

**THE ROLE
OF INDUSTRIAL PROPERTY
IN THE PROTECTION
OF CONSUMERS**



**WORLD INTELLECTUAL PROPERTY ORGANIZATION
GENEVA**

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GENEVA 1983

WIPO PUBLICATION
No. 648 (E)

ISBN 92-805-0105-4

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FOREWORD

This study, "The Role of Industrial Property in the Protection of Consumers," has been prepared by the International Bureau of the World Intellectual Property Organization (WIPO) in consultation with governments of member States, experts and interested intergovernmental and non-governmental organizations.

The study is intended to be a contribution to a work of a far wider scope currently being carried out, in the United Nations system of organizations and elsewhere, on all aspects of consumer protection, with particular reference to the needs of developing countries. This study is limited to aspects of the subject which are within the competence of WIPO. It shows that industrial property laws and institutions can make a valuable contribution to the protection of the interests of consumers.

The preparation of the study was undertaken on the basis of decisions of the Executive Committee of the Paris Union for the Protection of Industrial Property and the WIPO Coordination Committee. The first step was the convening of a meeting of experts to identify relevant aspects of industrial property; a draft memorandum based on the results of that meeting was then discussed by a working group, revised in accordance with its recommendations and submitted to governments and interested organizations for their comments. This, the final, version of the study takes into account those comments.

I express my thanks to all who have assisted the International Bureau in this work, and my hope that the result, though deliberately limited in its scope, may prove useful, particularly in developing countries, in the large and important task of protecting the interests of consumers.



Arpad Bogsch
Director General
World Intellectual Property Organization

Geneva, 1983

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I. INTRODUCTION

1. The present study deals with the role of industrial property in the protection of consumers. Among the various branches of industrial property, the laws on trademarks, service marks, trade names, geographical indications and on the protection against unfair competition are among the most effective and direct tools for the protection of consumers. The study tries to demonstrate why this is so.

2. We speak about consumer protection. But who is a consumer? And what should the consumer be protected against? A consumer is a person who, for his or her own personal needs or pleasure, buys or rents goods or services offered by private or public enterprises. At least, this is the sense in which the term "consumer" is used in the present study. And what should the consumer be protected against? Simply stated, he or she should be protected against deceit.

3. A consumer may be deceived in several respects, and protection against various forms of deceit are provided for in various laws. Industrial property laws are tools against some kinds of deceit only. Even then, most of the time, they are only indirect tools. They are mostly indirect because the primary objectives of the said kinds of industrial property laws are to protect the intangible property rights of industrialists and traders in their marks and names, as well as in the geographical indications to which they have a factual relation, and to protect their position, as industrialists and traders, against the unfair practices of others.

4. However, those laws also serve against the deceit of consumers:

— because the law on marks helps to establish the link between the product or service that the consumer is about to choose and the enterprise which produces or markets the product and service; thus, it helps the consumer to choose, among the countless variety of products and services, those which he trusts and wants, rather than those which he does not trust or want;

— because the law on trade names identifies a given enterprise; thus, it helps the consumer to deal, among the many available enterprises, with that enterprise with which he wants to deal, rather than with one with which he does not want to deal;

— because the law on geographical indications requires that there be a true link between a given product and a given country or region or locality; thus, it helps the consumer in choosing a product from that country or region or locality which he wants, rather than one that comes from somewhere else;

— because the law on unfair competition prohibits, among other things, in the marketing of products and services, untrue allegations or insinuations; thus, it helps the consumer to be correctly informed rather than misled.

5. As can be seen, the said industrial property laws provide a powerful legal basis for the protection of consumers. To exploit, in practice, this legal basis, requires knowledge of its existence, machinery for discovering potential infringers, preventing infringement and punishing the infringers.

6. The purpose of this study is therefore to spread knowledge of the existing legal basis and to incite thinking about improving both the laws and the means of making the laws truly effective in practice.

II. GENERAL CONSIDERATIONS

7. Many aspects of industrial property law concern and regulate the relationship among manufacturers, producers and other suppliers of goods and services, in their capacity as competitors and owners of industrial property rights, as well as the relationship between such manufacturers, producers and suppliers, on the one hand, and consumers of goods and services, on the other hand. Such relationships affect social as well as individual interests of great importance. One of the principal functions of industrial property law is to protect and reconcile such interests.

8. The present study is concerned specifically with the role industrial property plays in protecting consumers and serving their legitimate interests, particularly in developing countries. The protection of consumers is a topic of worldwide relevance. Everyone in some way or another is a consumer. Therefore, consumer interests are not interests of a mere group. They are virtually everybody's interest, although certain groups of consumers might inspire special concerns. This is particularly the case with vulnerable groups of consumers, such as children or the aged, consumers with low incomes and marginally literate consumers.

9. Naturally, industrial property law is not the only branch of law that has an important role in the protection of consumers. However, industrial property law certainly plays a very important role in the protection of consumers. Effective consumer protection certainly cannot be accomplished without ensuring that relevant industrial property laws be responsive to consumers' rights, interests and needs.

A. Objective of the Study

10. The purpose of this study is to identify and study those aspects of industrial property that seem most relevant to consumer protection and to reach some conclusions as to the role that industrial property law should play in protecting consumers, particularly in developing countries.

11. This study is intended as a contribution to the realization of the objectives of the World Intellectual Property Organization, namely, the promotion of economic development through an efficient and well-balanced industrial property system. A well-balanced industrial property system does not concern itself only with the interests of the suppliers of goods and services, and more specifically of the owners of industrial property rights, but also with the interests of consumers of goods and services, mindful that economic development is generally not an end in itself but a means to improve the quality of life, to which consumer protection is closely linked.

B. Scope of the Study

12. This study concentrates on those aspects of industrial property law which the meeting of experts on Industrial Property Aspects of Consumer Protection, held in Geneva on July 3 to 5, 1978, identified as relevant to consumer protection and particularly to the interests of consumers in developing countries (see document COPR/I/4). The specific aspects so identified concern: (i) distinctive signs (marks and trade names); (ii) geographical indications (appellations of origin and indications of source); and (iii) unfair competition (specifically, indications and allegations contrary to honest practices). Naturally, other areas of intellectual property, particularly those concerning patents and industrial designs, and some areas in the field of copyright and neighboring rights, especially questions regarding counterfeiting in that field,¹

¹ For example, counterfeiting of phonograms, motion pictures and other audiovisual recordings as well as of books, magazines, music and radio and television broadcasts protected by copyright. See the statements made and the resolutions adopted at the WIPO Worldwide Forum on the Piracy of Broadcasts and of the Printed Word held in Geneva on March 16 to 18, 1983 (see WIPO publication No. 646), and at the WIPO Worldwide Forum on the Piracy of Sound and Audiovisual Recordings held in Geneva on March 25 to 27, 1981 (see WIPO publication No. 640).

are also relevant to consumer protection. However, the said meeting of experts did not include them among the areas to be covered by this study.

13. Although this study is concerned with consumers in general, it does pay, whenever pertinent, particular attention to consumers in developing countries. As noted in the meetings referred to in paragraphs 1 to 3, above, in any given developing country the problems of consumer protection are particularly affected by the great differences in levels and distribution of income, the relatively high proportion of industrial property owned by foreigners, the degree of education and the extent of consumer information and awareness, as well as by other social, political and economic factors. The social and economic conditions of a great number of consumers in developing countries are such that they find themselves in a particularly weak and unorganized position vis-à-vis enterprises producing and supplying consumer goods and services.

14. Although developing countries can learn from the experience of industrialized countries and the solutions such countries have adopted as regards consumer protection, developing countries cannot simply copy the measures which have proven successful in industrialized countries. Each developing country must adopt measures responsive to its own needs.

C. Conclusions of the Study

15. After identifying and examining those aspects of industrial property that appear most relevant to consumer protection, as has been done in the present study, it becomes increasingly evident that, in principle, consumer interests are best served by an effective protection and regulation of the industrial property rights considered herein. Marks, trade names and geographical indications that function effectively and are used properly benefit consumers by providing a simple yet reliable source of information which helps consumers in their purchasing decisions regarding the ever-growing variety of goods and services available on today's markets in both industrialized and developing countries. The repression of indications, allegations and other acts contrary to honest practices protects consumers against misleading and fraudulent trade practices.

16. This does not mean that consumer protection can be assured through industrial property laws. The "raison d'être" of the industrial property system is to protect industrial property rights. However, it does mean that the industrial property system can play an important role in protecting consumers and that strengthening the industrial property system can serve not only the interests of industrial property owners but also of consumers.

17. In formulating and applying industrial property policy and laws, the competent public authorities must, of course, as in any other field, take into account the particular realities of their country and the public interest at large, which, in the case of industrial property, must include the interests of consumers.

18. However, to take into account consumer interests does not mean to restrict industrial property rights and their use. It means to identify, along the lines followed in this study but within a concrete national and regional context, those aspects of the industrial property system that especially benefit consumers and attempt to enhance those aspects, and to identify those areas where industrial property rights seem to be improperly used or abused and attempt to prevent such dishonest trade practices. For example, if in a particular country it is found that consumers will benefit from a greater use of a strong guarantee mark, then measures can be enacted to ensure more effective recognition and to encourage greater use of a strong guarantee mark. Likewise, if in a specific country it is found that well-known marks are frequently used without their owners' authorization, thereby not only prejudicing such owners and the goodwill their marks represent but also misleading and confusing consumers, then measures can be adopted to provide for a more effective protection of well-known marks.

19. In doing this, the competent public authorities must also weigh and balance the costs versus the benefits of alternative policies and measures. Sometimes, for example, greater government involvement or consumer participation may seem desirable in order to enhance a certain function that benefits consumers or to prevent a given abuse, but in practice there may not be sufficient human and financial

resources to set up the institutional infrastructure necessary for the measures envisaged to be applied effectively. In such cases, certain compromises must be made, and, sometimes, not the ideal but the most practical solution must be adopted.

20. It may also occur that some problems of concern to consumers, although they may involve industrial property rights, may be more appropriately resolved through measures adopted under laws outside the industrial property field (e.g., by special laws on consumer protection, fair trade practices or antitrust).

21. In short, consumer protection and industrial property concerns will necessarily vary from country to country as will the options realistically available to each country and the role industrial property can play in consumer protection. Therefore, the standards and measures examined under the various topics of this study are discussed as possible alternative courses of action that governments may consider but not as concrete recommendations. Each country finds itself in its own particular historical, economic and social circumstances and ultimately must find the solutions most appropriate to its own realities.

III. DISTINCTIVE SIGNS (MARKS AND TRADE NAMES)

A. Marks²

22. Although there is no internationally accepted definition of a mark, a mark is generally understood to be a visible sign capable of distinguishing the goods or services of an enterprise from the goods or services of other enterprises. It is a form of intangible property whose principal value lies in the goodwill and reputation that a given mark represents.

23. Marks serve their owners to sell and promote their products and services; they serve the economy, in a general sense, by helping rationalize the commercialization of goods and services; and they serve consumers by assisting them in choosing among goods and services and by encouraging mark owners to maintain and improve the quality of products and services sold under their marks.

24. The two principal concerns of the law on marks are to protect marks against infringement (i.e., against the use of the same or confusingly similar mark by someone other than the owner) and to regulate the use of marks so that they are employed in ways that are not confusing or misleading.

25. The purpose of the following discussion is not to identify reasons and ways to restrict the use of marks and limit trademark rights; on the contrary, it is to examine how marks can be more adequately protected and their use better regulated so that marks can perform their functions more efficiently and thus serve mark owners, competitors and consumers in ways that are relevant to the needs of today's economy and, particularly, to the concerns of developing countries.

(1) The Functions of Marks

26. Marks are generally viewed to have four basic functions: (i) a distinguishing or differentiation function; (ii) an origin or source function; (iii) a quality function; and (iv) an advertising function. In many respects, these functions are interrelated, and for purposes of analysis some are often combined as, for example, the differentiation and source functions.

(a) Distinguishing or differentiation function

27. As already noted, a mark distinguishes the goods or services of an enterprise from those of other enterprises. This distinguishing or differentiation function assists the mark owner in marketing his product or service and the consumer in choosing among similar competing products or services.

28. In order for marks to be effective in distinguishing a marked³ product or service from competing products or services, they must be distinctive (i.e., different from the name or usual designation of the product, not merely descriptive) and they must not be the same or confusingly similar to marks used by a different enterprise for similar kinds of goods and services (i.e., should be easily distinguishable).

(b) Origin or source function

29. Closely related to the differentiation function, and historically considered the original and sole function of marks, is the function of marks to indicate the origin or source of a particular product or

² Since the functions of and the legal requirements applicable to trademarks (referring to goods) and service marks (referring to services) are generally the same, the term "marks" will be used in this study to include both trademarks and service marks.

³ For purposes of conciseness, the term "marked" products or services will be used in this study as meaning goods or services for which a mark is used, either directly on the product or on its package, or in connection with the product or with the service.

service. In this context, “origin” or “source” (commonly used interchangeably as synonyms) does not refer to the geographical origin but to the origin as regards the enterprise. Generally, this does not mean that by indicating source the mark must necessarily identify the name and place of the mark owner. However, the consumer should be able to rely on the fact that goods and services sold under a given mark originate from the same source from which goods or services using that same mark have always emanated, not necessarily in the strict sense of physical source but rather in the broader sense of common source (in English, sometimes referred to as “sponsorship”). Thus, products or services sold under the same mark can be considered to be related as far as their source is concerned, either because they originate from the same enterprise or because there is a close relationship between the respective enterprises from which they originate (e.g., such as between a licensor and licensee).

30. In order for marks to indicate origin effectively and reliably, the mark owner’s exclusive right to his mark must be protected. Basically, this means that third parties must be precluded from using any mark or sign resembling it in such a way as to be likely to mislead consumers, for goods or services in respect of which the mark is registered or otherwise protected or for other goods or services in connection with which the use of the mark or similar sign by a third party is likely to mislead the public. The acquisition and protection of the exclusive right to a mark benefit not only the mark owner but also the consumer; he is protected against confusion and deception as to the source of a product or service and is provided with a means of tracing the entity or person responsible for the product or service, even if the mark does not necessarily identify the name and place of the mark owner.

(c) *Quality function*

31. The “quality function” of a mark means that any given mark, ideally, should be used for goods and services whose quality is constant. The laws on marks of several countries make direct or indirect reference to the quality function of marks.⁴

32. Naturally, if the mark is used for goods and services whose quality necessarily undergoes changes (e.g., “Ford” for motor cars), the “quality function” does not mean specific consistency but a consistency with the customary standard of quality of the goods or services covered by the mark.

33. It should be stressed that by quality function is not meant and should not be meant that marks function as a guarantee of quality or of a certain, for example, high quality (except, possibly, in the very special case of collective or certification marks discussed in paragraphs 162 to 179). What is usually meant by the so-called quality function of marks is an implication corresponding to an expectation as to a reasonable degree of quality consistency of the products or services sold under a given mark, which is based primarily on the goodwill and reputation of the said mark.

34. As a matter of general practice, mark owners promote the reputation of their marks by suggesting that the goods or services sold under their marks live up to a certain consistent level of quality, and consumers grow to expect such quality consistency. This does not necessarily mean that mark owners do not and cannot change the characteristics or ingredients of their products, nor does it mean that consumers do not anticipate certain changes over the years. However, mark owners advance and consumers expect that, in spite of such changes, a certain consistent level of quality or quality standards will be maintained. This serves the interests of both mark owners and consumers. On the one hand, the quality reputation symbolized by a mark constitutes for its owner an essential element of his mark’s value.

⁴ For example, Section 1 of the Law on Trademarks of Czechoslovakia (Law No. 8 of March 28, 1952) provides that enterprises can use marks on their goods to facilitate for consumers the choice of products and thus to show their responsibility for the *quality* of their goods (emphasis added) (see *La Propriété industrielle*, 1952, p. 182).

According to Article 2 of the Law on Trademarks and Service Marks of Romania (Law No. 28 of 1967) (see *Industrial Property*, 1968, p. 279), the use of marks is intended to stimulate a greater improvement in the *quality* of goods and services (emphasis added).

Section 45 of the Trademark Act (also known as the “Lanham Act”) of the United States of America of 1946, as amended (15 USC 1127) (see *Industrial Property*, 1966, pp. 82, 113) has been interpreted to recognize indirectly the legal quality function of marks by defining a related company as “...any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and *quality* of the goods or services in connection with which the mark is used” (emphasis added).

On the other, such reputation provides the consumer with an important basis for choosing among competing products or services, particularly in the case of consumer goods whose quality cannot be assessed until after use.

35. Certainly, many aspects of the so-called quality function of marks are merely a consequence of the basic functions of marks to distinguish products and services and to indicate their source. Moreover, to a great extent, the quality function of marks is an economic or sociological function, as opposed to a legal one, insofar as many aspects of quality are based on subjective elements and, therefore, fall outside the realm of legal regulation. Finally, many of those aspects of quality that may contain objective elements, and, therefore, be subject to legal standards are not directly related to the law on marks, although marks may be involved, and, consequently, might be more adequately regulated outside the field of marks, for example, by the broader law on fair trade practices, special consumer protection legislation, laws regulating and protecting geographical indications,⁵ laws against false and deceptive advertising,⁶ labelling laws,⁷ contract and tort law, special health and safety regulations in the case of certain types of products or services, laws on measures and standards, and, in extreme cases of abuse or fraud, by criminal law.

36. However, some of those aspects of quality that may contain objective elements are closely related to the protection and use of marks, and their regulation under the law on marks may at least be considered. The quality function of marks is particularly evident as far as certification marks are concerned⁸ and in the protection against inherently deceptive marks (which are denied protection under laws on marks).⁹ Furthermore, quality consistency is an important consideration in the licensing and assignment of marks.¹⁰

(d) *Advertising function*

37. Marks are an advertising device *par excellence*. Through the power of association created between a mark and a product or service, marks familiarize the public with such product or service. Thus, marks help their owners stimulate and retain consumer demand. At the same time, they help inform the consumer as to the products and services available on the market. Therefore, it is important that marks should not be confusing or deceptive,¹¹ should not be used in false or misleading advertising and should not contribute in any other way to acts of unfair competition.

38. Developing countries are also increasingly concerned about what consequences the advertising and promotion of marks might be having on consumption patterns in those countries. Therefore, this particular question might merit further study with a view to determining what measures can be taken to respond to any problems that might be identified in this respect.

⁵ For example, sometimes consumers' expectations as to the quality of a product or service may be based not so much on the reputation of the mark but rather on the geographical origin of the product or service and the association of the mark with said geographical origin. In such cases, consumer interests may be better taken into account under other pertinent laws, such as laws on geographical indications. In Switzerland, as an example, the Federal Council is authorized to set the conditions which the characteristics of a product must fulfill in order for the use of an indication of Swiss source to be lawful. Such conditions may be based on the public's quality expectations for products bearing an indication of Swiss source. Article 18bis of the Federal Law on the Protection of Trademarks, Indications of Source and Industrial Distinctions of Switzerland of September 6, 1890, as last amended on March 18, 1971 (see *Industrial Property*, 1972, p. 78); also see, for example, the Ordinance regulating the use of the term "Switzerland" for watches of December 23, 1971, as amended on October 18, 1978.

The regulation and protection of geographical indications, including indications of source and appellations of origin, are discussed in detail in paragraphs 199 to 247, below.

⁶ For example, protection against the use of marks in connection with false or deceptive advertising as to the quality of a product or service might be more appropriately covered by sanctions against false and deceptive advertising in general, regardless of whether or not marks are being promoted in a given advertising. To the extent deceptive advertising practices constitute acts of unfair competition within the scope of industrial property protection as prescribed by Article 10bis(3)3 of the Paris Convention, these questions are further discussed below in paragraphs 248 to 259.

⁷ Labelling regulations are further discussed below in paragraphs 144 to 153.

⁸ See below paragraphs 162 to 179.

⁹ See below paragraphs 77 to 84.

¹⁰ See below paragraphs 109 to 125 and 99 to 108, respectively.

¹¹ See below paragraphs 39 to 58 and 77 to 84, respectively.

(2) Confusion (Use of an Identical or a Confusingly Similar Mark for the Same or Similar Goods or Services)

39. The essential feature of the legal protection of marks is the prevention of the concurrent use of an identical or confusingly similar mark, by an enterprise other than the owner of the mark, for the same or similar goods or services. If a mark is already protected—depending on the national law, by an exclusive right through registration, use or otherwise—the concurrent use of an identical or confusingly similar mark constitutes an *infringement* of the protected mark and usually is prohibited by the laws on marks; in addition, such concurrent use might be considered an act of unfair competition (“passing off”) and also prohibited as such. The same protection is granted against the unauthorized refilling of bottles and containers bearing a mark.

40. Protection against infringement benefits both mark owners and consumers. On the one hand, it prevents competitors from diverting sales from the mark owner and otherwise unfairly benefiting from his mark’s reputation and goodwill as well as from undermining such reputation if the quality of the goods or services sold under the infringing mark is inferior. On the other hand, consumers are protected against likely confusion and deception primarily as to the source and possibly quality of marked goods or services.

