

# Industrial Property

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Editor's Note

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#### UNITED KINGDOM

|  |            |
|--|------------|
| The Registered Designs Act 1949 (as last amended by the Copyright, Designs and Patents Act 1988) | Text 4-002 |
|--|------------|

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## Notifications Concerning Treaties

### WIPO Convention

#### I. Ratification

##### MADAGASCAR

The Government of Madagascar deposited, on September 22, 1989, its instrument of ratification of the Convention Establishing the World Intellectual Property Organization, signed at Stockholm on July 14, 1967.

The said Convention, as amended on October 2, 1979, will enter into force, with respect to Madagascar, on December 22, 1989.

*WIPO Notification No. 146, of September 22, 1989.*

#### II. Accessions

##### DEMOCRATIC YEMEN

The Government of Democratic Yemen deposited, on September 27, 1989, its instrument of accession to the Convention Establishing the World Intellectual Property Organization.

Democratic Yemen will belong to Class C for the purpose of establishing its contribution towards the budget of the WIPO Conference.

The said Convention, as amended on October 2, 1979, will enter into force, with respect to Democratic Yemen, on December 27, 1989.

*WIPO Notification No. 148, of September 27, 1989.*

##### THAILAND

The Government of Thailand deposited, on September 25, 1989, its instrument of accession to the Convention Establishing the World Intellectual Property Organization.

The said Convention, as amended on October 2, 1979, will enter into force, with respect to Thailand, on December 25, 1989.

*WIPO Notification No. 147, of September 25, 1989.*

### Madrid Agreement (Marks)

#### New Member of the Madrid Union

##### CUBA

The Government of Cuba deposited, on September 6, 1989, its instrument of accession to the Madrid Agreement Concerning the International Registration of Marks of April 14, 1891, as revised at Stockholm on July 14, 1967.

The said instrument of accession contains the following declaration:

“The Government of the Republic of Cuba declares that the provisions of Article 24 of the Paris Convention, referred to in Article 14(7) of the Madrid Agreement, both as revised at Stockholm on July 14, 1967, are contrary to the Declaration on the Granting of Independence to Colonial Countries and Peoples (resolution 1514) adopted by the General Assembly of the United Nations on December 14, 1960, which proclaims the necessity of putting a speedy and unconditional end to colonialism in all its forms and manifestations.” *(Translation)*

The Government of Cuba has also notified the Director General of WIPO that Cuba avails itself of the possibility offered by Article 3*bis* of the Madrid Agreement, according to which the protection resulting from the international registration shall extend to Cuba only at the express request of the proprietor of the mark. Furthermore, in accordance with Article 14(2)(d) and (f) of the Madrid Agreement, the application of that Agreement shall be limited to marks registered from the date on which the accession of Cuba enters into force.

Cuba has not heretofore been a member of the Union for the International Registration of Marks (“Madrid Union”), founded by the Madrid Agreement.

The Madrid Agreement, as revised at Stockholm on July 14, 1967, and amended on October 2, 1979, will enter into force, with respect to Cuba, on December 6, 1989. On that date, Cuba will become a member of the Madrid Union.

*Madrid (Marks) Notification No. 42, of September 6, 1989.*

## Activities of Other Organizations

### International Association for the Protection of Industrial Property (AIPPI)

World Industrial Property Congress  
(Amsterdam, June 4 to 10, 1989)

NOTE\*

#### Introduction

The International Association for the Protection of Industrial Property (AIPPI) held its XXXIVth Congress in Amsterdam (Netherlands) from June 4 to 10, 1989. Mr. Johannes B. van Benthem (President of AIPPI) presided over the Congress, which was opened by Mr. A.J. Evenhuis (State Secretary for Economic Affairs of the Netherlands). The work of the Congress was followed by approximately 2,000 members of AIPPI. Ten governments, as well as several intergovernmental organizations and international non-governmental organizations were represented.

The World Intellectual Property Organization (WIPO) was represented by its Director General, Dr. Arpad Bogsch, Mr. Alfons Schäfers (Deputy Director General) and Dr. Ludwig Baeumer (Director, Industrial Property Division).

At the opening ceremony, the Director General of WIPO delivered an address which is reproduced below.

The Congress dealt in plenary sessions with the following questions: dependent patents and their exploitation; absolute grounds of refusal of registration of trademarks; what may constitute a registrable trademark; harmonization of certain provisions of legal systems for protecting inventions; rights of a prior user of an invention; non-confusing use of another's trademark.

During the same period, the Executive Committee of AIPPI and the Council of Presidents of AIPPI held several meetings. The work of the Congress culminated with the ratification, by the Executive Committee of AIPPI, of a number of resolutions and guidelines, the essential contents of which are also reproduced below.

The Executive Committee also elected the new President and the Bureau of AIPPI. The new President is

Eishiro Saito (Japan). The new Bureau is composed as follows: Executive President: Masahiko Takeda (Japan); Executive Vice-President: G. Alexander Macklin (Canada); Secretary General: Martin J. Lutz (Switzerland); Reporter General: Geoffrey Gaultier (France); Treasurer General: Joseph A. DeGrandi (United States of America); Assistant Secretary General: Peter D. Siemsen (Brazil); Assistant Reporter General: Thierry Mollet-Viéville (France); Assistant Treasurer General: Teartse Schaper (Netherlands).

#### Address by the Director General of WIPO

*"Mr. State Secretary for Economic Affairs, Evenhuis, Mr. President of AIPPI, van Benthem, Mr. Executive President of AIPPI, Schaper, Excellencies, Ladies and Gentlemen,*

*The World Intellectual Property Organization, in whose name I have the honor to speak today, congratulates your Association, the International Association for the Protection of Industrial Property, in the work accomplished by it since its last Congress.*

*The Congress, held in London, is still vividly in the memory of most of us and, with your permission, I hereby express once more our thanks to the British Group which organized it. It was a Congress that gave the decisive impetus for the achievements of the last three years.*

*The World Intellectual Property Organization, as always, follows and participates in your work with the greatest interest. Your Association, composed of most prominent specialists in the field of industrial property, gives ideas and inspiration in the World Organization's endeavors to improve the protection and the administration of industrial property rights. Contributions of your Association's representatives to WIPO meetings stand out by their quality and balanced thoughtfulness. Without you, our work would have far less chance to be useful for the owners of industrial property rights and the patent and trademark attorneys and agents.*

*It is in the hope that it will further stimulate cooperation between AIPPI and WIPO that I shall now inform*

\* Prepared by the International Bureau of WIPO.

you about WIPO's more significant recent activities and future plans.

*I shall first deal with norm-making, enforcement and dispute settlement.*

*In the field of norm-making, the preliminary work for a possible multilateral treaty for the harmonization of patent laws is in its fifth year. It deals, among other things, with the filing date of applications, the grace period, provisional protection, the first-to-file system, the manner of describing and claiming an invention, the publication of patent applications and the administrative revocation of patents, the restoration of the right to claim priority and the privilege of the prior user which is on the agenda of this Congress. Arriving, in these matters, at a fairly similar system in the various countries would save a lot of work and, above all, would make patenting more predictable and decrease the danger of errors. In other words, it would make patent applications and prosecution more secure. The preparatory work should end in 1990 and the treaty is planned to be concluded in 1991.*

*Still in the field of norm-making, the work of the World Intellectual Property Organization is expected to deal more and more with trademarks and biotechnological inventions.*

*Still in the field of norm-making, a multilateral treaty on the protection of intellectual property in respect of integrated circuits was concluded last month in a diplomatic conference in which 73 countries participated.*

*I come now to enforcement and dispute settlement.*

*In the field of enforcement, the introduction of stronger measures in national laws seems to be the most promising method. The need for such stronger measures is particularly felt in the case of counterfeiting, mostly connected with violations of the rights of the owners of trademarks. The World Organization is in the process of preparing a model law which defines counterfeiting and provides for efficient measures for the obtaining of evidence and the punishment of counterfeiters. The final version of the model law should be completed in 1990 or 1991.*

*In the field of dispute settlement, the Washington Diplomatic Conference on Integrated Circuits of last month was a breakthrough. We have now a treaty—not yet in force but adopted—which, for the first time in history, provides for the handling of intellectual property disputes among States within the framework of WIPO. The disputes would be on the question whether a Contracting Party fulfills its treaty obligations. A separate panel of experts would be established for each dispute, and the procedure may end by a recommendation of the Assembly of the Contracting Parties. All this would be done in the framework of the World Intellectual Property Organization.*

*This breakthrough or innovation may lead to a further step in the framework of WIPO, namely, the establishment of a general treaty which would set up a dispute settlement mechanism for all treaties administered by WIPO whether in the field of industrial property*

*or copyright. Proposals for exploring the establishment of such a general treaty will be before the competent intergovernmental bodies of WIPO in September of this year.*

*In concluding my remarks concerning norm-making, enforcement and dispute settlement, I wish to refer to the activities of GATT which, in the field of intellectual property, also deal with the same three subjects. Those activities are part of the so-called Uruguay Round of negotiations, negotiations which have been going on for some two-and-a-half years. Will those negotiations and the activities going on in WIPO be 'mutually supportive'—an expression used in GATT resolutions—or will they introduce some confusion in international industrial property relations? This is a question of vital importance whose solution is of direct interest to all those working on better international protection, among them, in particular, naturally, your Association.*

*I leave now the field of norm-making, enforcement and dispute settlement and turn to WIPO's so-called "registration activities." Among those activities, the PCT, the Madrid Agreement and the Hague Agreement are in the forefront.*

*The Patent Cooperation Treaty or PCT is used by more and more applicants. In the last three years, the increase in the number of applications was an average of 19% and the number of international applications filed in the current year of 1989 is expected to be 15,000. Canada and Spain are among the countries that plan to accede to the PCT before the end of this year. The worldwide, steep increase in patent applications naturally raises the question whether the PCT system should not be further developed to make it more efficient. For the time being, such an idea does not seem to be greeted—to put it mildly—by everybody with enthusiasm. In any case, the problems caused by the increasing numbers of applications—not only in the PCT but also in many national offices and the European Patent Office—might lead into a crisis situation in the next decade which will have to be alleviated somehow. Unmanageable work loads in the patent offices, inordinately long delays and too steep an increase in costs endanger the credibility of the patent system of today.*

*In the field of the international registration of trademarks, the next weeks should lead to innovations. There is going to be a diplomatic conference in Madrid which, by the end of this month, will, hopefully, adopt a protocol to the Madrid Agreement. That protocol should introduce changes which are intended to serve two purposes. One is to make it possible for countries not yet members of the Madrid system to become members of that system; this aim should be achieved by making changes that make the adaptation of the national laws and practices of such countries to the Madrid system easier. The other purpose to be achieved by the proposed protocol is to make the future Community Trade Mark system so-to-say interactive with the Madrid system, that is, to allow internationally registered marks to designate the European Communities, and to allow Community*

registrations to be the basis of international registrations.

In any case, it is to be noted that the increase in the number of international trademark registrations is as steep as the increase in the PCT.

The same is true for the international deposit of industrial designs under the Hague Agreement. Nevertheless, there too, some updating of the system is desired by many and might be the subject of preliminary studies starting next year. Another objective of these studies would be to examine whether the system should not introduce innovations that would make it easier for non-members of the Hague Union to become members of that Union. An increase in membership is, indeed, desirable, since the present membership covers only a relatively small territory.

Looking forward into what the next century could or should bring in international relations will be the topic of a top-level international WIPO Symposium in Beijing at the beginning of next November.

And, speaking about top-level meetings of interest to professionals, I mention also the WIPO Forum on joint ventures and industrial property that will take place in Moscow next October.

I hope that a great number of AIPPI members will participate in those two events.

In conclusion, Ladies and Gentlemen, I shall say a few words about WIPO's two main Conventions, the Paris Convention and the Berne Convention.

Membership in the Paris Convention continues to increase and now stands at 99. There are a few very important countries still missing, among them India and Pakistan and several Latin American countries.

The Conference on the Revision of the Paris Convention does not seem to advance. Since inventors' certificates are likely to be abolished in the Soviet Union, one of the problems for which the Conference was called will cease to exist. There remain, of course, the other questions, particularly Article 5A on compulsory licenses. Maybe those questions could be further explored in connection with the planned Patent Law Harmonization Treaty. The further steps will be discussed in the Assembly of the Paris Union next September.

The Berne Convention is enjoying a renaissance thanks to the accession of the United States of America, accession that became effective last March. There is hope that accession by the Soviet Union will occur in the not too distant future. China is not a member, but China is working on a copyright law which, it is hoped, will be compatible with the Berne Convention.

This is where matters stand today.

To their further development, your Association will, as in the past, doubtless make decisive contributions.

Your present Congress, so ably organized by the Dutch Group in general and by Bob van Benthem and Teartse Schaper in particular, will set the policy for such contributions for the next three years.

The World Organization thanks, very warmly, the Dutch organizers as well as the main office holders of

AIPPI for the role they give to WIPO in this Congress and wishes them and all participants a socially pleasant and a professionally useful meeting."

## Resolutions Adopted

### Protection of Computer Software

#### RESOLUTION

....

#### 1. Scope of Protection

1.1 AIPPI acknowledges that computer software is protectable as written work within the framework of the copyright law.

1.2 AIPPI notes that the EC Proposal for a Council Directive on the legal protection of computer programs COM(88)816—final in Article 1(2) is in line with that view, the term "literary work" being understood in the broad sense of Article 2 of the Berne Convention.

1.3 AIPPI reaffirms that ideas are not protectable by copyright.

1.4 AIPPI notes that for the moment it is not possible to provide firm guidelines as to the breadth of protection and as to the borderline between "idea" and expression. The protection should certainly cover slavish copying, but the degree of extension beyond that must be determined on a case-by-case basis.

1.5 AIPPI notes that the EC Proposal for a Council Directive in Article 1(3) is in conformity with that view, except that the words "logic" and "algorithm" are not clear in scope.

1.6 AIPPI believes it appropriate to consider that the scope of protection should be proportional to the range of possibilities of expression available to the programmer. The "idea" should not be interpreted too broadly. Furthermore the mere fact that an alternative expression of the idea is possible should not imply that the chosen form of the expression of the idea must be protectable.

#### 2. Permissible Analyzing

2.1 Reaffirming the resolutions passed at Rio in May 1985 and at Sydney in April 1988, stating that there may be a need for special rules on certain aspects of software protection, AIPPI believes it is important that making a copy of a legally acquired program should be allowed when this is necessary so as to analyze the program for extracting its "idea," so that free access to the unprotected idea is not prevented.

2.2 AIPPI believes that the law of contract may allow clauses according to which such copying may be prohibited, but that national law may make such clauses unenforceable, provided that such national law does not impair the legitimate interests of the copyright owner pursuant to Article 9(2) of the Berne Convention.

2.3 AIPPI notes that the EC Commission Proposal does not deal with these problems.

#### 3. Definition of Software

AIPPI is of the opinion that the elements of software which are involved in the operation of a computer are worthy of protection, irrespective of the carrier therefor. Thus logic

devices should not be excluded from copyright protection, to the extent that they express software.

#### 4. Author of a Computer Program

4.1.1 AIPPI *observes* that according to general rules of copyright everyone who has made a creative contribution to a computer-generated program has to be regarded as (one of) its author(s). In principle this may be the creator of the generating program, the creator of the program generated, or both.

4.1.2 AIPPI *is of the opinion* that the authorship can be assessed in particular by evaluating to what extent elements of the generating program appear in the program generated.

4.1.3 AIPPI *notes* that, where the creator of the program generated has copyright rights on the basis of the above assessment, he should be able to have his rights enforced independently.

4.2.1 AIPPI *observes* that in an increasing number of countries it is recognized that a legal person can be the original author of a computer program.

4.2.2 AIPPI *observes* that in other countries the author is a natural person and the copyright may vest directly in a legal person.

4.2.3 AIPPI *sees no objection* in a legal person being the original author of a computer program, nor in vesting the copyright directly in a legal person.

4.2.4 AIPPI *reaffirms* the Resolution adopted at Rio in May 1985 that, due to the special commercial nature of software, moral rights should apply to computer programs to an appropriate extent, and believes that it should be possible for them to be waived by the author.

#### 5. Copying for Private Use

5.1 AIPPI *reaffirms* its Resolution adopted in Rio in May 1985 that copies for safety reasons (back-up copies) should be allowed.

5.2 AIPPI, while recognizing the difficulties of enforcement of the copyright, *is of the opinion* that copying for private use should not be allowed if such private use saves the user from having to purchase another copy of the program.

5.3 AIPPI *reaffirms* point 3(b) of its Resolution adopted in Rio in May 1985 that an author of a program should not be entitled to prohibit adaptation or improvement of his program by a user for his own needs, but provided such alteration is necessary for the intended use for which the first program was designed.

#### 6. "Shrink-Wrap" Licenses

AIPPI *is of the opinion* that the validity of "shrink-wrap" licenses is a question of national law, and that such "shrink-wrap" licenses should not unduly restrict the rights of the user.

#### 7. Liquidation of the Supplier of Computer Software

Considering that in some countries the liquidator of a company in bankruptcy or similar procedures has the power to disregard existing contracts:

AIPPI *is of the opinion* that the liquidator should not have undue power against a licensee of a computer program to terminate or vary the license, and should not have undue power to inhibit maintenance of a program.

### Prior Use

#### RESOLUTION

The working committee considered the two texts of Article 308 as set out in WIPO documents HL/CE/V/2 and HL/CE/VI/3 Add. as well as the reports of the National Groups (*Yearbook 1988/V*) as summarized in *Rapport de Synthèse (Yearbook 1989/I)*. The reports of the Groups were based on the HL/CE/V/2 text.

It was clear from the reports of the National Groups that any prior user rights should be limited to those activities which were carried and/or contemplated by the prior user and that any rights or privileges accorded to him should be restricted to those activities.

However, the text of HL/CE/VI/3 Add. drafted by WIPO prior to the sixth session of the Committee of Experts in Geneva (April 1989), introduced in the preamble, the concept of "use of the invention" which needed to be qualified by the subsections to a "restricted" use. The working committee being faced with this new text chose to simplify it and proposes the following amended text:

#### "Article 308 Privilege of Prior Use

(1)(a) Subject to subparagraph (b), the owner of a patent shall not enjoy, under that patent, rights against activities within the scope of the patent, not authorized by him, of a person (the prior user) who, at the date of the filing of the application, or where priority is claimed, at the priority date of the application on which the patent is granted, and with a view to industrial or commercial exploitation,

- (i) was actually engaged in such activities, or
- (ii) was engaged in serious preparations, involving, from the viewpoint of the prior user, significant investment, for such activities,

in the territory and any other place or space to which the sovereignty of the Contracting State extends and in or for which State the patent is granted.

It is understood that the expression 'industrial or commercial exploitation' comprises every form of exploitation for useful or economic purposes.

(b) Where the prior user engaged in activities or preparations therefor obtained knowledge of the invention protected by the patent from or in consequence of acts performed by the owner of the patent or his predecessor in title, subparagraph (a) shall not apply in respect of the said activities.

(2) Paragraph (1) shall not apply to a successor in title of the prior user unless that successor in title is the owner of the enterprise or business, or that part of the enterprise or business, in which the prior user engaged in the activities or preparations referred to in paragraph (1)(a)."

AIPPI *is of the opinion* that the rule should be mandatory.

