmbH and Klaus Beermann v. Germany* [1990]12 E.H.R.R. 161.

¹²¹⁸ *Markt intern Verla GmbH and Klaus Beermann v. Germany*(A/165)[1990] 12 E.H.R.R. 161 par. 31

¹²¹⁹ Fhima (n.1216) 295.

¹²²⁰ J. Krzemińska, 'Freedom of Commercial Speech in Europe' (2008) 58 *Verlag Dr Kovac, Studien zum Völker- und Europarecht* 292, 297. Also, see L. Pontes, 'Trademark and Freedom of Speech: A Comparison Between The U.S. and the EU System in The Awakening of Johan Deckmyn v. Helena Vanderstreen' (26-28 May 2015) Meeting WIPO/IPL/GE/15.<http://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ipi_ge_15/wipo_ipi_ge_15_t3.pdf> Accessed 28 June 2015, 28-40.

Member States with greater discretion in instances where balancing contradictory interests is complex.¹²²¹

Although an expression which incites others to buy a good or services is generally classified as commercial, a degree of profit seeking is allowed in cases of mixed expression.¹²²² At first appearance uses covered under this section are subject to ECHR full scrutiny and are, thus, protectable under the convention. In practice, two further problems emerge.

First, even when speech is regarded as non-commercial the ECtHR is compelled to balance freedom of expression with the economic interests of the trademark owner. Unfortunately, given the teleological and utilitarian preferences of the courts, defendants relying on this constitutional defence have often been unsuccessful.¹²²³

Second, in relation to granting discretion to national courts, the case law on the matter seems inconsistent. Whilst in some cases the court focused on the deceptiveness of the speech in framing the margin of appreciation,¹²²⁴ in other cases the courts have relied on the commerciality of the specific discourse and the subject matter.¹²²⁵ An interesting case to refer to in the context of trademark law is that of *Österreichische*

¹²²¹ *Thorgeirson v. Iceland* [1992] 14 E.H.R.R. 843, App. No. 13778/88, par. 63, *Jacobowski v. Germany*[1995] 19 E.H.R.R. 64, App. No.15088/89, *Ashby Donald v. France* [2013] App. No. 36769/08.

¹²²² This explanation was provided in the case of *Autronic AG v. Suisse* [1990] 12 E.H.R.R. 485, App. No. 12726/87.

¹²²³ *Puma* (n.1200). *Lamparello v. Falwell*, 420 F.3d. 309, (Va. 2005).

¹²²⁴ *Casado Coca v. Spain* [1994] 18 E.H.R.R. 1, App. No.15450/89.

¹²²⁵ For example, see *Markt intern Verlag GmbH and Klaus Beermann* (A/165) [1990] 12 E.H.R.R. 161.

Schutzgemeinschaft für Nichtraucher and Robert Rockenbauer v. Austria.¹²²⁶ In this case, the ECtHR dismissed an application by Innsbruck, holding that a political caricature of the ‘Camel’ trademark which aimed at alerting the public against the evil of cigarettes was not protectable under 10(1). Here, the courts upheld the commercial-non-commercial distinction ruling that in deciding on commercial speech, the national courts have discretion to decide cases.

This inconsistency in the law naturally creates a risk of assigning too much importance to the margin of appreciation, resulting in less favourable treatment in cases of mixed speech.¹²²⁷

In short, while it remains true that misleading commercial expression receives the least degree of protection under Article 10(2),¹²²⁸ other types of truthful commercial expression may also be restricted.¹²²⁹ The diverging attitudes of Member States on unfair competition aggravate the risk of providing insufficient protection for mixed speech. This inconsistency can be exemplified in comparing the outcomes of national cases on this issue. In France for instance, a trademark parody on t-shirts was denied in the absence of specific statutory exceptions, even in the absence of risk of confusion

¹²²⁶ *Österreichische Schutzgemeinschaft für Nichtraucher and Robert Rockenbauer v. Austria* [1991] Application No. 17200/91.

¹²²⁷ A third approach is the ‘secondary meaning approach’ which suggests that if the commerciality of the speech is secondary in importance then it deserves full scrutiny from the ECtHR .

¹²²⁸ For example see *X and Church of Scientology v. Sweden*[1979] 16 DR 68 par. 79 .

¹²²⁹ It is arguable that to avoid this problem, courts need to follow the approach of *Casado Coca v. Spain* [1994] 18 E.H.R.R. 1 shifting focus from commerciality to deceptiveness of falseness. This will help ensure that only misleading/deceiving uses fall under the margin of appreciation standards. This remains outside the scope of this thesis. See Pontes (n. 1220) 36.

or denigration.¹²³⁰ While in Germany, in a case involving a brand parody on Puma, the German Federal Court of Justice explicitly noted that the property right of Puma in its long-established trademark is valued more than the freedom of speech or the artistic freedom of the defendant.¹²³¹ Even in the UK, where courts advocate a very narrow interpretation of what constitutes unfair competition, the courts in case of *Miss World Ltd v. Channel Four Television Corp*¹²³² prohibited the defendants from invoking Article 10 of the HRA to justify their use of the ‘Miss World’ trademark to promote a transgender beauty pageant.

Of course, one should note that although national courts are awarded with a wide margin of appreciation in relation to commercial matters the ECtHR still needs to assess whether a measure is justifiable in principle and proportionate.¹²³³ That said, the ECtHR is unlikely to reverse the decisions of the national courts.¹²³⁴

The decisions in all these cases reflect general intolerance to protecting free speech interests over economic interests under Article 10 of the ECHR especially when an

¹²³⁰ *S.A Pernod Ricard and S.A Ricard v. Sarl Transfert Creations*, CA Chambéry, Commercial Chamber[2007] n° 06/00449. However, in contrast see *Association Greenpeace France v. SA Sté Esso*[2003] Paris Court of Appeal, 14th Chamber, section A, 26 February. It is arguable that had the latter case involved a commercial aspect, the result would have been restrictive to free speech given the fact that in France, unfair competition extends to non-misleading and non-competitive cases based on the doctrine of ‘paratism’. Generally, see, J. Huiller, ‘Le Parasitisme Parasite-il Law Propriété Intellectuelle?’(2001) 31 *Gazette Du Palais* 6.

¹²³¹ IPKAT, ‘Dogged pursuit of a trade mark parody: *Puma v Pudel* in the Bundesgerichtshof’ (*IPKat*, 21 April 2015) <<http://ipkitten.blogspot.co.uk/2015/04/dogged-pursuit-of-trade-mark-parody.html>> Accessed 13 September 2015. Freedom of Expression is protected under Article 5(1) German Basic Law.

¹²³² *Miss World Ltd v. Channel Four Television Corp* [2007] EWHC 982.

¹²³³ In cases of political expression the ECtHR apply in addition to the justifiable and proportionate test, the narrowness, convincingness, relevance, and sufficiency standards.

¹²³⁴ L. Pontes (n.1220) 51 . However, some very few cases classified were not able to survive the proportionate and justifiable test. For example see *RATP v. Larent M. et Valentin Lacambre*[2000] TGI Paris, 3^{er}d Chamber, 3^{er}d Section.

element of commerciality exists. As such, it is arguable that Article 10 of the ECHR is more suited for expressive uses which involve non-commercial expression. The inevitability of this decision is becoming clearer in light of the recent trend towards the recognition and the protection of the trademark modern functions which renders Article 10 incapable of sufficiently protecting expressive uses.

