

QUESTION 80

Trademarks and consumer protection

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Q80

Question 80

Trademarks and Consumer Protection

Resolution

I. The AIPPI *welcomes* the fact that WIPO has examined the problem of consumer protection within the framework of industrial property law and considers that the memorandum in its revised form of 1982 (WIPO document COPR/III/1) constitutes a careful and overall balanced study, which forms a valuable basis for further discussions.

II. The AIPPI *makes* the following observations with regard to the general problems dealt with in the WIPO memorandum:

1. AIPPI *agrees* with the WIPO memorandum that

- industrial property law has in many respects a close connection with consumer protection,
- industrial property law and in particular trademark law, is of great economic importance not only for the manufacturer and the merchant but also for consumers,
- because of the trade mark's function to distinguish goods or services of one enterprise from those of another, it enables consumers to recognize goods or services with which they were content and to avoid others; and that thereby the trade mark presents an important means which permits to achieve market transparency (i. e. the ability to distinguish more clearly the different goods or services),
- even without recognition of a direct quality function, the trade mark generally enables consumers to expect a certain level of consistency as regards the quality of the goods or services,

and is pleased to note that the WIPO memorandum is largely of the same opinion as the AIPPI in its resolution to Question 68 (Economic Significance, Functions and Purpose of the Trademark) adopted 1978 in Munich.

2. The AIPPI *emphasizes* that

- the trademark, because of its nature and its economic and legal functions, in the property of the enterprise which apposes and uses the trade mark and consumers can therefore not claim any direct right to the trade mark,
- because of the economic and social relevance of the trade mark to the consuming public, the interest of consumers should however be adequately taken into account in trade mark law,
- in many respects this interest has already been taken into account in existing trade mark law; but enquiry should be made whether trade mark law, within its given boundaries, should go further in considering the legitimate interests of consumers,
- in principle, trade mark proprietors and consumers have parallel interests, especially in relation to deceptive and confusingly similar trade marks,
- therefore the conclusions of the WIPO-Memorandum can be accepted that "in principle consumer interests are best served by an effective protection and regulation of industrial property rights",
- any erosion of the exclusive rights of the trade mark proprietor can also have negative consequences for consumers.

3. The AIPPI *emphasizes* further that

- trade marks should not be misused to the detriment of consumers,
- in this connection, insofar as consumer interests are concerned, a distinction has to be made between the trademark itself and the way it is used in a particular case. Prevention of a misleading use of a trademark should primarily be left to the general provisions against misleading practises and to the law against unfair competition. Provided that the general provisions against misleading practises and/or the provisions against unfair competition sufficiently prevent the misleading use of a trademark, there seems to be no need for additional reputations in trademark law.

III. The position of the AIPPI as regards the particular problems examined in the WIPO memorandum and dealt with in the Summary Report of the Reporter General, is as follows:

1. Deceptive trade marks

Although the interest of consumers can only be affected directly by the *use* of a trade mark, which is misleading, it should be recognized as a legitimate interest of consumers

that they be able to raise objections to the *registration* of a inherently deceptive trade mark or to request its cancellation. It can be left to the different countries to grant consumers or their organizations *locus standi* to defend their interests in opposition or cancellation proceedings.

As to the misleading use of a trade mark which is not inherently deceptive, sanctions directed against the trade mark itself, especially cancellation of the trade mark, are in general not appropriate. The interests of competitors and of the public can be sufficiently protected by injunctive relief and/or if necessary by an action for damages based on general provisions and/or on provisions of the law against unfair competition.

2. Trade marks without distinctive character

If a trademark is contested because of its alleged lack of distinctiveness or of its descriptive character or its degeneration into a generic name, it is above all in the interests of the trade mark proprietor and of competing manufacturers to be able to use freely the names that are primarily affected. It is not evident that consumers need to have *locus standi* in such proceedings.

3. Confusingly similar trade marks

In view of the relevance of trademarks for the consuming public, in principle consumers also have an interest in the prohibition of the use of a confusingly similar trademark. That interest is, however, taken into account by an *ex-officio*-examination by the Trademark Office, or by allowing the owner of a prior right to oppose the registration and/or the use of a conflicting more recent trademark in opposition, cancellation or infringement proceedings. Experience up to the present has shown that there is little interest of consumers in preventing the registration and/or use of confusingly similar trademarks; therefore it does not seem necessary to grant *locus standi* to consumers, especially in infringement proceedings. Consumer participation would not only complicate and delay these proceedings but would also unduly restrain the freedom to determine the rights by those directly concerned, namely the owner of the trade marks in question and his adversary.