### Absolute Grounds of Refusal of Régistration of Trademarks

#### What May Constitute a Registrable Trademark?

#### RESOLUTION

AIPPI,

- *having studied* the question which signs may be registered as trademarks,
- *observing* that national law and practice show a number of differences with respect to this question,

— *observing* that national laws which are similar or even identical and international conventions have in practice been subjected to differing interpretations,

— *observing* that the national groups of a number of countries consider future development of law and practice as desirable,

— *observing* that very recently an effort towards harmonization has been made by the 12 countries of the European Communities having different laws and practices, in the form of the so-called "Council Directive of December 21, 1988, to Approximate the Laws of the Member States Relating to Trade Marks" (*Official Journal of the European Communities*, February 11, 1989), and that there exists a draft Council Regulation on the Community Trade Mark of 1988 and that consequently such important documents should be taken into account,

— *observing* that the registrability of trademarks is a subject of continuing evolution,

— *believing* that the rules concerning absolute grounds for refusal listed in Article 6quinquies of the Paris Convention could constitute a model for the international harmonization of trademark law,

takes the following position:

#### A. Absolute Grounds for Refusal of Registration of Trademarks

AIPPI believes that:

1. whilst great attention should be given to eliminating undue restrictions upon trademark owners as to the absolute grounds for refusal of registration of trademarks, there is a need for the public and undertakings in general to use signs which are common to a specific trade, industry, product or service, that the public should not be misled by the trademark, and that under specific conditions (immoral marks, public order, "flags," etc.) the registration of certain signs should be forbidden;

2. countries which have strict rules as to absolute grounds for refusal of registration of trademarks should look at those countries where the rules are more relaxed to see whether problems have in practice arisen in those countries due to their being more relaxed;

3. legal terminology can have a different significance from one country to another and consequently such terminology should be defined and examples be given to illustrate such definitions as far as possible;

4. for word marks most of the criteria of registrability are closely linked to the language, national or foreign, and that as language and its knowledge can evolve so can these criteria.

#### I. Absence of Distinctive Character

AIPPI observes that:

5. most countries agree that the main function of the trademark is to distinguish goods and services of one undertaking from the goods and services of another undertaking, and that the distinctive character is relative in the sense that it must be evaluated in relation to the goods and services to which the trademark is applied.

AIPPI believes that:

6. a sign is distinctive when, to those to whom it is addressed, it is recognized as identifying goods or services from a particular trade source, or is capable of being so recognized;

7. the distinctive character can evolve and, consequently, that by taking appropriate measures it can be acquired or increased and that by inappropriate conduct it can diminish and possibly disappear;

8. a trademark which has little distinctive character enjoys a narrower scope of protection than a trademark which has a strong distinctive character;

9. different categories of trademarks and registers should not be created depending on degrees of distinctiveness;

10. when a composite trademark contains non-distinctive works, or elements in case of a device trademark, the applicant may be asked to disclaim such words or elements of his trademark.

#### 1. Absence of Requirement of Novelty and Originality

AIPPI believes that:

11. the distinctive character of a trademark is not to be confused with its novelty and originality, neither of which is a condition of distinctiveness;

12. simple signs, which are commonplace or lack originality, should not be excluded *per se* from registration;

13. distinctiveness can result from the presentation of a sign that otherwise lacks it.

#### 2. Signs that Cannot be Monopolized

AIPPI confirms that:

14. the trademark law cannot permit the monopolization of certain signs that must be free in order to permit the public and undertakings to designate a product or a service or describe its characteristics. These signs are:

- (a) necessary signs,
- (b) generic signs,
- (c) signs in common use,
- (d) exclusively descriptive signs.

##### (a) The Sign Must Not be Necessary

AIPPI observes that:

15. a sign is necessary when the use thereof is required to identify the designated goods or services or when the use thereof is imposed by nature of function;

16. when the sign is a word it is necessary when its use is required by the rules of the language;

17. when the sign is a device it is necessary when it exactly represents the goods or services identified thereby.

AIPPI believes that:

18. a sign which is necessary cannot enjoy a distinctive character and consequently cannot function as a trademark;

19. if such a sign is a word, however, it can have or acquire distinctive character if it is a deformation of an existing word such as a misspelling or abbreviation, or if the existing word is contained in the trademark;

20. if such a sign is a device it can have or acquire distinctive character by its manner of presentation.

##### (b) The Sign Must Not be Generic

AIPPI observes that:

21. a sign is generic when it defines a category or a type to which the goods or services belong.



AIPPI believes that:

22. the criteria which have been laid down for necessary signs should be applied to generic signs.

*(c) The Sign Must Not be in Common Use*

AIPPI observes that:

23. a sign in common use is one which is not imposed by the requirements of the language but is generally and habitually used to identify the goods or services (for instance, colloquial words);

24. the terms "in common use" and "generic" are often used one for another, but in reality their significance is different.

AIPPI believes that:

25. a sign can be considered as being in common use if it is used generally and habitually by the public, and the public can either be, taking into consideration the kind of goods or services involved:

- the general public,
- a substantial part of the public,
- the consumers involved,
- the undertakings involved;

26. the criteria which determine whether and from which moment a word has become commonly used are purely factual;

27. a sign in common use may cease to have that character and become registrable.

*(d) The Sign Must Not be Exclusively Descriptive*

AIPPI believes that:

28. a term is descriptive if it consists exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the services, or other characteristics of the goods or services;

29. a sign consisting exclusively of a descriptive element should not be registrable as a trademark;

30. a sign consisting exclusively of descriptive elements should be registrable if the combination is distinctive;

31. a sign consisting of a distinctive element combined with one or more descriptive elements is registrable;

32. evocative signs should be capable of registration.

*3. Acquisition and Loss of Distinctive Character*

AIPPI observes that:

33. a great diversity exists in the different countries with respect to the causes by which a trademark may become a commonly used sign (in many jurisdictions called "genericness"), such as:

- the fault of the trademark owner, his acts or his inactivity,
- the enormous reputation of the trademark, and the use by the public of the trademark as a common one, although this can be avoided by a correct policy of use and policing of the mark,
- when it is the only way to identify a patented product at the end of the life of the patent,

— under the law in some countries a trademark can never become "in common use."

AIPPI believes that:

34. when the owner of a trademark uses it as a common name or tolerates the general use of it as such for a considerable period, then the right to that trademark may be lost;

35. a sign which was non-distinctive when adopted may acquire distinctiveness by use and that distinctiveness is a purely factual matter, depending upon factors such as extent of use, length of use, etc.

*4. Date of Evaluation of Distinctive Character in the Registration Procedure*

AIPPI observes that:

36. the date of evaluation of distinctive character can vary from country to country, depending on the national law, as to what is the event which gives right to a trademark: first use, application, either of them, or registration;

37. there are even some countries where there is no provision for refusal of an application for registration but only cancellation proceedings.

AIPPI believes that:

38. the evaluation of distinctive character should be made at the date of the application for registration, whether the distinctive character is examined by the trademark office or only subsequently by the court;

39. nevertheless, such date need not be applied if, subsequent to the application date, use of the trademark has caused either the loss or acquisition of distinctiveness.

*5. Neologism*

AIPPI observes that:

40. a neologism is a verbal expression that is newly formed;

41. it may consist of a totally new invented word which does not have any meaning in its totality or its parts;

42. it may consist of a word which has been deformed by suppression, addition, contraction or misspelling, in such a way that it still retains a certain meaning.

AIPPI believes that:

43. a neologism which consists of a totally new invented word is by nature distinctive;

44. nevertheless, the neologism is not distinctive by nature if it has been constructed according to the usual rules of the language involved and the meaning appears evident to the public involved.

*6. Words from Foreign Languages*

AIPPI observes that:

45. international trade is being encouraged, consumers travel more and more in foreign countries, publicity from television and other media is being spread internationally and knowledge of foreign languages is increasing;

46. knowledge of foreign languages can be different from one part of a country to another;

47. knowledge of language can differ according to the kind of public concerned and can also differ from undertaking to undertaking;

48. foreign language can also have an impact on the question whether a trademark is misleading or prohibited.

*AIPPI believes that:*

49. a word in a foreign language, which has passed into the general language in the country concerned, or whose meaning is clearly understood by the relevant public or undertakings, should be subject to the same rules as those which govern words in the national language(s);

50. a foreign word, which has not passed into the general language or whose meaning is not clearly understood by the relevant public or undertakings, can have or acquire a distinctive character;

51. the admission as trademarks, of foreign words of languages known or likely to be known to a significant section of the public, which designate the product or service in the country of origin, should be discouraged;

52. registration in one country of a trademark which is the designation of the product or a service in a foreign country should not serve to prevent the entry into the one country of such goods if on those imported goods the designation is not used as a trade mark.

## II. Marks Must Not be Misleading

*AIPPI believes that:*

53. trademarks should not be misleading to the relevant public;

54. the misleading effect can relate to the kind, quality, quantity, intended purpose, value, geographical origin, or the time of production of the goods or of rendering of the services, or other characteristics of the goods or services;

55. the mere possibility of the trademark being misleading can suffice as a bar to registration;

56. the misleading character of the trademark may result from the presence of one significant misleading element;

57. evocative trademarks may be misleading;

58. a trademark is not misleading if it is clear to the relevant public that the indication conveyed is false, since it cannot induce to error.

### *Date of Evaluation of the Deceptive Character*

*AIPPI believes that:*

59. the time at which the misleading character of a trademark must be evaluated should be the same as for the evaluation of the distinctive character.

## III. Signs for Which Registration is Prohibited

*AIPPI observes that:*

60. most national laws correspond to the principle of Article 6ter of the Paris Convention.

*AIPPI believes that:*

61. in order to protect public interest or morality, certain signs should not be registrable, notwithstanding their distinctive character. It should be left to each country to decide which signs are subject to this prohibition, but the criteria to be

applied should be restricted in order not to add prohibitions that are irrelevant to the public.

### *B. What May Constitute a Registrable Trademark?*

62. The question which signs should be legally admitted for registration has already been the subject of a full study and a Resolution of AIPPI in the Berlin Congress in 1963. In that Resolution AIPPI affirmed that the following signs are capable of constituting trademarks provided only that they are distinctive or have become distinctive in respect of the designated goods or services:

"1. Words or assemblies of words, whether invented or not, including the titles of daily or periodic publications, the titles of collections of works and slogans.

2. Letters.

3. Digits.

4. Device marks including, for example, signatures, portraits, drawings, insignia, images, emblems and monograms.

5. Proper nouns including surnames, forenames and pseudonyms, as well as characteristic components or abbreviations of trade names.

6. The shape or any other presentation of the articles or their contents and wrappings provided that it is not exclusively functional in nature.

7. Colors, in combination with the signs.

8. Combinations of colors.

9. Any combinations of the signs listed above."

### *1. Definition*

*AIPPI observes that:*

63. the majority of national laws provides for a general definition of a trademark and that also the majority of national laws enumerates signs which are capable of constituting a registered trademark, usually by way of illustration.

*AIPPI believes that:*

64. it is desirable that national laws should give a general definition of registrable trademarks and that the decisive criteria for being registrable should be their distinctiveness;

65. it is convenient if national laws provide for examples of registrable signs which should, however, by no means be exhaustive.

### *2. Distinctive Signs Listed in the Berlin Resolution*

....

### *3. Other Distinctive Signs*

*AIPPI observes that:*

68. in a number of countries also colors, three-dimensional marks other than shapes of goods and their packaging as well as sound trademarks are registrable.

*AIPPI believes that:*

69. color *per se* should be registrable when it is or has become distinctive;

70. three-dimensional signs, irrespective of their nature, are registrable; national offices should require from the applicant a sufficient two-dimensional presentation (drawing, picture or any other presentation capable of being printed) and a declaration that it represents a three-dimensional mark; national offices should publish the two-dimensional presentation with an explanation that it represents a three-dimensional mark; a deposit of the three-dimensional mark as such

should not be required, but if national offices allow also the deposit of a three-dimensional specimen of the mark, it should be made accessible to interested parties; the three-dimensional mark registered in a two-dimensional presentation is protected in its three-dimensional form with the consequence that use of such form is use of the registered mark.

#### 4. *The Shape of Goods and Their Packaging*

AIPPI observes that:

71. a great number of national laws exclude the shape of goods or their packaging from registration in certain cases, such as:

72. the shape is imposed by the very nature of the article or its packaging;

73. the shape is necessary to produce an industrial result;

74. the shape imparts substantial value to the article.

AIPPI believes that:

75. the shape of goods or their packaging should not be excluded from registration except if the shape is imposed by the very nature of the article or is technically necessary.

#### 5. *Sound Trademarks*

AIPPI observes that:

76. a great number of countries permit the registration of sound trademarks;

77. in general, sound trademarks are registrable, however, only to the extent that they can be and are represented by symbols;

78. and it is not clear whether in those countries the sound is protected or only the registered symbols.

AIPPI believes that:

79. sound trademarks should be registrable, at least if they can be represented by symbols;

80. the registration should protect the sound thereby represented.

#### 6. *Olfactory Trademarks*

AIPPI observes that:

81. no national legislation provides for the registration of olfactory trademarks;

82. the national groups have in their majority not expressed a need for such registration;

AIPPI believes that:

83. the rather restricted interest in the registration of olfactory trademarks does not justify the complicated administrative and legal problems involved in such registrations.

### Non-Confusing Use of Another's Trademark

#### RESOLUTION

AIPPI considers that:

Under trademark law the owner of a trademark has the exclusive right to use his mark to identify his goods and

services and their origin. This right is protected by trademark law against the commercial use of the mark by others, if the use (regarding the mark and the goods and services for which it is registered) is likely to deceive or to cause confusion. Trademark laws in general do not inhibit the non-confusing use of another's trademark.

However, there are cases in which the reference to the trademark may not reasonably be construed as indicating the origin of the goods or services, but still may harm the interests of the trademark owner, e.g., the distinctiveness of his mark or the goodwill as symbolized by the mark.

Some of these cases have been known for some time. However, new forms of trading on the goodwill of the owners of trademarks by non-confusing use have created the need for relief;

AIPPI believes that there are thus three questions to be considered:

- (1) whether the trademark owner should be entitled to relief against non-confusing use,
- (2) whether such relief should be provided for under the trademark law, under the laws against unfair competition (including consumer protection laws, market laws, etc.) or by way of other laws, e.g., by civil law, and
- (3) whether the creation of specific rights is recommended.

#### I. Use of the Trademark by Non-Traders

##### 1. *Use of a Trademark by Consumer Organizations*

AIPPI considers that:

— Any consumer organization should be free to refer to the mark in order to identify the goods or services which are the subject of its test results. The public is entitled to such information and there is, in most cases, no other way of identifying the tested goods or services without using their trademarks. Comparative testing is likely to foster competition and to strengthen the quality of goods or services and to promote the transparency of the market. AIPPI affirms the right to criticize and inform.

AIPPI is of the opinion that:

— The reference to the tested goods and services by way of their trademark should not be prohibited by trademark law.

— If the consumer organization publishes test results which are wrong, biased or otherwise harmful to the legitimate interests of a trademark proprietor, the appropriate laws (for example, defamation) should give protection.

— These types of cases may rest on a variety of facts which preclude a specific rule, which could be applicable to all such cases.

##### 2. *Generic Use of a Trademark*

AIPPI considers that:

The citation of a trademark in publications, which refer to the mark by implying that it is a generic term or word of the language, may contribute to a process in which the trademark loses its distinctive character. Such use is harmful to the mark in that it diminishes the distinctiveness of the mark and endangers the validity of any registration of or the ability to protect the mark;

AIPPI is of the opinion that:

— The trademark owner should be protected against such generic use in dictionaries, encyclopaedias and similar works of reference. Such works of reference define the meaning and quality of words. They are often consulted by the public and by trademark offices. As these works are perceived to be based on careful research they should make it clear whether a certain term is a registered trademark.

— This protection should be granted by trademark law. Although such references are harmful to the interests of the owner in a way other than the usual case of trademark infringement, the remedies against such use are more appropriate in the context of trademark law, where relief can be obtained without proof of intent or negligence.

— Effective relief should be available against the publisher and the author, where appropriate, including the right of the trademark owner to demand a printed correction.

AIPPI furthermore considers that:

The use of the mark as a generic term or a word of the language in other types of publications, e.g., in newspapers, on radio, on television or in general literature, may equally severely harm the interests of the trademark owner.

AIPPI is of the opinion that:

— The trademark owner should be entitled to effective legal remedies against such use.

— The specific legal remedies and the rules under which they are provided should be left to the national legislation.

## II. Use of the Trademark by a Competitor

### 1. Use of a Trademark in Comparative Advertising

AIPPI believes that:

— A competitor who compares his own goods or services with those marked with a registered trademark does not use that mark to identify his own goods or services or their origin. Therefore, trademark law should not be applicable.

AIPPI is of the opinion that:

— If comparative advertising is permitted, the use of the trademark of a third party should not be prohibited in such advertising, provided such advertising is truthful and not misleading or unfair.

— Any comparative advertising which is untruthful or misleading or unfair should be prohibited under the laws against unfair competition.

### 2. Use of a Trademark to Identify the Destination of the Goods

AIPPI is of the opinion that:

— The owner of a trademark should not be entitled to prevent the use of his trademark by the supplier of non-original spare parts and accessories (i.e., those not produced by the trademark owner or his licensee) to indicate the trademark of the products for which the spare parts or accessories are intended; provided that he makes it completely clear that he is not selling original spare parts or accessories.

— Confusion is especially difficult to avoid if the trademark is a design or logo. Moreover, use of any trademark on the spare parts or accessories themselves would be likely to cause a substantial risk of confusion even if explanatory text is added.

— In any event, the suppliers of the spare parts or accessories should use the trademark only to an extent which is reasonably necessary to indicate the destination of the spare parts or accessories. Moreover, the supplier must avoid the impression that he is a dealer authorized by the trademark owner.

### 3. Use of a Trademark for Repaired or Altered Products

AIPPI is of the opinion that:

— The owner of the trademark has the exclusive right to put the goods to which his mark is affixed on the market. Once the owner or his licensee have put them on the market, the owner normally cannot prohibit their resale.

— A retailer should be free to resell the goods with the affixed trademark. He may also use the trademark for marketing purposes.

— The retailer should not mislead the public, e.g., by wrongly creating the impression that he is a dealer authorized by the trademark owner.

— If the goods are repaired or altered before they are resold, different cases should be distinguished:

(1) A normal repair, after which the goods are sold as second hand, does not constitute a "re-entry" into the market. Therefore, the trademark owner may not use his trademark rights to prevent this.

(2) The sale of repaired goods as "new" will normally violate the trademark right since the impression is created that they have been produced—such as they are—by the trademark owner. Thus, a situation similar to the entry into the market is created and trademark law should apply.

(3) The trademark right is clearly violated if the goods are significantly changed as to quality or appearance and if they are then sold. In this case, there is in fact an entry of different goods under the mark into the market.

— Trademark laws should cover cases (2) and (3). Moreover, other laws, e.g., laws against unfair competition should apply, particularly if the public is misled.

## III. Commercial Use of the Trademark by a Non-Competitor

### 1. Use of a Trademark as a General Standard in Respect of Quality

AIPPI considers that:

— An enterprise citing a well-known trademark as a quality standard for non-competing goods ("the Rolls-Royce of bicycles") may create a danger of confusion. Such citation may also take an unfair advantage of or be detrimental to the distinctive character or the repute of the trademark.

AIPPI is of the opinion that:

— If the compared goods are close enough, there could be a risk that the public would assume that the trademark owner

has some connection with the advertised goods, and therefore confusion as to source could arise.

— If the citation as a quality standard refers to goods that are quite disparate, so that the public is not likely to believe that the trademark owner is commercially active in the field (“the Rolls-Royce of cheese”), it should nevertheless be regarded as an act that would take unfair advantage of or be detrimental to the distinctive character or the repute of the trademark.

— In the latter case, the following rule inspired by Article 5(5) of the EEC Trade Mark Directive could be adopted:

“The proprietor of a trademark shall, in addition to his traditional trademark infringement rights, be entitled to prevent third parties not having his consent from using any sign which is identical with, or similar to, the trademark also for purposes other than to distinguish his goods or services, where such use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.”