7.6 Best Method for Protection

Regrettably, as the analysis so far reflects, the current approach to protecting expressive uses within the trademark system not only fails to encourage free speech, but more worryingly leaves expressive users uncertain about their rights and obligations. Accordingly, this section will attempt to suggest an attractive alternative, which can fill the fundamental gap which exists within the current legal framework.

Two preliminary points should be made. First, given the fact that copyright and trademark law are calibrated to different sets of interests and goals,¹²³⁵ the UK Copyright Exception for Parody and Quotation cannot *per se* serve as an example for an expressive use defence under trademark law.¹²³⁶ Secondly, given the multifarious types of expressive uses, it is critical that any proposed solution is hybrid, enabling a functional case-by-case analysis.

¹²³⁵ *Ibid*, 66-67, noting that although both are typically explained in terms of economics, copyright and trademark law are motivated by different concerns and, therefore, are directed towards different goals. Copyright aims to protect creations to further innovation, trademark law mainly aims to protect market integrity. The copyright model should not be the basis on which a model defence in trademark law should be developed. Also, see McGreen (n.1193) 725, Simon (n.1110) 1086.

¹²³⁶The Copyright and Rights in Performances (Quotation and Parody) Regulation (2014).

7.6.1 Use in the Course of Trade

Arguably, re-interpreting the use in the course of trade requirement to exclude from its boundaries any use which incorporates an element of expression could provide a reasonable approach to protect expressive uses.¹²³⁷ The main premise of this argument is that use in the course of trade should revert to its original interpretation, in which only uses which have source-identifying objectives are regarded as use in the course of trade.¹²³⁸ Proponents of this view clearly argue in favour of blurring the lines between commercial and non-commercial speech treating any type of expressive use as being non-commercial.¹²³⁹ Allegedly, this approach will help restrict the property-based protection which the current trademark system endows trademark owners with.

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Despite the ostensible attractiveness of this approach, it has several limitations that cannot be overlooked. First, excluding all hybrid expressive uses from liability may encourage opportunistic behaviour, particularly in cases of vague speech.¹²⁴¹ This criticism becomes more compelling in light of the thesis's suggestion for a very low threshold for determining what is regarded as an expressive use. To avoid such a consequence, it has been suggested that the courts can employ a strategy by which

¹²³⁷ Simon (n.1110) 1086.

¹²³⁸ Generally, see M. Barrett, 'Internet Trademark Suits and the Demise of "Trademark Use"' (2006) 39 *U.C. Davis School of Law* 371, S. Dogan, M. Lemley, 'Grounding Trademark Law Through Trademark Use' (2007) 92 *IOWA L. REV.* 1669.

¹²³⁹ For example see Desai (n.1065)

¹²⁴⁰ Simon (n.1110) 1087.

¹²⁴¹ P. Curran, 'Diluting the Commercial Speech Doctrine: "Noncommercial Use" and the Federal Trademark Dilution Act' (2004) 71 *U. Chi.L.Rev.* 1077, 1998-1999.

only if the commercial nature of the speech predominates its non-commercial nature would it be regarded as use in the course of trade.¹²⁴² Alternatively, it has been recommended that if the use of the trademark confers a marketing benefit on the trademark owner beyond the expressive use itself, this use should be considered to be in course of trade.¹²⁴³ Whilst these proposed tests may help limit opportunistic behaviour, they suffer from definitional problems.¹²⁴⁴ In particular, determining the nature of speech essentially requires delving into aspects of intention and motivation. Problematically, these evidentiary requirements which arise from such approaches would likely diminish, if not abolish, the desired early ‘gatekeeper’ character of the test, which will in turn dilute its effectiveness.¹²⁴⁵

Second, unlike a well-articulated, real defence, limiting the use in the course of trade requirement may in practice undermine the significance of hybrid speech. In particular, there is a real risk that courts would fail to correctly define use in the course of trade narrowly. Therefore, relying solely on the judges’ interpretation of this requirement to protect hybrid speech provides an insufficient safeguard to freedom of speech.¹²⁴⁶

7.6.2 Expanding Due Cause v. Stand-Alone Expressive Use Defence

¹²⁴² L. Ramsey, ‘Increasing First Amendment Scrutiny of Trademark Law’ (2008) 61 *SMU L.Rev.* 381, 401.

¹²⁴³ A. Langvardt, ‘Protected Marks and Protected Speech: Establishing the First Amendment Boundaries in Trademark Parody Cases’ (1991) 36(1) *Vill.L.Rev.* 1, 84.

¹²⁴⁴ McGeeveran (n.1031) 100-101.

¹²⁴⁵ *Ibid*, 80.

¹²⁴⁶ It should be noted that a level of subjectivity exists throughout any area of law. However, for practical reasons that will be highlighted subsequently, such an extreme level of subjectivity is detrimental in the context of expressive use.

Two other possible approaches for the regulation of expressive use in the context of trademark law are: the expansion of ‘due cause’ requirement to cover Articles 5(1)(b) and 5(1)(a),¹²⁴⁷ or the development of a specific expressive use defence.¹²⁴⁸ Both these approaches will be critically evaluated through a compare and contrast strategy which will help highlight both their strengths and their downfalls. The analysis will conclude that a specific expressive use defence provides a more logical and practical alternative for regulating commercial expressive speech.

First, it could be suggested that by expanding the due cause defence, the traditional infringement criteria will be interpreted through the prism of fundamental human rights and will be evaluated in a way which is the least likely to conflict with the right of freedom of speech.¹²⁴⁹ The viability of this approach has been demonstrated in the case of *Laugh it off Promotions*.¹²⁵⁰ In this case, the South African Constitutional Court on appeal held that the dilution provision must be interpreted in a manner that is most compatible with the constitution and least destructive to freedom of expression. This approach, however, suffers from two practical limitations.

Primarily, given the CJEU’s inclination to use a balancing of rights approach, the reliability of due cause becomes contestable. This is demonstrated in the CJEU judgement in the case of *L’Oréal* in which it was noted that any unfairness committed by the defendant would render a use to be without due cause. This narrow

¹²⁴⁷ C. Geiger, *Constructing European Intellectual Property: Achievements and New Perspectives* (EE, 2013), 159.

¹²⁴⁸ Dinwoodie (n.1027) arguing for the introduction of real defences in trademark law.

¹²⁴⁹ As it currently stands, in the light of expansion of trademark protection, courts are very likely to continue to favour the interests of trademark owners.

¹²⁵⁰ Dilution under section 34(1)(c)2 of the Trade Marks Act of 1993.

interpretation raises concerns in relation to the effectiveness of the defence in capturing the less common and clear types of expression which the thesis suggested comprise considerable expressive value. Simply put, such an approach depends primarily on the judicial capability to capture accurately, consistently, and sufficiently the social objectives of third party uses of the trademarks.¹²⁵¹ The inclination of the CJEU judges to adopt a teleological approach and their reluctance to reach for free speech principles renders this risk a valid one.¹²⁵²

The second practical problem within the due cause defence lies in the open-ended, language of this caveat. Because under this approach expressive uses are not explicitly exempt from liability, the practical use of this limitation is contestable.