4. Assignment and licensing of trademarks

It is generally recognized that there is an economic need for the assignment and especially the licensing of trademarks. Such transactions should therefore not be subject to unduly restraining and inflexible conditions. But considering the trust that consumers generally have in trade marks, adequate and sufficient precautions are necessary in order to prevent the deception of consumers. As a result of the assignment or licensing what particular measures within the framework of trade mark law or the general provisions against misleading practices are most appropriate to achieve this goal should be the subject of further study.

5. Obligation to identify goods or services with a trade mark

The majority of the national groups is of the opinion that there should be no obligation to label goods or to associate services with a trade mark. At least in a market economy, each enterprise should be free, to decide if and how it wishes to use a trade mark. So far as consumers interests require information relating to the marking of goods or services, this requirement can be served by labelling regulations outside trade mark law. These regulations should not, however, lead to an undue restriction of the freedom to use or not to use a trade mark.

6. Different trade marks for identical products

It is agreed that there may be a legitimate economic reason for one and the same enterprise to use different trade marks for identical products in the same marketing areas. Further there is no reason to believe that the use as such of different trade marks for identical products negatively affects the interests of consumers. Consequently, trade mark law sanctions, for instance the cancellation of one or all of the respective marks, must be opposed. If misuse in particular cases should occur, it should rather be dealt with under the existing general or special provisions against misleading indications as to the price or the quality of goods or by providing appropriate information to the consumer.

7. Foreign trade marks

It is agreed that no general distinction should be drawn between national and foreign trade marks. If in certain cases the manner of use of a foreign trade mark for domestic goods or of a national trade mark for foreign goods is likely to lead to deception as to the geographic origin of the goods and if national trade mark law provides insufficient sanctions against this result, resort can be made to the general provisions against misleading practices and/or the provisions against unfair competition.

8. Exhaustion of trade mark rights

The exhaustion of trade mark rights has again been brought up by the WIPO-Memorandum under the aspect of consumer protection. As in earlier discussions of IAPIP, no unanimous opinion has been reached. The majority of the national groups tend towards the principle of international exhaustion and point out that the admission of parallel imports may be in the interest of consumers because they can increase competition and thus lead to lower prices. On the other hand even in these letter reports it is noted that the unrestricted admission of parallel imports can lead, not only to a disturbance of the system of distribution but can also have negative effects for consumers, for instance, if the parallel imported goods do not meet the special quality expectations of the consuming public in the import country, or because after-sales service and guarantees are not assured.

9. Special jurisdiction provisions for consumers

If consumers are to have locus standi in trade mark proceedings such should be conferred within the framework of existing procedures without establishment of any special administrative or judicial tribunals.

IV. The AIPPI *decides* to continue the study of Question 80 as to the following problems

1. Which actions and sanctions are in general appropriate to counter a possible deception of consumers in relation to the assignment or licensing of trade marks?

2. To what extent is there a conflict between the right of an enterprise to decide whether and how to use a trade mark which is basic to trade mark law and the provisions in the field of marketing and labelling of goods or services, and if so how can such be reconciled?

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Question 80

Trademarks and Consumer Protection

Resolution

Yearbook 1985/III, pages 309 - 311

Q80

Executive Committee of Rio de Janeiro, May 13 - 18, 1985

Having stated that, by reason of its nature and its economic and legal functions, a trademark is the property of the enterprise which applies and uses it and that consumers can therefore claim no direct right to the trademark, the AIPPI, in the resolution which it adopted in Paris in 1984 (Annual 1984/I, p. 163), emphasized that trademarks must not be misused to the detriment of consumers and decided to continue the study on the following problems:

- i) Which actions and sanctions are in general appropriate to counter a possible deception of consumers in relation to the transfer or licensing of trademarks?
- ii) To what extent is there a conflict between the right of an enterprise to decide whether and how to use a trademark which is basic to trademark law and the provisions in the field of marketing and labelling of goods or services, and if so, how can such be reconciled?