— This rule will usually be applicable in those instances where the trademarks involved have a high reputation or are well known.

— The rule applies also if the nature of the goods referred to by the sign has an adverse effect on the reputation of the trademark.

## 2. Use of the Trademark of the Material for the Marking of Finished Goods

AIPPI considers that:

— It is customary for some finished goods to carry an indication regarding the branded material from which they are produced. This information is often valuable to the public, especially when the branded material has certain qualities which might affect the use of the finished goods.

— Such an information of fact is in keeping with the right of the consumer to have such information and does not violate the owner’s trademark rights, provided that such use is not made in a way which misleads the consumer into believing that the mark is the brand of the finished goods.

AIPPI is of the opinion that:

— It should normally be possible for the manufacturer who produces finished goods principally from a material identified by a trademark to make use of that mark in connection with the sale of his goods as an indication regarding the material.

— The mark should not be used to identify the finished goods themselves.

— The mark should neither be used in a generic sense regarding the branded material nor in a misleading way.

## IV. General Rules

(a) AIPPI affirms that:

— The rule proposed under III.1 should apply to all cases in which the citation of the trademark is taking unfair advantage of or is detrimental to the distinctive character or the repute of the trademark.

(b) AIPPI is of the opinion that:

— Similar rules should be applicable to service marks duly taking into account the inherent differences resulting from the nature of service marks.

## Harmonization of Certain Provisions of the Legal Systems for Protecting Inventions

GUIDELINES BY AIPPI

### Article 106—Publication of Applications

AIPPI considers that the proposal of WIPO fits into the framework of other harmonization provisions connected with the first-to-file system.

1. AIPPI supports the text of paragraph (1)(a). It should, however, be understood that the requirement of publication is also fulfilled if the application is laid open for public inspection.

2. AIPPI is aware of the fact that there might be different interpretations with respect to the effects of withdrawals or abandonment. It should therefore be understood that the publication should not occur if there is no intent by the applicant to pursue the application. With respect to a rejection, no publication should occur if the application is finally rejected without the possibility of an appeal.

3. There should be a clear statement in the treaty of the point in time up to which he can withdraw his application without it being published; this period for withdrawal should be as long as possible. The rules should state that this period should not be shorter than 17 months after filing or after the priority date.

4. AIPPI is of the opinion that the concept of “national security” in (c) should be narrowly interpreted.

5. AIPPI supports the text of (d) with the understanding that this provision only regulates the publication of the application after 18 months and nothing is said about the form of publication of the granted patent.

6. The text of paragraph (2) is supported. AIPPI especially welcomes sentence 2 of the provision which has the effect that through an earlier publication the applicant can create a stronger prior art effect also for inventive step.

7. If a patent is granted prior to the expiration of 18 months—paragraph (1)(b)—it should be understood that the original application should be laid open for public inspection.

8. In the case of an internal priority or a continuation in part (CIP) filed in time for publication at the expiration of 18 months, the completed, modified application should be so published and the file should be made available for public inspection, in order that third parties have access to the original application.

In the case of a continuation in part filed after the expiration of 18 months or so shortly before that it can no longer be taken into consideration, publication of the CIP should occur as soon as possible.

9. AIPPI is of the opinion that the treaty should also rule on the question of publication of divisionary applications.

10. With respect to Rule 106, AIPPI is of the opinion that information obtainable from the industrial property office should be possible by any technical means, but for the convenience of small and medium-sized companies at least also on paper.

### Article 108—Post Grant Opposition

AIPPI favors the introduction of a form of third party participation in the granting process. With respect to the proposed wording of WIPO, it takes the following position.

1. It should be understood that the introduction of an opposition can only be requested for countries with a substantive examination system.

2. In the interest of a speedy granting procedure, AIPPI favors a post-grant opposition.

3. AIPPI regards the introduction of a time limit for an opposition as desirable.

4. With respect to the grounds for opposition, it should be understood that at least the following grounds should be expressly mentioned:

— that an invention is not patentable in the light of printed publications;

— that the invention was not sufficiently disclosed for a person skilled in the art;

— that the application was extended beyond the content of the original filed documents.

5. The text of paragraph (1)(b) that third parties shall be given the opportunity to present their arguments is supported by AIPPI.

6. AIPPI is aware of the fact that the mandatory introduction of an opposition or revocation procedure before the patent office may pose problems even in some examining countries and it therefore agrees to offer as an alternative the introduction of a re-examination which could be used by the applicant or third parties at any time during the life of the patent.

The grounds for such a re-examination should at least be that the invention is not patentable in the light of printed publications.

7. AIPPI strongly supports the prohibition of a pre-grant opposition but is also in favor of a transitory period for abolition in countries which presently have a pre-grant opposition.

8. AIPPI supports the text of paragraph (3), namely, that invalidation or cancellation procedures before the courts or quasi-judicial authorities can be available in addition to third party procedures before the patent office.

9. AIPPI furthermore considers that the introduction merely of a re-examination system without full third party involvement is not sufficient and each country therefore should provide third party intervention and review possibility by courts or quasi-judicial authorities.

#### *Article 107—Time Limits for Search and Substantive Examination*

AIPPI supports the principle that patents should be granted in a short term. This enables the applicant to exercise his rights and the public to obtain security about the scope of protection. Among the means to enable this goal, AIPPI supports the following:

1. On filing, the applicant should request the search and pay the search fees. The payment of the search fees may in some countries discourage the filing of patent applications which are not intended to be seriously pursued.

2. After having received the search report, the applicant should have the possibility of a reasonable period of time to request examination. The time limit considered as reasonable by AIPPI is two years after the publication of the search report.

3. Third parties should have the possibility, especially if the time period is longer than two years, to request examination at any time upon payment of the examination fees.

4. Since the fixing of time limits for requesting examination does not necessarily ensure that the examination will soon be accomplished, AIPPI in addition supports the enactment of strong provisional protection for the published application.

#### *Article 110—Changes in Granted Patents*

AIPPI supports the introduction of a possibility of amending granted patents.

With respect to the proposed text of WIPO, AIPPI makes the following observations:

1. The provision of Article 110(1)(i) is acceptable, namely, that claims can be limited.

2. AIPPI is of the opinion that the clarification of ambiguities should be left to the courts, since an *ex-parte* proceeding is not appropriate for such a purpose.

3. AIPPI is in favor of a provision that clerical errors can be corrected, provided that in accordance with the treaty proposal of WIPO the scope of the claims is not enlarged.

4. AIPPI is of the opinion that Article 110(1) should be regarded as a minimum requirement, so that countries can provide also, during a limited period of time, for an enlargement of claims even beyond the correction of these errors, if intervening rights are protected.

5. AIPPI is of the opinion that Rule 110 should be deleted and thus paragraph (2) modified accordingly (deletion of the reference to the regulations).

#### *Article 200—Patentable Inventions*

1. AIPPI is of the opinion that a general definition of inventions as proposed in paragraph (1) should be deleted.

2. AIPPI supports the definition of patentability in paragraph (2) with the following modifications:

(a) The definition of inventive step in the bracket should be deleted ("is non-obvious"), since paragraph (4) still contains such a definition.

(b) It should be stated that the requirement of industrial applicability has the same or a very similar meaning as utility so that after "industrially applicable," "or useful" should be added.

(c) In the definition of industrial applicability in paragraph (5) "(in the technological sense)" should be deleted, and after "in any kind of industry," "or technology" should be added.

(d) Furthermore, the notes should clarify that "industry" must be interpreted in the broadest sense which includes agriculture as well as, for example, medical treatment.

3. AIPPI is in favor of defining the concept of novelty. It prefers, however, the wording as proposed in Geneva "if it does not form part of the prior art," since the word "anticipated" might lead to confusion.

4. In paragraph (3)(b), the bracket "[or any other]" should be deleted so that the prior art defined would only comprise written or other graphic publications and would exclude oral disclosures as well as prior public use. The introduction of the absolute novelty concept should be made optional for the countries.

5. In paragraph (4), the definition of inventive step is supported by AIPPI.

*Article 105—Unity of Invention*

AIPPI is of the opinion that the trilateral proposal should be made on the basis of the discussion.

1. AIPPI is in favor of paragraphs (1), (3) and (4) of the proposal.

2. AIPPI is also in favor of the introduction of a new requirement expressed in paragraph (2) to the effect that linked inventions must have a technical interrelationship, such interrelationship being expressed in the claims in terms of the same or corresponding technical features with the following qualifications:

- (a) The special technical features mean those that appear to define the contribution which each invention *as a whole* makes over the prior art.
- (b) The new definition should be transferred to the Rules where it may be more readily modified with the benefit of experience and limited in its applicability to groups of claims falling within the same categories of invention.

3. AIPPI notes that the first paragraph of Note (d) to the Articles is in agreement with PCT Rule 13.2 and recommends that this portion of the Note be transferred to the Rule to define the single general inventive concept for different categories of inventions.

4. With respect to the rules as set forth in document HL/CE/V/5, paragraphs (1), (3) and (4) are endorsed by AIPPI without change.

5. With respect to paragraph (2) of the Rules, AIPPI is of the opinion that a definite date should be announced to the applicant so that he can determine whether he wants to file a divisional application. The reference to "pre-grant" should therefore be deleted and an advance notice similar to the EPC "ready for grant" be provided for.

6. Where lack of unity exists, the applicant should, whenever possible, be given the opportunity to make the selection or pay a second search fee. AIPPI is, however, aware of the fact that such a possibility will be difficult for countries with a fast search where an automatic selection may become necessary.

*Article 109—Restoration of the Right to Claim Priority*

1. AIPPI favors the introduction of this principle in the international treaty.

However, AIPPI questions whether the two alternatives A and B as proposed by WIPO, which would result in an extension in fact of the priority right, are compatible with the Paris Convention.

2. In case these provisions are compatible with the provisions of Article 4 of the Paris Convention:

- (a) AIPPI, for practical reasons, favors alternative A which constitutes a fast and simple procedure to correct errors and deficiencies of priority applications.

Another reason for favoring alternative A can be seen in the fact that the definition "due care" may be interpreted very differently from country to country; some countries might even set an unreasonably high standard of care in order to bar priority applications from abroad.

- (b) AIPPI would also be ready to accept alternative B. It notes, however, that such procedure in which factual and legal arguments must be put forward in order to prove that the error was committed in spite of due care

can be lengthy and expensive. This may lead to a situation where publication within 18 months will no longer be possible. Nevertheless AIPPI also favors that another month be given to the applicant in order to substantiate his claim for restoration.

3. AIPPI also favors the introduction of the possibility of restoration not only for cases where the application was filed late but also where the priority claim was erroneously omitted, although the application was filed in the priority period.

*Article 301—Principle of First to File*

AIPPI is of the opinion that the text of Article 60 EPC should be taken as the treaty text. This article would therefore read as follows:

"(1) The right to a patent shall belong to the inventor or his successor in title.

"(2) If two or more persons have made an invention independently of each other the right to the patent shall belong to the person whose patent application has the earliest date of filing; however, this provision shall apply only if this first publication has been published under Article 106 or in the form of a granted patent."

Such a text would not only institute the principle of first to file but at the same time state that this principle should only apply where the invention was made by two independent inventors.

The provision that only prior applications which are published later constitute a bar follows from the fact that non-published applications do not belong to the prior art.

*Article 304—Extent of Protection*

AIPPI supports the text of Article 304 as proposed by WIPO.

With respect to Rule 304, AIPPI has the following observations:

1. AIPPI also supports the wording of Rule 304, paragraphs (1) to (3).

2. With respect to paragraph (4), AIPPI is of the opinion that the second part of the sentence ("or for a combination of less than all the said elements") should be deleted.

Such a rule would unnecessarily prevent the courts from finding an infringement where the infringer omits only one feature from a claim of a great number of features but nevertheless achieves the inventive result, even if to a lesser degree ("less advantageous solution").

It would also exclude cases where the patentee has erroneously mentioned an element or a feature which is later found to be unnecessary for the completion of the invention ("overclaiming").

As a general proposal, AIPPI would therefore prefer to adopt the new draft of paragraph (4) proposed by WIPO:

"A claim for a combination shall not provide independent protection for the individual parts of the combination."

3. Reference should be made to Article 302(3) in the form of "notwithstanding Article 302(3)."

4. AIPPI is of the opinion that paragraph (5) should be deleted.

5. AIPPI supports the wording of paragraphs (6) and (7) of the WIPO draft.

*Article 306—Maintenance Fees*

AIPPI supports the intended harmonization of the method of payment of maintenance fees.

With respect to the text proposed by WIPO, AIPPI has the following proposals.

1. In order to maintain flexibility, AIPPI confirms its view that payment periods of longer than one year should be allowed.

2. AIPPI is of the opinion that the payment of annuities or maintenance fees should only start after the grant of the patent. Such a rule, which exists in some countries, takes into account that the applicant, through automatic publication after 18 months, has already given valuable information to the public.

Futhermore, if maintenance fees are paid after grant, there is a considerable incentive upon the patent office to speed up examination. The starting of payments after grant also reflects the value the patentee has received by the grant.

The argument that the applicant can already enforce his rights by way of provisional protection does not justify the payment of maintenance fees, since provisional protection only follows from early publication which opens the possibility for competitors to use the invention.

3. AIPPI supports the calculation of the due date as from the first day of the following month in paragraph (3)(i).

4. AIPPI proposes to give examples in the notes as to the meaning of "due date."

#### *Article 307—Provisional Protection*

AIPPI supports the introduction of an improved provisional protection. Such protection is necessary as a compensation for early publication.



## Studies

### Distinctive Devices and Comparative Advertising in Argentine Law

E. ARACAMA ZORRAQUÍN\*

#### I.

In Argentina as in other countries, comparative advertising has always been considered unacceptable.

In recent months, however, there has been evidence of a campaign aimed at reversing the situation: it has been seen in the use of foreign appellations of origin to launch Argentine wines on the local market, on the advertising techniques of others to promote a new range of wines; it has been seen in price comparisons,<sup>1</sup> in a legal study,<sup>2</sup> in a round table<sup>3</sup> and eventually in draft legislation,<sup>4</sup> not to mention in comparison between motor vehicles.

The purpose of this article is not to take issue with those whose opinion on the subject differs from mine, but rather to reiterate my conviction, which I published some years ago,<sup>5</sup> that comparative advertising, even when simple or objective, has all the drawbacks and none of the advantages that are attributed to it. The passage of time has done nothing to alter my view that it is a disloyal exercise, an unfair attack on another person's distinctive signs—trademarks, business styles and signs, trading designations, geographical indications, etc.—especially those enjoying considerable

prestige or popularity, and that it does not, as claimed, benefit the consumer.

Familiar though the arguments for and against comparative advertising may be, it is nevertheless worth going through them again.

Bernard Francq<sup>6</sup> does so in detail:

In the opinion of its supporters, comparative advertising should be allowed because:

- (a) it makes for greater transparency of markets and thereby serves to afford guidance to consumers confused by the wealth of goods available;
- (b) manufacturers would be obliged to take greater care with their products;
- (c) it would stimulate competition, and thereby serve antitrust law by affording easier access to markets for the benefit of small manufacturers and those launching new or alternative goods;
- (d) all the arguments against it are in fact just as applicable to ordinary (non-comparative) advertising, and are therefore of little relevance to the matter at issue. If they were to be accepted, it would be necessary to forgo all advertising;
- (e) the constitutions of the majority of countries guarantee freedom of opinion and of expression;
- (f) consumers have the right to be informed and to make their own choices.

For the opponents of comparative advertising, the above would not be advantages because:

- (a) the author of the advertising is then the judge of his own suit;
- (b) comparative advertising is bound to consist of incomplete statements and half-truths, and to lack objectiveness: the truth is essentially relative, little improvement in consumer information can be expected, and market transparency is a pipe-dream;

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<sup>1</sup> In the so-called "supermarket war."

<sup>2</sup> Martin Zapiola Guerrico, "La Publicidad Comparativa. Aspectos Jurídicos," *La Ley*, Vol. 1988, C. Secc. Doctrina, pp. 772 et seq.

<sup>3</sup> "Propaganda Comparativa. Responsabilidad civil, comercial y penal. Aspectos constitucionales." Round table held on October 13, 1988, at the headquarters of the Public College of Attorneys. A summary of the various exposés is to be found in Ernesto F. Heitz, "La publicidad comparativa en la lupa de los abogados," *El Cronista Comercial*, November 3 and 8, 1988.

<sup>4</sup> Draft presented by National Deputy Cristina Guzmán on "Modificaciones al régimen de la Ley 22,802," Parliamentary Proceeding No. 120-6, p. 3623.

<sup>5</sup> Ernesto Aracama Zorraquín, "Sobre la ilegitimidad de la Publicidad Comparativa en Derecho Argentino," in *Revista del Derecho Comercial y de las Obligaciones*, Year 11, 1978, pp. 457 et seq.

<sup>6</sup> Bernard Francq, "La Publicité comparative" in *Revue Internationale de la Concurrence*, No. 143-2, 1981, pp. 135 et seq. See also J.J. Boddewyn, "Comparison Advertising," 1983, pp. 2 et seq.

- (c) inasmuch as advertising is essentially a concocted, and therefore biased message, it does not serve the purpose of informing the public, whose protection is normally ensured in other ways. Neither can traders, whose interests, in the last analysis, are opposite to those of consumers, be placed under a "legal obligation" to provide information for the latter's benefit;
- (d) any such totally informative comparative advertising would place a substantial burden on costs;
- (e) the sheer range of possible forms of comparison—between elements that are not always really comparable—is liable to stir up a flurry of reactions and lawsuits that will mislead the consumer and will not make business practices any healthier;
- (f) even within the limits of its acknowledged lawfulness, comparative advertising is little used in Europe;
- (g) there is no real right of information in the constitutions of European countries;
- (h) whoever is in a dominant position has the financial strength that will usually give him the edge in the slugging match of comparative advertising and also in any legal proceedings that may be brought;
- (i) comparative advertising runs the risk of artificially diverting the main flow of consumption in directions not necessarily consistent with the general interest.

After having extensively reflected on the subject, I myself consider that the arguments against comparative advertising carry much more weight than those for it.

The basic assumption underlying my opinion—both here and in my earlier work<sup>7</sup>—is that comparative advertising, by definition, is in all cases done by referring to the prestige product, the best-known trademark or the leading firm in the sector concerned. This is why Kleppner for one,<sup>8</sup> in his account of the ground rules governing such advertising, points out that it is never the sector leaders that start comparative advertising campaigns, and the United States Trademark Association (USTA) for another, in an introduction to a number of studies on the subject,<sup>9</sup> says without any compunction that more often than not comparative advertising is used by the newcomer in search of a means of encroaching on the corner of the market sector occupied by the prominent mark. The USTA's observation explains what Kleppner says, and vice versa.

In any instance of economic competition we are up against at least three parties, namely, two competitors

and the consumer.<sup>10</sup> The first two are wooing the third and fighting between themselves for his favors.

"The assumption underlying this game," says Baylos Corroza,<sup>11</sup> "is that each is the winner when he has been selected and the loser when the other has been preferred. The pathological condition occurs when attempts are made to alter these clear-cut conditions by forcing a wrong selection, a choice that is won on false pretenses. This happens when a trader, instead of relying on his own work, his own efforts to secure a goodwill, makes use to the same ends of the prestige, notoriety, fame and good results achieved by the others."

This is what disqualifies comparative advertising at the outset: the fact of improperly taking advantage, of making use without permission, of the property, the advertising ideas and investment and the efforts in other areas made by another person, in order to take over his place in the market.