According to McGevran, while there are few litigated cases on expressive uses, trademark owners routinely send cease-and-desist letters to stop uses aimed at their trademarks, and expressive users often comply.¹²⁵³ One of the main reasons for this blind compliance with these letters is the disparity in legal and financial skills between the junior users and the trademark owners.¹²⁵⁴ Adopting a vaguely worded defence which heavily relies on subjective judicial determinations will certainly reinforce this

¹²⁵¹ Dinwoodie (n.1027) 116.

¹²⁵² McGevran (n. 1031) 1212 drawing on the US experience. It should be noted that in the case of *Google France* (n.406) AG Maduro acknowledged explicitly the significance of balancing rights of trademark owners against freedom of expression and other commercial freedoms. However, this remains the exception rather than rule, and no case up to this stage explicitly addresses the constituents of this balancing approach.

¹²⁵³ McGevran (n.1044) 715.

¹²⁵⁴ J. Schwartz, 'Making the Consumer Watchdog's Bark as Strong as Its Gripe; Complaint Sites and the Changing Dynamics of the Fair Use Defence' (2006) 16 *Alb. L.J. Sci. & Tech.* 59, 70-72.

disparity.¹²⁵⁵ The due cause doctrine when applied to expressive use cases encourages unmeritorious cease and desist letters which raises the risk of trademark bullying,¹²⁵⁶ and, thus, exacerbates the problem of pre-litigation threats.¹²⁵⁷ In fact, the resource imbalance between parodists and trademark owners alone can discourage expressive users from ‘fighting-back’ given the costs that they may incur. Thus, to preserve the speech value of parodies, a clear defensive doctrine, which third party users can point to, and confidently rely upon when faced with a desist letter, is definitely preferable in this respect.¹²⁵⁸

Furthermore, with due cause, the need to balance private rights of trademark owners with the public rights of freedom of expression may have the potential to disfavour expressive users. In contrast, a real defence does not involve this risk as it permits unauthorised trademark use even if such use may impinge on the rights of trademark owners.¹²⁵⁹ In certain situations and for countervailing social purposes, freedom of expression should prevail over the risk of misappropriation, dilution or some limited forms of confusion. Only a real defence can explicitly acknowledge and embrace such risk.

¹²⁵⁵ A similar line of argument can be advanced with respect to the proposals to capture expressive uses under the honest practices proviso under Article 6 of the TMD. Because the criteria under the honest practices proviso resemble the infringement criteria, this may result in circular reasoning. See M. Senftleben, L. Bentely, G. Dinwoodie, C. Greiger, J. Griffiths K. Anette, A. Ohly, A. Peukert, M. Ricolfi, J. Schovsbo, K. Weckstrom, L. Zelechowski, ‘Recommendations on Measures to Safeguard Freedom of Expression and Undistorted Competition in the EU Trademark Law’(September 2014)<http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2496351> Accessed 25 January 2016, p.4.

¹²⁵⁶ L. C. Grinvald, ‘Shaming the Trademark Bullies’(2011) 11 *Wisc.L.Rev.* 625, 625.

¹²⁵⁷ McGeveran (n.1031) 716.

¹²⁵⁸ Generally, see McGeveran, ‘Trademark Fair Use Reform Act’ (2010) 90 *B.U.L.rev.* 2267.

¹²⁵⁹ Dinwoodie (n.1027) 99, 101.

It should be noted that the opponents of a stand-alone expressive use defence criticised and challenged the validity of this approach based on several grounds which will be explored. It has been claimed that given the fixed language of stand-alone defences in general, two possible consequences may emerge. The first possibility is that courts will adopt a narrow interpretation of what constitutes an expressive use to avoid the risk of allowing illegitimate uses.¹²⁶⁰ Alternatively, courts will adopt a broad interpretation which may result in providing privileged treatment for unmeritorious defendants.¹²⁶¹ To this end, it can be convincingly counterclaimed that both these scenarios can be avoided through a logically drafted defence which is sufficiently clear, and reasonably flexible in its language. If the fear of flawed interpretation of the law is to be perceived as a reason against creating any law, then the law should not exist.

In fact even if the language of the defence is static to a certain degree, one cannot assume that the type of adjudication favoured by the judiciary would certainly be formalistic. Whilst this topic remains outside the scope of this thesis, it is important to note that some approaches to adjudication allow pragmatic or purposive interpretation.¹²⁶² Even if this will result in a level of uncertainty, a degree of uncertainty is inevitable given the complex nature of trademark expressive uses.¹²⁶³

¹²⁶⁰ Simon (n.1110) 1052-1054.

¹²⁶¹ R. Burrell, D. Gangjee, 'Trademarks and Freedom of Expression: A Call for Caution' (2010) 41 *IC* 455, 484.

¹²⁶² For an analysis on different forms of adjudication see, L. Fuller, K. Winston, 'The Forms and Limits of Adjudication' (1978) 92(2) *Harv.L.Rev.* 353 . A. Dyevre, *Making Sense of Judicial Law Making: A Theory of Theories of Adjudication* (European University Institute: 2008).

¹²⁶³ Myers (n.1033) 204.

Second, it has been suggested that an expressive use defence goes too far as it could potentially exclude all expressive uses from liability.¹²⁶⁴ However, this risk is exaggerated as it assumes that all defences in law are absolute defences. From a legal point of view, defences are most likely not absolute and often rebuttable. The fact that the thesis argues that the law should tolerate a level of confusion and/or misappropriation should not be taken to imply that all expressive uses should be immunised from liability. This point will be elaborated upon in the next section.

7.6.3 Towards an Expressive Use Defence

This final section of this chapter has two objectives. First, it aims to propose and model an expressive use defence. Second, it attempts to test the practicality of this defence by applying it to two cases from the fashion industry. Preliminarily, the thesis suggests that the expressive use defence should be grounded on two general points. At the basic level, in determining the eligibility of an expressive use, the defence should avoid, as far as possible, to rely on a traditional confusion or misappropriation analysis to avoid undesired circular reasoning.¹²⁶⁵ This will have the consequence of limiting the practical effectiveness of the defence. Second, the defence should commence with a rebuttable presumption of fairness in favour of the defendants.¹²⁶⁶ This will ensure that a wide range of expressive uses are regarded as permissible at least at first appearances.

¹²⁶⁴ Simons (n.1110) 1054.

¹²⁶⁵ McGeveran and McKenna (n.72) 256. McGeveran (n.1031) 112-13.

¹²⁶⁶ Rogers (n.1189) . M. Perry, *Freedom of Expression: An Essay on Theory and Doctrine* (1983) 78 *Nw.U.L.Rev.* 1137, 1146. This approach is similar to the approach adopted under CAD in which it was stated that CAD and its conditions should be interpreted in a way that is more favourable to the comparative advertiser.

7.6.3.1 Model Defence

The thesis argues that the EU would benefit from a two tier defence. The first tier determines whether a use qualifies as expressive use. The second tier looks into other specific factors to determine the permissibility of the particular use.