(a) Use of an identical or a confusingly similar mark for the same goods or services

41. The use of an identical mark for the same kind of goods or services by someone other than the owner of the mark or one authorized by him constitutes the most flagrant case of an infringement. In principle, the use of a mark “confusingly similar” to a protected mark for the same goods or services is also prohibited as an infringement of the protected mark. The basic test is whether the allegedly similar mark resembles the protected mark in such a way so as to be *likely to confuse the average consumer* as to the source of the goods or services or as to the connection between the concurrent users of the similar marks, taking into account all the circumstances of the particular case. In other words, a mark is generally considered “confusingly similar,” if it is so similar to the protected mark that a substantial number of average consumers are likely to be confused or misled as to the source of the goods or services sold under the similar mark, in the belief that such products or services originate from the same enterprise which owns and/or uses the protected mark (or that there is a “connection” between such enterprise and the enterprise using the similar mark, as, for example, in the case of a licensor and a licensee).

42. Whether a mark is considered confusingly similar to a protected mark depends more on the similarities than on the differences between the two marks, each mark considered separately in its entirety and not both side by side. To determine confusing similarity, the marks are generally compared with respect to pronunciation, appearance, and meaning or verbal translation. For example, although two marks might be spelled differently, if they are pronounced in the same way, they might be considered “confusingly similar.” Similarity of appearance is determined in the context of the general presentation of the product or service. Similarity in meaning depends on the mental impact made on the consumer as a result of the psychological imagery evoked by the marks concerned. Therefore, translations of foreign words, especially from well-known languages, should be taken into account to determine whether there exists confusing similarity with the meaning of the protected mark. Likewise, a figurative mark can be confusingly similar to a word mark, depending on the mental impression each creates, as, for example, between the word mark “arrow” and the figurative mark consisting of a drawing of an arrow.

43. In short, the determining factor is the general impression likely to be made on the average consumer, not whether the marks are distinguishable upon careful examination. However, in certain particular cases, the standard of confusing similarity might vary, depending on the type of product or service concerned or on the relevant group of consumers. For example, in the case of medical products, where there might be a risk of physical harm to the consumer if he is confused between two products of different origin, a lesser quantum of proof of confusing similarity might be required; on the other hand, for certain kinds of specialized products where the relevant class of consumers is composed primarily of discriminating buyers or experts, the quantum of proof required might be higher. Likewise, the prestige of one or both of the marks involved may be relevant. For example, consumers are more likely to associate a prestigious mark with another similar mark and thus are more likely to be confused as to the source

of the products or services sold thereunder or as to the connection between the concurrent users of the similar marks, than if both marks are relatively unknown.

(b) Use of an identical or a confusingly similar mark for similar goods or services

44. The use of an identical or a confusingly similar mark for “similar” goods or services generally also constitutes an infringement if this is likely to confuse the average consumer. The rule for determining what constitutes “similar” goods or services for such purposes may vary somewhat from country to country. However, in general, the scope of protection extends to the use of a mark identical or similar to a protected mark for goods or services which, because of their commercial context, the average consumer is likely to think come from the same source as the goods or services sold under the protected mark.

45. The goods or services need not be necessarily competitive but merely related. In other words, it is not always necessary that they be functionally interchangeable. The entire circumstance must be examined, not in technical but in business and commercial terms. Such factors as the nature, composition and use of the goods or services, the mode of their marketing and the relevant group of consumers as well as the degree of similarity between the marks, the prestige of the protected mark and the size and reputation of its owner must be considered to determine whether the average consumer is likely to be confused as to the source of the goods or services sold under the allegedly infringing mark.

46. For example, consumers might be more likely to think that similarly marked goods and services which are noncompetitive come from the same source if they are sold in the same store than if they are sold through different retail outlets. This is possible when two different food products bearing the same or similar marks are sold in the same supermarket. This is even possible if one mark is used on goods and the other in connection with services, as, for example, when a sports store offers tennis lessons under the same or similar mark as that borne by certain tennis equipment it sells. In the latter case, consumers might expect that the lessons and equipment originate from the same source, when actually there might be no relationship between the enterprises owning the two marks.

47. The given group of consumers may also be a relevant factor in determining whether related goods or services are to be considered “similar” for infringement purposes. For example, experienced or specialized consumers of technical or expensive products are probably much better informed about the particular characteristics of the products they purchase and their actual source, than are average consumers purchasing everyday consumer articles, who are more likely to mistakenly believe that related although not necessarily competitive or interchangeable products sold under similar marks come from the same or connected source.

48. The more similar the marks, the greater is the likelihood of confusion and, therefore, the wider the range of products or services usually considered “similar” for purposes of determining whether an infringement has occurred. Also, the stronger and more famous the protected mark, the wider is the scope of protection, since there is a greater likelihood that the use of the same or similar mark on noncompetitive goods and services will cause confusion. Likewise, the larger and more well-known the owner of the protected mark, the greater is the variety of products and services generally falling within the scope of protection, since the reasonably prudent consumer is more likely to expect such enterprise to diversify its production and use its mark on a variety of products and services. For example, cigarettes and liquor might be considered “similar” products for infringement purposes if the owner of the protected mark is a well-known multinational enterprise, since the reasonable consumer is likely to think that such enterprise, directly or through related companies, produces both liquor and cigarettes.

(c) Ex officio examination of applications as to conflict with protected marks

49. In a number of countries,¹² when an application for the registration of a mark is filed, the industrial property office, on its own initiative (i.e., *ex officio*) examines the mark as to substance, both on objective grounds of its registrability and to confirm that no conflict exists with any protected mark that may be

¹² For example, in the United Kingdom and in the United States of America.

the same or confusingly similar to the mark for which the application has been filed.¹³ In most of those countries, the mark is published before granting registration to allow prior registrants or users of the same or a similar mark to oppose the application.

50. In many countries, however, the industrial property offices examine applications only as to absolute grounds of registrability of the mark and do not *ex officio* consider possible conflicts with protected marks. In some of these countries, the application is published before granting registration to permit interested parties to file opposition to the registration of the mark. In others, publication occurs only after registration, so that interested parties are only then in a position to institute cancellation proceedings on grounds that the mark was wrongly registered.

51. A variation between these two systems is the practice¹⁴ of examining the application in terms of prior registrations but not to reject the application on grounds of a conflict with a previously registered mark. Under such practice, the industrial property office will only advise the applicant as to the existence of a protected mark, allowing him to withdraw the application if he wishes. The prior registrant is advised, if registration is granted, so as to permit him to file a cancellation action.

52. Finally, a number of countries examine applications for registration of a mark only as to form.

53. The system wherein the industrial property office examines the mark for possible conflicts with protected marks and subsequently publishes acceptance of the mark before registration to allow interested parties to file an opposition seems to be the most complete one for protecting the interests of all parties concerned, i.e., the consumer as well as the owner of the protected mark and the applicant. The consumer, who generally has limited resources and expertise, is justified to expect a qualified public institution to protect the public interest at large by examining marks, before their registration, in order to confirm that they are not confusingly similar with any protected mark; this would diminish any risk of a concurrent use of confusingly similar marks to the detriment of the consumer. The owner of the protected mark is justified to expect that, by virtue of having registered his mark, the industrial property office will conduct *ex officio* examinations of applications as to conflicts with previously registered marks in order to prevent subsequent registrations of marks that might be the same or confusingly similar to his. Finally, even the applicant benefits from such examination, inasmuch as it is to his advantage to know as soon as possible, before making significant investments, whether the mark he wishes to register might infringe a protected mark. Of course, these considerations presuppose that the examination is undertaken swiftly and with great care without, however, entailing an unreasonable financial burden for the applicant—conditions which are not easy to reconcile in practice.

54. It must be conceded that in order for a system of *ex officio* examination of applications as to conflict with protected marks to be effective, significant human, financial and infrastructural resources (e.g., sufficient qualified examiners and a reliable register) are needed, which some countries can ill afford to allocate to the industrial property office, due to other more pressing priorities, or which they simply do not have. Without the back-up resources, a system of *ex officio* examination as to conflict with protected marks can be unreliable. Furthermore, it should also be noted that sometimes not until a mark is used in the market place can a conflict with a protected mark become apparent. Therefore, countries considering adopting a system of *ex officio* examination of applications as to conflict with protected marks must carefully weigh the advantages versus the disadvantages such a system offers to the particular country.

55. However, if the necessary resources can be obtained and the conditions for an efficient system of *ex officio* examination of applications as to conflict with protected marks can be reasonably satisfied, this is an area where the interests of consumers, mark owners and competitors converge and, therefore, where the industrial property system can make a significant contribution to consumer protection while at the same time benefiting mark owners (both owners of protected marks and applicants). However, since some countries might not have the infrastructure, expertise and resources necessary to implement the system

¹³ In some countries, e.g., the Soviet Union, an applicant may request even a preliminary examination of a mark for its conformity with the requirements applying to marks. If a favorable decision is given on the preliminary examination, the applicant then has three months to file an application for registration of the mark.

¹⁴ Adopted, for example, in Czechoslovakia.

in such a manner that it satisfies all parties concerned, this is also an area where WIPO, as the competent specialized agency of the United Nations, might be able to make an important contribution to the protection of consumers in developing countries by cooperating with these countries so that their industrial property administrations might obtain the necessary resources and expertise to be able to conduct effective *ex officio* examinations of applications as to conflicts with protected marks.

(d) Consumer participation in proceedings

56. The question whether a mark is identical or confusingly similar to a protected mark generally arises in the context of three types of proceedings: (1) at the time of filing an application to register a new mark, when the industrial property office or an opponent objects that the mark infringes a protected mark (*application* and *opposition* proceedings); (2) in an action to cancel or rectify the registration of a mark because it infringes another protected mark (*cancellation* proceedings); and (3) in an infringement action to enjoin the use of a mark that infringes another protected mark and possibly to claim damages incurred as a result thereof (*infringement* proceedings).¹⁵ It is in the interest of consumers that their concerns should be taken into account in such proceedings, since one of the main purposes of the system of marks is to protect the consumer against deception and confusion in connection with the use of marks.

57. The owner of a protected mark, who is considered as the primary object of protection in the law on marks, generally can institute opposition proceedings (in countries whose laws provide for such proceedings), cancellation proceedings and infringement proceedings to obtain an injunction and/or damages. Such proceedings serve also the interest of the consumer; the mark owner must prove likelihood of confusion in the mind of the consumer and, if he is successful, the infringing mark is not registered, is cancelled or its use is enjoined, as the case may be. However, it should be considered whether consumers themselves should not be given the right of asking for the application of such measures since the owner of a mark has no obligation to ask that such measures be applied and may, in fact, not make any such request, in which case the use of the confusing mark can go on unhindered and to the detriment of the consumer. Such a right of the consumer is, however, not recognized in most countries and is even objected to by some circles. Objections are based on the argument that allowing consumers to participate in trademark proceedings encumbers the registration procedure and the other administrative and judicial proceedings, increasing their costs in terms of both money and time to the government, to applicants and to mark owners. Furthermore, it has to be recognized that consumers and consumer associations today anyway cannot afford to be overly litigious on account of spurious or insignificant claims, given the ever-rising costs involved in any type of legal proceeding and representation therein.

58. One possible approach may be for the relevant law, as a general rule, to allow any "interested party" to initiate and participate in opposition, infringement and cancellation proceedings. It would then be left up to the competent authority (i.e., the trademark office, the administrative tribunal or the court) to determine, in each case, whether a given consumer, group of consumers or consumer association requesting to initiate or to participate in a proceeding does, in that case, in fact constitute an "interested party" for such purpose. All the particular circumstances of each individual case would be taken into account, recalling that one of the principal concerns of the system of marks is to protect consumers against deception and confusion in connection with the use of marks. However, only when a legitimate, direct and immediate interest could be shown by the consumer (e.g., imminent or actual damage), and only in such a case, would the consumer be recognized as an "interested party" for purposes of initiating or participating in opposition, infringement or cancellation proceedings.

(3) Well-Known Marks

59. Certain marks, even if they are neither registered nor used in a country, are well known to the average consumer in that country. If such a "well-known mark" is used by an unauthorized third party, the consumer might erroneously believe that the goods or services for which such mark is thus used

¹⁵ The registration and use of a mark can be challenged on other grounds than confusing similarity with another protected mark, for example, on grounds that the mark misleadingly resembles a foreign well-known mark, is inherently deceptive or consists of a generic name or geographical indication (all topics discussed below). The remarks in this section concerning consumer participation in the proceedings discussed herein would generally apply to the same or analogous proceedings in such cases as well. Consumer participation in proceedings, in general, is discussed below in paragraphs 290 to 297.

originate from or have some link with the owner of the well-known mark. The consumer might also expect a certain quality which the well-known mark represents.

60. Well-known marks should be protected, and in the laws of most countries, are protected, even if they are not registered or not used by their owners in the country.

61. Unfortunately, well-known marks are frequently used by unauthorized third parties, particularly where the consumers have difficulty in distinguishing between the genuinely marked goods and imitations thereof or where the market is too small to make the cost of prosecution worth while for the owner of the well-known mark.

(a) Unauthorized use of a well-known mark for identical or similar goods or services

62. This is why Article 6bis of the Paris Convention for the Protection of Industrial Property (hereinafter referred to as the “Paris Convention”)¹⁶ obligates the countries party to that Convention (*ex officio* if their legislation so permits, or at the request of an interested party) to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the Convention’s benefits and used for identical or similar goods.

63. What constitute “identical or similar goods” for the purposes of Article 6bis, whether a trademark is liable to create confusion with a well-known mark, and whether a trademark is a “well-known mark” in a given country must be determined in each case on the basis of the facts. The principal factor in determining whether the unauthorized use of a well-known mark is likely to create confusion should be the general impression made on the average consumer in the given place and time. Likewise, whether a mark is well known should depend on the image and reputation of the mark in the mind of the relevant trade circles and the relevant group of consumers at the place and time relevant in the particular case. It is not so much the inherent but rather the effective power of a mark to distinguish that qualifies it as well known. Beyond these general guidelines, authorities have been hard put to reach any agreement as to a uniform definition of a “well-known mark,” primarily because what distinguishes a “well-known mark” from any other mark is a difference in the degree of intensity of image or attraction, an intangible characteristic which ultimately must be evaluated on a case by case basis and which depends on many factors, such as the length of time the mark has been used generally, its association with a particular product or service of reputed quality, and the likelihood of consumers being misled or confused if an unauthorized third party were to use the mark. Given today’s extensive international advertising and communications system, a mark may become well known in a country even if the relevant goods or services are not generally available to consumers in that country. The essential basis of protection of a well-known mark is the reputation of such a mark and not necessarily its use in the country. The reputation should be such that consumers are likely to be confused or misled if an unauthorized third party were allowed to use the mark.

(b) Unauthorized use of a well-known mark for different goods or services

64. The unauthorized use of well-known marks for *different* goods or services—that is, goods or services other than for which the well-known mark is legitimately used—is not covered by Article 6bis of the Paris Convention. Yet, in certain cases, consumers might be confused even if a well-known mark

¹⁶ The States to which this Convention applies constitute the International Union for the Protection of Industrial Property. On March 15, 1983, the Union consisted of the following 92 member States: Algeria, Argentina, Australia, Austria, Bahamas, Belgium, Benin, Brazil, Bulgaria, Burundi, Cameroon, Canada, Central African Republic, Chad, Congo, Cuba, Cyprus, Czechoslovakia, Democratic People’s Republic of Korea, Denmark, Dominican Republic, Egypt, Finland, France, Gabon, German Democratic Republic, Germany (Federal Republic of), Ghana, Greece, Guinea, Haiti, Holy Sec, Hungary, Iceland, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Italy, Ivory Coast, Japan, Jordan, Kenya, Lebanon, Libya, Liechtenstein, Luxembourg, Madagascar, Malawi, Mali, Malta, Mauritania, Mauritius, Mexico, Monaco, Morocco, Netherlands, New Zealand, Niger, Nigeria, Norway, Philippines, Poland, Portugal, Republic of Korea, Romania, San Marino, Senegal, South Africa, Soviet Union, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Tanzania, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Kingdom, United States of America, Upper Volta, Uruguay, Viet Nam, Yugoslavia, Zaire, Zambia, Zimbabwe.

is used by an enterprise other than its legitimate owner for products entirely different from those for which such owner uses the mark. For example, if the mark has been the subject of extensive publicity, all over the country or in many countries and over a long period of time, and the quality of the genuinely marked product or service has led consumers to associate such mark with a certain origin and quality consistency rather than with any specific kind of product or service, the unauthorized use of the well-known mark, regardless of the similarity of the products or services concerned, might confuse consumers as to the origin of those products and possibly also as to their quality. Consumers have an interest in being protected against such confusion, and countries to which the Paris Convention applies are free to extend the minimum protection required by Article 6bis.¹⁷

65. Even in cases where the unauthorized use of a well-known mark for different goods or services is not likely to cause confusion, it might eventually dilute the originality, distinctiveness and reputation of the well-known mark. Protection against dilution of a well-known mark is evidently in the interest of its owner. However, the consumer also has an interest that dilution should not reduce the information value of well-known marks.

(4) Parallel Importation

(a) *Doctrine of international exhaustion of rights versus the principle of territoriality*

66. Frequently, marked goods are purchased legitimately and subsequently are resold without the mark owner's consent. The mark owner usually cannot legally prevent such sale if the goods were first put on the market by him or with his consent, on the theory that the exclusive right to sell goods bearing the mark is "exhausted" by the first act of putting the goods on the market. In other words, the exclusive right to sell goods bearing the mark cannot be exercised twice in respect of the same goods. This is generally known as the doctrine of "exhaustion of rights" or simply "exhaustion."

67. The doctrine of exhaustion is generally recognized where such consecutive marketings of the goods occur in the same country (or in the same free trade area). However, there is a controversy whether the said doctrine should also apply when marked goods which were first marketed legitimately in one country by the mark owner or with his consent are then imported into another country by a third party, and such third party sells the goods in that country without the authorization of the person who owns the mark not only in the country where the goods were made but also in the country to which the goods were imported and where they were sold ("parallel importation"). The controversy arises in the context of parallel importation because each industrial property right has effect only in the country where it was granted (principle of "territoriality") and does not depend on whether protection was granted or not in other countries (principle of "independence of protection"). According to the principle of territoriality, the exhaustion of a mark owner's rights in one country should have no effect in another country; that is, the owner of the mark should be able to prevent the parallel importation of the goods bearing his mark, despite the fact that he parted with the property of the goods in the country from which they are exported.

68. The practical importance of this question to consumer protection is demonstrated by the fact that differences in prices frequently exist between various countries with respect to the same product sold under the same mark. Such differences may stem from general differences in price levels or in manufacturing and commercialization costs among countries. They may also be the result of the marketing strategy of a particular enterprise which is trying to increase its market share in a particular country through a policy of low prices—prices which may be considerably lower than those in the surrounding countries and which possibly could not be applied everywhere without the risk of deficits.

¹⁷ For example, Article 3(1)(d) of the Hungarian Law on Trademarks, No. IX of 1969, does not require that a well-known mark be used for "identical" or "similar" goods in order for such a mark to be protected against its unauthorized use and registration in that country (see *Industrial Property*, 1970, p. 181).

(b) *Advantages and disadvantages of the doctrine of international exhaustion of rights*

69. From the point of view of the consumer, the application of the doctrine of international exhaustion of rights to the case of parallel importation gives rise to the following considerations, one possibly advantageous and the other possibly disadvantageous.

70. (i) *Lower prices for the same goods*: parallel importation may result in a supply of the same products at a lower price than the price applied to such products when available exclusively through the person holding the trademark rights in the country concerned. Consumers benefit from being provided with genuine products, offered under the authentic mark, at a lower price. Sometimes, however, the price difference does not materialize for the benefit of the consumer, namely, when it is pocketed by the parallel importer and/or local retailer.

71. (ii) *Risk of confusing consumers*: parallel importation may introduce into the country products which, despite being genuine and bearing the authentic mark, nevertheless may be different in their characteristics or quality because they were produced for a different market, with possibly different tastes and demands, or from raw materials of a different geographical origin. In such a situation, the fact that the parallel imported products bear the authentic mark makes it impossible to distinguish them from those which were destined originally for the country in question, and consumers might be deceived by purchasing products having characteristics which are different from those expected or desired. Moreover, even if the products themselves are identical in all respects, those marketed by the parallel importer possibly are not covered by the corresponding guarantees and after-sales maintenance services, and the consumer may not be aware of this when buying from the parallel importer.

(c) *Measures to protect consumers*

72. Strict application of the doctrine of international exhaustion of rights to parallel importation would not seem advisable. As indicated, certain economic interests of consumers—namely, benefiting from lower prices resulting from parallel importation and greater competition among suppliers in the market place—in many cases might justify the application of the doctrine of international exhaustion, especially if it does not interfere with the distinguishing, origin and quality functions a given mark serves. However, even in those cases, effective measures should be taken in order to protect consumers. Such measures could include imposing an obligation on the parallel importer to provide:

(i) clear and prominent information on, or in connection with, the imported goods, notifying consumers as to the country of origin of the goods and, where applicable, of the product's differences vis-à-vis the local product;

(ii) the same guarantees with respect to after-sales services, supply of spare parts, etc., as those extended by the owner of the mark or clear notice of the absence of the corresponding guarantees.

73. However, if the trademark owner's goodwill in the country of import has been built around products with certain characteristics and quality and the quality and characteristics of the parallel imported goods are different, parallel importation might interfere with the distinguishing and quality functions of the trademark concerned, confuse consumers and damage the goodwill symbolized by the mark. In specific cases where that proves to be so, the application of the doctrine of international exhaustion would not be in the consumer's interest.