If we make a detailed analysis of the process involved in this type of advertising, we see that it has two aspects: the first, which we could call the "information" aspect, reflects the aim—and indeed declares the intention—of drawing the public's attention to the fact that a new product has appeared on the market, that that new product is equivalent to the object of the comparison but nevertheless different from it, distinctive and consequently either better or at least cheaper; the second aspect, which we would call the "persuasion" aspect, involves persuading the consumer to adapt his tastes, inclinations and propensities, and also his indifference curves, which curves are eventually modified as a result of his acceptance and use of the new product. In practice, however, the information and the persuasion are so interrelated that it becomes difficult to separate them.<sup>12</sup> The effect of this is that, while appearing to inform, the comparison is really aiming to persuade, with a view to securing, without any personal effort or any respect for the effort, position and prestige associated with the reference product, the section of the market hitherto occupied by it.

The fact that the "information" aspect is not fundamental for the person who resorts to comparative advertising, whereas on the other hand the "persuasion" aspect is, was illustrated *In re Rolex S.A. v. Orient S.A. et al.*,<sup>13</sup> where the first-instance ruling reproduced, by way of illustration, the wording of the advertisement used by the defendant. It said this:

"If you wanted to own a high-quality watch you could buy a Rolex. Alternatively you could buy an Orient, which is unknown. Every Rolex is made exclusively with the finest anchor escapement. So is every Orient. The Rolex is an all-purpose, water-proof, shockproof watch. So is the Orient. The Rolex carries a

<sup>10</sup> See Robert Kraysenbühl, "Essai sur le droit des marques," Lausanne, 1946, p. 29.

<sup>11</sup> Hermenegildo Baylos Corroza, "Tratado de Derecho Industrial," Madrid, 1978, p. 322.

<sup>12</sup> On this subject see Guido Di Tella, "La Manipulación de la Demanda. El Problema de las Marcas," in *Comercio de Tecnología y Subdesarrollo Económico*, edited by Miguel S. Wionczek, Mexico City, 1973, p. 93.

<sup>13</sup> Cf. *La Ley*, Vol. 147, p. 231.

<sup>7</sup> *Op. cit.* note 5, p. 462.

<sup>8</sup> Otto Kleppner, "Publicidad," Mexico City, 1988, p. 426.

<sup>9</sup> United States Trademark Association (USTA), "Comparative Advertising. Introduction," *Trademark Reporter*, Vol. 67, p. 352.

one-year warranty. The Orient, however, has a two-year warranty. This Rolex in particular cost 875 new pesos. This Orient in particular cost 325 new pesos. We are making this comparison to show you that the Orient is also a very fine watch. And that you do not always have to pay a fortune for a fine watch. The Orient watch is not likely to stay unknown for long."

All the qualities of the Orient watch could have been presented on their own, without any recourse to comparison. It could have been said that the Orient was a fine watch, that it was made with the finest anchor escapement, that it was an all-purpose, waterproof and shockproof watch and that it had a two-year warranty. All that and possibly more—had it been necessary—but without naming Rolex. Rolex was named precisely to create a subliminal or unconscious association between the two marks, as a result of which a potential Rolex buyer, having been deceived as to his initial interest, could gratify himself with the thought that the Orient, while cheaper, was at least as good as, if not better than, the Rolex. In that way Orient indeed would not be "unknown for long." In the words of Hartman,<sup>14</sup>

"the comparison procured an unfair economic advantage in the form of an undeserved foothold in competition with a well-known product."

This highlights the essential impropriety, the fundamental immorality inherent in comparative advertising, of which its advocates seem to take no account. Stephen Nye,<sup>15</sup> one of its champions, shows this in his article entitled "In Defense of Truthful Comparative Advertising," which seems to have earned quite a following in our country.<sup>16</sup> In his opinion, the appropriation by a third party of the goodwill built up by another would not qualify for protection because the trademark is not a patent. He acknowledges—he could hardly do otherwise—that the investment involved in publicizing a trademark is an asset of the person making it in the same way as his investment in product improvement and innovation. He concludes as follows:

"I see no reason why [the new competitor] should have to go to the same expense as an established firm in order to enter the market. If you make [the new competitor] do so, he will generally pass the cost of entering on to the public, so that the public will be charged a price premium for the privilege of changing its mind."

The social packaging of the argument—if indeed there is any—does not cover up its immorality. For Nye, the act of the person who takes possession of what is not his is right. And it is not, in the case in point, merely a matter of monetary investment but also effort, merit and prestige.

Nye's argument relies on an unproven statement: that the newcomer would pass on to the consumer the saving achieved by him through entering the market in

<sup>14</sup> Steven H. Hartman, "Subliminal Confusion: The Misappropriation of Advertising Value," in *Trademark Reporter*, Vol. 78, p. 508.

<sup>15</sup> Stephen Nye, *op. cit.*, in *Trademark Reporter*, Vol. 67, pp. 353 *et seq.*

<sup>16</sup> See Zapiola Guerrico, *op. cit.* note 2.

that way, whereas it is far more likely that he would align his prices on those of the leading firm with which he had compared himself, and that the community would not receive the eventual benefit that Nye claims it would. Moreover, the argument has been refuted by Robin and Barnaby, Jr.,<sup>17</sup> and does not seem to call for further consideration. Nye's assertion that the clientele attracted by the trademark of the reference product does not deserve protection because the amount invested in it is not for product improvement but for public recognition clearly reflects a reprehensible lack of moral sensitivity because, at the end of the 20th century, advertising investment has become a necessity. In addition, it is not compatible with the finding of our Supreme Court, which for more than 50 years, since the "La Guarany" trademark case<sup>18</sup> to be precise, has consistently defended the goodwill generated by a trademark. Our highest jurisdictional body goes on to say,

"This goodwill is itself a form of property, that is, an asset susceptible of valuation.... Its use by another person thus constitutes enrichment without cause and is a legal act contrary to proper practice (C.C. Section 953); 'malitus hominum non est indulgentium' was a principle of Roman Law."<sup>19</sup>

The fact that comparative advertising intrinsically involves immorality leads us—indeed almost asks us—to reflect on the extent to which, legally, it constitutes an act of unfair competition.

## II.

Chaput<sup>20</sup> says that

"competition law not only pursues objectives of economic efficiency: it also relies on moral conceptions that have the effect of ensuring propriety in the professions. This is reflected in the term unfair competition used to denote conduct held to be unacceptable in relation to other traders."

It follows that unfair competition means the set of practices that are contrary to the law or morality (France), to proper practice (Federal Republic of Germany), to professional rectitude (Italy), to good faith (Switzerland), to fair practice (Paris Convention, Benelux), etc., such practices being engaged in for the

<sup>17</sup> Albert Robin and Howard B. Barnaby, Jr., "Comparative Advertising: A Skeptical View," *Trademark Reporter*, Vol. 67, pp. 358 *et seq.*

<sup>18</sup> *Soc. Auxiliar Fabril, Agricola y Comercial S.A. v. Couzier & Cia.*, J.A., Vol. 57, p. 348.

<sup>19</sup> This case law was subsequently reiterated in the following trademark cases: "Philco" (J.A., Vol. 70, p. 30); "Hermès" (J.A., Vol. 74, p. 555); "Summer Sportex" and "Winter Sportex" (*Pat. y Marcas*, 1943, p. 143); "Stop-Skal" (*Pat. y Marcas*, 1942, p. 129); "Landisygyr" (*Pat. y Marcas*, 1945, p. 449); "Pagé" (*Pat. y Marcas*, 1947, p. 548); "Toledo" (*Pat. y Marcas*, 1950, p. 117); "Remy" (*La Ley*, Vol. 57, p. 188); "Burd" (*La Ley*, Vol. 67, p. 4); "Cebra" (*La Ley*, 1957, 4, p. 397). See also the *de facto* protection granted to trademarks, especially *In re Orandi y Massera v. Traversa*, *Pat. y Marcas*, 1951, pp. 78 *et seq.*; *Akapol S.A.C.I.F.I.A. v. Dos mil S.R.L.*, *La Ley*, November 7, 1988.

<sup>20</sup> Yves Chaput, "Le Droit de la concurrence," Paris, 1988, p. 68.

purposes of economic competition and being liable to prejudice the competitor.<sup>21</sup> And inasmuch as

"ultimately, the decision on the fairness or unfairness of a competitor's conduct becomes, in relation to the concepts mentioned, an assessment of social realities, namely, the customs that prevail and are applied, without, however, there being any abandonment of the concepts of value and fair practice, that is to say, honorable, honest practice, in the sense of the practice established and applied by the good, not by the bad traders."<sup>22</sup>

when unfairness is prohibited, what is being punished is

"the conduct of the competitor who starts out with an advantage, in that he resorts to methods that no honorable trader is in the habit of using, to procedures that social usage rejects as being contrary to honest trading."<sup>23</sup>

Comparative advertising, beyond all manner of doubt, is an act of unfair competition inasmuch as the trader who engages in it is seeking to attribute to his own product the favor won previously, in the minds of consumers, by the product with which it is compared. This is the understanding of Italian case law<sup>24</sup> and doctrine, which consider advertising "*per riferimento*" (by reference),<sup>25</sup> "*per accostamento*" (by association)<sup>26</sup> or "*per agganciamento*" (by entrapment)<sup>27</sup> to be an act contrary to professional rectitude ("*correttezza professionale*") and as such prohibited by Section 2598, No. 2, of the Italian Civil Code, on the repression of unfair competition.<sup>28</sup>

In France, the "*réclame par référence*" and the "*réclame comparative*" are punishable as acts contrary to the principles of fair competition.<sup>29</sup>

In Belgium, Luxembourg and the Netherlands, the Uniform Benelux Law on Marks<sup>30</sup> prohibits comparative advertising in that its Article 13A2 allows the owner of the mark to oppose any use of his mark likely to be prejudicial to him on condition that the use occurs in the course of business dealings and without valid reason.<sup>31</sup>

<sup>21</sup> Cf. Hermenegildo Baylos Corroza, *op. cit.* note 11, p. 318; Jacques Azéma, "*Le Droit français de la concurrence*," Paris, 1981, p. 93; Yves Saint-Gal, "*Marques de fabrique et concurrence déloyale*," Paris, 1982, p. W4, etc.

<sup>22</sup> Hermenegildo Baylos Corroza, *op. cit.* note 11, p. 318.

<sup>23</sup> *Ibid.*

<sup>24</sup> Cf. Giorgio Aghina, "*L'Utilizzazione Atipica del Marchio Altrui*," Milan, 1971, p. 189, note 8.

<sup>25</sup> M. Casanova, "*Le Imprese Commerciali*," Turin, 1955, p. 607.

<sup>26</sup> L. Mosco, "*La Concorrenza Sleale*," Naples, 1956, p. 219.

<sup>27</sup> L. Sordelli, "*La Concorrenza Sleale*," Milan, 1955, p. 111.

<sup>28</sup> Gerhard Schricker, "*La Répression de la concurrence déloyale dans les Etats membres de la Communauté économique européenne*," Vol. V—Italy, Paris, 1975, p. 167.

<sup>29</sup> Rudolf Krasser, "*La Répression de la concurrence déloyale dans les Etats membres de la Communauté économique européenne*," Vol. V—France, Paris, 1972; Yves Saint-Gal, *op. cit.* note 21, p. W11; A. Bassard, in "Pinner's World Unfair Competition Law," Amsterdam, 1978, Vol. 2, p. 5.

<sup>30</sup> See *Industrial Property Laws and Treaties*, MULTILATERAL TREATIES — Text 3-002.

<sup>31</sup> Antoine Braun, "*Précis des Marques*," Brussels, 1987, p. 338.

In the Federal Republic of Germany comparative advertising is prohibited if it constitutes a reference to the competitor that is not justified by any objective reason.<sup>32</sup>

In Spain, the General Law on Advertising, No. 34 of November 11, 1988, declares unfair advertising unlawful in its Section 3, and in Section 6(c) provides that comparative advertising is unfair

"when it is not based on essential, related and objectively demonstrable characteristics of the goods or services, or when goods or services are contrasted with others that are not similar or are unknown or have a limited presence on the market."

Thus recourse to comparison is punishable, whereas in Argentina attempts are being made to introduce it to facilitate the launching of new goods on the market.

In the countries mentioned, disregard for proper practice, professional rectitude and honest dealing provided the essence of unfair competition. As for Argentina, in the absence of a specific law on the subject, we gave an account in an earlier article<sup>33</sup> of the various positions adopted by legal writers and case law.

Satanowsky<sup>34</sup> follows the French example and bases the repression of unfair competition on the provisions of Section 1109 of the Civil Code.

Goldschmidt<sup>35</sup> applies the principles of preventive justice to be found in Sections 2499 and 2500 of the same Code.

Aguiar<sup>36</sup> bases it on the interplay of Sections 896 and 1067 of the Code.

Some case law,<sup>37</sup> unwittingly applying the theory of unfair competition, has applied general principles like that of enrichment without cause, good faith in business, defense of acquired rights, commercial value of trademarks, etc.

Further reflection on the problem in the light of the development of our industrial-property-related case law leads me to think that the action to be introduced, as far as our law is concerned, should be anchored in the provisions of Section 953 of the Civil Code, inasmuch as that Section requires the object of such legal acts as are performed to be not contrary to proper practice or prejudicial to third-party rights. At the same time the action's disciplinary character is made clear, and it is differentiated from the action for damages so clearly

<sup>32</sup> Dietrich Reimer, "Comparative Propaganda," in "Pinner's World Unfair Competition Law," Amsterdam, 1978, Vol. 2, p. 4; Werner Janssen, Jr., "Recent Legal Developments Abroad in Comparative Advertising," *Trademark Reporter*, Vol. 69, p. 405.

<sup>33</sup> Ernesto Aracama Zorraquín, *op. cit.* note 5, p. 460. See also my work "Unfair Competition in Argentine Law" in the work "In Honor of Heinz Dawid on his 75th Birthday," New York, 1988, p. 39.

<sup>34</sup> Marcos Satanowsky, "*Tratado de Derecho Comercial*," Buenos Aires, 1957, Vol. 3, p. 193 *et seq.*

<sup>35</sup> Roberto Goldschmidt, "*Hacienda Comercial y Competencia Desleal*," Córdoba, 1950, p. 70.

<sup>36</sup> Henocho D. Aguiar, "*Hechos y Actos Jurídicos en la Doctrina y en la Ley*," Vol. II, pp. 71 *et seq.*

<sup>37</sup> *Orandi y Massera S.A. v. Francisco Traversa, Pat. y Marcas*, 1951, p. 78; confirmed by a chamber ruling recorded in *Pat. y Marcas*, 1952, p. 123.

expressed by Roubier.<sup>38</sup> So, because it is recognized among ourselves<sup>39</sup> as being unethical to make use of a third party's corporate values—distinguishing marks, work, prestige, credit, etc.—in order to introduce or promote one's own goods, comparative advertising is prohibited in Argentina by virtue of the Civil Code provisions mentioned and also, just as importantly, by virtue of Article 10*bis*(2) of the Paris Convention (Law No. 17,011) and Section 159 of the Criminal Code.

Under Article 10*bis*(2) of the Paris Convention,

"Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition."

According to Di Guglielmo,<sup>40</sup> this expression obliges judges operating on the fringe of business life to invoke

"those ethical principles that, at a particular moment in history, preside over one's own conduct and over the environment prevailing at the time."

It might perhaps be more accurate to say that the work of judges has to consist in the interpretation of the overriding objective moral conscience of society and also as Bodenhausen<sup>41</sup> puts it, honest practices established in international trade.

Section 159 of the Criminal Code is equally clear in its condemnation of comparative advertising. What it says is this:

"Any person who, by fraudulent machination, ill-intentioned rumor or any other form of unfair publicity, attempts to divert to his own advantage the goodwill of a commercial or industrial establishment shall be prohibited from so doing."

The "form" to which this legal provision refers more than covers comparative advertising.

Soler<sup>42</sup> tells us that

"unfair advertising should be taken to mean that psychological influence exerted on the public in general or a product's or a firm's clients in particular, which is designed to convince them unjustly of the need to abandon a product or firm and substitute for it the firm or product of the person exerting it."

Núñez,<sup>43</sup> in turn, explains that:

"advertising is unfair if, at the expense of a trader or industrialist, it violates the rules of good faith to be observed in free competition."

<sup>38</sup> Paul Roubier, *Le Droit de la propriété industrielle*, Paris, 1952, Vol. 1, pp. 531 *et seq.*

<sup>39</sup> This is reflected in the opinion of Zabala Rodríguez, expressed in *Publicidad comercial*, Buenos Aires, 1947, pp. 416/19, the Federal Chamber ruling in the *Orient* case (Cf. J.A., Contemporary Section, Vol. 14, April-June 1972, p. 330), and the consistent jurisprudence of the Federal courts regarding the protection of well-known and *de facto* marks and the punishment of trademark piracy.

<sup>40</sup> Cf. Pascual Di Guglielmo, *La Convención de París para la protección de la Propiedad Industrial. La Concurrencia Desleal*, *Revista del Derecho Comercial y de las Obligaciones*, 1973, pp. 129 and 131.

<sup>41</sup> George H.C. Bodenhausen, "Guide to the Application of the Paris Convention," Geneva, 1968, p. 144.

<sup>42</sup> Sebastián Soler, *Derecho penal argentino*, Buenos Aires, 1951, Vol. IV, p. 163.

<sup>43</sup> Ricardo C. Núñez, *Derecho penal argentino*, Buenos Aires, 1967, Vol. V, p. 149. See also Omar Breglia Arias and Omar R. Gauna, *Código Penal*, Buenos Aires, 1985, p. 516.

In the opinion of Fontán Balestra,<sup>44</sup>

"unfair advertising means that which points out or enables to be identified those goods, establishments or persons whom it is intended to discredit with a view to capturing their goodwill by diverting it towards the establishment or goods of the advertiser."

Further on he adds:

"The unfairness of advertising is precisely the effect of bad faith even more than the actual injustice or falsity of what is said...."

So it does not seem that comparative advertising, to the extent that it constitutes unfair publicity intended to divert custom, escapes the legal censure that we are considering here.

### III.

What any competitor aims to do is attract and secure custom. What is punishable according to unfair competition theory is his doing it by unfair means.

These means are immensely varied and, in order that the law may more readily address them, authors have classified them in a number of ways.<sup>45</sup>

One of the most widely accepted classifications is Roubier's,<sup>46</sup> according to which the means constituting unfair competition could be divided into four categories:

- (a) confusion,
- (b) denigration,
- (c) general disorganization of the market and
- (d) disorganization of the rival firm.

Azéma<sup>47</sup> retains denigration and disorganization of the rival firm from this classification, but, in the light of developments in this subject area during the 30 years following the publication of Roubier's work, he proposes two new categories in addition:

- (a) the use of unlawful trade practices, and
- (b) the unlawful use of another's reputation.

The latter is regarded by Azéma as being clearly preferable to the usual confusion category because, while attempting to confuse is one of the means of unlawfully taking advantage of another's reputation, that result can just as well be achieved—at least in theory—without seeking to confuse.

Where unfair competition does resort to confusion, the most typical form is that which in Anglo-American common law is known as "palming off" or "passing

<sup>44</sup> Carlos Fontán Balestra, *Derecho penal*, "Parte Especial," Buenos Aires, 1985, p. 397.

<sup>45</sup> Cf. Louis Mermillod, *Essai sur la notion de concurrence déloyale en France et aux Etats-Unis*, Paris, 1954, pp. 77 *et seq.*; Tulio Ascarelli, *Teoría de la Concurrencia y de los Bienes Inmateriales*, Barcelona, 1970, p. 199; Luigi Sordelli, *La Concorrenza Sleale*, Milan, 1955, pp. 81 *et seq.*, etc.; Hermenegildo Baylos Corroza, *op. cit.* note 11, pp. 321 *et seq.*

<sup>46</sup> Paul Roubier, *op. cit.* note 38, pp. 536 *et seq.*

<sup>47</sup> Jacques Azéma, *op. cit.*, note 21, pp. 94 *et seq.*

off,"<sup>48</sup> and in the laws of continental Europe and our own law as "*falsificación*" or "*contrefaçon*." This consists in the sale of one's own product in such a way as to give the public the impression that it is the product manufactured by someone else, which generally enjoys greater popularity and prestige.