A. Tier One:

Given the democratic approach to freedom of expression that the thesis advocates, it is arguable that a low threshold similar to that adopted in the US case of *Rogers v. Grimaldi* should be adopted.¹²⁶⁷ This approach ensures that a broad range of uses which contribute to the promotion of democratic freedom of expression are considered for protection. Apart from uses that will certainly cause confusion as to the source of the product under Article 5(1)(a) (such as affiliative messages), a broad recognition of less clear forms of expressive uses should be considered under this defence. The thesis argues that at this stage, the type of the message, its clarity and its accuracy, should not be regarded as a decisive factor in deciding whether is eligible for protection.¹²⁶⁸

B. Tier Two:

¹²⁶⁷ *Rogers* (n.1189).

¹²⁶⁸ These factors will be considered under the second tier, see section 7.6.3.10- B.

More challenging, however, is the final determination on whether an expressive use should be eligible for protection under the second tier. The thesis suggests that at this stage courts should engage in a process of categorisation of expressive uses based on the clarity of the expressed message as received by the public, the presence of an intention of expression, and the presence of other factors which can help rebut the claim of fairness.¹²⁶⁹ Whilst the subjectivity of the message should not in itself prevent a use from being protected under this defence, a clear message with obvious social benefit should logically be subject to less scrutiny.¹²⁷⁰ In that sense, expressive uses which fall under different categories should raise different types of concerns. The three categories of expressive uses provided in this thesis, although not exhaustive, provide a good starting point for such categorization.

Category 1: This category consists of types of expressive uses which have broad and obvious social utility. According to this thesis, these were labelled as cultural expression. Cultural expression includes either social commentary or artistic reaction. Social commentary entails the type of uses that encompass clear, articulate messages which are unmistakably comprehended by the public in general. These messages can be humorous or serious, they can be targeted towards a particular brand or be general in nature. In the case of artistic reaction, although the clarity of the message is tangential, and the messages are not always oppositional, the social utility of such uses is inherent in their broader cultural influence, particularly in the promotion of democratic-dialogues. Uses falling under this category warrant the highest level of

¹²⁶⁹ A similar view was advanced by McKenna and McGeeveran (n.72) 295. The US case of Rogers (n.1189) shows that engaging in such categorisation is possible and in fact recommended.

¹²⁷⁰ Regrettably in *Malletier v. Hyundai Motor Am.*, 2012 U.S. Dist. LEXIS 42795 (S.D.N.Y. Mar. 22, 2012), the U.S federal court banned Hyundai's T.V. commercial which references famous marks to make a comment on Hyundai's Sonata being luxurious in a different way than traditional luxury. The author argues that such use should be regarded as expressive use.

protection. Generally speaking, such uses should be exempt from liability even if they confer on the third party users a high degree of commercial benefit.

Category 2: The second category includes uses which have a tarnishing impact. Dealing with such uses is more challenging. The decisive factor on whether tarnishing uses should be eligible for protection should be whether these uses are received by the public as criticisms, or as tarnishing uses.¹²⁷¹ Generally speaking, the courts should interpret the term tarnishment very narrowly in this context. For example, consider the case of *Coca Cola v. Gemini Holdings*. In this case, a third party marketed and sold a t-shirt displaying 'Enjoy Cocaine' with obvious reference to Coca-Cola. Here, the company objected to such use on the basis that it may imply that Coca Cola contains addictive substance. Arguably, this can harm the company's image/reputation and should be prohibited.¹²⁷² A broad interpretation of tarnishment in this context may confirm Coca-Cola's claims. However, it could be argued that such statement involves an implicit attempt to raise awareness on the dangers of over-consumption of soft-drinks. Although this statement is subjective, it may be received by an average consumer as a criticism and as such, deserves protection.

It should be noted in this context that the presence of other factors such as intention to harm competitors, or intention to promote rumours of false information can rebut the

¹²⁷¹ *Smith* (n.1115).

¹²⁷² *Coca-Cola Co. v. Gemini Rising Inc.* 346 F. Supp. 1183, v E.D.N.Y 1972). See appendix for illustration.

fairness assumption which underlies this defence.¹²⁷³ If the expressive users were acting maliciously, then their use cannot qualify as expressive use.¹²⁷⁴

Generally speaking, the thesis supports the view that adopting such narrow interpretation of tarnishment in the context of expressive uses will help avoid transforming trademark law into a form of cultural censorship.¹²⁷⁵

Category 3: This category includes expressive uses whose value is vague or unclear. Ruling on the eligibility of uses falling under this category is the most challenging since the communicative values at stake are less substantial. Under a traditional infringement analysis, such uses may result in both confusion and misappropriation. Although the thesis argues that a real defence is favourable as it explicitly tolerates a degree of confusion or misappropriation to advance other public interests, failing to set a reasonable threshold for the tolerable level of confusion would encourage deception in trademark law. Consequently, the thesis argues that such uses should be monitored more stringently compared to other categories of expressive uses, but yet, should not be subject to the traditional infringement analysis.

Accordingly, the likelihood of confusion analysis should be limited to source confusion, and other broad types of confusion such as initial interest and post-sale confusion should be disregarded.¹²⁷⁶ This will ensure that only confusion which results

¹²⁷³ Desai (n.1065) 498.

¹²⁷⁴ For a detailed analysis on the malice test see US case: *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964).

¹²⁷⁵ J. Reiter, 'Trademark Anti-Dilution Laws as Cultural Censorship' (1997) 1(2) *L&Pub.P.S.1*, 1.

¹²⁷⁶ McGeveran and McKenna (n.72) 300.

in deception will be prohibited.¹²⁷⁷ Misappropriation and blurring under Article 5(2) should also be interpreted more strictly. The thesis suggests that intention is an important factor in determining the eligibility of such use. However, in order to avoid circular reasoning, by which a typical misappropriation analysis is repeated, the thesis proposes that the intention based inquiry should be reversed. In other words, rather than deciding whether the third party has intended to free-ride, the inquiry should focus on whether s/he has a genuine intention to express something of value.¹²⁷⁸ If this intention to express genuinely exists, the interest in preserving the communicative value of the speech would justify tolerating a level of misappropriation. In evaluating whether a genuine intention to express exists, several case-specific and general factors come to play. Although evidence that the defendant has intended principally to obtain a monetary gain can help prove that the third party use was not genuine, the existence of a commercial element should not, *per se*, be a decisive factor in determining the eligibility of a use.¹²⁷⁹

Finally, two general points should be made. First, in relation to all three categories, stronger trademarks are more recognisable among the public and are better equipped in delivering the expressive message.¹²⁸⁰ So, the use of a strong mark for the purpose

¹²⁷⁷ *Pfizer Ltd. v. Eurofood Link(UK) Ltd.* [2000] E.T.M.R. and [2001] F.S.R.3, C-254/09 *Calvin Klein Trade mark Trust v OHIM Case* [2010] ECR I-07989 par. 44. *Sabel* (n.953). For an analysis on the other types of confusion see, P. Mueyaert, J. Muyldermans, 'Likelihood of Confusion in Trademark Law: a practical guide based on the case law in community trademark oppositions from 2002 to 2012'(2013) 103 *TMR* 1032.

¹²⁷⁸ *Kemp* (n.1114) 178.

¹²⁷⁹ This approach was applied in the US in the case of 3 *Campbell v. Acuff-Rose Music*, 510 U.S. 569, 579–80 (1994). Also, see G. Myers (n.1033) 206. Many commentators disagree arguing that the lawfulness of expressive uses should hinge upon the commercial nature of the parody. Generally, see M. Dagitz, 'Trademark Parodies and Free Speech: An Expansion of Parodist's First Amendment Rights in *LL Bean v Drake Publishers Inc.*' (1987) 73 *IOWA L.Rev.* 961, D. V. L. Mastrullo, 'Trademark Parody Litigation and the Lanham Act: Fitting a Square Peg in a Round Hole' (1986)54 *UC Law Rev.* 1311.