(d) *Other considerations*

74. Parallel importation, nevertheless, is not merely a question of trademark law. Parallel importation can also raise serious issues under unfair competition and sometimes antitrust laws. For example, a mark owner might claim that the parallel importer thereby benefits from an unjustified advantage; or, if the mark owner has appointed an exclusive distributor in the country of import, he might claim interference with a contractual relationship by the parallel importer. The parallel importer, on the other hand, might accuse the mark owner of price fixing and other restrictive business practices.

75. Another matter to take into account is that parallel importation may make the control of the trade in counterfeits much more difficult; in particular, it may place a heavier burden on customs officials in controlling the importation of counterfeits, since it will be much more difficult to identify counterfeit products and segregate them from genuine products being imported under authentic marks.

76. Above all, any satisfactory approach to the problem of parallel importation must be consistent with the overall economic policy of a given country. This frequently means balancing two possibly conflicting policy objectives; on the one hand, to increase supply and lower prices of goods through the promotion of free trade and competition (compatible with parallel importation) and, on the other, to attract direct and indirect foreign investment (e.g., the establishment of local manufacturing plants or the transfer of technology) by providing protection from certain forms of competition (not compatible with parallel importation). Restricting parallel imports, for example, generally benefits local licensees. Although such considerations are beyond the scope of this study, their relevance, in particular to developing countries, cannot be ignored. They also demonstrate that each country must ultimately adopt an approach to parallel importation suited to its particular economic and social needs. However, in doing so, the interest of the consumer should always be taken into account and protected adequately, and if other conflicting legitimate interests exist, it should be balanced against but not sacrificed to those other interests.

(5) Deceptive Marks

77. Some marks convey an idea or image as to certain specific characteristics or a given geographical place. Such marks might be likely to deceive consumers if the idea or image conveyed is inconsistent with the actual characteristics or geographical origin of the marked products or services.

78. There is no general rule as to what constitutes a deceptive mark. However, two factors should always be examined: (i) the idea or image which the mark conveys to the average consumer (the subjective element; for this purpose, the entire circumstances of each case should be considered); and (ii) the factual accuracy of the image conveyed with respect to the actual characteristics and geographical origin of the product or service for which the mark is used (the objective element).

79. For example, deception might occur through a reference to a certain—in fact, untrue—geographical origin, such as by a mark portraying an emblem or a famous landmark of a certain country, region or city. Marks might also be deceptive when they contain words having a foreign spelling or sound, while the marked product or service is of domestic origin. In such cases, consumers might believe that the product originates from a foreign enterprise or a foreign geographical source. Marks might also be deceptive because they refer or allude to a quality or characteristic feature of the marked product, for example, by portraying certain plants or animals which give the impression that the goods (or their ingredients) are derived from such natural sources when, in fact, that is not the case. However, a mark is considered deceptive only if, in addition, the average consumer is likely to believe the false information conveyed by the mark. Sometimes, a mark might convey factually incorrect information, without deceiving the average consumer. For example, the arbitrary use of a mark such as “Golden” for chocolates is not likely to deceive the average consumer into believing that the chocolates are actually made of gold. Therefore, in that particular context, it is improbable that the mark would be considered deceptive.

80. Protection against the use of deceptive marks promotes honest trade practices and fair competition, and, in particular, is in the interest of consumers. Practically all national laws on marks exclude deceptive marks from protection. The Paris Convention, in Article 6^{quinquies} B.3, expressly reserves the right of its member States to refuse protection to trademarks (i.e., deny registration or invalidate trademarks) which are “...of such a nature as to deceive the public.”

81. Whether a mark is deceptive is a question that should be examined *ex officio* by the industrial property office when registration is applied for. Interested parties should also be allowed to oppose the registration of deceptive marks. If it seems that a mark is inherently deceptive, registration should be refused. If it appears that a mark is only potentially deceptive, registration can be granted, but only on the condition that the mark will be used exclusively in connection with products or services which comply with the characteristics or originate from the region or country suggested by the mark. Noncompliance with such a condition should be penalized with up to the cancellation of the registration of the mark.

82. Sometimes, it cannot be foreseen that a mark will be deceptive until it is used deceptively. In those cases, the appropriate government agency *ex officio* and interested parties should have recourse to enjoin the use of the mark until the deceptive effect on consumers is corrected. Whenever possible, mark owners should be allowed to correct the deceptive effect which a given mark might have on consumers. In this respect, labelling and other forms of notification might be particularly useful.

83. Sometimes, the use of deceptive marks can cause economic damage to competitors and consumers, in which case the possibility to recover damages incurred should be available. Moreover, it should be possible for the competent government authorities *ex officio* and interested parties to petition cancellation of the registration of deceptive marks.

84. To the extent a deceptive mark might constitute a false or misleading indication, it might also be prohibited by laws on unfair competition and on false and deceptive advertising¹⁸ and, to the extent relevant, by laws on geographical indications.¹⁹

(6) Generic Names

85. As already discussed, one of the principal functions of a mark is to distinguish the goods or services of an enterprise from those of another. However, by its very nature, the generic name of a given product or service cannot serve such a function with respect to such a product or service. A generic name groups items by their common characteristics. It does not distinguish among them.

86. Since generic names cannot function effectively as marks, they are generally denied registration and protection as marks in almost all countries. The objective is not to prohibit the use of generic names but to prohibit the granting to any one enterprise of the exclusive right to use a generic name. Thus, generic names are considered in the public domain and freely usable by anyone. This is in the interest of consumers and of fair competition in general, since otherwise an enterprise could prohibit competitors from marketing competing goods or services under their generic name.

(a) Standards for determining what is a generic name

87. A word or sign is generally considered generic if, in accordance with common language usage, it does not function as a mark for the average consumer. Rather than distinguish the marked product or service from similar ones or refer to its source, the word or sign primarily identifies such product or service by its type.²⁰

88. It is not merely the dictionary meaning of the word that is relevant but its commonly understood meaning. In some cases, geographical or personal names as well as pictures or symbols, depending on the image or idea they commonly convey, might be considered as generic for the purposes of the law on marks. Foreign words, abbreviations, misspellings and composites of generic words might also constitute generic names depending on how they are understood by the average consumer.

89. Furthermore, whether a particular sign constitutes a generic name must be determined in terms of the specific products or services for which it is intended to be used as a mark. A word which is the generic name of a certain kind of product might function effectively as a mark if used arbitrarily for a totally unrelated type of product. If there is no connection between the common meaning of a word and the goods or services for which such word is used as a mark, such word might distinguish those goods or services effectively and, therefore, could be protected as a mark for use in connection therewith. Referring again to the example of “Golden” chocolates—such term might function as a mark for purposes of selling chocolates, although it might constitute a generic (or “descriptive”) name for golden jewelry products.

¹⁸ See below paragraphs 248 to 269.

¹⁹ See below paragraphs 199 to 247.

²⁰ A word or sign may also describe a particular quality, ingredient or form of use of a product or service. Such a word or sign may frequently be referred to as “descriptive,” although the line between what constitutes a “generic” or a “descriptive” term is nebulous. In fact, the distinction may be somewhat esoteric, since both generic names and descriptive words are usually denied protection and registration as marks and some laws no longer even attempt to draw the conceptual distinction.

(b) Deterioration of a mark to a generic name

90. Generic names are generally denied registration and protection as marks at the registration stage. At that stage, usually the only issue is whether the term or sign in fact constitutes a generic name or not.

91. However, much more difficult issues, which often require a balancing of several legitimate interests, arise when a term which originally functioned effectively as a mark degenerates into a generic name as a result of extensive use, advertising and popular association of the term with the marked goods or services as a type. This frequently occurs when a mark is used for a new and unfamiliar product so that this type of product and the mark become synonymous.

92. In such cases, the mark owner has an interest in not losing the exclusive right to his mark and its goodwill and reputation which he has long worked to build (and to lose such right, ironically, frequently because of a successful marketing strategy). However, consumers have an interest that marks function effectively to distinguish goods and services and indicate their origin. Competitors have an interest in not being restricted from entering the market and selling the same type of goods or services under the name by which such goods or services have become generically known by the consuming public. Such restrictions can frequently result in a limited choice of products and higher prices, to the detriment of consumers as well.

93. In spite of the legitimacy of the interests of all parties concerned, if a mark is transformed into a generic name, the exclusive right to use such mark usually ceases to be protected. Although the loss of the exclusive right to a mark is evidently unfavorable to its owner, in this context the purpose is not to penalize the owner of the mark. The objective is to protect consumers and promote fair competition as well as to preserve the integrity of marks as signs which serve to distinguish goods or services. Therefore, it is frequently argued that it should be secondary whether the mark was transformed into a generic name through any inaction or action by the mark owner or in spite of any efforts on his part to prevent such transformation; the decisive factor should continue to be the common understanding of the term by the average consumer. It is claimed that if, on that basis, the term no longer functions as a mark, there is no justification to continue protecting it as a mark. Furthermore, if a mark becomes a generic name, its use by competitors for the same goods can no longer constitute a passing off of such goods as originating from the mark owner. In such case, consumers are not likely to believe that such product necessarily originates from the mark owner if the mark for them no longer distinguishes such product nor identifies its source but merely refers to the product by its type. It is the protection of mark owners and consumers against such passing off and deception that constitutes one of the essential reasons for trademark protection.

94. The most problematic cases are those where a mark might acquire a generic meaning for some consumers and not for others. Here, an additional concern arises. If a mark continues to serve as a device to distinguish certain goods or services and identify their origin for a group of consumers, such consumers might be confused by the free use of such mark as a generic name. Therefore, a conflict might exist among the interests of different groups of consumers. In such a case, in some countries, a sign continues to be protected as a mark, although it has acquired a generic meaning among a majority of consumers, if it still functions as a mark for some members of the trade and its deterioration to a generic name cannot be said to be irreversible (e.g., Switzerland). In other countries, it is the general understanding by the consuming public that is decisive, and not necessarily all consumers must consider a sign a generic name for it to lose protection as a mark (e.g., the United States of America).

95. Since the individual circumstances surrounding each case are quite different, it is difficult to suggest any general rule or standards for these special cases of a mark transforming into a generic name for only a segment of consumers. Nevertheless, two points should be made. First, the loss of trademark protection by reason of a mark degenerating into a generic name carries such severe consequences for its owner that it should be seen as an exceptional measure and not as a commonly applied rule. Second, every attempt should be made to formulate flexible solutions and remedies that take into account the interest of all parties concerned within the context of the particular facts of each case. There are many cases where courts in various countries have attempted to reach a fair compromise among conflicting interests, through what, however, some may view as somewhat unorthodox solutions. For example, some courts in the United States of America and in the United Kingdom have held that, if a significant minority of

interested consumers considers that a sign is still a mark while it has become a generic term for the majority of the interested consumers, competitors are allowed to use the sign as a generic name but only on condition that they do so along with their own marks, trade names or other kind of notice. This is seen as a means of reducing the possibility of competitors unfairly taking advantage of whatever goodwill the sign might symbolize for the group of consumers for whom the sign still functions as a mark, while, at the same time, putting those consumers on notice that the goods or services sold under a competitor's mark actually originate from a different enterprise.

96. One of the most effective ways to protect the interests of consumers, mark owners and competitors, and to preserve the integrity of marks as signs to distinguish goods or services, is to prevent marks from becoming generic names. Once such a transformation occurs, it is difficult to formulate a solution which will satisfy the interests of all parties concerned, i.e., consumers, mark owners and competitors.

97. On one level, mark owners, on their own initiative, can take precautions to prevent their marks from transforming into generic names, particularly if the mark is being used for a new product to be marketed to the general public (as opposed to, for example, a specialized group of consumers in the trade) or when the mark already has a concrete meaning which could easily grow to be associated with the marked goods or services as a type. For example, precautions can be taken in the way a marked product or service is advertised and by using the generic name of a product or service along with the mark whenever possible.

98. In addition, countries could consider enacting laws which would encourage, and sometimes even require, mark owners to take such precautionary measures and which would provide legal remedies to help mark owners safeguard their marks from deteriorating to generic names. For example, one common cause of a mark becoming a generic name is its frequent use, in publications and other means of communications, as a reference to a type of product or service and not as a registered mark which distinguishes certain products or services of that type. In response to such frequently pervasive and incorrect use of marks, in Scandinavian countries, for example, owners of registered marks can request that their marks not be reproduced in various forms of printed material without clearly indicating that the device constitutes a registered mark.²¹

(7) Assignment of Marks

99. An assignment is a transfer from one person or enterprise to another of the rights in a given kind of property. Since the exclusive right to a mark constitutes a form of property, marks are generally assignable. However, a mark represents an intangible property whose value ultimately consists of the goodwill such mark symbolizes and which serves consumers by distinguishing goods or services, referring to their origin and indicating a certain quality consistency. Insofar as an assignment of a mark might result in a breach of continuity in the goodwill the mark symbolizes and the origin and quality consistency of the products or services for which it is used, consumers might purchase products or services sold under the assigned mark in reliance of a goodwill the mark no longer represents and might be misled as to the origin and quality consistency of such goods or services. Therefore, the conditions under which marks should be assigned require particular consideration, especially from the point of view of protecting consumers against such possibly misleading effects. Consequently, most countries subject assignments of marks to a particular legal regime, although the regime varies from country to country, primarily due to differences in the way the role of marks is viewed and in the importance accorded to the various functions of marks.

(a) Assignment of a mark with the entire enterprise

100. The assignment of a mark along with all the assets of the enterprise which has used and owned such mark seldom presents difficult problems. If the mark is assigned along with the enterprise, technically the goods or services to be sold under the assigned mark will continue to originate from the same

²¹ For example, Section 11 of the Trademarks Act of Sweden (Law No. 644 of December 2, 1960) (see *Industrial Property*, 1962, p. 42).

enterprise, and the law presumes that the means to provide for continuity in their quality are transferred as well.

(b) *Assignment of a mark with the corresponding part of the enterprise*

101. However, problems may arise if a mark is assigned along with only part of the other assets of the enterprise or no other assets at all. Such problems are compounded if the assignor transfers the right to use his mark for certain goods and retains the right to use the mark for other goods. An assignment under such circumstances raises even more serious questions as to possible interference with the origin and quality functions of the marks concerned and, consequently, the likelihood of misleading consumers.

102. If the primary function of marks is considered to be their function to indicate the origin of a particular product or service,²² it is argued that consumers may be misled if the mark is assigned independently of the enterprise to which it refers. Consequently, some national laws on marks do not (or did not) permit assignments (or other types of transfer) of a mark without the enterprise to which the mark relates. Today, such rule is generally less rigidly applied. Although approaches vary, most countries which adhere to this view today, such as the Federal Republic of Germany, Switzerland, and the United States of America, among others, generally do not require that the entire business be transferred along with the mark, but only the corresponding part.²³ For example, in the United States of America, a registered mark is assignable if that part of the goodwill of the business connected with the use of and symbolized by the mark is also transferred. It is not necessary to include the goodwill of the business connected with the use of and symbolized by another mark used in that business.

(c) *Free assignment of marks*

103. On the other hand, if the function of marks to indicate origin is considered less important than their functions to distinguish goods and services and indicate a quality consistency,²⁴ it is argued that a mark should be assignable even without any portion of the enterprise to which it refers ("free assignment"). However, even if one were to ignore totally the origin function of marks, a free assignment of a mark might still result in misleading consumers, for example, if the assignee does not maintain reasonable quality consistency of the marked goods or services or if a close association had developed between the mark and a particular geographical source from which the goods or services sold under the assigned mark no longer originate. Consequently, many national laws which, in principle, recognize free assignments of marks provide for measures to safeguard consumers and generally do not recognize such assignments as valid if their effect is likely to mislead consumers. For example, the Trade Marks Act of the United Kingdom recognizes the free assignability of registered marks for all or some of the goods in respect of which the mark is registered, except if, as a result of the assignment, exclusive rights to use similar or identical marks (in relation to the same goods) subsist in more than one of the persons concerned, and the use of such marks, considering the similarity of the goods and the marks, is likely to deceive or cause confusion. However, even in such a case, if the Registrar is satisfied that in all possible circumstances the use of the marks would not be contrary to the "public interest," he can still approve such an assignment. Furthermore, whenever any mark with respect to any goods is assigned without the goodwill of the business, the assignee must advertise the assignment in accordance with the Registrar's instructions.²⁵

²² See paragraphs 29 and 30, above.

²³ Section 8 of the Trademark Law of the Federal Republic of Germany of January 2, 1968, as last amended in 1979 (see *Industrial Property Laws and Treaties*, GERMANY, FEDERAL REPUBLIC OF—Text 3-001); Section 11 of the Federal Law on the Protection of Trademarks, Indications of Source and Industrial Distinctions of Switzerland of September 26, 1890, as amended in 1939 (see *La Propriété industrielle*, 1939, p. 179); Section 10 of the Trademark Act (Lanham Act) of the United States of America of 1946, as amended (15 USC 1060) (see *Industrial Property*, 1966, pp. 82, 113).

²⁴ See, respectively, paragraphs 27 and 28, and 31 to 36, above.

²⁵ Sections 22 to 25 of the Trade Marks Act of the United Kingdom of 1938 (see *La Propriété industrielle*, 1938, pp. 178, 198, 219), as amended.

(d) The Paris Convention

104. Some countries which have considered marks assignable only along with the transfer of the corresponding enterprise had required that the entire enterprise be transferred, even if such enterprise or parts thereof were located abroad. Under such constraints, many international assignments became impracticable. In response to the needs of international commerce and consistent with the principle of the independence of the rights acquired in the same mark in different countries (established in Article 6 of the Paris Convention), Article 6*quater* of the Paris Convention provides that, when the law of a country of the Union requires that a mark be assigned along with the transfer of the enterprise or goodwill to which the mark belongs, it shall suffice if the portion of the business or goodwill located in that country is transferred to the assignee, together with the exclusive right to manufacture or sell in said country the goods bearing the mark assigned. However, countries of the Union are not obliged to regard as valid any assignment of a mark if the use of the mark by the assignee would mislead the public, particularly as regards the origin, nature, or essential qualities of the goods to which the mark is applied. For example, if, in a given case, consumers might be misled or confused because a mark is assigned for use with only some goods and such goods are similar to other goods for which the assignor has not assigned the mark, a country of the Union is free to impose additional conditions to safeguard consumers or not to recognize the validity of such an assignment.

(e) Measures and sanctions

105. What, in any given country, might be the most suitable approach as regards the assignment of marks, in great part, depends on the particular legal system and the institutional infrastructure of the country. However, to the extent the objective is not to restrain mark owners from disposing of their marks but rather to protect consumers against confusion, a formalistic approach would not seem generally advisable. Concern should focus primarily on the likely effect on consumers. This means establishing controls sufficiently effective to prevent assignment in cases in which it might result in misleading consumers as to the origin or quality of the goods or services with respect to which the assigned mark is or will be used, rather than to prohibit *a priori* any assignment which is not accompanied by the assignment of the enterprise or part of the enterprise to which the mark refers.

106. One possible measure is to require that assignments of marks be registered with the industrial property office, and, if practicable, subject to prior verification by such office or another competent authority that the use of the assigned mark would not be likely to mislead consumers. If an assignment is not duly registered, it could, for example, be considered void as against third parties. Of course, examination of assignments before their registration is a demanding task and, therefore, may not always be as thorough as it should be. Moreover, the misleading effect of an assignment might not become evident until after the assigned mark is used. Therefore, it should also be possible for the competent authorities, *ex officio*, and for interested parties to request the cancellation of the registration of assignments that subsequently prove to result in misleading consumers.

107. In addition to the inherent drawbacks just mentioned, a major disadvantage of requiring the registration and, in particular, prior examination of assignments is the time involved and the resources needed for such examination. Many countries may not be ready to mobilize the means to institute such a procedure. Even in such countries, however, control can still be exercised at the judicial level by the law providing that assignments which have a misleading effect on consumers cannot be invoked to assert any rights in the mark.

108. However, the aforementioned measures do not always result in effectively protecting consumers. For example, if the assignee cannot invoke the rights in his mark because the assignment is not registered, etc., the assignee may still continue using the mark. Therefore, additional remedies should be available, including, for example, the possibility of enjoining the use of the mark and recovery of damages incurred as a result of the misleading effect of an assignment.

(8) Licensing of Marks

109. A license of a mark is generally understood to consist of an authorization granted by the owner of the mark to another person permitting the latter to use such mark. The authorization can be exclusive—that is, no one other than the licensee is authorized to use the mark—or non-exclusive, and

it can allow the use of the mark for all goods or services to which it applies (i.e., for which it was used or registered) or for only some.

110. The licensing of marks raises questions similar to those concerning the assignment of marks, and the answers to such questions depend, once again, on the relative importance accorded by the law to the various functions of marks. Based on a literal interpretation of the origin function of marks, many national laws have—in the past—not admitted the licensing of marks. Today, this position has practically disappeared as a result of the general acceptance of the theory that marks will still serve their origin function even if the goods or services are not in fact those of the owner of the mark but are those of an enterprise authorized (“sponsored”) by the owner of the mark to use said mark. At the same time, there has been a growing recognition that marks also function to indicate a certain consistency in the quality of the goods or services for which they are used. Therefore, most national laws today generally recognize the licensing of marks, provided some connection between the licensor and licensee is maintained so as to ensure a common source, in the broad sense, and a reasonable quality consistency of the goods or services sold under the licensed mark.