In 1918 the US Supreme Court<sup>49</sup> handed down a ruling in a case that was to become famous, *International News Service v. Associated Press*, better known as the *INS* case.<sup>50</sup> The facts of this case, which we shall be looking at below and which, as Schechter<sup>51</sup> mentions, actually involved the opposite of "passing off," where the competitor appropriates and sells a "product" created by his rival but does so under his own name. McManis<sup>52</sup> in turn quotes the paragraph of the Supreme Court ruling that says:

"instead of selling its own goods as those of the complainant, it substituted misappropriation in place of misrepresentation and sells complainant's goods as its own."

The facts—and here I am quoting McCarthy<sup>53</sup>—were as follows:

"Associated Press (AP) spent considerable amounts of money and time in developing a worldwide system of news-gathering. AP sold its news stories to various newspaper subscribers in the United States. In those World War I days, news stories usually developed in Europe and made their way westward to the American East Coast and then to the West Coast. A 'hot story' from Europe would be reported by AP and appear first in New York newspapers which subscribed to the AP System. Defendant INS was in the same news-gathering business as AP. The conduct of INS which plaintiff AP complained of consisted of taking 'hot' news stories from publicly distributed New York newspapers and newspaper bulletin boards which subscribed to AP, and telegraphing the story to the West Coast to Hearst newspapers who subscribed to INS. INS West Coast papers would then print the stories, sometimes ahead of the West Coast AP newspaper subscribers. Thus, defendant INS had 'appropriated' hot news stories which had been gathered by plaintiff AP at great expense and effort.

This 'appropriation' [McCarthy goes on] did not fit into any previous category of unfair competition. It was not an appropriation of confidential information, for defendant took the stories from New York newspapers already on the streets, available to the public. It was not a misrepresentation or palming off, for defendant did not misrepresent the true source of the stories. Similarly, the defendant's activities did not constitute copyright infringement, for the news items were not copyrightable. While a given method of expression of a news story is copyrightable like any literary creation, the underlying idea written about is not copyrightable. Apparently in the *INS v. AP* case, INS did not always copy verbatim the AP dispatches, but rather appropriated the basic news story idea itself and often rewrote the dispatch to convey the same story in different words."

<sup>48</sup> Cf. Pearce E. Holyrod, "Passing Off," London, 1928; Staniforth Ricketson, "The Law of Intellectual Property," Sydney, 1984, pp. 532 *et seq.*; W.R. Cornish, "Intellectual Property," London, 1981, p. 473; Jeremy Philips, "Introduction to Intellectual Property Law," London, 1986, p. 213.

<sup>49</sup> 248 US 215, 39 S. Ct. 68/1918.

<sup>50</sup> See Rudolf Callmann, "Unfair Competition, Trademarks and Monopolies," 4th ed., Vol. 2, chap. 15; J. Thomas McCarthy, "Trademarks and Unfair Competition," Vol. 1, p. 314.

<sup>51</sup> Roger E. Schechter, "Unfair Trade Practices and Intellectual Property," St. Paul, Minnesota, 1986, p. 99.

<sup>52</sup> Charles R. McManis, "Unfair Trade Practices," 2nd ed., St. Louis, 1988, p. 21. See also S. Chesterfield Oppenheim, Glen E. Weston, Peter B. Maggs and Roger E. Schechter, "Unfair Trade Practices and Consumer Protection," 4th ed., St. Paul, Minnesota, 1983, p. 236.

<sup>53</sup> J. Thomas McCarthy, *op. cit.* note 50, p. 318.

In view of that, Schechter<sup>54</sup> indicates, AP sued under common law provisions for "piracy of hot news."

The US Supreme Court found for Associated Press' suit. As the defendant, INS, had maintained that any purchaser of daily newspapers had the unquestionable right to freely communicate the news to any person and for whatever purpose, that person could not therefore be denied a similar right on the sole ground of his having acted with gainful intent and sold the news to publications that were in competition with the plaintiff's service, the court ruled that the fault in such reasoning lay in the application as such of the plaintiff's right vis-à-vis the public instead of considering the relative merits of the rights of plaintiff and defendant. The right of the purchaser of an ordinary newspaper to bring its contents free of charge to the notice of any person for whatever purpose that did not interfere unreasonably with the rights of the plaintiff regarding the commercialization of the newspaper could be recognized, but the transmittal of such news for commercial use in competition with the plaintiff...was a very different thing. In doing so the defendant recognized by his very action that he was taking material that had been acquired by the plaintiff by dint of its organization and the expenditure of work, skill and money, and which was susceptible of sale by the plaintiff for money, that the defendant, by appropriating it and selling it as his own, was endeavoring to reap where it had not sown. Stripped of all dressing, the procedure was tantamount to unauthorized interference in the normal conduct of the plaintiff's legitimate business specifically in that the benefit was to be reaped with a view to diverting a substantial portion of the profit from those who had not earned it towards those who had not made it; it is particularly disadvantageous for the plaintiff in terms of competition inasmuch as the defendants had not taken on any of the expenses incurred in the gathering of the information. The operation spoke for itself, and a court of equity should not hesitate long to describe it as unfair competition in business dealings.

This ruling set the tone in the United States for a new type of act of unfair competition. It is known as misappropriation, and consists in the unauthorized exploitation of the competitor's efforts: work, investment and know-how, as mentioned by Callmann.<sup>55</sup> According to McCarthy,<sup>56</sup> misappropriation has most often been invoked by a plaintiff who finds that a "thing" which he considers a valuable commercial right has been appropriated by another at small cost.

These commercially valuable "things" that a trader may hold and which may be intangible, as illustrated by the *INS* case, undoubtedly include distinctive signs, notably trademarks. Inasmuch as they are attractors of custom, trademarks also represent effort, work, some-

<sup>54</sup> Roger E. Schechter, *op. cit.* note 51, p. 98.

<sup>55</sup> Rudolf Callmann, *op. cit.* note 50.

<sup>56</sup> J. Thomas McCarthy, *op. cit.* note 50, p. 318.

times considerable investment, skill in conducting business, generation of currents of sympathy, etc. Consequently the theory of misappropriation—unwittingly acknowledged by our Federal courts when they ruled that:

“the most fundamental concept underlying the trademark law (is) good faith between traders, which averts a situation where one of them takes advantage of the effort, research, activity, ideas, etc., that constitute the work done by another and thereby profits by the advertising and publicity that the latter has engaged in, which would be a form of unfair competition”<sup>57</sup>

—is complementary to the restrictive protection that is afforded in a general way by the specific legislation. That legislation looks on trademarks as signs that are affixed on goods or services or in direct relation to them to indicate their industrial or commercial origin. This accounts for the conception according to which only the use as such of another’s distinctive sign on goods or services would be punished by the legislation on trademarks. Practice has shown, however, that the owners of a trademark may fall victim to other uses or applications of the trademark. This is what Aghina<sup>58</sup> has called the “atypical use of another’s trademark.” For instance, the use of the manufacturer’s trademark by the seller in connection with the sale or advertising of branded goods; the use of the original mark in connection with altered goods; the use of another’s mark to designate raw materials or components of one’s own product; the use of another’s mark to describe the characteristics, purpose or use of one’s own product; the advertising of one’s own product with reference to the branded goods of others. And among the latter, of course, comparative references and more specifically comparative advertising.

It has been said that in the case of comparative advertising one could not invoke the standard provisions of trademark law, because the use of the third party’s trademark would be in connection with original goods and not as a means of distinguishing competing goods.<sup>59</sup>

That is not what is at stake, however. What is not acceptable in comparative advertising is that the trademark of a third party should be used without its owner’s authorization. And any person who does that is misappropriating another’s property. It is not for nothing that Schechter<sup>60</sup> says, in connection with the theory of misappropriation:

“It should be borne in mind that this situation is unlikely to occur when a tangible product is involved. If a trader takes tangible goods from his rival without paying for them that is a case of simple theft. Because intangible assets can be sold by a large number of people simultaneously, one’s first encounter with the INS situation comes as a surprise. When all is said and done, it too is nothing more than theft.”

Schechter’s assertion is very severe, but it does serve to call attention to the reason why any person should abstain from taking personal advantage of another’s efforts.

As we have seen, it is the same with comparative advertising, in which the use of the established competitor’s trademark by way of reference constitutes basic appropriation of the commercial magnetism of that trademark and through it of everything that the same magnetism represents among the intangible assets of the firm concerned.

The person who engages in comparative advertising probably considers it reprehensible to make off with the physical property of another. If he were to reflect rather more deeply, he might also consider it reprehensible to appropriate the intangible assets of others. This process of reflection would eventually lead him to heed his conscience and refrain from comparative advertising.

Sometimes he will try to salve that conscience by telling himself that, because his use of someone else’s trademark in his advertising constitutes neither the offense of passing off nor that of using a counterfeit trademark, he is at liberty to do so. In this, however, he will be overlooking the fact that he may have committed the offense of use of another’s legitimate trademark, provided for in Section 48(4) of Law No. 3975, and now more extensively<sup>61</sup> by Section 31(b) of Law No. 22,362. It should be borne in mind that, while in passing off one’s own goods are presented as being someone else’s, here on the contrary someone else’s goods are used as if they were one’s own.

The misappropriation doctrine sheds more light on what should be understood as “use of a registered trademark belonging to a third party without his consent.”

Many years ago our Supreme Court ruled on a case in which the matter at issue was the interpretation that should be placed on Section 48(4) of Law No. 3975.

The case involved the repackaging of authentic merchandise.<sup>62</sup>

The facts of the case, as summarized in the Supreme Court ruling, were as follows:

“Manuel Cortina acquired ‘Flit’ insecticide from the manufacturer in large and small containers. He then removed the liquid from the larger containers and used it to fill the small-sized cans that he was retailing.”

The Court’s ruling held that

“Section 48(4) of Law No. 3975 should be interpreted to mean that there is misappropriation of a trademark in the case of ‘filling or subdividing,’ regardless of whether or not the liquid involved is chemically different from that distributed by the same manufacturer in other, larger containers bearing the same trademark.”

<sup>57</sup> *David De Mas Bernal v. British American Tobacco, Pat. y Marcas*, 1946, pp. 143 and 246, and the rulings cited therein.

<sup>58</sup> Giorgio Aghina, *op. cit.* note 24.

<sup>59</sup> Martín Zapiola Guerrico, *op. cit.* note 2, p. 775.

<sup>60</sup> Roger E. Schechter, *op. cit.* note 51, p. 99.

<sup>61</sup> I say “more extensively” because Section 48(4) of Law No. 3975 punished “those who knowingly place another’s trademark on their goods or stock in trade.” On the other hand, Section 31(b) of Law No. 22,362 punishes “those who...use a...registered trademark...belonging to a third party, without his consent.” See *Industrial Property Laws and Treaties*, ARGENTINA—Text 3-001.

<sup>62</sup> *Stanco Inc. Co. (S.A.) v. Manuel Cortina*, 1st and 2nd instance rulings in J.A., Vol. 38, pp. 104 *et seq.*; Supreme Court ruling in J.A., Vol. 41, p. 196.

For our purposes, however, the preamble on which the decision was based is more important than the decision itself. It was as follows:

"Considering that, under the provisions of Sections 6 and 48(4) of Law No. 3975, only the owner of the trademark or persons authorized by him may reproduce or use it and that, consequently, no one may affix on his stock in trade a trademark belonging to another person.

The person who acquires a product bearing its own trademark has no more than the right to resell the product as received. As the receptacle containing the product was opened and the liquid consumed, authorization of what happened, namely, the filling of the same receptacle with a product, albeit of the same origin, would present the risk of lapse of the guarantee of origin provided by the trademark and the packaging, or at least would make verification so difficult that the manufacturer and the public would be at the mercy of the good or bad faith of traders. In such a case the ownership of the trademark, according to Pouillet, 'would be ownership only in name, as it would have ceased to be exclusive and would no longer be in the sole hands of the owner' (5th edition, p. 205).

Considering further that, if the mere acquisition of a divisible product allows the retailer to duplicate the trademark *ad infinitum*, this puts a premium on abuse and fraud to the detriment of consumers who would be the first victims of the practice. The fact of the use, in the case in point, of receptacles bearing the manufacturer's trademark does not alter the solution, because there would still not be any guarantee of the origin and legitimacy of the product, which unquestionably only obtains when it is the manufacturer himself or persons authorized by him who carry out the canning."

It is interesting to highlight the following features of this very clear ruling:

- there are property rights in the trademark;
- only the owner of the trademark or persons authorized by him may introduce or use it;
- otherwise there will be a risk of the guaranteed origin evidenced by the trademark no longer existing;
- as mentioned by Pouillet in his 5th edition, p. 205, the ownership of the trademark would be ownership only in name, as it would have ceased to be exclusive and would no longer be in the owner's hands.

More succinctly, it could be said that it is the manipulation of another's trademark that constitutes the offense.

Breuer Moreno,<sup>63</sup> who points out that the same principle as was put forward by the Court was applied by the Federal Chamber of the Capital in other cases which he quotes,<sup>64</sup> says that in the hypothesis underlying Section 48(4) of Law No. 3975, the offense does not consist in selling legitimate goods, "but in using someone else's mark without his consent."

The same view is held by Di Guglielmo,<sup>65</sup> who backs up his contention with the following quotation from Kohler:

"By reason of its personal character, the trademark guarantees to the consumer not only that the merchandise really does come from the factory of its owner, but also that the same owner has checked it and recognized it as being his own. The trademark is not only an indication of physical source, but also a moral guarantee

provided by the manufacturer, and no other person may affix it to goods made by that person as long as its use is a matter for the manufacturer alone to decide."

More concisely, what is meant is that, in order to avoid any manipulation of the trademark, with the attendant risk of loss of reputation and deception of the consumer, no one may use it without the consent of the owner. There is nothing so extraordinary in that; it is what happens with any property—whether tangible or intangible—belonging to another person.

Law No. 22,362, for its part, has a Section 31(b) prohibiting the use of a registered trademark belonging to a third party without the latter's consent.

Ledesma,<sup>66</sup> in his commentary on this text, says the following:

"The offense under consideration, while there are many different ways of committing it, nevertheless has the characteristic feature of consisting in the offender's unlawful appropriation of an authentic trademark with a view to deriving a benefit from its exploitation in connection with his own goods."

Without any doubt this is the concept and to some extent also the language of the doctrine of misappropriation. And it carries implicitly the condemnation of the use of someone else's trademark in comparative advertising.

Section 31(b) of Law No. 22,362 has a counterpart in Section 27 of the French Trademark Law of 1964, which, in reinstating Section 422 of the Criminal Code, punishes those who "make use of a trademark without the authorization of the person concerned."

Mathély<sup>67</sup> points out that unlawful use may take any number of forms and, quoting the Supreme Court of Appeal, says that any use of the mark can constitute unlawful use, irrespective of the manner in which it is made.

With regard to the use of the trademark by reference—when the trademark is not actually used but merely referred to—he explains that

"a trader will present the product that he is offering under his trademark, adding, however, that his product is of the same type as that of a competitor, identified by his trademark."

And in conclusion,

"there is no doubt but that reference is a form of use. After all, the reference to the trademark is necessarily a reference also to what it indicates and what it guarantees. To that extent, therefore, it constitutes an infringement of trademark rights."

And it is logical that it should be so, because the trademark is indissociably two things at one and the same time, namely, a distinctive sign and an asset susceptible of privative appropriation.

"It covers,"

as our Supreme Court said *In re Selasco, Poch, Muñiz y Cia. v. Cruz Sánchez*,<sup>68</sup>

<sup>66</sup> Julio C. Ledesma, "Derecho Penal Industrial."

<sup>67</sup> Paul Mathély, "Le droit français des signes distinctifs," Paris, 1984, pp. 617 and 633. For a similar view, see Saint-Gal, *op. cit.* note 21, p. 015.

<sup>68</sup> Cf. J.A., Vol. 36, p. 1256. See also E. Aracama Zorraquín, "La Protección de las Marcas Notorias en los Tribunales Argentinos," *Rev. Mexicana Propiedad Industrial*, Vol. 8, pp. 379 et seq.

<sup>63</sup> Pedro C. Breuer Moreno, "Tratado de Marcas," Buenos Aires, 1946, p. 407, No. 425bis.

<sup>64</sup> S.A. Fratelli Branca y Francisco Cinzano S.A.

<sup>65</sup> Pascual Di Guglielmo, "Tratado de Derecho Industrial," Buenos Aires, 1951, p. 376.



"man's effort, identifying his goods, his factories or his businesses in order to establish his responsibility, his merit and his legitimate profit."

And the latter would not be achieved if, on the pretext of the third party's mark not being used, in the comparative advertising, to distinguish another's goods, it were permissible—as indeed often happens in such advertising—for that competitor to have free usufruct who was heedless of the sign that belonged to a third party who had not given his consent. However much one might wish to overlook or disregard the fact, what is at stake here is the constitutional protection of property (National Constitution, Section 17), which cannot be overridden by any supposed consumer rights to freedom of information or advertisers' rights to freedom of expression.

#### IV.

The trademark is essentially a sign, a distinctive sign. We shall now see that it is also a symbol.

As a distinctive sign the trademark has a purpose, namely, that of identifying goods and services and distinguishing them, differentiating them from others competing with them in the market. In doing so it enables the purchaser to choose reliably those that he wants, those towards which his preferences and faith direct him.

Now how does the trademark achieve this? It does so in various ways, through what are called its "functions," that is, the various roles that it plays.

Starting with Ysay, legal writers have unanimously recognized that the trademark has at least three roles to play:<sup>69</sup>

- that of indicating origin;
- that of guaranteeing quality;
- that of attracting custom.

In the first of these three roles, it identifies the source of the goods or services that bear it. It indicates that all of the goods or services are from the same source, even though it may be unknown.

In the second, it indicates that the goods will continue to be of a particular quality over a given space of time. As Fourgoux<sup>70</sup> says, it denotes a "consistency of quality," even though that may be just standard and not superior quality. At whatever level it may be, the quality is consistent.

The third role is known as the "advertising function," as without trademarks there could be no advertising of goods or services. Indeed as Mathély<sup>71</sup> points out, it would be not so much a function as a circumstance. The function on the other hand consists in the trademark having the effect of attracting, winning and retaining a clientele. That is the attraction role.

These three roles are affected by comparative advertising.

We have already mentioned before that, in this type of advertising, the new product is compared with the known product bearing a well-known trademark which is very familiar to the public. The purpose of the comparison is the association of the new product with the existing product and presumably also with its prestige. Its psychological effect on the consumer can be to mislead him.

As mentioned by Robin and Barnaby, Jr.,<sup>72</sup>

"This can occur in a number of ways. The public may remember the ad but forget which was the advertised and which was the compared product. The public may associate the claims for one product with the other. In some cases, the public may even assume a relationship between the sources of the two."

In other words, the public is led to believe that both products have the same origin or that one of them is in some way being promoted by the other. This corresponds to at least two of the hypothetical causes of confusion that are prohibited by trademark laws: indirect confusion in the form of "confusion of source" or "confusion as to sponsorship."<sup>73</sup>

As comparative advertising always discredits the known product in the comparison with the newcomer, Chaput's ingenious "*Du mépris...à la méprise*" is very apt.<sup>74</sup> The derogatory treatment of the known distinctive sign and the confusion with it occurs not at the point of sale but rather at the outset of the process leading to the purchase of the product. It is a question of creating a so-called "share of mind" between the known product and the new one by means of unconscious association of the two distinctive signs. This is what the American courts call "subliminal confusion," as a result of which the consumer is induced to identify the properties and reputation of one product with those of another, even where he is in a position to identify the specific manufacturer of each one. In that case the trademark or distinctive sign operates as a symbol of the desirability of the product and of the consumer's satisfaction.