¹²⁸⁰ Generally, see US case *Kenner Parker Toys Inc. v. Rose Art Indus*, 963 F.2d. 350-353 (1992).

of expression should be factored into the final case decision in favour of the third-party user.¹²⁸¹

Second, given the complicated nature of expressive uses in general, there is a very high potential of overlap between the categories. The categories provided above and the factors that should be considered for evaluating the eligibility of an expressive use under these different categories should depend on the specific circumstances of any given case. For example, whilst an artistic reaction should generally be subject to a low level of scrutiny, when the use may result in source confusion it should be treated as a vague parody. As such, a functional case-to-case analysis which attributes importance to evidence according to the facts of the case can help overcome the risks that may emerge as a result of this overlap. Whilst some may argue that such an approach would result in an uncertainty in the law, this level of uncertainty is acceptable if it achieves a fair balance between the interests of all concerned parties in the trademark debate.

7.6.3.2 Application to the Fashion Industry

In this final section, the model defence will be hypothetically applied to two examples of expressive uses from the fashion industry: the Plesner case and the Lichtenberg case. To recap, Nadia Plesner placed a LV shaped design on a t-shirt with the objective of promoting a message on inequality and social injustice.¹²⁸² Lichtenberg on the other

¹²⁸¹ This factor was mentioned in the US case *Louis Vuitton Malletier* (n.1156).

¹²⁸² It should be noted that this case was brought by LV in front of the Tribunal de Grande Instance in Paris for infringement of Community design-protection. See, *Louis Vuitton v. Plesner* [2011] SA, No. KG ZA 11-294. The author, however, hypothetically assumes that a similar case may be raised in the context of trademark infringement. For an image of the Simple Living Image see appendix.

hand created a brand which revolves around altering existing luxury fashion trademarks and featuring them on a wide range of fashion products. Both tiers of the defence will be hypothetically applied to these cases.

As already discussed, the first tier addresses whether a particular trademark use should be regarded as an expressive use for the purpose of this defence. In the Plesner case, the underlying message of social inequality is clear.¹²⁸³ Generally speaking, Plesner's attempt of social commentary is likely to generate an incontestable positive social utility. Thus, Plesner's use of the LV mark satisfies the conditions for being an expressive use under the first tier of this defence.

In relation to the second tier, the clarity of the message plays a critical role in determining the eligibility of the expressive use. In the case of Plesner, the fact that the expressive message is clear, and its social utility is obvious means that this use should not be subject to much further scrutiny. The fact that Plesner used a globally renowned mark (LV),¹²⁸⁴ rather than any mark renders the protection of such expressive use even more compelling.¹²⁸⁵ The outcome of this case should be in favour of the defendant.

¹²⁸³ For a detailed account of Nadia Plesner's use of the LV mark see J. Mccutcheon, 'Designers, Parody and Artistic Expression- A Comparative Perspective of Plesner v. Louis Vuitton' (2015) 41(1) *Monash U.L.Rev.*, UWA Faculty of Law Research Paper No. 2015-15.

¹²⁸⁴ LV was ranked as number 14 in terms of brand value by Forbes. See Forbes 'The World's Most Powerful Brands' (*Forbes*, 2015) < <http://www.forbes.com/powerful-brands/list/#tab:rank> > Accessed 21 October 2015.

¹²⁸⁵ LV argued that by making an authorised use of its monogram design, Plesner was seeking publicity in an aggressive way and free-riding.

More controversial, however, is the outcome of Lichtenberg's case. In relation to the first tier, the underlying message of the Bucci sign is less obvious, at least for an average citizen. At first appearances, the use of a Gucci look-alike mark seems to be an attempt for counterfeiting which should be subject to traditional infringement analysis. However, upon closer inspection, the word Bucci itself entails a meaning which is used and comprehended although amongst a narrow public.¹²⁸⁶ In a way, Lichtenberg has contributed to the advancement of semiotic democracy, and thus, a more attractive culture.¹²⁸⁷ As already explained, the social utility of this expressive use, albeit vague, cannot be overlooked. Following the low threshold advanced in *Rogers*, the thesis argues that such use should be regarded as expressive use for the purpose of the first tier of the proposed defence. Any potential for opportunistic, non-genuine behaviour which could result from this low threshold will be compensated for under the second tier.

Analysing Lichtenberg's use under the second tier is complicated. Because the speech is vague, it is important to scrutinise such use by reference to other case-specific factors. The first question regards the existence of confusion. As already discussed, confusion should be limited to source confusion in this context. Although the topic of confusion remains outside the scope of this thesis, the obvious visual and aural similarity between the two marks, and the potential for direct competition/harm (given the fact that Bucci can act as substitute for Gucci) are factors that usually support

¹²⁸⁶ See section 7.4.3.3.

¹²⁸⁷ *Ibid.*

claims for source confusion.¹²⁸⁸ Taken together, it is unlikely that this defence would be successful in protecting Lichtenberg's use of the BUCCI mark on his products.

In relation to misappropriation, the thesis argued that proving that a genuine intention for expression exists is sufficient to avoid misappropriation. Ruling on this issue requires factual determinations based on the specific circumstances of the case. From the available information, it is unlikely that Lichtenberg will be able to demonstrate that he had a genuine intention to expression. First, Lichtenberg only reproduces luxury fashion brands as opposed to other mainstream brands, or even other luxury brands beyond the luxury fashion industry. This demonstrates that the principal intention of the third party user in this case is to attract consumers by offering suitable substitutes for original products. Second, Lichtenberg himself stated clearly that he would not target a brand that he does not like.¹²⁸⁹ This again confirms the view that he intentionally targets brands which are likely to garner attention with the mere purpose of driving sales. The analysis shows that although Lichtenberg's use of the Bucci did constitute an expressive use at first appearances, a more thorough analysis reveals lack of obvious intention of genuine expression. Accordingly, this use should be prohibited.

¹²⁸⁸ Generally, see U.S case *International kennel Club v. Mighty Star Inc.*, 846 F.2d at 1089(1988) .

¹²⁸⁹ K. Rudulfo, 'Brian Lichtenberg on 90's Fashion, Miley Cyrus, and Twerking Contests' (Elle, September 2013) <<http://www.elle.com/fashion/news/a23654/brian-lichtenberg-ss14-collection/>> Accessed 23 July 2015.

7.7 Conclusion and Findings

Taking the fashion industry as a case example, this chapter discussed and analysed the issues that emerge in the context of trademark use for expressive purposes. Several interesting findings have emerged.

First, after evaluating different theories of freedom of expression, the thesis proposed that a democratic-dialogue understanding of freedom of expression should be the foundational stone for governing expressive uses in the context of trademark law. Based on this understanding of freedom of expression, trademark law should enable the public to comment, transform, react to and criticise brands and the process of branding even if this may jeopardise some of the interests of trademark owners.