(a) Quality consistency

111. As regards consumer protection, the main concern raised by the licensing of marks is that consumers should not be misled as to the quality of the goods or services to be sold under the licensed mark. Since consumers generally expect that goods or services sold under the same mark are consistent in quality (due to the quality function of marks), consumers might be misled if the quality of the goods or services marketed by the licensee under the licensed mark is not consistent with the quality of the goods or services sold by the licensor (and other licensees) under the same mark.

112. As already discussed with respect to the quality function of marks,²⁶ consistency in quality does not necessarily mean that the goods or services sold under the licensed mark by the licensee(s) and licensor must be identical in all respects. Quality consistency, in this context, generally refers to the end product and the quality standards and specifications under which the product is manufactured or the services rendered. The source of components or ingredients or minor adjustments to taste preferences should not be seen as necessarily affecting quality in this context. For example, although consumers are justified in expecting ingredients of the same quality grade, it would be unreasonable to expect ingredients to come from the same geographic region, especially if the products sold under the licensed mark by the licensee are manufactured in another country than those sold by the licensor. Furthermore, a licensee should be allowed to adjust the products or services sold under a licensed mark to local tastes, provided such adjustments do not reduce their quality and durability (taking into account differences in climate and other such factors which inevitably and, therefore, legitimately may affect quality).

113. One way to ensure the quality consistency of goods or services sold by a licensee under a licensed mark is for the licensor to constantly control the quality of such goods or services by setting quality specifications and monitoring compliance therewith. In most cases, the exercise of such quality control by the licensor is not only in the consumer's but also in the licensor's interest, since the licensor thus protects the reputation and goodwill symbolized by his mark, and, for this reason, most licensors generally control the quality of the products or services sold under their marks. However, there may be cases when a licensor might not be motivated by such interest, for example, if the mark is licensed for goods or services to be sold in a noncompetitive market (e.g., a market where similar goods or services are not available or, if available, they are sold under weak marks). Therefore, some countries expressly provide for the obligation for licensors to exercise effective quality control over the goods or services to be sold by licensees under licensed marks, either by stating this obligation in the law and/or by providing in the law that license contracts must include adequate provision for the maintenance and control of quality. For example, in Colombia, a license contract must contain clauses ensuring the quality of the goods produced or services rendered by the licensee; the owner of the mark must exercise effective control over such quality and is jointly liable to third parties for any damages caused by insufficient quality.²⁷

²⁶ See paragraphs 31 to 36, above.

²⁷ Section 594 of the Commercial Code of Colombia (Decree No. 410) of March 27, 1971 (see *Industrial Property*, 1972, p. 128). The competent entity responsible for enforcing quality standards shall take adequate measures to guarantee such quality and impose any necessary sanctions.

In the United States of America, it is generally agreed that implicit in the definition of “related company” in Section 45 of the Trademark Act (Lanham Act) of 1946 is the duty of the licensor to control the quality of goods and services sold to consumers under a licensed mark.

114. The exercise of legitimate quality control by the licensor also benefits the licensee since consistent high quality makes his products or services more competitive and since quality control frequently implies the acquisition, from the licensor, of the latter’s know-how and technology. Therefore, licensees generally not only comply with the licensor’s quality specifications but also seek the licensor’s assistance and cooperation in maintaining the quality standards of the products or services sold under the licensed mark. However, in some cases, and in spite of the licensor’s best efforts to exercise quality control, a licensee, through inability, negligence or bad faith, might not comply with the quality standards set by the licensor. Therefore, countries may consider imposing an obligation also on the licensee to maintain reasonable quality consistency and to comply with the quality standards set by the licensor. In some countries, a licensee who has not complied with the licensor’s quality specifications can be held liable for breach of contract or trademark infringement under general principles of contract and trademark law.

(b) Possible measures and sanctions to enforce quality consistency

115. Various types of measures and sanctions can be considered to ensure quality control by the licensor and compliance therewith by the licensee in order to protect consumers from being misled as to the quality of goods and services sold under licensed marks. The following are some approaches which are discussed only as possible alternative or complementary measures that countries might consider adopting in this respect; however, which measures and sanctions, if any, might be the most suitable for any given country must be evaluated in the context not only of consumer protection but also of transfer of technology and foreign investment policies, with a view, as well, to the particular conditions, public resources and the legal and administrative systems and infrastructure of each country.

(i) Approval and registration of license contracts

116. One possible approach, whose advantages and disadvantages, however, would have to be carefully examined, is to adopt a registration system whereby all or only certain license contracts of marks would have to be approved by and registered with the industrial property office or another competent government authority. Under such systems, approval and registration of license contracts could be denied where the license contract did not provide for effective quality control by the licensor or where the use of the licensed mark would be likely to mislead consumers in other ways.²⁸ Without approval and registration, the license contract would be considered invalid, either as to third parties or also as to the parties thereto.

117. Under a registration system, if the licensor did not actually exercise reasonable quality control and/or the licensee did not comply therewith, or if the licensed mark was used in a way misleading to consumers, the registration of the license contract could be subject to cancellation or at least suspension.²⁹ Furthermore, the formal contractual obligation to control quality should provide both the licensee and licensor with certain remedies with respect to each other in order to enforce that obligation, such as termination of the license contract and/or recovery of damages incurred as a result of the licensor not exercising quality control or the licensee not complying therewith.

118. One serious disadvantage of an approval and registration system is that it can increase the administrative procedures and time involved in concluding licensing agreements. Such system certainly requires a significant investment by the government to ensure that the office responsible for approving and registering license contracts has sufficient facilities and qualified staff to carry out its responsibilities

²⁸ Registration could also be denied on other grounds unrelated to consumer protection (e.g., restrictive clauses such as those limiting exportation, fixing resale prices, etc.).

²⁹ For example, in Brazil, the registration of a license contract can be suspended if the goods or services sold by the licensee under the licensed mark are not of the same quality as those originally sold by the licensor, “principally in order to protect the consumer.” Section 3.5.1 of Normative Act No. 015 of Brazil of September 11, 1975 (see *Industrial Property Laws and Treaties, BRAZIL*—Text 6-001).

effectively and efficiently. On the other hand, it has been advanced that an approval and registration system has the advantage of a competent government entity directly ensuring that the consumer's interest as well as other economic interests of the country are taken into account in all license contracts subject to registration, prior to their performance.

(ii) *System without approval and registration of license contracts*

119. Another possible approach (and which has proven viable in several countries) is for the law to impose certain obligations regarding quality consistency and leave any questions and disputes concerning compliance therewith primarily to the courts or another competent authority. For example, in countries where the approval and registration of license contracts of marks might not be practical, or where only certain license contracts must be approved and registered, the law can still impose the duty on the licensor to exercise effective quality control and on the licensee to respect quality requirements, regardless of whether or not such obligation is expressly included in the terms of the contract. In such case, where the quality of the goods or services sold by a licensee under a licensed mark is not consistent with the quality of the goods or services sold under the same mark by the licensor, and the licensor is unable to prove that he had exercised adequate quality control, the license contract could be held invalid. Inadequate quality control by the licensor or noncompliance with quality requirements by the licensee could also constitute sufficient grounds for termination of a license contract and recovery of damages by either party thereto (even in the absence of any express agreement to that effect) and by any other party that could prove to have incurred actual damages as a result thereof.

120. In effect, many of the remedies and sanctions which could be made available under a system without approval and registration of license contracts are similar to those which could be made available under an approval and registration system. One major difference is that a system without approval and registration generally depends on judicial rather than administrative enforcement. Questions as to the obligations of a licensor and licensee and as to the validity of a license contract would arise primarily in the context of a litigation between the parties or between one of them and third parties. Therefore, a system without approval and registration may interfere less with the negotiation stage of license contracts and, as a whole, probably requires less public resources in terms of infrastructure and qualified staff than the approval and registration system. It might prove satisfactory especially in countries where the judiciary can handle efficiently the complex disputes which may arise in relation to the licensing of marks and where parties to license contracts and interested third parties are generally in a position to institute judicial proceedings to enforce and protect their rights with respect thereto. However, in countries where interested parties find themselves in a particularly weak and, therefore, defenseless position (e.g., small local licensees, small competitors and low-income consumers), an approval and registration system offers the additional control of a competent government entity examining, *ex officio*, license contracts in order to ensure that, at least based on their terms, such contracts provide for effective quality control over the goods or services to be sold under the licensed mark and will not result in misleading consumers in other ways. Furthermore, in an approval and registration system, as already noted, noncompliance with the quality-related obligations by the licensor and/or licensee could be challenged through administrative proceedings which generally tend to be less costly and time-consuming than judicial proceedings.

121. A variation between the systems just discussed is to require that license contracts (or certain kinds of license contracts) merely be registered, without prior examination or approval. Such a system would be much less costly and cumbersome than one requiring examination and approval. One of its advantages is that license contracts can thus still be made part of the public record and available for inspection by interested parties and thus be a source of useful information and statistics.

(iii) *Civil liability for damages*

122. If licensors and licensees are to be subject to certain legal obligations as to the quality of products and services sold under a licensed mark, with a view, among others, to protect consumers against confusion and deception, then countries may consider whether consumers should also not have a right of action against licensors and licensees (individually, jointly or proportionally, depending on the particular case) to recover actual damages incurred as a result of a licensor's failure to exercise adequate

quality control or a licensee's failure to comply with quality requirements or as a result of a licensed mark having been used to mislead consumers. Such a right of action already exists in several countries, frequently at common law or under special consumer protection or fair trade practices laws, although the basis for liability may in part arise from obligations imposed by the law on marks (e.g., the licensor's obligation to exercise quality control and the licensee's responsibility to comply with quality requirements).³⁰

(iv) *Notice to consumers*

123. Countries may also study whether it might not be desirable, at least for certain cases, to require that information be provided which is sufficient to put consumers on notice that a mark is being used pursuant to a license, to identify both the owner of the mark and the licensee, and to indicate the actual source of products or services sold under the licensed mark.³¹ Such information would have to appear in a prominent place and be presented in a clear format, in accordance with the rules governing label statements in general. In some cases, it might be desirable to require that similar information be included in advertising of goods or services sold under a licensed mark (e.g., if exclusion of such information would be likely to mislead consumers). Under normal circumstances, the above information could be conveyed relatively succinctly, for example: "Made in (country) by ABC company under license of the owner of the mark 'I,' the XYZ company of (country)." Such information would at least notify consumers that the mark is being used pursuant to a license, help them trace the entities responsible for the goods or services sold thereunder, and indicate the geographical source of such goods or services.

(c) *Restrictive business practices*

124. In some cases, there may be a fine line between what constitutes the exercise of "legitimate" quality control pursuant to a license contract and what constitutes a restrictive business practice. Naturally, the former should never be a pretext for engaging in the latter. The quality control exercised by the licensor should always be "legitimate"; i.e., it should be justified by what is required to ensure the quality consistency of the products or services sold under the licensed mark, and nothing more. In particular, it should not be used for gaining advantages at the licensee's expense. For example, requiring the licensee to purchase certain components used in the manufacture of the marked product, from himself (the licensor) or other specific enterprises, on the pretext that without such components the products will not have the required quality would, as a general rule, be prohibited, frequently under monopoly or antitrust laws or under transfer of technology regulations. Another example is that the licensor inflates the costs actually incurred in exercising quality control so as to exact from the licensee payments of what actually might constitute hidden royalties, particularly in countries which limit or otherwise restrict royalty remittances for the licensing of marks. Such practices are illegal under many national laws; they also might unfairly increase the price charged consumers for the products or services sold under the licensed mark.

125. However, the possibility of such abuses occurring should not be a reason for dispensing with the licensor's obligation to control quality, which, if legitimately exercised, benefits the consumer, the licensor and the licensee (for the reasons already stated). Instead of dispensing with the licensor's obligation to control quality, additional legal measures can be adopted (and frequently this may mean outside the industrial property field) to prevent the above-mentioned abuses. For example, in countries where royalties are limited, payments and remittances of additional fees can be closely controlled; unjustified restrictive clauses and arrangements in connection with the licensing of marks can be prohibited; and, in those exceptional cases which might warrant the licensee being obliged to obtain certain material from the licensor or other sources chosen by the licensor, it should be ensured that the conditions of supply, especially as to pricing, are justified and reasonable.

³⁰ Some of the more interesting legal developments in this area have occurred in the United States of America, where recently several courts have found licensors strictly liable to consumers for damages caused by a defective product manufactured by a licensee and sold under the licensor's mark.

³¹ For example, in Mexico, products sold under licensed marks (i.e., sold by a "registered user") must bear the name of the licensee (i.e., the registered user) and the indication of the place of manufacture or production. Section 137 of the Law on Inventions and Marks of Mexico of December 30, 1975 (see *Industrial Property Laws and Treaties*, MEXICO—Text 1-001).

(9) Foreign Marks, Particularly in Developing Countries

126. A foreign mark may be defined as one which is owned by a national or resident of a foreign country. It can also be defined as a mark which was originally filed, registered and/or used abroad. For the average consumer, a mark may appear to be foreign even if it does not correspond to those definitions. Frequently, marks which are believed to be foreign (whether, in fact, they are or not) have a special appeal for consumers. In the minds of the consumers, goods or services associated with a given foreign country may have a superior or at least special desirable quality. The attractiveness of foreign marks is of particular concern as regards consumer protection and consumption habits, specially in many developing countries. A significant proportion of marks used in developing countries are foreign marks, and many of them originate from or are owned by nationals of industrialized countries. Such marks usually have a strong economic and cultural attractiveness for consumers in developing countries, since they are frequently associated with tastes, fashionable in countries whose way of life has a strong influence all over the world.

127. As regards, specifically, consumer protection, one of the principal concerns raised by foreign marks, particularly in developing countries, involves this intangible force that foreign marks exert and the consequent effect on consumer expectations, especially as to the quality and geographical origin of goods and services sold under the foreign mark, as well as the likelihood of consumer deception if such goods and services do not meet those expectations. This concern becomes particularly acute in the case of marginally literate consumers. For these consumers, written clarifications, information or warnings in the form of a label, advertisement or notice are rarely useful. A foreign mark, as a distinctive sign which they can easily identify and associate with all those things "foreign" (quality, prestige, modern technology, whether justifiably or not), thus acquires even more importance and exerts an even greater influence over their expectations and purchasing decisions. It is difficult to determine to what extent the law on marks can respond to such legitimate concerns and to what extent these do not involve socio-economic problems solutions to which should be sought outside the law on marks. Nevertheless, the specific concern with the likelihood of some foreign marks under certain circumstances misleading consumers as to the geographical origin or quality of the goods or services sold thereunder is a matter to which laws on marks and other areas of industrial property may have to respond.

128. All this does not necessarily mean that foreign marks should be singled out for special treatment. In fact, both practical and legal considerations weigh against such an approach. A residence or nationality qualification, or the choice of the first country of filing, registration or use, can frequently be met so that a mark would not, legally speaking, be foreign. Furthermore, any discriminatory treatment on the basis of nationality or domicile would be incompatible with the "national treatment" principle of Article 2 of the Paris Convention. The said Article, in conjunction with Article 3 thereof, establishes that persons entitled to the benefits of the Convention shall, as regards the protection of industrial property, enjoy in all countries bound by the Convention the advantages their respective laws grant to their own nationals. Even accepting only the second definition of a foreign mark (i.e., the definition based on the first country of filing, registration or use), some problems might still arise with respect to the Paris Convention since, pursuant to the independence of rights principle under Article 6, such a foreign mark theoretically does not exist once domestic registration is granted.

129. Solutions should rather be sought by identifying any likely harmful effects that may result from the use of foreign marks in any given country and then to adopt measures to protect consumers against such effects rather than to adopt measures against foreign marks *per se*. Furthermore, any appropriate measures that may prove necessary might not always fall within the field of marks, but rather under special laws on labelling, advertising, fair trade practices or consumer protection. For example, if it seems that foreign marks are likely to mislead consumers as to the geographical origin of goods or services sold under foreign marks, then measures should be adopted to ensure that the geographical source is clearly indicated on goods and in connection with services. If it seems that foreign marks are likely to mislead consumers as to the quality of goods or services sold under foreign marks, then it should be ensured that quality is more rigorously controlled by the owner of the mark in those sectors or types of transactions in which confusion as to quality is most likely to occur. To the extent a foreign mark might constitute a deceptive mark in the sense discussed in paragraphs 77 to 84 (e.g., by the mark containing foreign words when the marked product is manufactured domestically), it should be denied protection on grounds of

its deceptiveness (rather than its “foreignness”). Insofar as goods or services sold under foreign marks might be promoted through advertising or other schemes involving false or misleading allegations as to the characteristics of the goods or services sold thereunder or discrediting a competitor’s goods or establishment, such promotion should be prohibited as an act of unfair competition but again because of the promotion methods used and not because of the “foreignness” of the mark itself (in this respect, the pertinent considerations in paragraphs 248 to 269 on indications and allegations contrary to honest practices fully apply).

(a) Geographical origin

130. As already mentioned, sometimes a foreign mark may be associated with a foreign source or even a specific country because of the mark’s reputation and not because of any particular characteristics of the mark itself (e.g., “Tobler” with Switzerland or “Levi’s” with the United States of America). In such a case, consumers might expect that goods or services sold under such mark originate from abroad or from that specific country. If, in fact, that is not the case, consumers might be misled (e.g., if the foreign mark is used for domestic products or if the foreign mark associated with a certain country is used for products manufactured in a third country and then imported into the country concerned). However, although in some cases foreign marks, especially well-known foreign marks, might be more likely to mislead consumers as to the geographic origin of domestic goods or services sold thereunder, consumers have a general interest in being protected against such deception, regardless of whether goods or services are sold under a local or a foreign mark or no mark at all. Therefore, solutions should be sought in regulating effectively the use of geographical indications and making the use of indications of source compulsory at least for certain goods and services.³²

(b) Quality

131. Sometimes, a foreign mark by mere reputation might be associated with a certain quality. As a general rule, consumers expect that the quality of goods or services sold under a foreign mark will be consistent with the quality of the same goods or services sold under such mark elsewhere (quality consistency in the broad sense already discussed herein; i.e., making allowances for differences in taste, geographical origin of ingredients, etc.). If the quality of the goods or services sold under a foreign mark is inconsistent with the quality for which the mark is reputed and which consumers expect, consumers may be misled. However, in principle, this would seem to apply with respect to goods and services sold under domestic marks as well.

132. Nevertheless, it is sometimes alleged that products or services sold under foreign marks in developing countries present a special problem because they are frequently of a lower quality than that of analogous products or services sold under the same mark in industrialized countries. If foreign marks do prove to present a particular problem in this regard, it might be useful to identify the sectors or types of transactions in which foreign marks are frequently used or in significant proportions and in which the likelihood of misleading consumers is particularly great. Once these are identified, measures can be adopted (and frequently this may mean outside the industrial property field) to ensure effective quality control over the goods or services sold in such sectors or pursuant to such transactions.

(i) Licensing of foreign marks

133. Foreign marks are frequently used in a country pursuant to a license of a mark from its foreign owner to a licensee in that country. Generally, consumers expect the quality of the goods or services sold by a licensee under a licensed mark to be consistent with the quality of the goods or services sold by the licensor (and other licensees) under the same mark. Therefore, one of the main concerns is to ensure the quality consistency consumers reasonably expect and thus to protect consumers from being misled as to the quality of goods and services sold under licensed foreign marks. However, at least in principle, the licensing of domestic marks gives rise to the same concern. Therefore, it would seem advisable that

³² Geographical indications are further discussed below in paragraphs 199 to 247.

measures should be adopted to ensure quality consistency of goods and services sold under licensed marks, regardless of whether such marks are domestic or foreign. In this respect, the considerations discussed above in paragraphs 111 to 125 fully apply.

(ii) *Importation*

134. Foreign marks also are frequently used on imported products. It has been asserted that imported goods sold under foreign marks in developing countries are sometimes outdated, inferior in quality, untested and occasionally even defective or dangerous (e.g., products whose sale is prohibited in the country of origin for health or safety reasons). Many consumers purchase such imported products because of the reputation of the foreign marks under which they are sold. Although a question might naturally be raised as to whether such products should be allowed to thus benefit from the goodwill and reputation symbolized by a given foreign mark, the correct question is whether the importation and sale of such products should be permitted at all (under foreign or domestic marks or without a mark). Countries certainly have an interest and a right in controlling the quality of imported goods, but the measures to protect consumers against any of the above-mentioned dangers are to be sought outside industrial property laws.

(c) *Jurisdiction and connected questions*

135. One of the difficulties consumers sometimes encounter in bringing an action against an owner of a foreign mark (e.g., a foreign licensor or exporter) is that courts in the consumer's locality or country might not have jurisdiction over such person if the latter does not have an establishment or assets there. In response to this frequently serious problem, countries might consider requiring owners of foreign marks registered and/or used in the country to elect an address for service or appoint an agent and adopt whatever other measures might be necessary, given the country's particular legal system, to subject the mark owner to the jurisdiction of local courts. The "national treatment" principle of Article 2 of the Paris Convention, by virtue of the reservation in its third paragraph, does not extend to provisions of law relating to judicial and administrative procedure, to jurisdiction and to the designation of an address for service or the appointment of an agent. Therefore, owners of foreign marks can be subject to special requirements in that respect.