"By triggering the positive associations generated by an established mark,"

<sup>69</sup> Cf. Robert Krayenbühl, "*Essai sur le droit des marques*," Lausanne, 1946, pp. 17 *et seq.*, and the works quoted on p. 18, note 1; Julius R. Lunsford, Jr., "Consumers and Trademarks: The Function of Trademarks in the Market Place," in *Trademark Reporter*, Vol. 64, p. 75; Vincenzo Di Cataldo, "*I Segni Distintivi*," Milan, 1985, pp. 19 *et seq.*; Carlos Fernández Novoa, "*Fundamentos de Derecho de Marcas*," Madrid, 1984, pp. 44 *et seq.*, etc.

<sup>70</sup> Fourgoux, in "*Marque et Droit Economique*," Paris, 1976, p. 143.

<sup>71</sup> Paul Mathély, *op. cit.* note 67, p. 15.

<sup>72</sup> Albert Robin and Howard B. Barnaby, Jr., *op. cit.* note 17, p. 362.

<sup>73</sup> Federal case law is clear in its repression of both direct confusion and confusion of source (Cf. *Corte Suprema, Fallos*: Vol. 181, p. 328; Vol. 187, p. 205; Vol. 189, p. 224; Vol. 193, p. 92; Vol. 237, p. 163; Vol. 245, p. 287; Vol. 248, p. 819, *inter alia*).

<sup>74</sup> Yves Chaput, *op. cit.* note 20, p. 79.

Hartman<sup>75</sup> says,

"a newcomer can obtain an unfair economic advantage in the form of a quick, unearned foothold in competition with a well-known trademarked product, in effect, turning the mark against itself. Without source confusion, a new entrant is thus able to benefit from the investment made by the mark owner in establishing a unique identity among the purchasing public."

What is said and what is intended are the prime factors in comparative advertising, due account being taken of the inherent potential for confusion and deception of the public to whom it is addressed.<sup>76</sup>

No less clear is the attack on the magnetism of the trademark. The one who most clearly and convincingly presented this role of the distinctive sign we are concerned with was Frank I. Schechter, who in a noteworthy article on "The Rational Basis of Trademark Protection," published in the *Harvard Law Review* in 1927,<sup>77</sup> maintains that the true role of the trademark is that of identifying a product as being satisfactory and thereby stimulating new purchases on the part of the consuming public. According to him the trademark actually sells goods, and, consequently, the more distinctive the trademark, the more effective its selling power.

The most relevant part of Schechter's article is the following:

"The true functions of the trademark are, then, to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public. The fact that through his trademark the manufacturer or importer may 'reach over the shoulder of the retailer' and across the latter's counter straight to the consumer cannot be overemphasized, for therein lies the key to any effective scheme of trademark protection. To describe a trademark merely as a symbol of goodwill, without recognizing in it an agency for the actual creation and perpetuation of goodwill, ignores the most potent aspect of the nature of a trademark and that phase most in need of protection. To say that a trademark 'is merely the visible manifestation of the more important business goodwill, which is the "property" to be protected against invasion' or that 'the goodwill is the substance, the trademark merely the shadow,' does not accurately state the function of a trademark today and obscures the problem of its adequate protection. The signboard of an inn in stage-coach days, when the golden lion or the green cockatoo actually symbolized to the hungry and weary traveler a definite smiling host, a tasty meal from a particular cook, a favorite brew and a comfortable bed, was merely 'the visible manifestation' of the goodwill or probability of custom of the house; but today the trademark is not merely the symbol of goodwill but often the most effective agent for the creation of goodwill, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfactions. The mark actually sells the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power."

The same Schechter seems to outline his theory rather more clearly when, in testimony to a committee of the US Congress in 1932, he said the following:

"I think there is not only the question of deception of the public, but I believe from the reasoning of this German court I have quoted, the person who has the trademark should be able to prevent other people from vitiating the originality, the uniqueness of that mark. If you take Rolls Royce—for instance, if you allow

Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more. That is the point."<sup>78</sup>

Even though it originated, according to Derenberg,<sup>79</sup> in the case law of the British and German courts, the dilution doctrine was introduced in the United States of America from the time of Schechter's article.

Dilution originated in Great Britain when a British court in 1898 prohibited the use of the Kodak trademark to distinguish bicycles. In 1925 the Civil Court of Elberfeld in Germany decided that the Odol trademark was infringed when it was used to distinguish goods that were totally different. The aim was to prevent the weakening of the trademark (the German word used was *Verwässerung*, or dilution).

In order to understand properly what dilution consists in, at least in relation to the subject under consideration here, one has to bear in mind that, for common law purposes, the function of the trademark is to distinguish between various sources or origins in such a way that the consumer does not fall victim to confusion in the face of similar goods.

However,

"in a market that has evolved to the point at which the consumer probably neither knows nor cares exactly who the producer is,"

say Miller and Davis,<sup>80</sup>

"the trademark serves a substantially different function. In a market composed of anonymous sources, trademarks are treated not so much as identifying the particular source, but rather as indicating a common (though anonymous) source of ownership such as a product line.

"The trademark,"

they add, with great clarity,

"tends to trade on consumer loyalty instead of producer identity. It attributes to the product the image upon which the trademark is based. The reaction of the consumer is central. The consumer may prefer a certain product not because the trademark has identified a source whom the consumer values, but because the trademark itself has a certain value."

Thus it is that the independence of the mark came about or, to be more precise, that the trademark itself acquired an independent value. Consequently, its legal protection will not depend only—as in most legislation—on the risk of confusion as to the original source, but also on the intrinsic value that the trademark possesses. Therefore—and it is McCarthy<sup>81</sup> who says this—

"[T]he dilution theory grants protection to strong, well-recognized marks even in the absence of a likelihood of confusion, if defendant's use is such as to tarnish, degrade or dilute the distinctive quality of the mark."

The logic underlying the dilution doctrine is that the gradual decline in the value of a trademark resulting

<sup>78</sup> Walter Derenberg, "The Problem of Trademark Dilution and the Antidilution Statutes," 44 *Californian Law Review*, pp. 439, 448.

<sup>79</sup> *Ibid.*

<sup>80</sup> Arthur R. Miller and Michael H. Davis, "Intellectual Property," *Patents, Trademarks and Copyright*, Saint Paul, Minnesota, 1983, p. 179.

<sup>81</sup> J. Thomas McCarthy, *op. cit.* note 50, Vol. II, p. 155.

<sup>75</sup> Steven H. Hartman, *op. cit.* note 14, and the cases quoted therein.

<sup>76</sup> Albert Robin and Howard B. Barnaby, Jr., *op. cit.* note 17, p. 362.

<sup>77</sup> 40 *Harvard Law Review*, pp. 813-819. We have referred to the text published in *Trademark Reporter*, Vol. 60, pp. 334 *et seq.*

from the use made of it by another person constitutes an encroachment on the property rights and goodwill that the earlier owner has in relation to his trademark and which is an independent aggravating circumstance.

So in the dilution theory the trademark does not function as a name (that is, as the ideal link between word and thing), according to Di Cataldo,<sup>82</sup> but rather constitutes in itself a "property" of the product and combines with its other properties to convince the consumer to acquire it.

This quality or property of the trademark—or at least of certain trademarks and certain distinctive signs—this "commercial magnetism" that they have, as Pattishall<sup>83</sup> asserts on the basis of American case law, is jeopardized by comparative advertising in two ways at least.<sup>84</sup>

First, through the comparative use by which the image of the trademark is reflected on the competitor's goods. According to Greiwe,

"By comparing his product with one represented by an established mark, the competitor's product acquires the desirable images already associated with the established mark. The comparative use usurps a quantum of the selling power that the original mark previously possessed; because the desirable images are now shared, the selling power they evoke no longer accrues solely to the original trademark. Thus, dilution occurs, not because the competitor increases the selling power of his own mark, but because his use diminishes the selling power of the established trademark."

Secondly, through comparative advertising, which

"also dilutes a trademark's selling power by encumbering the image the mark has previously gained through advertising. Advertisers generally seek to create an association in the consumer's mind between a trademark and a desirable image by appealing to consumers' guilt feelings, hidden needs, oral gratification, impulses, class position, upward mobility, or hidden aversions. Thereafter, a consumer's contact with the trademark will evoke the desired image, and the mark will stimulate sales, often irrespective of the quality of the product it represents. However, when the trademark is also used in a comparative advertisement, the consumer response will no longer be solely that desired by the trademark owner. Since the trademark has been viewed in both its intended context and in the context of a comparative advertisement, the owner loses his exclusive control over the image the mark conveys."

Further on Greiwe adds the following:<sup>85</sup>

"Comparative advertising, then, injures a trademark's selling power by diverting the trademark's images to other products and by encumbering them with unintended comparative images. Under the principles of antidilution theory, dilution has occurred because consumers no longer associate the desirable image exclusively with the trademark, nor do they perceive the trademark as evoking only the desirable image."

The damage done by comparative advertising to the publicity value of the trademark is, as we have shown, beyond dispute. How the reference mark is diluted is by creating the risk of it losing its attractiveness to the clientele. At best that attractiveness is going to be

blurred or otherwise impaired. This unquestionably constitutes damage prejudicial to the owner's rights; and the damage suffered by the sign in itself is different from the damage arising from confusion between two signs or from the misappropriation of the competitor's goodwill. In the United States of America this has been punished by application of the dilution doctrine<sup>86</sup> which we covered in detail some pages back.

In our own sphere, it is dealt with very clearly on the basis of the provisions of Sections 953 and 1109 of the Civil Code, the former in that it punishes acts prejudicial to third-party rights, and the latter in that it enshrines the obligation to compensate for damage done to others through guilt or negligence. More simply expressed, it is the application of the Roman-law theory of Aquilian liability, or liability in tort.

## V.

It is a necessary condition concerned with the very nature of comparative advertising that the sign or distinctive device used for comparison—trademark, trade name, business sign, appellation of origin, etc.—must always be a "prestige" sign, established and well known, indeed sometimes, as Di Cataldo<sup>87</sup> points out, a sign to serve the purpose of status symbol.

And this is not for nothing. These well-known distinctive signs—as we saw earlier—have a certain inherent prestige or merit which determines the consumer's choice.

In his famous definition of the trademark Mr. Justice Felix Frankfurter of the US Supreme Court said the following:<sup>88</sup>

"The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value."

And this "something of value" that certain trademarks possess—prestige, merit, acceptability—is what the offender tries to cash in on, as Ricketson<sup>89</sup> puts it, when he compares his product with the one distinguished and identified by a famous distinctive sign. "Le

<sup>86</sup> Cf. Callmann-Altman, *op. cit.* note 50, Vol. 3A, paragraph 21.11, chapter 21, pp. 33 *et seq.*; J. Thomas McCarthy, *op. cit.* note 50, Vol. 2, p. 155. See also Gérard Dassas, "L'élargissement de la protection des marques," Paris, 1976, pp. 88 *et seq.*

<sup>87</sup> Vincenzo Di Cataldo, *op. cit.* note 69, p. 25.

<sup>88</sup> *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kregge Co.* (1942) 316 US 203, 86 L. Ed. 1381 62 S. Ct. 1022, quoted by McCarthy, *op. cit.* note 50, p. 58.

<sup>89</sup> Staniforth Ricketson, *op. cit.* note 48, p. 594.

<sup>82</sup> Vincenzo Di Cataldo, *op. cit.* note 69, pp. 24 and 25.

<sup>83</sup> Beverly W. Pattishall, "Trademark-Trade Identity Protection, its Progress and Prospects." *N. New U.L. Rev.*, 1976, pp. 618 *et seq.*

<sup>84</sup> Nancy S. Greiwe, "Antidilution Statutes. A New Attack on Comparative Advertising," *Trademark Reporter*, Vol. 72, 1982, pp. 187, 188.

<sup>85</sup> Nancy S. Greiwe, *op. cit.* note 84, p. 189.

*grand public*," Dassas<sup>90</sup> points out, "*est toujours plus attiré par une vedette que par un inconnu*."

It is very difficult actually to define what a well-known mark is. It is far easier to say which marks are well known or famous.

Celebrity, fame and reputation are relative. Ellwood<sup>91</sup> tells us that, in the terms of the Ostrann Tort, the reputation liable to be acquired by a trademark may be ranked at one of three levels, "*bekannt*" (known), "*notorisch bekannt*" (well known) and "*berühmt*" (famous). Mathély<sup>92</sup> in turn tells us, in ascending order, of "*grandes marques*," "*marques notoires*," "*marques célèbres*" and "*marques glorieuses*." Whatever their rank, all of them have one common denominator: they exert a considerable, indeed at times psychologically irresistible attraction on the consumer. And it is that "property"—as Di Cataldo<sup>93</sup> calls it—possessed by well-known marks, that image or reputation connecting them with the product, the services or the business of their owner, that third parties exploit when they want to make their entry into the market easier and more economical. That at least is what is deduced from the moral relativism of Nye,<sup>94</sup> as we saw at the beginning of this article.

The use of another person's well-known mark without his consent, whether as a generic name or to distinguish goods totally different from those that it covers, or as or in connection with ornamentation, or in comparative advertising, can be looked at from two angles.

Looked at from the one angle, such use has various effects on the mark and its notoriety. It may mislead the consumer as to the origin of the goods in connection with which it is used or as to the sponsorship, if any, that the owner may be giving to a product newly launched on the market. It may also affect the purchaser's perception of a product as a result of unconscious or subliminal association of one mark with the other.

Looking from the other angle, the mark may lose prestige if it is applied for the purpose of distinguishing goods of inferior or at least less good quality, or goods intended for uses that may cause distaste, revulsion or simply displeasure.

Again looking at it from the second angle, the mark gives an unfair advantage to the person using it, namely, an easier and more economical entry into the market when he launches a product for the first time, or a boost to his sales if the product is already on the market. This is simply because he is taking advantage without any cost of the prestige enjoyed by the well-known mark.

This practice has been described by American case law<sup>95</sup> as "reaping where one has not sown" or "riding another's coat-tails." Similarly, Robin and Barnaby, Jr.<sup>96</sup> say that "the unknown product may become like the social climber who acquires the status of the people with whom he associates."

Saint-Gal,<sup>97</sup> in a study published in 1956, lay the foundations of the theory that he called "parasitic competition and parasitic acts," seeking the punishment of the acts of third parties who lead a parasitic existence in the shadow of others, taking advantage of the efforts that those others have made and of the reputation won by their name, their activities, their goods or their services.

This parasitic activity, this "dressing up in peacock feathers," as Chaput<sup>98</sup> puts it, is determined by the celebrity of the person who is "parasitized." Association with the latter enables the parasite to place the product advertised by him at the same level of excellence as that occupied by the goods bearing the other's mark, and is effectively equivalent to a statement that he, the parasite, is in a position to satisfy the same public as has given its preference to the goods with which his own are being compared.<sup>99</sup> This is nothing less than what in the United States of America is called "upgrading by association," which is practically always the aim pursued when comparative advertising is resorted to. Dassas,<sup>100</sup> aligning himself on Jatton,<sup>101</sup> sees nothing reprehensible in "riding someone else's coat-tails" as long as his exact path is not followed and as long as no harm is done. Nevertheless, and even though he is referring to the subject of the use of the well-known mark in relation to goods different from those to which it relates, he does not hesitate to assert that approximation by association of ideas—which is the aim underlying all comparative advertising—"is to be feared and is liable to have dire consequences," which consequences are none other than those that we mentioned at the beginning of this chapter: the public image of the product is weakened and, on account of the inherent shortcomings of the advertised product, the firm that produces that product is discredited, with the attendant risk of the discredit affecting also the "parasitized" firm.<sup>102</sup>

For these reasons, such "upgrading by association," which is inherent in comparative advertising, constitutes enrichment without cause. This has been the

<sup>90</sup> Gérard Dassas, *op. cit.* note 86, p. 89.

<sup>91</sup> L.A. Ellwood, in a note to Hans Becher, "The Protection of Well-Known Trademarks," in *Trademark Reporter*, Vol. 42, p. 606.

<sup>92</sup> Paul Mathély, *op. cit.* note 67, p. 18.

<sup>93</sup> Vincenzo Di Cataldo, *op. cit.* note 69, p. 25.

<sup>94</sup> Stephen Nye, *op. cit.* note 15, p. 354, in which he says: "I see no reason why each entrant should have to go to the same expense as an established firm in order to enter the market."

<sup>95</sup> See J. Thomas McCarthy, *op. cit.* note 50, Vol. 1, p. 73.

<sup>96</sup> Albert Rohin and Howard B. Barnaby, Jr., *op. cit.* note 17, p. 360.

<sup>97</sup> Yves Saint-Gal, "*Concurrence déloyale et concurrence parasitaire ou agissements parasitaires*," *Revue Internationale de la Propriété Industrielle et Artistique*, 1956, Nos. 25, 26, pp. 19 et seq.

<sup>98</sup> Yves Chaput, *op. cit.* note 20, p. 79.

<sup>99</sup> Giorgio Aghina, *op. cit.* note 24, p. 193.

<sup>100</sup> Gérard Dassas, *op. cit.* note 86, p. 90.

<sup>101</sup> M. Jatton, "*La Protection des marques de haute renommée en regard du droit suisse*," Lausanne, 1961, pp. 46, 47.

<sup>102</sup> Yves Chaput, *op. cit.* note 20, p. 82.

finding of American case law<sup>103</sup> and also that of our own Federal courts ruling on cases comparable to those generated by the advertising practice that concerns us here, such as when well-known marks are granted protection extending beyond the limit imposed by the speciality rule, on the ground of the risk of another's prestige being usurped with the obvious risk of its misuse.<sup>104</sup>

## VI.

The trademark symbolizes the prestige of the product to which it relates. It also symbolizes goodwill, the goodwill that its owner has won for it by dint of his effort, his monetary investment and his skill in generating sympathy for it. Thus the trademark, having been dissociated from the product or service to which it relates, may be looked upon as the object of property rights.

The times are not far off when firms did not enter their immaterial property as assets in their balance sheets. In recent years, however, the ever more frequent mergers, takeovers, public share issues, etc., throughout the branded goods sector, have induced firms to make valuations of their trademarks and include the resulting values in their balance sheets. Another thing that has contributed to this phenomenon is the appearance of firms that operate in a number of countries, and also the creation of vast trading areas such as the European Common Market, the recent association between Canada and the United States of America and perhaps later Mexico, etc.

Penrose and Moorhouse<sup>105</sup> mention that, in 1984, News Group, the Australian company at the head of Rupert Murdoch's publishing empire, undertook a valuation of the "titles in print" that it had acquired and the inclusion of the values on the asset side of its balance sheet. The same was done in 1985 by Reckitt & Colman when they acquired Airwick Industries from Ciba-Geigy. Had it not done so, its net assets would have been considerably lower. When Grand Metropolitan acquired the Heublein firm in 1987, it included the value of its brands, including among others the "Smirnoff" trademark, in its balance sheets. The assets that this represented were 588 million pounds sterling. More recently, Guinness announced that it would be including in its balance sheets a total of 1,700 million pounds sterling representing the brands that it had acquired during the last four years. Neither the value of the Guinness trademark itself nor that of any other generated by the firm was included in the amount quoted. When Nestlé fought with Jacobs Suchard over

the acquisition of Rowntree and eventually bought the company for 2,500 million pounds sterling, the price paid was to a great extent determined by the value of the brands taken over with it.

So as we see, trademarks nowadays constitute substantial assets. They genuinely constitute property, although this escapes everyone's notice when it is a question of using them in comparative advertising.

No one seems to realize that, when somebody else's trademark is used in comparative advertising, its owner's rights in relation to his property are being violated.