Second, in order to advance democratic-dialogue freedom, the law should embrace most types of expressive uses including social commentary, satire, brand parodies, and even less obvious parodic uses.¹²⁹⁰ These can be balanced against other factors which emerge from the specific medium of use at a later stage.

Third, after evaluating the current framework for governing parodies, the discussion revealed that none of the currently available tools provide a sufficient safe harbour for expressive work. Most of the current mechanisms compel judges to balance two competing interests. This results in an increased likelihood of suppression of expressive uses. On this premise, the thesis proposed that a stand-alone defence, which

¹²⁹⁰ For a contrasting view see Gunnell (n.1112) 466. Also, see Posner (n.715) 67-68.

recognises the existence of wrong (dilution, limited confusion), but exempt users from liability for broader social purposes is favourable. This will certainly help give greater prominence to socially desirable third party uses, thus, ameliorating the uncertainties resulting from the acceptance of extended types of harm (dilution protection, extended confusion, modern trademark protection). A real defence is favoured not only for theoretical reasons, but more importantly for practical considerations. Because the real crisis in expressive trademark use occurs pre-litigation, the existence of a clear defence which third party users can readily cite would minimise trademark bullying.¹²⁹¹

The thesis argued for a categorical safe harbour which allows courts to dispose expressive use cases cleanly, quickly and logically. The first step involves categorising expressive uses according to their clarity. The second step involves sending different categories of expressive uses along different types of tracks to ensure that the main danger of each type of expressive use is contained. This approach can help ensure that the expressive use was more than purely free-riding or publicity seeking.¹²⁹²

In conclusion, the analysis revealed that broadening protection for expressive speech, particularly mixed speech, will help rebalance the current system of trademark protection. A liberal attitude in relation to expressive uses is a reflection of the laws' acknowledgment of the contribution of the public in the development of brand

¹²⁹¹ Grinvald (n.1256) 625.

¹²⁹² Kemp argues that using the mark in sexual context in the *Dallas Cowboy Cheerleaders* case was for attention seeking. Kemp (1114) 163, 180.

meanings. This attitude helps ensure high information flow and encourages the public debates about the politics of commerce.¹²⁹³

Furthermore, by stepping in to allow criticism, alteration of brand meanings, and social dialogue through trademarks, the law would indirectly help in moderating the emotional connection between trademarks and the public.¹²⁹⁴ As the analysis in chapter four reflected, only if the public is permitted to act on brands, would it be reasonable to argue that the connection between consumers and brands is not irrational. This soft-paternalistic approach is recommended within a democratic setting as it does not directly prohibit the public from the development of emotional connections with brands, yet it legally unlocks new channels for brand resistance.¹²⁹⁵

What has been proposed so far will be logically resisted by corporations who will certainly prefer to remain the central and only source of information.¹²⁹⁶ However, the thesis opposes this view arguing that decentralising the sources of information will help in the promotion of a democratic-dialogue, and in the enhancement of decision making in general.¹²⁹⁷

¹²⁹³ Dogan and Lemley (n.1137) 490.

¹²⁹⁴ Bartholomew (n.502) 48.

¹²⁹⁵ For a thorough discussion on paternalism in law see generally, C. Coons, M. Weber, *Paternalism; Theory and Practice* (CUP, 2013). Also, see T. Ginsburg, J. Masur, R. McAdams, 'Libertarian Paternalism, Path Dependence, and Temporary Law' (2013) 81 *U.C.L.R.* 291.

¹²⁹⁶ Dogan, Lemley (n.1137) 505.

¹²⁹⁷ Desai (n.1065) 459.

Chapter Eight

Conclusion

8.1 Overview

The main objective of this thesis was to evaluate the current approach for the extended trademark protection within the European trademark system, and to examine the consequences of such expansion. To achieve this objective, the thesis used the luxury fashion industry as an analytical tool to provide an all-encompassing view on the substance of the modern functions, their possible normative justifications, and the implications of their protection from a social perspective. Despite the use of an industry specific analysis, the thesis attempted to use the unique characteristics and the complex nature of the luxury fashion industry to derive general rules which could be applied to the ongoing debate about the optimal level of trademark protection in Europe. Using both economic and social reasoning, the analysis examined various justifications for extended trademark protection and suggested a number of counterbalances to this newly recognised protection.

Following a critical evaluation of the law that regulates trademarks and their modern functions, the analysis revealed the existence of four fundamental flaws with the current EU approach to modern trademark protection. The first flaw lies within the CJEU's limited understanding of the realities of the modern functions which is reflected in the inconsistent interpretation of Article 5(1)(a). The second flaw is crystallized by the reliance on non-convincing normative justifications for the expansion of the modern functions. The third flaw lies within the language of the TMD

itself, particularly in relation to Article 5(2). This unjustifiably fragmented cause of action, which is the undesirable result of an endeavour to balance the conflicting legal attitudes of the Member States, has rendered the provision difficult to understand and apply. The final flaw lies within the absence of effective limitations and/or defences which can help restore the balance of the trademark system, particularly in relation to freedom of expressive uses. Taken together, these flaws expose an unbalanced state of law which is characterised by a clear legal bias in favour of trademark owners. The repercussions of the current state of law are alarming particularly given the parallel expansion of the registration criteria of trademarks and the abolition of the graphical representation requirement under the new TMD.¹²⁹⁸ Consequently, reconsidering the current state of law is crucial.

Contrary to the dominant view which supposes that the mere recognition of these functions would result in a pro-trademark owner system of protection, the thesis argued that attempting to confine trademark protection to its traditional policy objectives would render the law obsolete. This will hamper its ability to effectively deal with modern trademark uses. But how can the modern functions be recognised without risking the monopolisation of trademarks?

The thesis proposed that the answer to this apparently paradoxical question is ironically very simple. The communicative value of modern trademarks has two dimensions: the corporate and the social. Under the corporate dimension, trademark

¹²⁹⁸ Generally, see D. Vaver, 'Recent Trends in European Trademark Law'(2005)882 *TMR* 882 . See, Council Directive(EU) 2015/2436 (n.912).

owners use trademarks to communicate not only quality features, but also value propositions, images and associations. Trademark owners have the upmost interest in protecting this dimension to attract customers and to ensure brand loyalty. Under the social dimension, the public use trademark associations to communicate within the social nexus, either through adopting existing trademark meanings, or through altering them. For the general public, the protection of this dimension provides a medium for expression and self-satisfaction. Hence, the protection of modern trademarks necessitates the protection of both these dimensions, particularly since consumers co-author the meanings of trademarks. Generally, the first dimension is protected through the recognition and protection of the modern functions to preserve the ability of trademark owners to communicate through trademarks. The second dimension is protected through carving effective counterbalances which empower consumers to resist imposed brand meanings, and most importantly help restore the balance of the trademark system. The following section will delve into the findings of each chapter and relate these findings to the broader research objectives presented in the introductory chapter. The findings of this thesis can be categorised under four titles: foundations of trademarks, the functions of trademarks, the extension of trademark protection and finally the balancing of trademark protection.

8.2 Summary and Findings

8.2.1 The Foundations of Trademarks

In examining the foundations of trademarks, the thesis aimed to set the scene through elaborating on the evolving nature of trademarks, their narrow and broad functions, and their relation to other related concepts such as goodwill and brands.