(d) *Promotion of local marks*

136. In some instances, it has been proposed to counteract the preponderance and force of foreign marks, particularly in developing countries, by promoting the use and improving the reputation of domestic marks. The means to achieve this can be innumerable, and their discussion would, in most cases, go beyond the scope of this study. However, one approach merits notice herein because of its relevance, albeit indirect, to the topic at hand. This approach involves the requirement that foreign marks used for domestic goods be used in conjunction (or be "linked") with a local mark and, in the case of a license, that they be used in conjunction with the licensee's local mark or trade name. Proponents of such measures generally hope thereby to increase the use of domestic marks. It is also hoped that such measures will diminish local licensees' dependence on foreign licensors, primarily by helping the licensee develop goodwill and a reputation for his local mark. In practice, this might very well occur, at least in certain individual cases.

137. However, the so-called linking requirements raise several kinds of questions; some of a legal nature, especially as regards their possible incompatibility with the "national treatment" principle embodied in Article 2 of the Paris Convention. Serious questions also arise as to the consumer protection consequences of such measures. For example, if a foreign mark is licensed under a non-exclusive license, then the foreign mark may be linked with several different local marks, which may confuse consumers. Furthermore, in the event that consumers do grow to associate the licensed foreign mark with a certain "linked" local mark, they may be misled after the termination of the license contract if they continue to believe that a relationship still exists between the former licensee and licensor and particularly if they assume that the latter continues to exercise quality control over the former licensee's products. In fact, if the quality of the former licensee's products deteriorates, not only might consumers be misled but also the reputation and goodwill of the previously licensed foreign mark may be prejudiced, insofar as

consumers may continue to associate it with the former licensee's local mark and products. Finally, serious questions also arise as to the practical effectiveness of such linking requirements. Marks are generally used to market the end product of certain technology and, in the case of foreign marks, that usually means foreign technology. Therefore, one may ask to what extent can the mere linking of local marks to foreign marks, and their eventual substitution for foreign marks, hope to be anything more than cosmetic. It would seem that the promotion of local marks could be more effective if it were approached not as a labelling matter, in the general sense of that term, but rather as one aspect, i.e., primarily the marketing and commercialization aspect, of a comprehensive and integrated program to promote and develop local technology and commerce.

(10) Mandatory Use of Marks and Labelling

(a) Mandatory use of marks

138. Generally, an enterprise has the choice of using or not using a mark for its goods or services. In principle, the freedom to make such choice should exist. However, sometimes there may be valid reasons for making the use of marks mandatory, particularly to ensure that certain minimum information is conveyed to consumers and to strengthen the responsibility of the mark owner for the quality of his goods or services.

139. In certain particular cases, by serving their distinguishing, origin, quality and advertising functions, marks might be the most effective and sometimes the only means of providing the minimum information consumers need to choose among competing goods. Where labelling regulations do not exist or might not be effectively enforceable, marks may be the only practical means of transmitting some information to consumers as to the goods or services they are purchasing and ensuring certain quality consistency. Although marks do not necessarily identify the manufacturer or trader by name and address, they at least provide a means of tracing the persons responsible for marked goods or services. Even where adequate labelling and other relevant regulations exist, the informative value of label statements, indications of geographic source and other consumer information might be limited for illiterate consumers or those who do not speak the official language(s) of a country. For such consumers, a mark is a simple device whereby they can at least identify and distinguish competing goods and services and buy again those with which they are satisfied.

140. In addition to the direct benefit of conveying certain minimum information to consumers, and possibly even more important, the use of a mark can indirectly strengthen the sense of responsibility of the owner of the mark for the quality of his goods or services. By using a mark, a manufacturer or supplier is, for all practical purposes, forced to maintain the quality of the goods or services sold under his mark in order to protect his reputation and that of his mark.

141. Consequently, several national laws provide for the mandatory use of marks. Basically, two approaches can be adopted in this respect. One is to authorize a competent public entity to require the use of marks on a case by case or sector by sector basis. For example, in Mexico, the Ministry of Industry and Trade has the authority to declare the registration and use of marks covering any product or service to be compulsory, if it deems it "in the public interest."³³ Another approach is to consider an exclusive right to a mark to carry with it an implicit obligation by its owner to use it and identify himself with the quality of his goods. For example, in the Soviet Union, not only must all trademarks be registered for the purpose of increasing the responsibility of enterprises for the quality of their goods, but also the State, cooperative and social organizations and associations of the Soviet Union which have legal personality must mark their goods or the packaging thereof with their registered trademarks; the use of service marks seems to be optional.³⁴ Some laws expressly require all manufacturers to use a mark for their products.

³³ Section 125 of the Law on Inventions and Marks of Mexico of December 30, 1975 (see *Industrial Property Laws and Treaties, MEXICO—Text 1-001*); in fact, even prior to this Law, the use of marks had been declared mandatory for several types of products, such as certain leather, clothing and silver products manufactured or sold in Mexico (see Decrees of October 4, 1952, of October 21, 1952, and of November 29, 1952, respectively).

³⁴ Sections 2 and 7 of the Statute on Trademarks of the Soviet Union of January 8, 1974 (see *Industrial Property, 1975*, p. 154).

For example, in Algeria, a manufacturer must use a trademark for his goods (*marque de fabrique*), even if he does not trade in his products, but a trader in products or a supplier of services is free not to use his mark (i.e., a *marque de commerce* or a *marque de service*, respectively), unless otherwise prescribed.³⁵

142. Although the preceding considerations support the mandatory use of marks, at least in certain cases and for certain products, its benefits should be seen in their proper perspective. The question whether, or to what extent, the mandatory use of marks meets entirely consumer interests still requires examination. Frequently, consumers have an interest in having more extensive information about a consumer product or service than a mark alone provides. Basically, consumers have an interest in having at their disposal factual *data* reasonably sufficient and relevant to enable them to make an informed choice as to what goods and services they wish to purchase. Even with respect to noncompeting goods or services, consumers have a right to know “what” they are consuming (e.g., ingredient information) and “how” they should consume it (e.g., use and maintenance information). Marks do not convey such additional information. Moreover, the consumers’ interest to have such information generally extends to marked and unmarked goods and services (except when the actual use of a specific mark might give rise to confusion which a clarifying label statement might prevent, for example, in the licensing context).³⁶

143. Therefore, it would seem that measures to respond to this particular consumer interest should be sought primarily outside the law on marks—probably more appropriately in what is commonly known as labelling laws. Labelling laws can go far in ensuring that consumers are given the information which they have an interest and, to an extent, even a right in obtaining. (The private sector and consumer associations can also make valuable contributions in the consumer information area, as discussed in Chapter VI on “Actions and Remedies.”³⁷)

(b) *Labelling*

144. Labelling laws generally aim at ensuring that relevant and objective information about a product or service is conveyed to consumers and placed on a product or package containing it or on written material furnished in connection with a product or service. Labelling laws and regulations generally specify: (1) what should be included in the contents of a label statement; (2) what should be its format; and (3) on what kind of goods or with respect to what kind of services the label statement is required. Since the formulation and enforcement of labelling laws require a good understanding and knowledge of the technical and marketing aspects of the individual products or services concerned, countries where labelling laws exist have frequently enacted general framework legislation, leaving it up to competent government entities to regulate the details. For example, in the United States of America, such regulatory responsibility seems to be distributed primarily but not exclusively among the Department of Health and Human Services (previously the Department of Health, Education and Welfare), the Federal Trade Commission, the Department of Agriculture and the Consumer Product Safety Commission, generally depending on the kind of product concerned.³⁸

(i) *Contents of the label statement*

145. The type of information which should be included in a label statement should be determined primarily by what is relevant and comprehensible for the average consumer (in general and with respect to the particular product or service) and by what is feasible to indicate on the product or package containing such product or in the material connected with a service. The information should be objective and, therefore, scientifically confirmable. The following is representative of the type of information commonly required by various labelling laws of different countries, at least with respect to certain types of products: name and principal place of business of the entity by or for whom the product was manufactured (generally, this must be an entity or person located in the country); identity of the product

³⁵ Article I of the Trademarks Ordinance (No. 66-57) of Algeria of March 19, 1966 (see *Industrial Property*, 1966, p. 240).

³⁶ See above paragraph 123.

³⁷ See below paragraphs 280 to 286.

³⁸ See, for example, Sections 1454(a) and 1459(a) of the Fair Packaging and Labelling Act of the United States of America of November 3, 1966 (15 USC 1451-1461), as well as Section 2053 of the Consumer Product Safety Act of the United States of America of October 27, 1972 (15 USC 2051-2081).

(e.g., by its common or generic name); geographical origin thereof; data concerning the product's quantity (e.g., size, net weight, etc.), age, durability (e.g., "shelf life") and composition (e.g., ingredients or components); and, whenever appropriate, special storage and use conditions, maintenance requirements and other necessary warnings. If a product is intended for a particular group of sophisticated or professional consumers, then the contents of the information might be adjusted accordingly. Most labelling laws expressly prohibit the use of labels containing any false or misleading representations.³⁹

146. The means of conveying information as to quantity present several particular concerns. For one, the use of different systems of weights and measures can frequently confuse the average consumer, especially if he wishes to compare the quantity and price of different competing products. Therefore, in many cases, a uniform system of weights and measures, both at the national and preferably also at the regional and international levels, has proven desirable so as to give consumers a practical basis for comparison. In fact, many countries are making great strides in this direction, as has been evidenced, for example, in the European Economic Community. Unit pricing might also help consumers determine and compare the price of competing products sold in different quantities.

147. The fact that quantity information can be transmitted not only by literal but also by figurative or indirect means, such as, for instance, by the shape and size of a container or bottle, is another frequent cause for concern. For example, partially filled containers can mislead consumers as to the contents thereof, even if the actual quantity is indicated correctly on the container itself. Consequently, several national laws prohibit nonfunctionally slack-filled containers.⁴⁰ Likewise, the use of a wide variety of sizes and shapes of containers for a given type of product may also mislead consumers in a general sense, insofar as consumers may be at a loss to compare the quantity and price of competing products packaged in containers of different sizes or shapes. Therefore, in some cases, it might be in the interest of consumers that the size and shape of containers and wrappings, at least for certain kinds of goods, be controlled and standardized. Some national laws have already adopted measures to limit the proliferation of different sizes and shapes of containers. For example, in Canada, the Governor in Council, on the recommendation of the Minister of Consumer and Corporate Affairs, may make regulations to limit the sizes and shapes of containers in which pre-packaged goods or class of pre-packaged goods may be sold when, in his opinion, an undue proliferation of sizes and shapes of containers in which such goods are sold is likely to confuse or mislead consumers as to their weight, measure or numerical count.⁴¹

(ii) *Format of the label statement*

148. It is in the interest of consumers that information contained in label statements be displayed in such a way that it will be clearly seen and understood by the average consumer. Therefore, labelling laws generally regulate not only the contents but also the format of label statements. Format generally refers to the size of the print (which should be easily legible); the language in which information should be given⁴² (generally, in the official language(s) of the country or in internationally recognized symbols; this is particularly relevant with respect to imported goods or in countries with several official languages); and the placement of the label. Most labelling laws require that labels appear in distinct contrast with other types of information. Labels with information as to quantity often must be placed on the principal display panel, apart from other information. There has also been an effort to standardize the format of label statements, at least for certain categories of goods, so as to make the information contained therein more easily comparable by the average consumer.

(iii) *Type of products and services subject to labelling*

149. In principle, labelling laws should apply to all consumer goods and services. However, due to policy considerations and, in particular, insufficient resources, most, if not all, countries might have to restrict the application of their labelling laws, either by limiting the scope of the general framework

³⁹ The use of such labels should also be prohibited as an act of unfair competition; see paragraphs 248 to 259, below.

⁴⁰ For example, Law on Measures of the Federal Republic of Germany of January 20, 1976.

⁴¹ Section 11 of the Consumer Packaging and Labelling Act of Canada of June 10, 1971.

⁴² See, for example, Section 7 of the Mexican Federal Law on Consumer Protection of 1976.

legislation or by promulgating regulations pursuant thereto for only certain goods or services. If such proves to be the case, it would seem advisable that labelling laws should be applied and enforced at least as to those products and services with respect to which consumers have the greatest interest in being informed. This would generally mean goods whose use might affect the consumer's health and safety, particularly if their composition cannot be judged on their face (e.g., food, health and household goods, particularly if pre-packaged), goods intended for a specific group of vulnerable consumers (e.g., childrens' toys), goods whose durability depends on a particular mode of usage or maintenance (e.g., fabrics and clothing) and products which present a risk of injury but not to the extent as to be banned from commerce (e.g., electrical appliances). Labelling requirements as to some of the latter type of goods might have to form part of a more comprehensive consumer product safety law (for example, providing also for testing, research, the formulation of safety standards and the banning of hazardous products by a competent public entity, as well as for the seizure of imminently hazardous consumer products and other remedies).⁴³

(iv) *Particular questions in relation to services*

150. Although consumers have an interest in being furnished with relevant and objective information with respect to services, it is much more difficult to formulate an effective and workable labelling system for services than for goods. Nevertheless, some countries are beginning to enact legislation expressly applicable to certain kinds of services (e.g., insurance and home construction contracts, credit transactions and correspondence courses). In such cases, the pertinent law generally requires that certain specific information be furnished to consumers in a prospectus or through advertising and/or be included in the terms of the contract. It is desirable that countries continue to explore further practical and effective means for conveying consumer information with respect to services. This is an area where international cooperation, both bilateral and through competent international organizations, should lead to a more effective protection of consumers.

(v) *Enforcement of labelling requirements*

151. In principle, all persons responsible for placing a product or service on the market should be legally responsible for ensuring compliance with applicable labelling laws. Accordingly, for example, the labelling requirements under the Canadian Consumer Packaging and Labelling Act generally apply to any "dealer," which is any person who is a retailer, manufacturer, processor or producer of a product to which said Act applies or a person who is engaged in the business of importing, packing or selling any such product.⁴⁴

152. Sanctions and remedies for noncompliance with labelling requirements should take various forms, ranging from civil to criminal penalties, depending on the particular characteristics and gravity of each case. These can include fines, imprisonment, injunctive relief, seizure of nonconforming goods, and liability for damages caused by violation of labelling requirements. The competent public entity, *ex officio*, and any interested person (including consumers and competitors) should be allowed to bring action in the competent tribunal to enforce labelling regulations and obtain appropriate relief.

153. However, effective enforcement of labelling laws is not just a matter of adopting appropriate sanctions and remedies on paper. Adequate facilities and qualified personnel (at the technical, administrative and judicial levels) as well as coordination among competent government agencies is necessary. A large part of the burden of enforcing laws in as technical a field as labelling must necessarily fall on the government. However, many countries, particularly developing countries, that have enacted or wish to enact labelling laws may have insufficient resources to exercise effective control to ensure compliance with such laws. Therefore, this also is an area where international cooperation could make significant contributions to consumer protection, particularly in developing countries.

⁴³ See, for example, the Consumer Product Safety Act of the United States of America of October 27, 1972 (15 USC 2051-2081).

⁴⁴ Section 2 of the Consumer Packaging and Labelling Act of Canada of June 10, 1971.

(11) Restrictions or Conditions with Respect to the Use of Marks

154. It is sometimes argued that, under certain conditions, some kinds of marked goods or services, especially when extensively advertised, have shown to sell for higher prices than the corresponding unmarked goods or services. When this involves an essential consumer product, the question at times arises whether in such a case the use of marks should not be restricted or should not be subjected to certain conditions.

155. The reason given for why the use of marks might lead to higher prices is that the costs of advertising and promoting marks are generally passed on to consumers. In addition, it is advanced that such advertising and promotion in many cases does not even serve any real consumer interest. On the other hand, others maintain that the effect of promotion costs on prices must also be computed over the long term, since promotion, if successful, increases demand for the product, eventually reducing production costs and, therefore, the price of such product. It is also advanced that the advertising through which marks are promoted conveys useful information to consumers about products and services available on the market.

156. The controversy over the advantages and disadvantages of using and promoting marks has focused in great part on certain categories of products, frequently essential consumer products, such as foodstuffs, agricultural chemicals, household appliances and pharmaceuticals. It primarily revolves around, on the one hand, the undisputed advantages of marks, particularly in terms of their quality consistency and distinguishing functions which help consumers choose among competing goods and services, and, on the other, allegations that sometimes marks are promoted beyond what is reasonably needed to inform consumers. Such issues are especially relevant to developing countries for which the quality consistency function of marks is particularly important (e.g., in the absence of sufficient public testing and other quality control facilities), and for which the promotion and price factors are a particularly serious concern.

157. Since marks undisputably serve useful functions for their owners and for consumers, it would not seem advisable to restrict the use of marks on the basis of some theoretical supposition that their use and promotion increase prices or otherwise harm consumers. However, even if after empirical and statistical research such assumptions proved to be true under certain particular circumstances, in specific countries, for a given category of product, it is doubtful that it would be found that the real culprit is the mark itself and that solutions to any problems identified can be successfully resolved through the law on marks. The principal purpose of the law on marks is to protect marks and the goodwill they represent and to regulate the use of marks so they are employed in ways not to confuse or mislead consumers. In this respect, the law on marks should not make any distinctions as to the category of products or services for which marks may be used, for example, in the sense of allowing marks to be used for some products and not for others or subjecting the use of marks only for certain products to specific requirements or conditions.

158. Any problems that may prove to exist in some countries regarding the promotion, sale, advertising or pricing of certain categories of marked products or services are likely to be more effectively and appropriately dealt with outside the law on marks (and experience has generally shown this to be the case), for example, depending on the particular problem, circumstances and product or service, by special laws in the health or food field, antitrust or fair trade practices laws, price controls, labelling regulations or laws regulating advertising and public communications. Although this is certainly not an exhaustive list of alternatives, it already demonstrates the complexity of the problems involved and the variety of possible courses of action available to countries, whose discussion, nevertheless, mostly falls outside the scope of this study.⁴⁵

⁴⁵ As regards labelling and to the extent certain advertising and other trading practices may constitute indications, allegations and other acts contrary to honest practices, the considerations discussed, respectively, in paragraphs 144 to 153 and 248 to 262 apply.

(12) Marketing of the Same Product by the Same Manufacturer under Different Marks or With and Without a Mark

159. Sometimes the same manufacturer markets the same product under different marks or with and without a mark. Frequently, the differently marked product sells at different prices. A common reason for such practice is that a manufacturer may commercialize the same product through different marketing channels. If he does so, for example, through exclusive distributors, the manufacturer might have to use different marks with respect to each distributor, and differences in the costs of marketing through the various channels (e.g., through speciality shops versus discount outlets) may result in the differently marked product selling for different prices. Price differences may also result if the product sold under one mark is accompanied by certain guarantees and after-sales service which might not be provided in connection with the product sold under another mark or without a mark. Other times, a manufacturer might have the opportunity of selling the same product through different channels at different prices, and, in order to justify such price differences, he may apply different marks on each differently priced product or sell the lower priced product(s) without a mark. Occasionally, a manufacturer might sell the same product, under different marks and at different prices, through the same outlet and under similar conditions, in which case, the reason for the price disparity is generally difficult to justify or explain on any grounds.

160. As far as consumers are concerned, however, the decisive question is not so much if and when the practice of a manufacturer selling the same product under different marks, or with and without a mark, and at different prices is commercially justified. Even commercially justified practices might have to be regulated, limited or sometimes even prohibited, if they mislead, harm or otherwise interfere with the rights of others. Therefore, the principal question which should be examined is whether the practice of a manufacturer marketing the same but differently marked product at different prices can harm consumers and, if so, how.

161. It is advanced by some that such practice does not harm consumers and that, in some instances might even be to their advantage by making the same product originating from the same manufacturer available at a lower price. To what extent this allegation is correct still seems to be an open question whose confirmation or refutation requires much more empirical research than has been conducted to date on this problem. However, even assuming the allegation proved to be true in certain cases, one of the major concerns raised regarding the practice under consideration is that it is generally carried out unknown to the average consumer. Ultimately, the key question is whether consumers should have a right to choose freely the goods they purchase. If they should, then their choice must be based on relevant and reliable information. Through their distinguishing, origin and quality functions, marks generally provide useful information on which consumers rely, and thus marks help consumers choose among competing products. However, where a manufacturer markets the same product under different marks, it is sometimes argued that the functions marks serve are to a great extent fictitious and that there is a false appearance of competition, insofar as consumers are likely to believe, based on the different marks and correspondingly different prices, that they are choosing among competing goods whose source, nature and quality are in some ways different, when no such difference exists. If this occurs, as advanced by some, marks are no longer being used for their intended purpose and functions; such use of marks might also constitute an act of unfair competition within the meaning of Article 10*bis*(3) of the Paris Convention, particularly if thereby consumers are likely to be misled as to the nature, manufacturing process or characteristics of the goods concerned.⁴⁶

B. Collective Marks and Certification Marks

162. Whereas one of the main functions of individual marks is to distinguish the goods or services of one enterprise from those of another, collective and certification marks primarily denote a common relationship among the enterprises using such a mark and/or a common characteristic of the goods or services sold thereunder. Generally, both collective and certification marks, in principle, can be owned

⁴⁶ Misleading indications are further discussed below in paragraphs 248 to 259.

by either private or public entities, although the rules with respect to each type of ownership might differ slightly. In most countries, a collective or a certification mark cannot be used by the owner of the mark.

163. In spite of certain similarities, however, collective and certification marks are conceptually and functionally different in several respects, although the line of demarcation is sometimes difficult to draw. What constitutes a collective or a certification mark frequently varies under different national laws and, even when a legal distinction can be drawn between the two concepts, such a distinction might be more theoretical than practical.