And yet the Civil Code is quite explicit in this respect: for the purposes of its Section 2312, immaterial assets susceptible of valuation—among them precisely those well-known marks that the advertiser compares his product with—constitute goods. For the purposes of Section 2313 they are things by virtue of their representative value. So how can anyone doubt that a trademark, which symbolizes goodwill and prestige, is a thing, precisely in view of this value that it represents?

Because a trademark is a thing or because it is property, its owner enjoys in relation to it the right of ownership or property (Law No. 22,362, Sections 4, 8, 23 and 38) that is accorded to them by the Civil Code, which is exclusive according to the provisions of the latter's Section 2508. In the active sense, this exclusiveness takes the form of possessing the trademarks, disposing or making use of them, exploiting them and benefiting from them in a manner consistent with proper practice (C.C. Section 2513). In the passive sense, it consists in prohibiting third parties from exploiting it and benefiting from it (C.C. Section 2516).

Consequently, because by making use of trademarks one is making use of someone else's property without his consent—that is, the names, trademarks or any other distinctive signs of the party with whom the comparison is made—comparative advertising is a gross violation of property rights, and indeed nothing less than a violation of one of the constitutional guarantees laid down in Section 17 of our fundamental charter.

When one reflects on the fact of there being property rights in distinctive signs, on the fact of their being exclusive (C.C. Section 2508), on the fact of comparative advertising being a use of someone else's property without his consent, and finally on the fact of such use consisting essentially in "*contrectatio usus*," it seems clear that the practice we are concerned with further corresponds to the concept of "*furtum usus*," or theft of use, which would be punishable under Section 162 of the Criminal Code.

It is essential that one thing be acknowledged: comparative advertising, inasmuch as it makes use of another person's property—namely, the property of distinctive signs—is clearly against the law. It clearly infringes the provision of the National Constitution that declares property to be inviolate (Sections 14 and 17).

<sup>103</sup> J. Thomas McCarthy, *op. cit.* note 50, Vol. 1, p. 73.

<sup>104</sup> E. Aracama Zorraquin, judgments quoted in *op. cit.* note 5, pp. 381 *et seq.*

<sup>105</sup> Noel Penrose and Martin Moorhouse, "The Valuation of Brands," *Trademark World*, 1989.

## Forty Years of the German Democratic Republic— Forty Years of Successful Inventive Activity

J. HEMMERLING\*

On October 7, 1989, the German Democratic Republic will celebrate the fortieth anniversary of its foundation. That is to say, 40 years on the way to a highly developed socialist industrial country.

Taking the number of inventions it has produced, the German Democratic Republic ranks among the 10 leading industrial countries. Since 1983, more than 10,000 patent applications have been filed in the German Democratic Republic each year. The total number of patent applications filed since the foundation of the German Democratic Republic is more than 250,000.

From the very beginning, the creativeness of the inventors has focused on the solution of tasks that helped to build up the economy in the most effective way in each particular period. In the early years, inventions concerned the use of brown coal for smelting, the processing of low-grade ore, processes for the manufacture of synthetic pig iron, inventions contributing to the development of an efficient engineering industry and to the mechanization of agriculture, and inventions for the control of epidemics such as human tuberculosis or livestock epidemics.

### The First Patent Law

In September 1948, that is, already before the German Democratic Republic was founded, the German Economic Commission issued orders on the promotion of inventive activity and on the establishment of an authority for the registration of patents, utility models and trademarks. The aim was to promote the creative talents and abilities of the working people and to give rapid effect to inventions. This basic concept was reflected in the Constitution of the German Democratic Republic of October 7, 1949. Article 22 laid down that intellectual labor, the rights of authors, inventors and artists enjoyed the protection, the promotion and the assistance of the State.

In September 1950, the People's Chamber adopted the first Patent Law of the German Democratic Republic. The introduction of the economic patent into the law established the right of socialist enterprises to comprehensive utilization of inventions and the right of the inventors to moral recognition and remuneration on the basis of the benefit of an invention for society. This initiated a process of rethinking for a whole generation

of inventors, in particular among the intelligentsia which had been shaped in the former enterprises. The promotion measures contained in that Law resulted in such a flood of inventive ideas that the number of patent applications filed with the newly-created Office for Inventions and Patents in 1950 and 1951 has not been equalled until recent years.

At all stages in the construction of socialism, our State has devoted great attention to the inventors, innovators and rationalizers. Their decisive contribution to shaping the history of the German Democratic Republic is clearly shown by such results as the process developed by Rammler and Bilkenroth for the manufacture of high-temperature lignite coke from domestic brown coal, the chain-stitch technique (MALIMO) invented by Mauersberger, the textile machines "Lioflor" and "Liropol," offset presses such as the "Planeta-Variant," the cold-forming technology for the manufacture of antifriction bearings, the high-pressure fluid transport system, fine jet flame cutting, the high-performance multichamber electron bombardment furnace, the column still for processing crude oil, inventions relating to the use of waste heat, to the saving of energy or those for the application of microelectronics.

### The State Encourages Inventors

To motivate and to direct creativeness, to provide increasingly favorable conditions for creative thinking and acting, to promote talent—all this corresponds to the nature of socialism and is at the same time an objective requirement for mastering the scientific and technological revolution. The Chairman of the State Council of the German Democratic Republic, Erich Honecker, expressed this in the following words:

"The possibility offered by socialism to develop all the creative potential of the people at the same time places us before the obligation to do so. The intellectual qualities and creative endeavors of the working people determine to a great extent the character and the pace of social progress. It is therefore our concern to liberate the abundant talents and abilities of the working people, their knowledge and skills and to develop their entire personality."

The socialist State demands and encourages the scientific and technological creativity of the working people in all its forms: the creative achievements of innovators outside their working time, that is to say, in addition to their actual working tasks, just as the ever-growing demands on the creative content of work itself, particularly in the field of research and development.

The State has set the task of ensuring that the German Democratic Republic, in close cooperation

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with the Soviet Union and the other countries of the Council for Mutual Economic Assistance (CMEA), keeps pace with the scientific and technological revolution and the rapid development of productive forces at the international level and assumes a leading international position in crucial areas through creative scientific and technological achievements of international significance and their broad-based utilization. In so doing, the degree of novelty and the novelty content of products and technologies must be significantly increased, as must the proportion of those solutions that surpass the international state of the art.

These tasks underline the political significance and the economic weight of inventive activity in the German Democratic Republic. The field of inventive activity ranges from the development of new products and processes, the reduction of expenditure by applying advanced technologies, the rationalization of production processes and the modernization of the material and technical basis through to fundamental research designed to yield great benefit to society. The number and the quality of inventions, the pace of development of inventive activity, the degree of utilization and propagation of inventions together with the economic and social effects achieved have become the criteria for the effectiveness of science and technology.

In the German Democratic Republic, pursuing inventive activities is no longer the privilege of a small circle of inventors. Under the scientific and technological revolution, it is becoming ever more the order of the day to make inventions; it is indeed the very duty of every research and development worker to carry out research and development. The researchers who have adopted this criterion, who strive to obtain new knowledge, with imagination and energy who are motivated, who spread a creative restlessness about them and continuously increase the efficiency of creative work by using advanced methods, both deserve and receive a maximum of support from the State.

Therefore, increasingly improved conditions are established in the German Democratic Republic to enable creativity and aspirations for ambitious scientific and technological achievements to develop on a large scale. A special obligation in this connection lies with the industrial combines of the German Democratic Republic—highly efficient economic units of industry, construction and transport which constitute the core of the socialist planned economy. They have proved themselves an advanced form of management for socialist production. All important stages of the production process in an industrial combine are subject to a unified management system. In particular, close interconnection between production and science was introduced on an economic basis. Thus, the industrial combines are increasingly becoming a connecting link between the high-level dynamics of science and technology and the economic utilization of their achievements.

The extensive work undertaken in the German Democratic Republic in the field of inventors and patent law has also been directed towards the creation of ever more favorable conditions for inventive activity. This work was completed, for the time being, with the entry into force of the second Patent Law of the German Democratic Republic on January 1, 1984.<sup>1</sup> Account was taken of the fact that the statutory provisions on inventive activity in a socialist country cannot be simply restricted to the necessary rules on the grant and maintenance of titles of protection. Clear and binding stipulations have been laid down to integrate the development, management and planning of inventive activity organically into the State management system for science and technology, to clarify the responsibility of the industrial combines and their enterprises for the management of inventive activity and patent protection of its achievements and to regulate, in an exemplary manner, the rights which the State guarantees to inventors and to enterprises in which inventions originate.

#### Proud Achievements in Inventive Activity

The strategy of a unified economic and social policy, which has been systematically implemented in the German Democratic Republic since the beginning of the 1970s, has given a decisive impetus to the spread of inventive activity. Every researcher could see in everyday life that outstanding achievements for society serve the well-being of the nation as a whole and of the individual. Whereas an average of 5,300 patent applications a year had previously been filed before, their number increased to 7,800 in the years thereafter. A similar increase was to be noted in the economic effect of inventions.

Whereas in the whole five-year plan period from 1976 to 1980 a profit of 2,500 million marks had been achieved from the introduction of inventions, a profit of 1,200 million marks was obtained for the year 1988 alone. Whereas some 7,500 science and technology staff were involved in inventive activity in 1975, this number had increased to 22,000 by 1988. Thus, one person in four engaged in technological research and in the development of products and processes in the German Democratic Republic contributes with his creative work to the achievement of internationally new, patentable solutions.

It was possible to give inventive activity in the German Democratic Republic such an effective impetus and to raise it to a quantitatively and qualitatively new level of development within such a short period of time because inventive activity was made the concern of the whole of society. Support came from a multiplicity of social forces. Increasing numbers of inventors and heads of research and development teams

<sup>1</sup> See *Industrial Property Laws and Treaties*, GERMAN DEMOCRATIC REPUBLIC — Text 2-001.

regarded this to be their personal duty. To organize one's own life—that is socialist democracy.

### A Well-Developed Positive Approach

One of the factors in the positive situation of inventive activity in the fortieth year of existence of the German Democratic Republic is that generations of eminent socialist researchers have emerged. The readiness to solve demanding tasks, the increasing commitment of managers to inspire their teams to set themselves ambitious scientific, technical and economic targets orientated towards the most advanced international level was an essential prerequisite. Basic attitudes are emerging that are increasingly characteristic of inventors.

One is to be demanding in respect of one's own work to begin with, or to regard difficulties as a challenge, to consciously seek teamwork to work with intensive creativity and to regard the finding of solutions which are new at the international level and effective in practice as part of professional ethics. Where the managers organize socialist teamwork from the outset and bring together the best specialists in order to solve demanding tasks, success is almost ensured.

Inventors in the German Democratic Republic receive effective support in their search for internationally new technical solutions from the patent information system. Apart from the continued development and improvement of the information services rendered by the Office for Inventions and Patents, a network of patent information service centers has been set up to serve specific branches of the economy or regions of the German Democratic Republic by affording enterprises and research institutions the required assistance in the field of patent information. The Office for Inventions and Patents itself produces information and analyses of the international patent situation for clients from the German Democratic Republic and abroad. Easy access to the information contained in the collections of national and international patent documents has been achieved in recent years by making available a number of computerized information services for domestic and foreign users.

The study of patent literature as an important source for ascertaining the international state of the art in technology is a necessity at all stages in the research process. The German Democratic Republic is one of the countries that has made it obligatory for the enterprises and research institutions to use patent literature for their research work. A necessary condition for comprehensively fulfilling this obligation is that the State patent information system be continually improved.

### Young People Devote Themselves to Inventing

In the German Democratic Republic, particular importance is attached to the inventive activity of the

younger generation. To break new scientific ground, to strive for patents and inventions which can compete with or surpass those of international competitors—this is, as the Chairman of the State Council of the German Democratic Republic, Erich Honecker, pointed out, the seal of quality of the youth research teams which came into being thanks to an initiative of the Free German Youth, the socialist youth organization of the German Democratic Republic.

The Young Inventors' Competition which has been held in the German Democratic Republic since 1982 has done much in this respect: so far, patent applications have been filed for more than 7,000 inventions, including outstanding scientific and technical solutions of great benefit to the national economy. The Young Inventors' Competition has become an important challenge both to the creativity of young people and to managers in their efforts to select demanding tasks, to form youth research teams and to create the necessary conditions for solving the inventive tasks. It will be, above all, the younger generation of today that will realize the economic strategy pursued in our country with a view to the year 2000.

That is why youth research teams are entrusted with tasks in key technologies with the objective of achieving results at top international level and solutions beyond the international state of the art.

### Inventions for Peace

The German Democratic Republic is firmly integrated into worldwide cooperation in the field of inventions and the protection of industrial property. It thereby contributes to international economic, scientific and technological cooperation according to the principles of equality and mutual benefit.

In the World Intellectual Property Organization (WIPO), the German Democratic Republic advocates the realization of the policy of result-orientated dialogue and a healthy international situation. It works within its possibilities for the continued development of fruitful cooperation between States in the field of intellectual property protection and for the strengthening of WIPO as the competent specialized agency of the United Nations.

The German Democratic Republic has been a member of WIPO since 1970 and is party to most of the international conventions administered by WIPO. The German Democratic Republic takes an active part in the work of WIPO for the development of inventive activity. A focal point in this field is the assistance to developing countries in their efforts to develop the creative initiative of the working people. For this purpose, officials from developing countries are trained at the Office for Inventions and Patents of the German Democratic Republic and materials are elaborated and furnished dealing with experience gained in the devel-



opment of inventive activity in the German Democratic Republic.

Since 1975, officials from the Democratic People's Republic of Korea, Egypt, Guyana, Ethiopia, Tanzania, Sudan, Syria, Nicaragua, Algeria, Viet Nam, Cuba and other countries have made use of the possibility of receiving training at the German Democratic Republic Office within the framework of the WIPO Permanent Program for Development Cooperation Relating to Industrial Property. In these courses, the trainees are acquainted with the way in which creative initiative, particularly in young people, is promoted in the German Democratic Republic, with the help of central State bodies and social organizations, in enterprises and schools in order to give a continuously renewed stimulus to inventive activity.

In 1987, the German Democratic Republic provided WIPO with an article entitled "System of Promoting Young People in the German Democratic Republic to Unfold Their Creativity in the Field of Technological Innovation" for inclusion in the study of "Possible Arrangements for the Promotion of Technological Innovation in Developing Countries" carried out by WIPO in the framework of the Permanent Committee for Development Cooperation Related to Industrial Property. In February 1989, a further paper, with the title "Inventors' Schools—A Measure to Promote Inventive Activity" dealing with the experience gained in the German Democratic Republic in establishing and conduction of "inventors' schools," was prepared for WIPO. We intend to continue this line of work within WIPO by communicating the experience gained in the German Democratic Republic.

The continuing improvement in the international situation also implies increased industrial, scientific and technological cooperation between States with different social orders, resulting in inventive achievements. The *Joint Inventive Activity Guide* drawn up on the initiative of the German Democratic Republic and published by WIPO in 1984 was a contribution to coop-

eration between States with different social orders within the framework of WIPO.

An important basis for this development, which is beneficial to all sides, are the results both of the Helsinki Conference on Security and Cooperation in Europe in 1975 and the subsequent Vienna Conference in 1989.

### Well-Prepared for the Future

The successes achieved in our country, the clear orientation and targets set for the development of science and technology, the high standard of professional qualification (85 percent of all working people have completed vocational training, among them more than 20 percent are graduates from universities and technical colleges), which places the German Democratic Republic among the leading countries in this respect, and the personal commitment of the working people to the perspectives for social development, place the German Democratic Republic in a favorable position to accelerate scientific and technological progress in peaceful competition, to utilize the most up-to-date knowledge rapidly and efficiently in production and thus to lay the long-term foundation for economic success.

The inventors in the German Democratic Republic have accomplished outstanding feats within the 40 years' existence of the worker and peasant State. Even greater tasks lie ahead. The Chairman of the State Council of the German Democratic Republic, Erich Honecker, pointed out that it is impossible to maintain a high economic standard in the long run if one does not make use of the top level results achieved in the world. To be better than their competitors at the international level is the challenge for the inventors of the 1990s. The good results of our work demonstrate that many inventors have already taken up this task with enthusiasm.

## The Legal Protection of Trademarks in Czechoslovakia

M. VILÍMSKÁ\*

The development of industrial production, the growth in the number of manufacturers together with the expansion of foreign trade have made it necessary to adopt a type of marking to adequately distinguish between goods of various manufacturers and thereby remove the risk of consumers being misled as to the origin of goods. Among the various types of markings, trademarks have taken the forefront as a result of their potential for generalized use, that is to say, on all types of goods and services, used in all sizes adapted to the various goods, packagings, business stationery, and use in advertising.

Marks are capable of a long-term effect on the market, they can identify a tradition of production and become well known to consumers and thus assume considerable value for their owners and represent a guarantee for consumers.

The importance of trademarks in the marketplace has also led to the emergence of a negative aspect, that is to say, their unjustified use (trademark abuse) by manufacturers who wish to obtain a favorable position on the market without particular effort, by exploiting the reputation forged by a trademark that belongs to someone else. This led to efforts to set up an effective legal means to provide protection for a given mark belonging to a given manufacturer, with penalties for the unauthorized use of such trademarks. These endeavors were supported by the continued expansion of foreign trade and by the need to protect trademarks outside their country of origin.

The legislation on the protection of trademarks, which in some countries also concerns other designations, has become an effective legal instrument.

The oldest statute adopted on the territory of the Kingdom of Bohemia, which became part of the Czechoslovak Republic in 1918, was the Law on the Protection of Industrial Marks and Other Denominations, published by Imperial Patent No. 230 of December 7, 1858, which entered into force on January 1, 1859. That Law defined a trademark as being a special denomination serving in business to distinguish between the products of various manufacturers. To obtain protection for such a denomination, it was necessary to have the trademark registered, with the result that registration afforded the owner an exclusive right in the mark. That exclusive right enabled the owner, in addition to enjoying protection, to obtain redress for misuse of his mark, unjustified exploitation, by any other manufacturer of goods of the same nature, of the reputation acquired by his mark on the market

and, where appropriate, for other infringements of his rights, such as imitation of his mark, for example.

From the very onset, trademark laws set out two principles: the exclusive right in the mark and its major function, that is to say, its distinctive function. That was the only manner in which the legal arrangements for trademarks could come up to expectations. Although not explicitly mentioned, protection also benefited the consumers. Trademarks gave them information concerning the manufacturer of the goods, and, in the case of marks introduced onto the market, also certain features of the goods: thus was avoided the anonymity of goods and also the danger for consumers of being misled as to their origin.

The 1858 Law was amended in 1890 by Law No. 19 on the Protection of Trademarks. That new Law maintained the definition of a trademark, its distinctive function and the exclusive rights in trademarks that could be obtained through registration. It set out in detail the negative definition of trademarks by also including those principles that were even to be covered by international legal arrangements (portraits of heads of State, signs of State sovereignty) and then, later, traffic signs, generic denominations of goods, false denominations, denominations contrary to public policy, and so on. Use of a trademark was optional, but the Minister for Trade was empowered to order the compulsory use of trademarks for certain types of products before they could be placed on the market. The Law explicitly stipulated that the rights in a trademark were linked to the enterprise for which it was registered and that they expired with the enterprise and were transferred in the event of a change of owner. Failing the consent of the owner, all persons were prohibited not only from using the trademark, but also the surname, trade name or sign which another manufacturer affixed to his goods. A special chapter in the Law was devoted to infringement of rights in trademarks and the penalties for such acts. It may therefore be claimed that Law No. 19/1890 covered the full scope of trademarks and thus created a stable legal basis protecting both manufacturers and consumers.