The discussion demonstrated that trademarks have a distinctive nature manifested through their brevity along with a strong informational value. Trademarks provide an effective tool for remedying informational asymmetry, facilitating purchase decisions, and most controversially for representing a company's goodwill. The analysis revealed the existence of extended forms of goodwill which are divorced from product performance and more relevant to popularity of the trademark itself. This point is significant as the recognition and protection of the modern functions start with an acceptance of a broad definition for the goodwill associated with trademarks.

In the first chapter, the thesis also attempted to distinguish between trademarks and brands. The analysis demonstrated that while technical differences between the two exist indeed, trademarks remain the main defence through which brand owners can protect the various elements of their brands. Accordingly, goodwill, trademarks, and brands form an intricate web which renders their separation almost unattainable. Given the strong association between these three concepts, protecting some, or all, of the brand elements of trademarks has become crucial as will be discussed under the second

heading. Hence, it was important to shed light on the process of brand making to illuminate on the various interests that need to be considered in extending trademark protection.

Following a discussion on the brand phenomenon, it became apparent that brands gain their value through the contribution of both trademark owners (through investing in developing brand identity), and the general public (through decoding brands and/or acting on them). Because the value inherent in brand is co-authored the interests of both trademark owners and consumers should be considered in extending trademark protection.

8.2.2 The Functions of Trademarks

The second theme that emerged from the thesis concerned the functions of trademarks and their evolution. By employing an economic analysis, the third chapter engaged in an evaluation of the justifications on which trademarks were traditionally protected. The thesis acknowledged the significance of protecting the economic trademark functions to preserve the interests of both consumers and trademark owners. Acting on the presumption that all products attached to a particular trademark emanate from a single source, consumers develop trust with this anonymous source. When trust exists, consumers benefit from reduced search costs and quality assurance. Trademark owners benefit from being able to generate profits through repeat purchasing from loyal customers. This leads to an enhanced state of economic efficiency for all interested parties.

However, this somewhat outdated interpretation of trademarks and their functions is inadequate. It is no longer sufficient to perceive trademarks as mere tools for remedying information asymmetry in the market place. Although this function is of great economic and social significance, consumers are increasingly attracted to the positive associations inherent in the mark. In other words, consumers are now attracted to the inherent goodwill of the marks which should accordingly be protected. After highlighting the inadequacies of the traditional justifications, the thesis tried to provide an alternative justification for modern trademark protection.

In particular, through the use of an interdisciplinary approach which combined the legal and brand theories, the thesis demonstrated that trademarks have developed in new, yet, revolutionary context, namely, as a strong communicative tools. As a result of extensive investments in marketing and advertising, the conception that through trademarks, companies simply infuse direct information about products (informative communication) became outdated. Using examples from the luxury fashion industry, the thesis reflected how trademarks are being used currently by their owners to signal to consumers' images, value propositions, and associations in order to drive purchases for their trademarked products. Corporations use trademarks to create and foster social relationships with consumers who, accordingly, become loyal to any product originating from this company. On the other hand, consumers utilise images associated to trademarks within the social environment for the purpose of self-satisfaction (inward communication), or to create dialogues with other members of the public (outward communication).

Thus, the thesis highlighted three dimensions of the modern functions which are equally important: *brand-consumer communication*, *consumer-consumer communication* and *consumer-public communication*. The ‘balanced’ protection of the modern functions *necessitates* the recognition of all of these dimensions (even those that are not in the interest of trademark owners). This point will be further discussed under the final heading. Following an explanation of the communicative value of trademarks, the thesis delved into theories of consumer behaviour, to evaluate the influence of the ‘attractive power’ of trademarks on consumers.

The analysis exposed the fallacy of the theory that consumers are ‘irrational weighers’ who lack the capacity to possess information that maximises their utility.¹²⁹⁹ In contrast, it was argued that consumers develop emotive connections with trademarks consciously and receive a psychological sufficient return that satisfies their hedonistic needs. This is particularly true in the case of high-involvement products, such as luxury fashion products, by which consumers possess a high level of interest in the purchased product. However, the validity of this argument rests on the assumption that resistance mechanisms exist, which allow the public to alter the meanings imposed by trademark owners. Assuming that this is the case (a point that will be addressed under the final heading), the thesis proposed that the protection of the broad communicative value of a trademark is not detrimental, and may be beneficial if placed within a sound legal

¹²⁹⁹ Brown (n.495).

framework. This triggered the question of whether extended trademark protection is justifiable.

The discussion demonstrated that relying on pure economics to justify, or to refute, modern trademark protection is extremely challenging. The presence of multiple theories on economic efficiency and the preferred shape and direction of the competitive environment reinforces this problem. Thus, using a practical analysis, the thesis identified the importance of recognising the modern trademark functions to avoid transforming the law into an obsolete, inadequate ground for trademark protection. However, the challenge remains in finding a normative justification on which these functions can be integrated into the trademark system.

8.2.3 Extending Trademark Protection

In order to effectively evaluate the current system of extended trademark protection, it was critical to evaluate the theoretical and practical grounds on which modern protection is currently predicated in Europe.

Theoretically, using the luxury fashion industry as an analytical tool, the fifth chapter evaluated the normative justifications currently advanced for extended trademark protection. Following an evaluation of the dilution rationale, the discussion revealed that contrary to the conventional view, blurring, even in an industry that is allegedly founded on the idea of exclusivity, cannot be ascertained. Blurring cannot be measured

quantitatively or proven economically and even its theoretical premise (distinctiveness) is losing significance in the advent of the post-modern consumer society. It was concluded that blurring does not provide suitable as a ground on which trademarks can be extended. Tarnishment, on the other hand, is more intuitively appealing as it may result in new, yet, *negative associations*. Nevertheless, like in the case of blurring, proving tarnishment economically remains challenging.

Unlike blurring and tarnishment, the free-riding rationale, despite the intensive criticisms levelled against it, provides the most resilient ground for extending trademark protection if analysed from the prism of unjust enrichment as opposed to natural law. First, through the use of examples from the luxury fashion industry the thesis demonstrated how free-riding occurs in the context of non-confusing trademark use. From a moral perspective, when competitors seek to intentionally exploit the goodwill of a senior mark, the owner of the senior mark has a *justifiable expectation* to receive compensation. However, given the breadth of this moral based approach, the thesis argued that confining it through clearly articulated parameters is not only desirable, but also inevitable. Therefore, it was proposed that in deciding whether a use is unfair, courts should use a functional analysis to evaluate the substantiality of the advantage acquired, and/or the substantiality of the disadvantage inflicted on the trademark owner. Several factors that may be considered in evaluating the type of advantage taken by the junior user were highlighted. Applying the proposed test to hypothetical cases from the fashion industry helped demonstrate the practicality of such approach.

Based on the theoretical analysis provided in chapter five, chapter six reflected the shortcomings of the approach currently employed in the European trademark system for extended trademark protection. The chapter concluded that, in light of the muddled current state of law, a reconsideration of both the content of the provisions regulating modern trademark protection, and the interpretative approach adopted by the CJEU is essential.

As far as the first point is concerned, the discussion revealed that the language and the structure of the reputational based protection under Article 5(2) is flawed. In particular, the attempt to fragment Article 5(2) under three causes of action (blurring, tarnishment and unfair advantage) is neither theoretically, nor practically comprehensible. Building on the analysis provided in the fifth chapter, the thesis recommended that unfair advantage should be the principal cause of action, with tarnishment and blurring acting as complementary evidence supporting an unfair advantage claim. The thesis proposed that this approach will help circumvent the pitfalls of developing trademark systems based on unconvincing normative justifications.