A. Transfer of trademarks and granting of licences

I. The AIPPI recalls that the transfer and granting of trademark licences corresponds to economic need on the part of the trademark owner and that this is generally accepted in the various legal systems and that these transfers and granting of licences must not be subject to exceedingly restrictive or rigid terms.

II. The AIPPI points out that if following such a transaction the transferee or licensee uses the trademark in a misleading way, it is not the trademark itself which is the cause of deception but rather the conditions of its use. Therefore, as AIPPI has already stated in its resolution adopted in Paris, sanctions directed against the trademark itself, especially cancellation of the trademark, are in case of misleading use of a trademark in general not appropriate. The interests of the consuming public can be sufficiently protected by actions prohibiting the misleading use which are based on general provisions of law and/or on special provisions for the protection of consumers or against unfair competition.

III. The AIPPI is of the opinion:

- a) that, in case of misleading use of a trademark by a transferee or by a licensee or a related enterprise, neither the nullity of the trademark transfer or the trademark license nor forfeiture of the trademark nor in general its cancellation from the register would constitute an appropriate sanction of trademark law against such misleading use;

b) that it should not be required by law that the product of the licensee must necessarily have the same characteristics, including quality, as those of the licensor but that as far as licenses are concerned, it is generally in the interest of the trademark owner and the consuming public that the trademark owner imposes quality standards on the licensee and provides for an adequate control.

IV. Furthermore, the AIPPI considers that the following measures are not appropriate:

a) Validity of the granting of the licence being made subject to its entry in the Trade Mark Register.

b) Examination of licence agreements by the Trade Mark Office as to the question of their misleading the consuming public.

c) An obligation, in every case, for the licensee to include, on the products, a notice stating that the trademark is used under licence.

B. Relationship between "informative labelling" of products and trademark law

Informative labelling or the marking of products must not be confused with the identification of a product or its packaging with distinctive signs (trademarks, trade names).

I. The AIPPI has observed that in the field of food products, pharmaceuticals, cosmetics and common-use goods, for instance, more and more, legal provisions are being set up to make mandatory informative labelling on the characteristics of the product or its area of use which are included on the labels, tagging or packaging of the product (informative labelling).

II. The AIPPI recognizes that the use of informative labelling - in so far as it is limited to information which is necessary for the consumer and is easy to comprehend - can make the market more transparent and can thus be a valuable aid for the consumer when the time comes to choose. Moreover, in many sectors, trademark proprietors already voluntarily provide such information.

III. However, the AIPPI hereby states that such a regulation must not obstruct the fundamental principle of trademark law which is that the adoption of a trademark is optional.

As it currently stands trademark legislation only confers a right to use a mark; it does not entail any overall *obligation* whatsoever to affix a trademark on the goods. In free-market-economy countries at any rate, the decision whether or not to mark goods and the way this is done should be left to the initiative of each enterprise (Annual 1984/1, p. 164).

IV. The AIPPI particularly points out that if the national legislature makes informative labelling obligatory for the benefit of consumers, such regulation should preferably not:

a) be instituted within the framework of trademark law, as this law only concerns the right to apply the trademark;

- b) in any case include an overall obligation to distinguish goods or services by the affixing of a particular mark or include rules which impose the choice of a particular mark;
- c) encourage the degeneration of existing trademarks into generic terms by way of mandatory provisions as to the use of "designations which are usual in the trade";
- d) diminish the role of the trademark in such a way that it lessens its capacity of distinguishing the goods or services of one enterprise from those of another;
- e) change the economic value of the trademark in such a way that proprietary rights are substantially affected. This could in some jurisdictions have an impact on the proprietors constitutional rights.

V. The AIPPI considers therefore, that the question of informative labelling of goods must be reviewed by the national legislature in every case in two ways:

- Does the labelling, having regard to the nature of the goods considered, provide information which is required by the consumer?
- Do the rules of labelling unjustifiably threaten the freedom of companies to choose and use a trademark?

Finally, the AIPPI stresses that a policy depreciating trademarks has adverse consequences for the consumer for whom trademarks are indispensable to make an easy and clear choice in the market place.

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