(1) Collective Marks

164. A collective mark is generally understood as a mark owned by an association or other legal entity and used by members thereof to indicate membership in such association or entity. Thus, a collective mark identifies the organization owning the mark and the goods or services of its members. Its use is generally permitted only to members of such organization. Depending on the particular arrangement and national law, users of a collective mark may or may not have to comply with certain requirements of the owner organization governing some particular characteristic (e.g., such as the geographic origin, the mode of manufacture or the quality) of the goods or services for which the mark is used. For example, whereas under the Trademark Act of the United States of America a collective mark can be used by members of an organization merely to indicate membership therein and nothing else,⁴⁷ under the Uniform Benelux Trademark Law a collective mark is intended to distinguish one or more common features of goods which originate from different enterprises that use such mark under the control of its proprietor.⁴⁸

(2) Certification Marks

165. A certification mark is generally understood as a mark used for goods or services of any enterprise, usually other than the owner of the mark, which conform to certain common characteristics or standards. Thus, a certification mark serves to guarantee some particular feature of the goods or services for which the mark is used, such as geographic origin, a particular material content, mode of manufacture, quality, compliance with certain safety standards or other characteristics.

166. Although collective marks may, under certain circumstances, guarantee a particular feature of the goods or services for which they are used, and many marks registered as collective marks might actually perform a guarantee function for consumers similar to that of certification marks, traditionally the primary function of collective marks is to denote membership. Their guarantee function, if any, is a consequence of such membership. However, the guarantee function is the essential element of certification marks in most countries where such marks are recognized and protected by law. This distinction is frequently reflected in certain differences in the legal regimes governing each kind of mark, particularly as regards the degree of government control over the conditions of use of such marks and the question of who has the right to use them.

167. Although the guarantee attached to a certification mark is extended, in principle, by the owner of the mark, the government plays an important role in monitoring compliance with the standards and/or characteristics guaranteed by such mark. Nevertheless, the degree of government involvement varies significantly from country to country. (In fact, in some countries, certification marks seem to be subject to less government control than are collective marks in other countries.) For example, in order to register a certification mark under the Trademark Act of the United States of America, it is enough that information be furnished about the general conditions under which the mark will be used, with an allegation that the owner will exercise legitimate control over such use. Subsequently, registration can be cancelled if the registrant does not control or is not able legitimately to exercise control over the use

⁴⁷ Section 45 of the Trademark Act (Lanham Act) of the United States of America of 1946, as amended (15 USC 1127) (see *Industrial Property*, 1966, pp. 82, 113). This does not mean that the owner association must not exercise legitimate control over the use of a collective mark, but the conditions of use need not concern the quality or other characteristics of the goods or services for which the mark will be used.

⁴⁸ Articles 19 to 28 of the Uniform Benelux Trademark Law, which entered into force on January 1, 1971 (see *Industrial Property*, 1969, p. 305).

of the mark.⁴⁹ In the United Kingdom, on the other hand, in order to register a certification trademark, not only must regulations governing the use of the mark be deposited at the Patent Office and there be open to inspection, but such regulations must also be approved by the Board of Trade.⁵⁰

168. Another particular feature of certification marks is that they can be used, in principle, by anyone who complies with the standards governing their use. An unjustified or discriminatory refusal to certify goods or services of any person complying with the standards a certification mark guarantees is frequently appealable and sometimes can even be a ground for cancelling the registration of the mark.⁵¹ In contrast, the use of a collective mark generally can be reserved exclusively for members of the association that owns the mark, provided they comply with the conditions governing the use of the mark, if any.

(3) Measures to Encourage the Use of and Enhance the Guarantee Function of Collective and Certification Marks

169. It is primarily the actual or potential guarantee function of collective and certification marks (regardless of whatever conceptual and functional differences might exist between these two kinds of marks) that is of particular interest for consumers and that can make these marks an extremely useful source of information. Therefore, to the extent collective and certification marks do or can serve a guarantee function, it is in the interest of consumers that greater use be made of such marks and that their guarantee function be enhanced. This can be achieved in various forms but primarily by facilitating, strengthening and extending the legal recognition and protection accorded to such marks, at both the national and international levels, and by ensuring effective control over their use.

170. Collective and certification marks may also be of an economic and commercial interest to developing countries, insofar as they can provide a means for local producers to combine their efforts in marketing their products under a single collective or certification mark, in the country, and abroad, and thus to develop a certain reputation for their products sold under such mark among local and foreign consumers.

(a) International protection

171. International protection of collective and certification marks is an important factor for their greater viability and use. In this respect, Article 7*bis* of the Paris Convention has to be taken into account. It obliges countries of the Union to accept for filing and to protect "collective marks" belonging to associations the existence of which is not contrary to the law of the country of origin, even if such associations do not possess an industrial or commercial establishment. (For the purposes of the Paris Convention, the term "collective mark" is generally interpreted to include also certification marks.) However, Article 7*bis* expressly provides that each country is free to determine the particular conditions under which a collective mark will be protected and may refuse protection if the mark is contrary to the "public interest."

(b) National protection

172. In order to encourage a greater use of collective and certification marks, national laws should grant such marks at least the same legal protection as is granted to individual marks. The standard of distinctiveness should be particularly adapted to these types of marks. In order to qualify as a collective or certification mark, a sign or other designation should be capable of symbolizing a guarantee or

⁴⁹ Section 14 of the Trademark Act (Lanham Act) of the United States of America of 1946, as amended (15 USC 1064) (see *Industrial Property*, 1966, pp. 82, 113).

⁵⁰ Section 37 of the Trade Marks Act of the United Kingdom of 1938 (see *La Propriété industrielle*, 1938, pp. 178, 198, 219), as amended.

⁵¹ For example, under Section 37 of the Trade Marks Act of the United Kingdom of 1938, the Board of Trade can require that the regulations governing the use of a certification mark include provisions conferring a right of appeal against the refusal of the proprietor to certify goods or authorize the use of the mark in accordance with said regulations. Under Section 14 of the Trademark Act (Lanham Act) of the United States of America of 1946, as amended (15 USC 1064) (see *Industrial Property*, 1966, pp. 82, 113), the registration of a certification mark can be cancelled on the ground that the registrant discriminately refuses to certify goods or services of any person who meets the standards or conditions certified by such mark.

membership, or both, as the case may be. Such standards should be strictly applied. Furthermore, the use of collective and certification marks should be legally recognized not only for goods but also for services.

(c) Harmonization of national laws

173. Given the differences not only between the collective and certification mark systems but also among the national laws governing each kind of mark, harmonization of national laws, at least at the regional level, might further encourage the use of such marks, mainly by facilitating the registration and use of a collective or certification mark in various countries at the same time. It might also ease registration of marks owned by international organizations dealing with standardization (such as, for example, the CERTICO mark of the International Organization for Standardization (ISO) or the CENCER mark of the European Committee of Standardisation).

(d) Recognition of a strong guarantee mark

174. In order to advance consumers' interests, however, it is not enough to facilitate and encourage the use of collective and certification marks through more effective and uniform protection. A major objective of any effort in this area should be to bring about the recognition, effective protection and greater utilization of a strong guarantee mark which could be easily used and registered in various countries. In this respect, countries might consider either reinforcing the guarantee function of whichever type of mark, collective or certification, they presently recognize or adopting a dual system which would protect, on the one hand, purely membership marks and, on the other, strong guarantee marks.

175. By a guarantee mark (whether actually termed collective mark, certification mark or otherwise) is meant a mark which can only be used to guarantee certain common characteristics of the goods or services for which it is used. Otherwise, consumers might be confused if some guarantee marks are used to certify a certain common quality of the goods or services sold thereunder and other guarantee marks are not used to certify anything in that regard. Furthermore, in order for a mark to function as a reliable guarantee, measures must be adopted to ensure that such mark in fact is used only for those goods and services which meet the standards certified by the mark. What these standards are should be clearly conveyed to consumers.

176. All this requires a definite commitment by the government to regulate closely the use and function of such marks, although the appropriate degree of government involvement will depend in part on the particular legal system and institutional infrastructure of each country. Nevertheless, in order to provide for strong guarantee marks and ensure effective control over their use, the following measures should be considered:

(i) to establish a technically qualified public authority, in which consumer interests would be represented, to be responsible, in collaboration with the industrial property office, for approving the registration and monitoring the use of guarantee marks;

(ii) to require that regulations governing the use of guarantee marks specify at least the standards such a mark will guarantee and the means by which the owner will control compliance therewith; that such regulations be approved by the aforementioned public authority and be deposited with the industrial property office as a condition for registration of the mark; and that the said regulations be open for public inspection;

(iii) to require the qualified public authority to verify the mark owner's competence both to control the use of the mark and to certify compliance of the marked goods and services with the standards guaranteed;

(iv) to provide that the qualified public authority should monitor compliance with the regulations governing the use of the mark (i.e., monitor compliance by the owner as regards the exercise of effective control over the use of the mark; and monitor compliance by users as regards conformity of the marked goods or services with the standards guaranteed by the mark); and

(v) to subject owners and users of guarantee marks to civil and criminal sanctions in the event that they violate the regulations governing the use of such a mark, including civil liability for damages incurred by consumers as a result thereof.

(e) *Right to use the guarantee mark*

177. To the extent the objective is to provide for a strong guarantee mark, there is no valid reason for denying to any person the use of such a mark for goods or services which comply with the standards thereby guaranteed. Furthermore, if the objective is also to increase the use of strong guarantee marks because their use decidedly benefits consumers, then it is in the consumers' interest that anyone who satisfies the standards for using such a mark should be permitted to use it without further obstacles such as a requirement of membership in some organization. Accordingly, it might be desirable that an unjustified denial to any person to use a guarantee mark for goods or services which comply with the standards the mark certifies should be appealable to a government authority or tribunal and that it could be sanctionable with up to the cancellation of the registration of the mark.

(f) *Dual system*

178. As already mentioned, some countries might wish to consider adopting a dual system which would recognize, on the one hand, collective marks to denote their users' membership in an organization, with no guarantee implications as to some common characteristic or quality of the marked goods or services, and, on the other hand, certification marks to guarantee certain common characteristics of the goods or services for which such marks are used. Many measures aimed at ensuring and enhancing a strong guarantee mark might not be practicably adaptable to the concept of a collective mark, if conceived primarily as a "membership" mark, and probably they should not be forced thereon. For example, the free use of a guarantee mark by anyone for goods or services complying with the characteristics such mark certifies might be inconsistent with the notion of a collective mark as a device to denote membership in an organization and therefore as constituting an exclusive right of the members thereof. Just because strong guarantee marks benefit consumers does not necessarily mean that collective marks as purely membership marks do not have a valid function and should be done away with. However, rather than combine both a membership and a guarantee function into one type of mark and thus possibly weaken the guarantee function of such a mark, it might prove more practical in many cases to adopt a dual system, provided the law clearly defines the distinct purposes of each kind of mark and provides appropriate measures to protect consumers from confusing one kind of mark with the other. In this respect, strict rules as to the format and presentation of each kind of mark should be adopted so that the average consumer understands when one kind of mark is being used as opposed to the other.

179. A dual system can be adopted within or outside the framework of the law on marks. For example, in the United States of America, the Trademark Act, as already noted, recognizes both collective and certification marks. In France, in contrast, the law on marks recognizes only collective marks,⁵² and several other special laws establish other forms of guarantee devices of which one of the more interesting as regards consumers is the "certificate of quality" (*certificat de qualification*). Although a certificate of quality is a much broader concept than a guarantee "mark," insofar as it can consist of a distinctive sign or a document, its use is subject, among others, to a strict quality control of the goods or services in connection with which such a certificate is used.⁵³ (If a distinctive sign forms part or accompanies the certificate of quality, such sign, however, must also be registered as a collective mark.) A dual system, in the form of collective and guarantee marks, is proposed in the draft Regulation on Community Trade Marks presented by the Commission of the European Communities.⁵⁴

⁵² Sections 16 to 23 of the Law on Trademarks and Service Marks (No. 64-1360) of France of December 31, 1964, as last amended in 1978 (see *Industrial Property Laws and Treaties*, FRANCE—Text 3-001).

⁵³ Sections 22 to 30 of the Consumers of Products and Services Protection and Information Law (No. 78-23) of France of January 10, 1978.

⁵⁴ See Articles 86 to 98 of the Proposal for a Council Regulation on Community Trade Marks, presented by the Commission of the European Communities (Document COM(80) 635 final/2 of November 27, 1980).

C. Trade Names

(1) The Functions of Trade Names

180. Trade names are generally names, terms or designations which serve to identify and distinguish an enterprise and its business activities from those of other enterprises. Whereas marks distinguish the goods or services of an enterprise, a trade name identifies the entire enterprise, without necessarily any reference to the goods or services it puts on the market, and symbolizes the reputation and goodwill of the business as a whole. Thus, a trade name is a valuable asset for the enterprise it identifies. It is also a useful source of information for consumers. Therefore, it is in the interest of both, business enterprises and consumers, that trade names be protected and that legal measures be adopted to prevent the use of trade names in ways that are likely to confuse or mislead consumers.

181. Trade names are generally protected under most national laws. Article 8 of the Paris Convention contains an obligation to protect trade names. However, it does not specify how trade names should be protected. In fact, the legal regime governing trade names varies considerably from country to country and might be determined by a combination of provisions of civil, commercial, company, trademark and/or unfair competition laws and/or special laws on trade names.

(2) Confusion (Use of an Identical or a Confusingly Similar Trade Name)

182. The essential feature of the legal protection of trade names is the prevention of the concurrent use of an identical or confusingly similar trade name by another enterprise. The unauthorized use by an enterprise of a trade name which is identical or confusingly similar to the trade name of another enterprise entitled to claim protection thereto (based on use, registration or otherwise, depending on the particular national law; hereinafter referred to as the “prior” trade name) is generally prohibited as an infringement of the prior trade name. Such unauthorized use might also be prohibited as an act of unfair competition within the meaning of Article 10bis(3)1 of the Paris Convention.⁵⁵

183. The principal reason for protecting trade names against infringement is that, if trade names are intended and understood to identify one enterprise and to distinguish its activities from those of other enterprises, then consumers might be misled into thinking that two separate enterprises using the same or confusingly similar trade names actually constitute one and the same enterprise. Such confusion is not only harmful to consumers but it might also permit the infringing enterprise to divert sales from the owner of the prior trade name and to benefit unfairly from the goodwill the prior trade name represents.

(a) *Confusing similarity*

184. A trade name is generally considered “confusingly similar” if it so resembles another trade name that a significant number of average consumers are likely to be misled into believing that the two trade names identify the same enterprise when, in fact, each trade name refers to a different enterprise. For example, in any given case, a trade name consisting of an abbreviation or the initials of another trade name or a local translation of a foreign trade name might be considered confusingly similar. The inclusion of a principal or characteristic part of another trade name might also render a trade name confusingly similar.

(b) *Basis of protection*

185. As already noted, Article 8 of the Paris Convention contains an obligation to protect trade names. It provides that trade names must be protected in all the countries of the Paris Union without the obligation of filing or registration. However, that Article has been frequently interpreted as permitting countries of the Union to require registration of national trade names, or to require registration of

⁵⁵ Article 10bis(3)1 of the Paris Convention binds countries of the Union to prohibit all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities of a competitor. This provision is further discussed below in paragraphs 264 and 265.

national and foreign trade names for purposes other than for granting legal protection thereto. Therefore, many countries provide for a registration system of trade names, although the systems vary significantly both as to their territorial scope (local and/or national) and the legal consequences of registration.

186. A registration system of trade names is of benefit to consumers. Registration provides consumers with an additional means of tracing and obtaining information on the enterprise using a given trade name. Furthermore, if registration is subject to a substantive examination as to possible conflicts with prior trade names, the cases of different enterprises using the same or confusingly similar trade names might be reduced.

187. Admittedly, for consumers, the practical advantages of a registration system seem limited. In order to protect consumers effectively, a registration and substantive examination system would have to be set up at the national (if not regional) level, particularly in view of the fact that enterprises today frequently extend their activities beyond local and even national boundaries. However, a registration and substantive examination system at the national level might not prove workable in many countries, due to particular conditions and/or the legal and administrative systems of different countries. Furthermore, in the light of Article 8 of the Paris Convention, registration could not constitute a generally applicable basis of protection in countries of the Union, since foreign trade names owned by enterprises which enjoy the benefits of the Convention must be protected in those countries even without registration.

188. Generally, foreign trade names are protected on the basis of use in the country where protection is sought. However, an increasing number of countries are willing to protect foreign trade names on the basis of mere reputation. In those cases, even if a foreign trade name has not been used in the country, it will be granted protection if it is generally known among consumers of that country so that the use of the same or a confusingly similar trade name by a local user might confuse consumers as to the local user's identity and constitute a misappropriation of the goodwill represented by the foreign trade name. This trend seems to be consistent with the objectives of protecting consumers against confusion. It places an emphasis on the association, if any, consumers are likely to make with a given trade name (which is decisive in determining whether confusion is likely to result) rather than on how such association came about.

189. It should be noted that in most countries, regardless of the applicable basis of protection, trade names are protected provided they also satisfy objective requirements similar to those applicable to marks, for example, that they do not constitute a generic name and are not deceptive or misleading in other ways (see also paragraph 196 hereof). This is because trade names are frequently used also as marks and because, like marks, they are protected not only for the benefit of their owners but also in the interests of competitors and consumers.

(c) Scope of protection

190. In principle, the unauthorized use by an enterprise of a trade name which is the same or confusingly similar to the trade name of a competitor is prohibited. However, a question frequently arises whether the scope of protection should extend beyond the field of competition of the enterprise whose trade name is entitled to protection. If protection is based on registration, generally such protection extends beyond the particular field in which the prior trade name is used. If protection is based on principles of unfair competition law, protection might sometimes be granted only with respect to the use of the same or a confusingly similar trade name by a competitor. However, this is not always the case. In many countries, today, it is immaterial whether or not enterprises are in the same field of competition for a trade name to be protected against unauthorized use.

191. The growing tendency is to consider the fact that two enterprises are or are not in the same branch of trade or industry merely as relevant in determining whether their use of the same or confusingly similar trade names might confuse consumers regarding the identity of such enterprises or the relationship between them but not to consider such a fact as conclusive. Today, many enterprises expand and diversify their activities beyond one particular field. Consumers might very well expect that two enterprises using the same or confusingly similar trade names are the same entity or are somehow closely related, even if such enterprises are involved in totally different commercial activities. Therefore, the decisive factor is

increasingly found to be not whether the enterprises making use of the conflicting trade names are in competition but whether such use is likely to confuse consumers. In other words, if the use by an enterprise of a trade name which is the same or confusingly similar to the trade name of another enterprise is likely to confuse consumers as to the identity of or the relationship between the two enterprises, the prior trade name is protected against infringement, regardless of whether or not such enterprises are in competition.

(3) Authorized Use of a Trade Name by Another Enterprise

192. Occasionally, an enterprise authorizes another enterprise to use its trade name. Depending on the relationship between the enterprises, sometimes such a practice may give rise to confusion as to which enterprise is using the trade name in any given case and in what capacity. Although, in the final analysis, each particular situation must be judged on its own merits, certain general considerations should be taken into account.

(a) Wholly owned or majority controlled subsidiary

193. Subsidiaries are frequently organized under or subsequently adopt the trade name of the parent company. Although most subsidiaries have sufficient capital to cover their liabilities, even a wholly owned or majority controlled subsidiary is an independent legal entity whose liability is limited to the amount of its own capital. Therefore, it may be in the consumers' interest that even a wholly owned or majority controlled subsidiary use its trade name in a way that will effectively distinguish it from the parent company. In most cases, it may be sufficient only to add some indication to the parent company's trade name, such as the country or place where the subsidiary is established, in order to prevent confusion by consumers (e.g., "XYZ" trade name of "ABC" country).

(b) Licensee, franchisee⁵⁶ or distributor

194. Sometimes, an enterprise authorizes its licensee, franchisee or distributor to use its trade name. In such a case, if the licensee or franchisee is not subject to strict quality controls exercised by the licensor or franchisor, or if the distributor does not sell exclusively the products of the manufacturer, the use of the licensor's, franchisor's or manufacturer's trade name might very well be misleading and should be prohibited. Even if the licensee or franchisee acts under the licensor's or franchisor's strict quality control or the distributor sells exclusively the manufacturer's products, a clear indication as to the capacity in which such entity is using the licensor's, franchisor's or manufacturer's trade name may be advisable in order to prevent confusion by consumers. Merely adding to the trade name the country or place where the licensee, franchisee or distributor is established might not be sufficient as in the case of a wholly owned or majority controlled subsidiary. It might be necessary to specify, in addition, that such entity is using the trade name "under authorization, as licensee/franchisee/distributor of XYZ company."

(c) Minority controlled or independent enterprise

195. Occasionally, an enterprise authorizes another enterprise to use its trade name even when the former effectively exercises only minority control over the authorized user or does not exercise any control at all. In that case, the use of the same or confusingly similar trade name by both enterprises might give rise to confusion very much as if the other enterprise had not been authorized to use such trade name. Although the use is authorized in one case and not in the other, the confusing effect on consumers is very similar. Consumers might erroneously believe that some relationship exists between the two enterprises such as between a parent and a wholly owned subsidiary or between a licensor and licensee (e.g., involving quality control), when no such relationship actually exists. Basically, a trade name represents the goodwill of an enterprise. It is against the interests of both consumers and competitors to allow an enterprise to authorize the use of its trade name to another enterprise when it cannot ensure any continuity in the goodwill such trade name symbolizes.