Law No. 108/1895 contained a partial amendment in that the word denominations excluded from registration were comprehensively listed. Those were denominations composed exclusively of statements as to the place, the time or the manner of manufacture, to characteristic features, to the purpose, the price, the quantity or weight of the goods. The exclusive right to use a word mark concerned not only utilization in the form in which it had been registered, but also in other executions that reproduced the mark in different colors, dimensions or characters. Whereas Law No. 19/1890

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succinctly listed the grounds for cancelling trademarks (at the request of the person holding the rights in the mark, in the event of failure to renew the mark, where transfer had not been made in good time, where the mark did not satisfy the registration conditions, following a decision given in a dispute as to the existence of the rights in the mark), Law No. 108/1895 extended the list of grounds by making it possible to request cancellation of trademarks that led to confusion with a registered mark and further gave the holder of a non-registered sign the possibility of asserting his rights.

The Ministry of Trade laid down the application details of the Law through various decrees, particularly as regards the applicant's obligation to prove his entitlement to use exhibition medals, decorations or emblems in a trademark and the requirement that a mark be used only in the combination of colors that had been registered, the rules for computing the 10-year term of renewal for protection and the renewal of the mark and the filing of applications for registration of trademarks by foreign applicants. A decree issued by the same Ministry, on July 15, 1895, concerned, for example, the compulsory marking of specified types of products, particularly of sugar.

The Law of December 20, 1932, published under No. 27/1933 in the Collection of Laws, contained a further partial amendment to the 1895 Law. Its purpose was to adapt trademark legislation to the new institutional organization (that part concerned above all the negative definition of a trademark), to supplement the Law by prohibiting the use of official signs of control or warranty or hallmarks for the marking of goods, to introduce the new regulations on the protection of signs of State sovereignty, and to apply the right of priority. The term of protection remained unchanged.

That Law was supplemented by two decrees: No. 30 of January 27, 1933, concerning the documents to be submitted to establish the right of priority when filing an application for registration of a trademark and No. 204 of November 4, 1933, on reproductions and printing blocks for trademarks.

Law No. 8 of March 28, 1952, and the Decree of the Minister-President of the State Planning Office No. 15 of April 15, 1952, completely amended the trademark legislation. The Law was concise, but maintained those principles that constituted the basis, and still today constitute the basis, for the statutory provisions on trademarks in Czechoslovakia as also abroad, and which are unaffected by the differences in economic system. Trademarks continued to be the subject matter of the owner's exclusive right and their main function remained the distinctive function. The negative definition of trademarks was very brief and in fact limited

(a) to trademarks not having a distinctive nature or which were exclusively descriptive, in which case the applicant could oppose the Office's objection to registration by proving that the mark had become characteristic of his goods on the market;

(b) fallacious marks;

(c) marks whose use was contrary to the public interest, to an international treaty or to custom.

The detailed application of those principles was left to the Registration Office.

A negative aspect of the Law was the fact that it did not permit the Registration Office to refuse the filing of applications for registration of identical marks. If the applicant insisted on requesting registration for a mark that was identical with a registered mark, the Office was obliged to register it and registration then led, in most cases, to a request for cancellation of the identical mark on the part of the owner of the earlier right, which was generally accepted.

The term of protection for registered trademarks was 10 years as from the filing date of the application and could be renewed any number of times for further 10-year periods. The Law permitted modifications to be made to the trademark, at the time of renewal, as long as they did not affect its general nature nor one of its essential elements, and also allowed the list of goods for which the mark was registered to be extended. Although these allowable changes to trademarks were explicitly limited, the provision did not have a very favorable effect on the legal security of the trademark owners. Likewise, differing terms of validity of a trademark for differing goods or, where appropriate, services contributed neither to the clarity of the acquired rights nor to reliable information, particularly for applicants for new marks.

The Law did not explicitly contain stipulations on the licensing of trademarks. A further right of the trademark owner, that is to say, his right of assignment, was linked to the assignment of the mark together with the enterprise for which it had been registered or to the case in which the enterprise's economic activities had been reorganized.

The rights in the mark lapsed on expiry of the period of protection where the registration had not been renewed, on a declaration of renunciation to the rights in a mark made by the owner or on cancellation of the trademark. In the latter case, it was most frequently the cancellation of a mark that was identical with a mark already registered for the same goods or a mark that was misleadingly similar to such mark.

The Law permitted the holder of a non-registered sign to ask for cancellation of a trademark that was identical with his own or was likely to be confused with it within a period of three years as from its registration. Requests for cancellation were rejected by the Registration Office if the registered trademark had been used by its owner over a period that was at least as long as that of the non-registered mark.

However, such a provision could not be held a positive one from the point of view of the legal security of trademark owners who filed an application for registration of a new mark in good faith and who obtained their information on existing rights from the official

registers and nor did it contribute to introducing into the legal order the principle of equality of the applicant enterprises.

In addition to the above-mentioned provisions, the Law regulated the right of priority, the request for a statement that the mark was not liable to lead to confusion with a previously registered mark, the rights of foreigners, representation of foreigners and the Trademark Register, that is to say, the usual legal provisions in this field.

Law No. 8/1952 of the Collection of Laws remained in force for 36 years. Development in the economic field and new forms of enterprise and of cooperation have also affected the marking of goods, particularly as regards trademarks. Over the years, growing interest had been shown in service marks in Czechoslovakia, close economic cooperation between groups of enterprises had led to an increase in the number of collective marks and, as the obligation to use marks was progressively introduced, efforts have also been made to give trademark owners adequate legal security through the protection of their signs and more effective penalties for the misuse of trademarks.

These developments could not be ignored and have, indeed, provided a stimulus to the drafting of new trademark laws in a large number of countries. Czechoslovakia joined that number by means of the Trademark Law No. 174/1988 of the Collection of Laws and its regulations, the Decree of the Office for Inventions and Discoveries on the Procedure Relating to Trademarks No. 187/1988 of the Collection of Laws.<sup>1</sup>

The purpose of the new Law is to establish a reliable legal basis not only from the point of view of protection and defense of rights in trademarks, but also from that of the expanded use of trademarks and the protection of consumers. For that reason, various provisions in the Law, particularly the definition of the subject matter of protection, are much more detailed than was the case in the preceding legal amendment. Their purpose is to help to facilitate and speed up the registration procedure and to influence the applicants who file new trademarks. The aim of the Law is also to harmonize the internal legal order with the obligations deriving from international treaties to which Czechoslovakia is party. Whereas a start had been made in the various national laws on the legal regulation of this field of law, the international legal arrangements—the Paris Convention for the Protection of Industrial Property—has subsequently gone beyond national legislation to embrace, through its various revisions, other types of marks (collective marks, service marks) to accommodate the needs of economic activity and of international cooperation. These provisions are of a general nature—just as the other provisions of the Paris Convention—since more detailed regulations are reserved for the national laws of the member States. It is therefore becoming increasingly important and

necessary to amend the trademark laws and to place the applicants and trademark owners on an equal footing, both in international legislation and domestic laws.

The new Czechoslovak Trademark Law and its implementing regulations entered into force on January 1, 1989. The Law makes a distinction between trademarks depending on the subject matter of protection and depending on the person who is the owner of the mark. As regards the subject matter of protection, marks can be divided into two groups, that is to say, depending on their form: word marks, figurative marks, three-dimensional and combined marks and, on the other hand, depending on the subject matter of the registration: for goods or for services. The subject matter of protection has not changed since the preceding legislation, but now explicitly encompasses service marks and is expressed in a positive definition of trademarks. The essential amendments to the legislation have concerned the negative definition of trademarks, the formulation of which derives from experience gained by the Federal Office for Inventions over many years and even from the adoption of certain principles applied by other registration offices. The negative definition of trademarks is constituted, on the one hand, by total exclusions from registration—a legal obstacle that the applicant cannot remove—and, on the other hand, by relative exclusions from registration—that is to say, obstacles which the applicant may overcome if he satisfies certain conditions.

The relatively detailed list of total and relative exclusions from registration is intended to provide information for the applicants and to simplify the procedure since it excludes any uncertainty as to what is to be understood by a given notion. The legislator has taken into account the positive experience, and even the negative experience, gained in this field and of the relationship between trademarks and other ways of marking products, such as appellations of origin and trade names. The legislator has started from the principle of the exclusive right in the mark which can be enjoyed only by denominations that do not restrict the freedom of other manufacturers to choose denominations and which do not create unfair conditions for them, for instance, by reserving the right to use a certain geographical denomination as a mark exclusively for one owner whereas a number of manufacturers having the same position with respect to the geographical denomination are established in the locality concerned. For that reason, simple geographical denominations and simple names, images or other signs denoting the nature of goods or services are excluded from registration. Exclusion of denominations that are identical with previously registered marks protects not only the owners of those trademarks, but also consumers against the risk of confusion between goods from differing manufacturers. The consumers are further protected by exclusion from registration of misleading or false denominations. The exclusive right also means that the denomination of a protected plant or animal variety

<sup>1</sup> See *Industrial Property Laws and Treaties, CZECHOSLOVAKIA* — Texts 3-001 and 3-002.

cannot be registered as a trademark. Additionally, of course, those denominations are excluded from registration as marks which would be contrary to international obligations deriving for Czechoslovakia from the international treaties to which it is party or the use of which would be contrary to public policy.

These false or misleading denominations, those identical with registered marks and those whose use would be contrary to international obligations of Czechoslovakia or to public policy may not even constitute an element of a trademark. Alone, those generic or geographical denominations or signs excluded from registration may form part of a mark and, in the case of the geographical denominations only, where they correspond to the true place of production since, where such is not the case, the Office must hold them to be misleading denominations. The other parts of a mark containing an element of the aforementioned kind must be sufficiently expressive and possess a sufficiently distinctive character to avoid the risk of confusion particularly where a number of manufacturers producing identical goods or goods sold on the same market (for instance, the final product and its component parts) are established within the same locality.

The Law affords applicants the possibility of overcoming the objections raised by the Office on registration of denominations devoid of any distinctive character, of descriptive denominations, of denominations containing the official names of States, signs of State sovereignty, official signs of control and warranty, hallmarks or traffic signs, the name of another person or wording identical with that of a registered appellation of origin or likely to lead to confusion with such appellation. The obligations under Article 6*ter* of the Paris Convention have thus been incorporated in the Law and continue to regulate the relationships between trademarks and appellations of origin. It is essential that the relationship between these two types of marking for products be regulated in a detailed manner in view of their differing legal nature. Whereas a trademark is quite definitely the subject matter of the owner's exclusive right and another person may not use it without his consent, an appellation of origin is a right that can be exercised by a number of persons on condition that they satisfy all the conditions laid down by law. In Czechoslovakia, appellations of origin are governed by Law No. 159/1973 in the Collection of Laws. They do not constitute an exclusive right belonging to a single trademark owner, but a right linked to a geographical location and which may only belong to persons who effectively belong to the producers in the locality concerned. That is why an appellation of origin may only constitute part of a trademark filed by a registered appellation of origin user, whereby such mark must also contain other elements possessing sufficient distinctive character.

Marks can be divided into two groups depending on the type of owner: individual marks and collective

marks. The major function of an individual trademark is its distinctive function and the main function of a collective mark is to identify the association (from an economical, organizational or legal point of view) of a number of persons to exercise a given economic activity. To ensure that the distinctive function of trademarks does not suffer, the Law requires that a collective mark be used in conjunction with an individual mark or with the trade name of the owner or, possibly, of the contractual user. Thus, it is not necessary for all those persons involved to be owners of the collective mark, since some of them may be contractual users. This system has practical advantages particularly in the case of unions and associations with a large number of members and in which relations between the members are regulated separately. The Czechoslovak Law requires that relationships between the owners of a collective mark and its contractual users be regulated in a written agreement concerning the filing and utilization of the collective mark and that such agreement be necessarily included in the application for registration of the mark.

The applicant for registration of a collective mark and, in the event of registration, the owner of that mark may be either a legal person or a natural person who carries on an authorized economic activity.

Compared with the previous legal arrangement, the circle of persons who may become trademark owners had been extended to natural persons. This extension of those who may become owners of trademarks to natural persons and the extension to services of the subject matter of protection afforded by marks to products are also closely related since it is expected that natural persons, above all, will extensively respond to the market needs in the field of services and it will therefore be natural persons who will wish to register marks for the services they offer.

The rights in relation to marks may be subdivided as follows:

(1) the priority right, which begins for the applicant on filing of an application for trademark registration, or possibly on claiming priority based on an international treaty; in the latter case, the applicant must supply proof of his rights within three months as from filing of the application;

(2) the exclusive right in the mark, which begins for the trademark owner on registration of the mark and consists in the fact that no one may use the mark without his authorization and that the owner has the right to take action against any misuse of his mark by requiring prohibition of infringement of his rights, suppression of the unlawful situation and compensation for the damages suffered. These substantive law provisions strengthen the position of trademark owners in their fight against unfair competition and trade in infringing products;

(3) the right to dispose of the mark, consisting in the right to grant licenses and that to assign the rights in the mark.

The Law expressly places two obstacles in the way of concluding trademark licensing contracts and the assignment of rights in marks to another owner. These are the cases where the activities of the licensee or assignee of the mark do not cover all of the goods or services for which the mark has been registered and the cases in which use of the trademark by the licensee or assignee would be liable to mislead consumers. That is why the new Law does not permit the grant of a license for a trademark which contains, for example, a geographical indication or other wording relating to the origin of the product, nor the assignment of rights in such a mark.

The Law has introduced a quite new institution with the provisions governing well-known marks. The owner of a mark may submit to the Office a request for a declaration that his mark is well known; where the Office gives such a declaration, it is then required to reject applications for registration of marks identical with the filed mark for any product or service, that is to say, without taking into account the list of goods or services for which the trademark enjoys protection. The aim of this provision is to emphasize the great importance of well-known marks, to support the position they have acquired on the market and, at the same time, to give consumers improved market information. It is indeed not desirable for a trademark that has become generally known as a manufacturer's mark for given products to be affixed to other types of goods or used in other trade names. The effect of such utilization is to reduce the value of the trademark and to inundate consumers with large numbers of marks that are identical with or confusingly similar to such marks despite the fact that they are registered for different types of goods or services. This strengthening of protection for owners of well-known marks also constitutes a strengthening of protection for consumers. For the Office to declare a mark to be well known, its owner must satisfy two conditions: he must prove both that his mark is well known and that the goods or services for which it is used are of high quality; this is in fact a retroactive effect for the owner who must then maintain the high quality of his goods as also the tradition of their manufacture.

The Law places on trademark owners an obligation to use their marks in the form in which they have been registered. Such "utilization" is indirect since it suffices, to prove use of the mark, to show that it has been used in advertising, in the media, on commercial stationery and at exhibitions. The use of a mark by a contractual user is deemed to constitute use by the owner of the mark.

Failure to use a mark is one of the reasons for which it may be cancelled from the Register. The decisive period is constituted by the five years preceding submission of the request for cancellation of the mark.

The fact that a mark may be confused with a previously registered mark also constitutes grounds for cancellation. The Federal Office for Inventions does not

examine *ex officio*, as it does for identical marks, whether the mark is liable to lead to confusion. Under the Law, it is for the owners of earlier rights to decide whether they consider, in the case in point, that their rights have been infringed or threatened by a subsequently registered mark and whether they wish, in the given circumstances, to submit a request for cancellation. The legislator has taken into account the fact that agreements are sometimes concluded between the owners of marks liable to be confused or between the owner of a mark liable to be confused and the applicant for registration of the confusingly similar mark as regards either the list of goods or services or the type of utilization (for example, differing colors). Furthermore, goods bearing confusingly similar marks are not always offered on the same market at the same time and therefore do not lead to a risk of confusion.

The provisions on termination of rights in trademarks do not differ much from the usual provisions contained in the laws of other countries in this field. The most usual grounds for termination of rights in trademarks are expiry of the term of protection, declaration of renunciation to the rights in the mark and cancellation of the mark from the Register. These grounds are further supplemented in the Czechoslovak Law by that of expiry of the legal personality of the trademark owner.

The Law permits trademark owners to submit to the Office any disputes arising from the legal situation in respect of marks and to seek to resolve in that way their problems in an arbitration procedure before undertaking other steps. It is therefore not necessary to immediately go to court if, for example, an approach by letter has remained without effect, since it is now possible to make use of this simpler and speedier procedure, which is moreover free, to settle disputes. For that purpose, the President of the Office has set up a Trademark Commission entrusted with this activity. Past experience has shown that this procedure for settling disputes has given excellent results and, in fact, the Law legalizes the procedure that was applied in practice.

The new Czechoslovak Trademark Law continues the long legal tradition whose principles were set out 130 years ago. In view of the developments that are continuing throughout the world, it gives both legal and natural persons an extensive possibility of obtaining special protection for their trademarks, it extends the possibilities for sanctioning the infringement of rights of such persons and takes its place among the legal instruments encompassing the protection of well-known marks, a field which has long been under discussion. It is our hope that its application will contribute to accentuating traditions of manufacture, increasing the responsibility of producers for the quality of the goods they place on the market and strengthening the systematic protection and information of consumers, together with the establishment of barriers to unfair competition.

## News Items

### ECUADOR

#### *Director General of Industrial Property*

We have been informed that Dr. Alba Salazar Llerena has been appointed Director General of Industrial Property.

### PERU

#### *Director of Industrial Property*

We have been informed that Mr. Luis Chavez Loyola has been appointed Director of Industrial Property.

### UNITED KINGDOM

#### *Comptroller-General of Patents, Designs and Trade Marks*

We have been informed that Mr. Paul Hartnack has been appointed Comptroller-General of Patents, Designs and Trade Marks.

## WIPO Meetings

### WIPO Meetings

(Not all WIPO meetings are listed. Dates are subject to possible change.)

#### 1989

November 1 and 2 (Beijing)

**Worldwide Symposium on the International Patent System in the 21st Century** (organized jointly with the Chinese Patent Office)

The Symposium will be conducted in three half-day sessions, each dealing with one of the following three topics: internationalization of the patent system; computerization of the patent system; patent documentation, search and examination.

*Invitations:* States members of WIPO, certain intergovernmental organizations and non-governmental organizations having observer status in WIPO.

November 6 to 10 (Geneva)

**Committee of Experts on Model Provisions for Legislation in the Field of Copyright (Second Session)**

The Committee will continue to consider proposed standards in the field of literary and artistic works for the purposes of national legislation on the basis of the Berne Convention for the Protection of Literary and Artistic Works.

*Invitations:* States members of the Berne Union or WIPO and, as observers, certain organizations.

November 13 to 24 (Geneva)

**Committee of Experts on the Harmonization of Certain Provisions in Laws for the Protection of Inventions (Seventh Session)**

The Committee will continue to examine a draft treaty on the harmonization of certain provisions in laws for the protection of inventions.

*Invitations:* States members of the Paris Union and, as observers, States members of WIPO not members of the Paris Union and certain organizations.

November 27 to December 1 (Geneva)

**Committee of Experts on the Harmonization of Laws for the Protection of Marks (First Session)**

The Committee will examine the draft treaty provisions on the harmonization of laws for the protection of marks and will consider the proposed further contents of the draft treaty.

*Invitations:* States members of the Paris Union and, as observers, States members of WIPO not members of the Paris Union and certain organizations.

December 1 (Geneva)

**Information Meeting for Non-Governmental Organizations on Intellectual Property**

Participants in this informal meeting will be informed about the recent activities and future plans of WIPO in the fields of industrial property and copyright and their comments on the same will be invited and heard.

*Invitations:* International non-governmental organizations having observer status with WIPO.

### Other Meetings Concerned with Industrial Property

#### 1989

December 5 to 9 (Munich)

European Patent Organisation (EPO): Administrative Council

#### 1990

May 8 to 11 (Washington, D.C.)

Foundation for a Creative America: Bicentennial Celebration of the Enactment of the United States Patent and Copyright Laws