By reference to CJEU case law, the analysis also highlighted several problems with the interpretation of the TMD. The first problem concerned the courts' wide interpretation of Article 5(1)(a). In its case law on the double identity clause, the CJEU has stretched the boundaries of the Article too far to include, not only the traditional origin function, but also the extended modern functions. Given the confusion presumption which underpins this Article, the thesis concluded that, as a matter of principle, the modern functions cannot be justifiably protected under 5(1)(a).

The second downfall with the interpretative approach adopted by CJEU crystallised in the evaluation of both blurring and tarnishment claims under Article 5(2). The analysis showed that the CJEU imposes a very high threshold for proving dilution (particularly blurring), possibly, to avoid the pro-trademark owner outcomes that may emerge otherwise. Although the thesis argued that both blurring and tarnishment should not constitute a separate ground for extended trademark protection, the current approach seems illogical.

The third problem, according to this thesis, lies within the CJEU interpretation of the unfair advantage cause of action. Following an evaluation of key decisions on the issue, the thesis concluded that the current interpretation of Article 5(2) is fundamentally ineffective. Currently, courts predominantly rely on intention, or on the existence of imitation to find unfair advantage. These criteria are vague and unjustified, thus, rendering the provision inconsistent. The thesis proposed that the substantiality of harm test proposed in chapter four may contribute to resolving the current legal inconsistencies. Furthermore, to avoid the problems resulting from fragmentation, both tarnishment and blurring should be used as supporting evidence for an unfair advantage claim.

8.2.4 Balancing Trademark Protection

The final theme that emerged in this thesis concerned the significance of developing effective counterbalances to limit the exclusive rights enjoyed by trademark owners. In light of the rejections of the proposals to limit 5(1)(a) to its origin functions, the need for a sound limitation infrastructure became more compelling.¹³⁰⁰ Owing to the breadth of the topic, the thesis focused on the existing limitations and examined their adequacy in protecting freedom of expression, using expressive fashion as a case study. To this end, both a theoretical and a practical analysis were advanced in chapter seven.

The analysis evaluated the theoretical significance of expressive uses in general, and within the fashion industry in particular. The importance of facilitating the free use of trademarks for the purpose of expression became apparent in light of democratic-based theories of freedom of expression. Namely, the ‘democratic-dialogue theory’ supported the view that an ideal society is one which provides its members with an opportunity to influence the process of meaning-making through altering, deleting or reacting to existing meanings. This applies not only to non-commercial uses, but also to uses that entail commercial elements, as the latter facilitates the former. This point became perceptible once applied to the context of fashion. The analysis demonstrated that for both consumers and third party users, expressive fashion provides an effective channel for expression and communication as it allows the public to engage in meaning-making through either challenging, or building on existing trademark meanings. This social dimension, as highlighted in chapter four, is a crucial element

¹³⁰⁰ See, Council Directive (EU) 2015/2436 (n.912) The new directive does not limit Article 5(1)(a) to its origin function as was hoped.

of the communicative value of trademarks. Hence, it cannot be overlooked merely because it does not serve trademark owners' interests.

Bearing in mind the importance of expressive fashion in the context of freedom of expression, the analysis examined the value of different types of expressive uses under three categories: cultural commentary, tarnishing uses, and vague expressive uses. The analysis found that within all these types of expressive uses, there was a varying level of social value that should be embraced. It was concluded that only uses which obviously attempt to confuse as to the source of the products should be prohibited. Accordingly, it was essential to evaluate the effectiveness of existing limitations for the protection expressive uses within trademark law.

The thesis found that all existing limitations, whether internal (due cause, use in the course of trade) or external (ECHR) fall short of sufficiently protecting expressive uses. Following an investigation of the most constructive approach to protection, it was concluded that an explicit stand-alone defence is crucial. Such defence, unlike other limitations/defences, tolerates the existence of a degree of likelihood of confusion or misappropriation to advance broader social objectives. The thesis argued that this defence will help relocate the power of imposing brand meanings from corporate giants to the public. This will in turn help curtail the monopolistic behaviour of trademark owners, hence restoring the balance in trademark system.

To achieve this objective, the thesis proposed a two-tier defence: the first tier filters expressive uses by reference to the expressive value inherent within them. Only uses which entail no expressive value and would definitely confuse as to the source would be excluded from protection under this tier. The second tier engages in a more complex analysis to assess whether, in light of the facts of particular case, the expressive use should be prohibited. Chapter seven then recommended that the three categories of expressive uses discussed should warrant a different level of scrutiny. Therefore, uses falling under the cultural commentary category warrant the highest level of protection (least scrutiny). Tarnishing uses should be tolerated as long as they are received by the public as criticisms and not as merely an attempt to harm. And finally, in the case of vague expressive uses, a high level of scrutiny becomes crucial. Here, courts should engage in a functional analysis to evaluate whether the third party user had an intention to express something of value, particularly in relation to determining misappropriation. However, such uses should not be tolerated if they cause confusion as to the trade origin of the products. The thesis highlighted the potential overlap between the suggested categories, and thus, emphasised the significance of adopting a functional analysis to attain fair outcomes.

8.5 Concluding remarks

According to Beebe ‘the key value to be realised by consumer sovereignty is not welfare maximization of any sort, but rather the simple tolerance of the desires of others’.¹³⁰¹ Whilst this view is embraced in general, the thesis proposes that there is a fine line between the ‘tolerance’ of consumer desires, and the ‘imposition’ of those desires on consumers. Therefore, although it is crucial that the desire of some consumers to be ‘snobs’ should be accepted and, in fact, legally protected through the recognition of the modern functions, it is equally important to ensure that trademark owners are not being empowered to manipulate consumer choices. According to this thesis, this is achieved by accommodating for the public interest in extending the boundaries of trademark protection, namely, through carving effective limitations. The thesis advances that this approach will avoid any unreasonable interference with consumer autonomy, whilst ensuring that only the ‘genuine’ desires of consumers are protected.

Finally, this thesis constitutes the first step for a more comprehensive analysis on the most favourable approach for protecting modern trademarks. To achieve a conclusive answer on this broad topic, the research needs to be expanded vertically and horizontally. Vertically, it is critical to engage into an analysis on the impediments that may obstruct the successful implementation of an expressive use defence in Europe (e.g. language barriers).¹³⁰² Horizontally, this analysis has focused on the social

¹³⁰¹ B. Beebe, ‘Search and Persuasion in Trademark Law’ (2005) 103 *Mich.L.Rev.* 2020.

¹³⁰² Insights can be drawn from a similar discussion on the registration of foreign trademarks in Europe. Generally, see E. Bowman, ‘Trademark Distinctiveness in a Multilingual Context: Harmonization of the Treatment of Marks in the European Union and the United States’ (2003)4 *San Diego Int’l LJ* 513.

dimensions of balancing trademark rights. Further research on other commercial areas such as comparative advertising, referential use and trademark use on social media are crucial to ensure that an all-encompassing analysis on extended trademark protection is attained.

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Appendix

Vague Expressive Uses



Social Critique



Tarnishing Uses