⁵⁶ In its simplest terms, a "franchise" is a license from the owner of a mark or trade name permitting another to sell a product or service under that mark or name. More broadly stated, a "franchise" has evolved into an elaborate agreement under which the "franchisee" undertakes to conduct a business or sell a product or service in accordance with methods and procedures prescribed by the "franchisor," and the franchisor undertakes to assist the franchisee through advertising, promotion and other advisory services.

(4) Deceptive Trade Names

196. Sometimes, a trade name conveys a particular image as to the geographical origin of an enterprise or as to a particular characteristic of its activities, of the industrial process it uses or of the products or services it sells. If such image is not factually correct, consumers might be misled by the use of such trade name. Therefore, it is in the interest of consumers that the use of such deceptive trade names be prohibited, by an express statutory prohibition and/or under general principles of unfair competition law.

(5) Possible Conflict between a Trade Name and a Mark

197. Sometimes, an enterprise uses a designation as a trade name to identify itself and its business activities and another enterprise uses the same or a confusingly similar designation as a mark to distinguish its goods or services. The functions such a designation serves in each case are different. Nevertheless, such practice might confuse consumers as to the origin of the goods or services sold under such mark, if consumers believe that these originate from the enterprise that uses the same or similar designation as a trade name. Therefore, it is in the interest of consumers that a trade name be protected against an infringing mark and, vice versa, that a mark be protected against an infringing trade name.

198. Generally, the right to claim protection against a conflicting trade name or mark depends on which industrial property right was first established, be it by use, renown and/or registration, depending on the particular national law. However, sometimes problems may arise if the basis and scope of protection of each right are different. For example, a country might accept prior use but not reputation as a basis for protecting trade names, but it might protect well-known marks on the mere basis of reputation. In that case, a foreign well-known mark would be protected against a conflicting trade name on the mere basis of the reputation of such mark, but a foreign trade name, regardless of how well known, would not be protected against an equally conflicting mark if the trade name had not been used in the country. The possibility of such discrepancies arising is somewhat unfortunate from the point of view of consumers, since the likelihood of consumers being misled in either case is the same. Therefore, countries might consider eliminating such discrepancies wherever they exist in favor of a broader protection of both types of industrial property rights.

IV. GEOGRAPHICAL INDICATIONS

A. General

199. In this study, the term “geographical indications” is intended to cover both indications of source and appellations of origin. An *indication of source* is any denomination, expression or sign which directly or indirectly indicates that a product or service originates in a country, region or specific place. An *appellation of origin* is a geographical denomination of a country, region or specific place which serves to designate a product originating therein the characteristic qualities of which are due exclusively or essentially to the geographical environment, including natural and/or human factors. It also covers a denomination which, while not being originally geographical, has acquired a geographical meaning in relation to a particular product.

200. Indications of source and appellations of origin both serve to identify the source or origin of the products or services for which they are used. Appellations of origin, however, have an additional function. Whereas an indication of source shows only from where a product comes, an appellation of origin indicates, in addition, the characteristic qualities of a product which are determined by the geographical area from which it comes and to which the appellation refers (e.g., “Margaux” or “Montrachet”). Thus, all appellations of origin can be considered indications of source, but not all indications of source can be considered appellations of origin. Furthermore, while any expression or sign evoking the geographical source of a product may constitute an indication of source (e.g., such as a national emblem), an appellation of origin is always a geographical name (generally, the name of the country, region or place from which the product originates, although, in some cases, it can refer to a specific geographical area without actually indicating its name).

201. In some countries in which appellations of origin are not legally recognized, the term “indications of source” is used to designate not only denominations which have the characteristics of indications of source, as defined above, but also those which, in addition, give the products for which they are used a certain reputation or recognition in the eyes of the consumer. Such denominations are not exactly appellations of origin, inasmuch as there is no requirement of an objective link between the characteristic qualities of the product and its geographical source. They are frequently referred to as “qualified indications of source.”

202. The legal recognition and protection of geographical indications are in the interest of consumers. Geographical indications convey very important information to consumers on the geographical origin of goods and services and, indirectly, on their inherent quality and characteristics. Therefore, if properly used, geographical indications can help consumers in their purchasing decisions and frequently exercise a strong influence thereon. However, the wrongful use of geographical indications can mislead consumers as to the geographical source of goods or services, sometimes thereby causing serious damage to consumers. Therefore, consumers have an interest in a greater but regulated use of geographical indications. The consumers’ interest is the same with respect to domestic and foreign geographical indications (i.e., geographical indications relating to a foreign country or a region or place therein). If domestic enterprises could freely use foreign geographical indications, the consumer would be misled in the same way as in the case of misuse of domestic geographical indications.

203. Furthermore, an enterprise which wrongfully uses a geographical indication might not only mislead consumers but also gain an unfair advantage over its competitors, including those from the geographical area covered by the indication, who, over a period of time, may lose the whole or part of their custom and the goodwill and reputation symbolized by such indication. Therefore, the protection of appellations of origin and indications of source can be considered a particular aspect of the protection against unfair competition. However, more detailed provisions than can be provided for under unfair competition laws are generally needed to ensure effective protection of geographical indications. This is

particularly true in the case of appellations of origin, for which special rules to reinforce their protection are desirable.

204. The protection of appellations of origin and indications of source is of particular interest to developing countries not only for purposes of protecting consumers in those countries against the use of false or misleading geographical indications but also because of the potential economic and commercial value of the geographical indications relating to those countries. An appellation of origin or an indication of source can contribute to the reputation of the product to which it is repeatedly applied and can generate goodwill among consumers, which, in turn, can help promote the sale of such product. Since the consumers of goods exported from developing countries are often those of the industrialized countries, it is important that appellations of origin and indications of source of developing countries be protected in industrialized countries. However, in most cases, such protection will be afforded only where the appellation or indication is protected in the exporting country itself.

B. International Protection

205. Multilateral and bilateral treaties play an important role in the international protection of geographical indications.⁵⁷ To the extent the protection afforded by pertinent international arrangements is effective, these contribute not only to promoting fair business practices but also to protecting consumers against various forms of deceit and confusion as to the geographical origin of goods and services within the context of international commerce. However, as pointed out below, some of the existing arrangements are deficient or limited in many respects. Therefore, it is in the interest of consumers that existing international arrangements be improved and/or new arrangements be reached so as to better ensure effective international protection of geographical indications.

(1) Multilateral Treaties

206. The most important multilateral treaties dealing with geographical indications are the Paris Convention (in its relevant provisions),⁵⁸ the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods (hereinafter referred to as “the Madrid Agreement (Indications of Source)”⁵⁹ and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (hereinafter referred to as “the Lisbon Agreement”).⁶⁰

(a) *The Paris Convention*

207. Several provisions of the Paris Convention deal with geographical indications. Article 1(2) includes “indications of source or appellations of origin” as one of the objects of industrial property protection and, therefore, these are governed by the national treatment principle embodied in Article 2(1). However, the Convention goes further, insofar as Article 10(1) binds countries of the Paris Union to impose the sanctions specified in Article 9 in the case of any direct or indirect use of a false indication of the source of goods or the identity of the producer, manufacturer or merchant. This means that a false indication of source need not be conveyed directly (e.g., it need not appear on the product) but merely can be implied (e.g., in advertising or by a picture suggesting a source) in order to be covered by Article 10(1). Furthermore, Article 10(1) extends to false indications not only of the geographical source of goods but also of the identity of the producer, manufacturer or merchant.

⁵⁷ For a detailed analysis of the main treaties dealing with geographical indications, see WIPO document TAO/I/2, prepared by the International Bureau for the first session of the Committee of Experts on the International Protection of Appellations of Origin and Other Indications of Source, which was held in Geneva from November 4 to 8, 1974.

⁵⁸ For a list of States party to this Convention, see footnote 16.

⁵⁹ The following 32 States were party to this Agreement on March 15, 1983: Algeria, Brazil, Bulgaria, Cuba, Czechoslovakia, Dominican Republic, Egypt, France, German Democratic Republic, Germany (Federal Republic of), Hungary, Ireland, Israel, Italy, Japan, Lebanon, Liechtenstein, Monaco, Morocco, New Zealand, Poland, Portugal, San Marino, Spain, Sri Lanka, Sweden, Switzerland, Syria, Tunisia, Turkey, United Kingdom, Viet Nam.

⁶⁰ The following 16 States were party to this Agreement on March 15, 1983: Algeria, Bulgaria, Congo, Cuba, Czechoslovakia, France, Gabon, Haiti, Hungary, Israel, Italy, Mexico, Portugal, Togo, Tunisia, Upper Volta.

208. Article 9 sets down the type of sanctions which countries of the Union must apply in the cases covered by Article 10 (e.g., subject to certain qualifications, seizure on importation or inside the country and prohibition of importation of the goods for which the indication of source is being wrongly used). Such sanctions may be applied at the request of the public prosecutor or any other competent authority, or of any interested party, whether a natural person or legal entity, in conformity with the domestic law of each country. Pursuant to Article 10(2), any producer, manufacturer or merchant engaged in the production or manufacture of or trade in goods for which an indication of source was wrongly used and established in the locality or country falsely indicated as the source or in the region where such locality is situated or *in the country where the false indication of source is used* must be deemed an “interested party” for the purposes of Article 9. In that case, the question arises whether, in addition to the requirement that certain remedies be made available to interested producers, manufacturers and merchants in the country where the false indication is used, a possibility of legal action should not also exist for interested consumers in that country, who might also be affected and even damaged by the wrongful use of a geographical indication. Although a “public prosecutor” or “other competent authority” might adequately represent consumers’ interests for purposes of requesting the application of the sanctions provided for in Article 9, countries, of course, are free to grant greater protection than that required by the Paris Convention and may consider whether they should not, by national law, expressly include consumers within the concept of “interested party.”

(b) The Madrid Agreement (Indications of Source)

209. The Madrid Agreement (Indications of Source) binds contracting countries to impose appropriate sanctions in accordance therewith, whenever goods bear a false or deceptive indication of source which directly or indirectly indicates that a contracting country or a place situated therein is the country or place of origin of such goods. Contracting countries are also bound to prohibit deceptive indications which are not necessarily affixed to a product but are used in connection with its sale or display. Although the repression of false or deceptive indications used on goods or in connection therewith is in the interest of consumers, the protection afforded by the Madrid Agreement (Indications of Source) is limited. The repression of false or deceptive indications used in translation or qualified by such terms as “kind” or “type” is not provided for. Indications of source are also not protected against the risk of becoming generic names, except in the case of regional appellations concerning the source of products of the vine.

(c) The Lisbon Agreement

210. The Lisbon Agreement binds contracting countries to protect on their territories, in accordance with the terms of the Agreement, the appellations of origin of products of the other member States, provided they have been registered with the International Bureau of WIPO. Article 2(1) of the Lisbon Agreement defines “appellation of origin” as “the geographical name of a country, region or locality which serves to designate a product originating therein the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.” Only names strictly conforming to this definition are protected by virtue of that instrument. In other words, there must be a qualitative link between the product and the geographical area concerned. If the characteristic qualities of the product are not due essentially to the geographical environment, the name is not a protectable “appellation of origin” for the purposes of the Lisbon Agreement. Indications of source, without such qualitative link, are thus excluded from the purview of the Lisbon Agreement.

211. Only such appellations of origin are eligible for protection under the Lisbon Agreement which are recognized and protected as such in the country of origin. However, in accordance with Article 5(3) to (5), the Office of any country party to the Lisbon Agreement may within a period of one year from the receipt of notification of registration, declare that it cannot ensure the protection of a given appellation, indicating the grounds for refusal.

212. One of the improvements introduced by the Lisbon Agreement on the Paris Convention and the Madrid Agreement (Indications of Source), both of which only protect against misleading use of geographical indications, is the scope of protection derived from registration, once granted. In particular, Article 3 of the Lisbon Agreement prohibits any usurpation or imitation of the appellation, even if the

true origin of the product is indicated or if the appellation is used in translated form or is accompanied by such terms as "kind," "type," "make," "imitation," or the like.

213. For these reasons, the Lisbon Agreement represents an advance from the point of view of consumer protection.

(2) Bilateral Treaties

214. Bilateral treaties also play an important role in the international protection of geographical indications. Bilateral treaties have the advantage that they are more specific than multilateral treaties; they do not merely lay down general rules but they list the geographical indications protected. These lists are usually the result of mutual concessions. One of the parties obliges itself to prohibit the use of a geographical indication of primary interest to the other party which, until the conclusion of the treaty was not prohibited and was, in effect, used in its territory, in exchange for a similar obligation on behalf of the other party.

215. The subject of most recent bilateral treaties is not confined to appellations of origin in the strict sense. Provision is also made for the repression of false or deceptive indications of source. Recognition and protection in the country of origin by virtue of a prior official act are not required. The majority of the treaties do not contain definitions of the objects of protection. Lists of protected denominations are drawn up by negotiation. The denominations appearing in the lists are protected against unlawful use on the products themselves and in connection therewith, such as on their get-up or outer packaging, in business papers or in advertising. Protection is effective even if the false or deceptive indications are used in translation, or with an indication of the true source, or with the addition of terms such as "kind," "type," "make," "imitation," or the like.

216. Such a broad scope of protection of geographical indications is in the interest of consumers and reinforces fair business practices. Consequently, it is hoped that the trend reflected in many recent bilateral treaties might provide a useful guide for future action in the field of international protection of geographical indications also at the multilateral level.

C. Protection at the National Level

217. The legal recognition and effective protection of geographical indications at the national level are essential for increasing the use of geographical indications (which benefits consumers due to the important information geographical indications convey), while at the same time ensuring that consumers are protected against the use of false or misleading geographical indications. It is also primarily national law that can grant consumers direct protection and remedies in this context. However, geographical indications are not protected effectively in all countries. Where they are protected, the means of protection are sometimes complex. In any given country, geographical indications might be governed by various laws (e.g., unfair competition laws, laws on marks, civil code provisions, common law concept of passing off, laws concerning customs and importation and/or special laws dealing with geographical indications, particularly appellations of origin, often for a specific kind of product).

218. Nevertheless, in spite of the great differences among national laws, two basic types of approaches can be observed. One approach has been developed in countries which legally recognize and protect appellations of origin as defined herein. According to this approach, appellations of origin are the subject of exclusive rights of a collective nature. For each appellation of origin, the right derives from an official act which determines the circle of persons authorized to use the appellation and the conditions of use. Such official act may be a legislative instrument (such as a law, a decree or an order), a registration or a judicial decision. Thus, emphasis is placed on protecting the interests of the producers of those goods for which the appellation of origin can be used.

219. The second approach has developed around the concept of indications of source. Protection is based on the principle that consumers should not be deceived as to the geographical origin of goods and services. Such protection is ensured in a general way, and not separately for each geographical indication

(at least insofar as an indication has not been the subject of a judicial decision), for instance, by means of unfair competition law or certain provisions of the law on marks.

220. There is nothing to prevent the system of special official acts and that of general protection against deception from coexisting in the same country, and, in some degree or another, this is frequently the case.

D. Possible Measures

221. As the preceding discussion points out, although international arrangements and national laws dealing with geographical indications can make, and frequently do make, significant contributions to consumer protection, there is still room for improvement. The following examines several avenues of action and measures countries might consider undertaking in order to provide for more effective protection of geographical indications, with a view to serving the interest of consumers and industry and promoting fair business practices.

(1) International Arrangements

222. Many aspects of the international protection of geographical indications, particularly at the multilateral level, need to be strengthened in order to overcome the limitations and shortcomings of the present system, some of which were discussed above. This might be achieved either by revising the Madrid Agreement (Indications of Source) or the Lisbon Agreement and incorporating the subject matter of the other into the revised Agreement, or by drafting a new treaty to replace both Agreements. The differences between these two courses of action are primarily procedural. The objectives of both would be similar: to increase the number of countries to be bound by one basic multilateral agreement on the protection of geographical indications (this would necessarily require the adoption of a flexible and workable approach, possibly much along the lines of recent bilateral treaties); and to widen the scope of international protection (e.g., by prohibiting the direct and indirect use of geographical indications which are either false or misleading with respect to the geographical source of goods and services or their nature or characteristics).⁶¹

223. Consumer representatives should be encouraged to become involved, as representatives of industry already generally are, in any revision process or drafting of a new agreement which might take place (e.g., by governments seeking their opinion on matters under negotiation and by being invited as observers to relevant conferences and meetings).

(2) National Law

224. Countries which do not recognize and protect geographical indications under their national laws should explore the most appropriate means to provide such protection, given their particular legal system and socio-economic conditions. Developing countries which may wish to enact new or revise present legislation in this area might consider as a guideline the *WIPO Model Law for Developing Countries on Appellations of Origin and Indications of Source* (hereinafter referred to as "the *WIPO Model Law*") which, as its title indicates, was intended as a "model" and not as a "uniform" law. Therefore, countries are, naturally, free to adjust the provisions of the *WIPO Model Law* to their individual needs and legal systems. WIPO is ready to assist developing countries in this task. Furthermore, cooperation between developed and developing countries as well as among developing countries might prove extremely useful in this respect.

(a) Basis of protection

225. Detailed provisions are generally needed to protect geographical indications effectively.

⁶¹ See WIPO documents in the series TAO/I and TAO/II.

(i) *Registration system*

226. One way of ensuring effective protection consists in requiring that geographical indications be registered with a competent government authority (such as the industrial property office or other authority provided for by law). An effective registration system should require that the application for registration of a geographical indication contain a precise statement of the geographical area to which the geographical indication applies, the products or services for which the geographical indication will be used and, where applicable, the characteristic qualities of such products or services. The competent government authority would then confirm the accuracy of such a statement.

227. Producers, consumers and any competent authority in the geographical area concerned should have the right to file an application for registration of a geographical indication. The right resulting from registration should be a collective right of a defined group, namely, the producers or merchants carrying on commercial activities in the geographical area specified in the register for the kind of products or services which possessed the essential characteristic qualities specified in the register. However, relief (e.g., in the form of an injunction, order to destroy labels and related documents and recovery of damages) against the unlawful use of a registered geographical indication should be available to any interested person or group of persons, including producers and consumers.⁶²

(ii) *System of special orders*

228. A registration system is not the only means to ensure effective protection of geographical indications. Some countries might wish to consider the system of special orders ("orders" understood in the broad sense of that term as official acts such as regulations, rules or orders in the strict sense). In such a system, the protection of geographical indications would be based on so-called special "orders" issued by the competent public authority. Such order would lay down, for each geographical indication, the conditions for protection and its limits, in particular, the geographical area to which the geographical indication applies, the products or services for which the geographical indication can be used and, where applicable, the characteristic qualities of such products or services. The registration and special orders systems have the same purpose and the same effects, but they employ different means to obtain protection. Under a registration system, interested persons file an application for registration, thus initiating an administrative procedure. Under a system of special orders, interested persons have to request the competent public authority to issue the order they desire, but there is no automatic administrative procedure obliging the authority to act.⁶³

(iii) *Combined system*

229. The two systems, of registration and of special orders, can be combined. In a country choosing a combined system of protection, there would be two categories of protected geographical indications: registered geographical indications and geographical indications that are the subject of special orders. Although the procedures for acquiring protection would be different in each case (as described above), the protection granted to both kinds of geographical indications would be similar.⁶⁴

(iv) *Protection without registration or special order*

230. Even where geographical indications are protected on the basis of registration or special orders, but particularly where they may not be thus protected, protection in accordance with the basic principle that misleading practices are acts of unfair competition, which must be prohibited, should remain applicable. This is particularly important from the consumer's point of view since one of the principal concerns regarding the protection of geographical indications is to prevent the consumer from being misled with respect to the geographical origin of products and services.⁶⁵

⁶² See the WIPO *Model Law*, particularly Sections 4, 6, 13, 14 and 15.

⁶³ See the WIPO *Model Law*, particularly Alternative A on page 63.

⁶⁴ See the WIPO *Model Law*, particularly Alternative B on page 72.

⁶⁵ See the WIPO *Model Law*, Section 17, and the WIPO *Model Law for Developing Countries on Marks, Trade Names, and Acts of Unfair Competition*, particularly Sections 50 to 52.

(b) *Scope of protection*

231. It is in the interest of consumers as well as the promotion of fair business practices that the scope of protection of geographical indications be relatively broad. Basically, this means that the direct or indirect use of geographical indications in connection with both goods and services, which are false or likely to mislead consumers as to the geographical source or the nature or characteristics of the goods and services should be unlawful.

(i) *Direct or indirect use*

232. For example, a geographical indication is used indirectly if a product is sold without any indication of source but advertised as originating from a particular locality, or if the geographic source is suggested through a picture which the average consumer associates with a particular geographic place. Since such indirect means of conveying information or misinformation, as the case may be, can frequently impress the consumer in a similar way as direct means, the indirect use of geographical indications should also fall within the scope of protection.

(ii) *False or misleading indications*

233. A false geographical indication is one that is incorrect or untrue in fact, and its use should clearly constitute an unlawful act. However, some geographical indications which are not factually false might still deceive consumers as to the geographical source and/or characteristics of a product or service, depending on the general circumstances of a particular case and the relevant group of consumers. For example, although a perfume might actually be produced in Paris, Texas, United States of America, it might mislead the average consumer (except possibly consumers residing in or near Paris, Texas) to sell such a product as "X" perfume of "Paris," since the average consumer who is familiar with the name "Paris" is likely to associate it with Paris, France, the latter being a country generally known for its perfumes. Therefore, it is in the interest of consumers that the use of factually true yet misleading geographic indications should also be unlawful.

(iii) *Goods and services*

234. Finally, there is no valid reason why the protection against the wrongful use of geographical indications should extend only to goods and not to services. The harm and confusion which can be caused by such wrongful use and the interests of consumers and fair competition to prevent such harm and confusion are the same in both cases.

(c) *Geographical indications which constitute or become generic names*

235. Sometimes, through general and continuous use, a geographical indication loses its geographical meaning and becomes a generic name describing a particular quality or category of product, without reference to a geographic source. For example, although "Camembert" is the name of a village in France, today, it is generally understood as describing a particular kind of cheese, without any implication that the cheese necessarily originates from that village. If a geographical indication is or changes to a generic name, consumers are not misled if the indication is used in accordance with its new function, i.e., if it is freely used to describe products of the type and quality to which consumers understand the indication to refer, regardless of the products' geographical source. Furthermore, protecting generic names as geographical indications might prevent enterprises from other geographical areas from using those names to sell the type of goods or services which the average consumer understands such name to describe without any implication as to their geographical source. This might restrain competition and possibly result in higher prices. Therefore, it is in the interests of consumers and fair competition that geographical indications which are or have become generic names should not be legally protected as geographical indications.

236. Although there is general agreement as to the above rule in principle, problems arise in its practical application. The difficult question to determine is whether a particular indication is or has become a generic name; in the opinion of what groups (e.g., consumers, merchants and/or a specialized group of

merchants or experts?); and of what proportion of the relevant groups (e.g., all consumers or a majority of consumers and, in the latter case, what majority?). National laws vary in this respect.

237. To impose an absolute rule requiring that all consumers must understand the indication in its generic sense before admitting that a geographical indication constitutes a generic name would seem simplistic and unreasonable. However, if a not insignificant or negligible group of consumers still understands a geographical indication to refer to a specific geographical source, then such group of consumers might be misled if the indication is used as a generic name for goods not originating from the place or not possessing the characteristics to which, in their minds, the indication refers. In such cases, an argument that a geographical indication became a generic name should not be admitted.

238. The WIPO *Model Law* offers one possible approach to this problem. In Section 5, it sets out two concurrent conditions for a name not to be or no longer to be protectable as an appellation of origin: it must be generally considered as a generic name, both by experts and by the general public. The commentary to this provision explains that “generally” does not mean that all the experts and the whole of the public must be in agreement, but it is enough that the number of experts or members of the public who do not consider the indication as being a generic name represent more than an insignificant minority.

(d) Geographical indications as marks

239. As a general rule, it would seem desirable to prohibit the use and registration of geographical indications as marks. The use and registration of a geographical indication as a mark might mislead consumers as to the geographical source of the goods or services offered under such a mark if these do not originate from the geographical place indicated. Under most laws on marks, registration must be refused or is subject to invalidation in such a case. Furthermore, even if the goods or services actually originate from the geographical place indicated, the use and registration of a geographical indication as a mark would prevent producers and merchants—other than the owner of the mark—situated in the locality indicated from using the geographical name thereof to identify the geographical source of similar goods or services.

240. However, in a few cases, the use and registration of a geographical indication as a mark might be justified or at least might be harmless. For example, geographical indications which obviously do not allude to the place of production, or which commonly and generally are not known to consumers, or which through long use have come to distinguish a sole enterprise with respect to its particular products or services, or which actually constitute contrived fantasy names might all be able to perform the functions which marks generally serve and, therefore, might be usable and registrable as marks. In fact, they are not, or no longer are, “geographical indications.” However, such exceptions should be strictly construed, guided by two main objectives: first, to protect consumers against confusion and deceit; and second, to protect present and future competitors situated in the locality to which the indication refers from being adversely affected by granting a sole enterprise the exclusive right to use the geographical denomination as a mark.

241. To an extent, the concerns mentioned with respect to marks in general also apply in the case of collective and certification marks. However, the use and registration of geographical indications as collective or certification marks also raise some other considerations, since these kinds of marks generally can be used by several enterprises to indicate a certain common geographical origin and other characteristics of the goods or services for which they are used. This might be particularly useful in countries where geographical indications are not legally recognized and protected as such but collective or certification marks are. Therefore, it should be possible to register and use geographical indications as collective or certification marks, provided their use as such is not likely to mislead consumers and unfairly restrict competitors in the geographical area identified by the indication.

242. In this respect, for example, it may be prescribed that a collective or certification mark may not consist solely of a geographical denomination and that it be sufficiently distinctive to function as a mark. Thus, other producers and merchants of the same geographical place may continue using the geographical denomination as an indication of source for their products or services, as they should have a right to do,

and without thereby confusing consumers as to whether the geographical denomination is being used as a collective or certification mark or merely as an indication of source.

243. The desirability of protecting geographical indications as collective or certification marks, especially as regards consumers and the promotion of fair competition, in great part also depends on the collective or certification mark system in force in any given country. It is important that legal means exist to ensure the formulation and enforcement of adequate conditions of use of the collective or certification mark. In the case of a geographical collective or certification mark, conditions of use should require, among others, that products for which the mark is used must originate from the locality indicated and have the characteristics and quality associated therewith, if any. It is also important that legal means exist to ensure that the owner of the mark monitor and control effectively the use of the mark and compliance with the conditions of use. Finally, legal means should exist to ensure that producers and merchants who satisfy the conditions of use are not arbitrarily denied the right to use the collective or certification mark.

(e) Compulsory use of indications of source

244. It would generally seem in the interests of consumers and fair competition that, at least in some cases, the use of indications of source should be compulsory—both in connection with domestic and foreign goods and services.⁶⁶ This is not only because indications of source convey very relevant information to consumers but also because, in some cases, depending on the type of product or service and the context in which it is sold, the failure to disclose the geographical origin might mislead consumers into believing that such product or service originates from a country other than its actual country of origin. Since the failure to disclose the country of origin of a product may, under certain circumstances, constitute a deceptive act contrary to honest practices, the question of the compulsory use of indications of source may sometimes fall also within the scope of unfair competition law.

245. Some of the more difficult cases in which to determine whether the failure to indicate source is misleading (and also whether a particular geographical indication is false or misleading) involve products with components or ingredients originating from different countries or originating from one country but mixed and put into containers in another. The consumers' expectations and preferences are an important factor to consider in such cases. For example, if a product (e.g., perfume or beer) composed of foreign and domestic ingredients and mixed domestically is sold under a foreign mark, it might be necessary for the product to indicate that it is manufactured domestically, so as to prevent any misleading of the consumers, especially if the domestic ingredients might affect the characteristics of the product. Otherwise, consumers might believe that the product was imported in its final form and has the same characteristics as the foreign-made product sold under such mark.

246. The format and placement of compulsory indications of source should be governed by rules governing label statements in general. In particular, the indication should appear in a conspicuous place, be easily legible and be understandable to consumers of the country where the product is sold. The determinant factor is that the actual geographical source should be clear to the average consumer.

(f) Consumer participation in proceedings

247. It is in the interest of consumers that any interested party be granted standing to initiate and participate in proceedings related to the protection or use of geographical indications (e.g., to file an action to request the imposition of prescribed sanctions in the case of an unlawful use of a geographical indication and to claim damages incurred) and that consumers not be excluded, at least in principle, from the concept of interested party.

⁶⁶ For example, in Argentina, the Law on the Identification of Goods (No. 19,982) of November 29, 1972, provides that all domestic produce, products and goods must bear the words "*Industria Argentina*" or "*Produccion Argentina*," as the case may be, and all produce, products or goods imported in their final form must display the indication of the country of origin (see *Industrial Property*, 1973, p. 142).

V. INDICATIONS, ALLEGATIONS AND OTHER ACTS CONTRARY TO HONEST PRACTICES

A. General

248. Indications, allegations and other acts contrary to honest practices in industrial and commercial matters are generally considered acts of unfair competition and are categorized as such in Article 10*bis*(2) of the Paris Convention. Article 1(2) of the Paris Convention includes the repression of unfair competition among the objects of the protection of industrial property. Article 10*bis*(1) of the Paris Convention goes even further by binding countries of the Paris Union to assure nationals of such countries effective protection against unfair competition.

249. The protection against acts contrary to honest practices in industrial and commercial matters had originally been viewed to serve primarily the interests of business competitors. Although consumers frequently might be the first and even principal victims of acts of unfair competition, the protection of consumers was viewed merely as incidental to but not as a direct aim of unfair competition laws. Likewise, civil remedies for enforcing unfair competition laws were available primarily to competitors. Therefore, in order to prevent or enjoin a particular act of unfair competition, consumers generally had to depend on individual competitors exercising the legal remedies available to them (or on the competent government entity taking appropriate action).

250. With time, the view has developed in many countries that protection against unfair competition is not only in the interest of business competitors but also in the interest of the public at large. This development has an important implication for consumer protection. If protection against unfair competition is viewed to serve the public interest, then that includes the interests of consumers; and, if it does, then the question arises whether consumers, in their own right, should not be granted direct protection and redress against acts of unfair competition (i.e., by having the right to initiate and participate in legal proceedings to enforce unfair competition laws and to invoke remedies provided therefor, such as injunctions, recovery of damages, and rescission of a contract entered into as a result of a misleading or deceptive allegation), rather than be protected indirectly, as a consequence of competitors invoking the remedies available to them.

251. Due to its varied historical development in different countries, unfair competition law is composed of general constitutional and civil code principles, case law and special laws. Unfair competition law may deal with classical cases of trademark and trade name infringement. It may supplement protection granted by other special industrial property laws, insofar as it may provide for remedies in some cases where none are available under such laws. (For example, a nonregistered mark in a country where registration is the sole basis for trademark protection under the law on marks might be protected against infringement under unfair competition law.) However, by prohibiting dishonesty in trade, unfair competition law can provide consumers with protection even in cases in which other branches of industrial property law do not provide for protection. What is unfair or dishonest largely depends on the economic and social realities at a given time and place. This makes unfair competition law particularly adaptable to changing circumstances and realities and, therefore, a potentially powerful instrument in protecting consumers. Unfair competition law can furnish a solid legal framework and yet provide a sufficiently flexible standard for formulating and applying measures which can be at the same time sensitive to the particular and ever-changing social and economic conditions of consumers in a particular country and effective to combat the specific types of dishonest trade practices which give rise to concern.

252. Primarily due to practical limitations, the following discussion deals only generally with some aspects of the acts of unfair competition expressly prohibited by Article 10*bis*(3) of the Paris Convention and which were identified as relevant to consumer protection and particularly to the interests of consumers in developing countries at the meeting of experts on Industrial Property Aspects of Consumer

Protection held in Geneva from July 3 to 5, 1978 (see document COPR/I/4). Since unfair competition is such a broad and complex subject, a more extensive and detailed analysis would require a separate study concentrating exclusively on the role unfair competition law can play in serving and protecting consumers' interests.

B. Indications or Allegations Liable to Mislead Consumers

253. It is doubtful that indications or allegations likely to mislead consumers as to the nature, characteristics or other qualities of the goods or services an enterprise places on the market would be considered "honest" or "ethical" in any country of the world. By misinforming consumers, misleading indications and allegations interfere with the consumers' choice among products and services and, in some cases, may result in serious economic and personal harm to consumers. Misleading indications and allegations also harm competitors, insofar as they dishonestly divert competitors' clients. Therefore, it is in the interests of competitors and consumers that indications or allegations liable to mislead the public be prohibited.

(1) Scope of Protection

254. Pursuant to Article 10*bis*(3)3 of the Paris Convention, the countries of the Paris Union are bound to prohibit indications or allegations likely to mislead consumers as to the nature, manufacturing process, characteristics, suitability for their purpose or quantity of goods. Countries are free to interpret and extend, through national laws (statutory and/or case law) and bilateral or regional agreements, the protection required by Article 10*bis*(3)3; taking into account the general principle established in Article 10*bis*(2) that any act of competition contrary to honest practices constitutes an act of unfair competition. For example, the prohibition against indications or allegations which might mislead consumers as to the "characteristics" of goods may be interpreted to include any characteristics considered relevant in the consumer's decision-making process, such as quality, safety, ingredients or date of production. Countries may also extend protection, by analogy, against misleading indications or allegations made in connection with services.

(2) Indications and Allegations (Written, Oral and Symbolic)

255. Indications or allegations can be written (e.g., in the form of a mark, trade name, label, data given in promotional material or instruction brochures or language used in a sales or credit contract), oral (e.g., in the form of claims made on the radio or television, through other audiovisual advertising or by salespersons), or symbolic (e.g., in the form of the shape or size of a container; for example, a non-functionally slack-filled container can constitute a misleading indication as to the contents thereof). Since misleading information can be conveyed through all these forms, it is in the interest of consumers that the terms "indications or allegations" should be interpreted broadly to include written, oral and symbolic indications and allegations. Emphasis should lie on what in effect is communicated by the indication or allegation and on the likelihood of its misleading consumers rather than on the specific means used to convey the misleading information.

(3) Misleading Indications or Allegations

256. One of the essential features of the protection against *misleading* as opposed to *false* indications or allegations is that protection is based not only on the factual accuracy of an indication or allegation but also and primarily on the impression likely to be created on the persons to whom such indication or allegation is conveyed.

257. In other words, the factual accuracy of the information conveyed by an indication or allegation is no excuse for using it if in fact consumers are thereby likely to be misled. For example, a label identifying a product in large letters as "Lemon Ice Cream," and possibly placing pictures of lemons on the container, when in fact the ice cream has no natural lemon content, might in some cases mislead consumers as to the quality and ingredients of the product even if a label statement on the container provides accurate ingredient information. The determinant factor is the impact of the label, "Lemon Ice Cream," on the

consumer. This depends on the entire circumstances of the case, from the size of the lettering, by itself and in relation to the accurate ingredient label statement, to the relevant group of consumers affected.

258. Sometimes, objectively accurate but incomplete information may mislead consumers. For example, alleging that a product or service is covered by a guarantee, without any qualification, when in fact the guarantee offered is limited (e.g., for an unusually short period of time for such kind of product or for only certain aspects of performance) might mislead consumers and influence them to buy a product or service on the basis of incomplete information which, due to the relevance of the facts left out, is deceptive. This does not mean that every possible information on a consumer product or service must be given. In most cases, special laws must determine what and how specific information must be furnished with respect to a particular kind of product or service. However, once information is given, a standard of relevance and reasonableness should be applied to determine whether certain information is sufficiently pertinent or reasonably connected with the information furnished so that its absence so colors the accuracy of the information conveyed that the average consumer is likely to be misled.

259. Furthermore, although the intent of the party making an indication or allegation might have evidentiary value (e.g., proof of intent to deceive might establish a presumption that consumers are likely to be misled), or it might be relevant in determining the severity of sanctions or criminal culpability, intent, just like the factual accuracy of the information conveyed, cannot be conclusive as to whether an indication or allegation might mislead consumers.

C. Discrediting Allegations

260. False allegations to discredit the establishment, goods or industrial or commercial activities of a competitor are acts of unfair competition. Countries of the Paris Union are expressly bound to prohibit such acts pursuant to Article 10*bis*(3)2 of the Paris Convention. False allegations to discredit a competitor interfere with free competition, damage the competitor's goodwill and reputation and mislead consumers.

261. Allegations can discredit a competitor without expressly naming him, his trade name or the mark under which his goods or services are sold. For example, the disclosure of false information as to the safety record of a particular product, without naming a mark or manufacturer, when, given the circumstances, the average consumer associates that product with a particular mark or enterprise, can be just as disparaging and discrediting as if the mark or manufacturer had been expressly identified.

262. Although Article 10*bis*(3)2 applies only to *false* allegations that discredit the *establishment, goods* or *activities* of a competitor, countries are free to extend protection against other types of discrediting acts which they consider contrary to honest practices. For example, national law may prohibit false allegations that discredit a competitor in his personal capacity.

D. Other Acts Contrary to Honest Practices (Particularly Confusion) which May Influence the Consumer or Affect his Well-Being

263. Several other types of acts might be considered acts contrary to honest practices in industrial or commercial activities at any given time and place. Some countries have begun to examine and regulate a variety of different suspect practices within the framework of unfair competition law, ranging from such matters as the appropriation of a competitor's work product to various forms of unsolicited promotional schemes (e.g., parasitical and psychologically coercive advertising, advertising that induces the purchase of potentially harmful goods or services, etc.).

264. Article 10*bis*(3)1 of the Paris Convention binds countries of the Paris Union to prohibit all acts of such a nature as to create *confusion* by any means whatever with the establishment, the goods or the industrial or commercial activities of a competitor. In part, Article 10*bis*(3)1 protects industrial property objects, such as marks, trade names or geographical indications, where protection might not be available under special laws or supplements protection already available. For example, where no special law on trade names exists, trade names might be protected under the rules against unfair competition embodied

in Article 10*bis*(3)1, as might be nonregistered well-known marks where such marks are not expressly protected by the law on marks. However, the scope of Article 10*bis*(3)1 is broader insofar as it applies to acts creating confusion “by any means.” Such means might include any signs, labels, packaging and “get-up” (including shape, color or lettering) as well as indications or allegations, provided they are likely to confuse consumers as to the relevant particulars concerning a competitor’s establishment, goods or industrial or commercial activities.

265. As in the case of misleading indications or allegations, the fact that an act is committed with or without intent to confuse is immaterial for purposes of determining whether such an act constitutes an act of unfair competition covered by Article 10*bis*(3)1 (although it might be relevant, for example, for the imposition of sanctions). The crucial factor is the resulting likelihood of confusing consumers.

(1) Imitation, in Particular Servile Imitation

266. One common form of confusing consumers as to the origin of a product (i.e., as regards the enterprise from which the product originates) is by imitating the shape, appearance or other characteristic features of a competitor’s product. Sometimes, a distinctive shape might be protected under a special law as a mark, industrial design⁶⁷ or otherwise. However, even if a distinctive shape, a physical presentation or other characteristic features of a product are not thus protected, it is in the consumers’ interest that their imitation be prohibited as an act of unfair competition, if such imitation is likely to confuse consumers regarding a competitor’s goods, establishment or activities.

267. The law in this regard varies significantly from country to country. It mainly consists of court decisions interpreting and applying general principles of unfair competition law. However, the Italian Civil Code does expressly provide that anyone who imitates in a servile manner the product of a competitor or commits by whatever other means acts of such a nature so as to create confusion with the products and activity of a competitor commits an act of unfair competition.⁶⁸

268. Although, as a general rule, the imitation of the shape, appearance or other characteristic features of a competitor’s product which are *not* protected by a patent, by copyright or as an industrial design or a trademark is permitted, such imitation, depending on the entire circumstances of the particular case, might be found to constitute an act of unfair competition. For example, if the shape, appearance or other characteristic feature of a product is original and distinctive and is associated by consumers with a certain origin and possibly quality, a servile imitation of all or at least of the essential details and characteristics of such product (particularly, if these include decorative and other elements which are not required for the practical functioning of the product) may constitute an act of unfair competition. Usually, cases of unlawful imitation concern the external shape or appearance of a product, but not always. For example, the imitation of essential technical details of a competitor’s product might constitute an act of unfair competition if the product imitated is distinctive and if the interested consumers associate those essential technical parts of the product which were imitated with a certain origin so that such imitation would be likely to confuse them (e.g., if consumers therefore assume that the imitated product originates from the manufacturer of the original product or that a close relationship exists between that manufacturer and the imitator). In such a case, differences in the external appearance of the product might be secondary. One of the determining factors is the total impression made on the average consumer.

(2) Substitution

269. Another practice prohibited by many national laws as an act either of confusion or of deception contrary to honest practices is the unauthorized substitution of the goods of an enterprise for those of another. In some cases, such substitution may constitute an infringement of a mark. For example, the use of promotional material or marketing equipment bearing a certain mark in order to sell a product without a mark or with a different mark generally constitutes trademark infringement (e.g., the use of

⁶⁷ There are many aspects of the protection of industrial designs that are relevant to consumer protection, and a more effective protection of industrial designs is certainly in the consumers’ interest. However, for the reasons already explained above in paragraph 12 hereof, industrial designs have not been included in the scope of this study.

⁶⁸ Article 2598(1) of the Civil Code of Italy of 1942 (see *La Propriété industrielle*, 1943, p. 30).

a soda vending machine which bears a given trademark but through which the consumer is supplied with a soda bearing a different trademark). However, other forms of substitution, outside the scope of trademark infringement, might be unlawful acts of competition contrary to honest practices because they confuse or deceive consumers, injure the goodwill symbolized by a trade name or a mark under which the substituted product is sold and/or possibly divert sales away from a competitor. For example, this might occur if a customer who asks a retailer for a certain marked product is given a similar product sold under a different mark or without a mark. If the substitution is not reasonably detectable by the average consumer, such as in the case of changing containers or serving a different beverage in a glass, such substitution might not only constitute an act of unfair competition but also criminal fraud (in the case of criminal fraud, in general intent must be proven). Similar considerations would apply to cases of adulteration, dilution or other undiscernable alterations of a marked product. However, even if the consumer is aware that a product has been substituted for another, such substitution may also be considered an act of unfair competition in a number of countries, if it occurs under such circumstances that the average consumer might be afraid to complain or to refuse the product sold to him. For example, this might occur if a customer in a restaurant asks for a beverage by its mark but is served a similar beverage which evidently bears a different mark but which the customer might be embarrassed to reject.

VI. ACTIONS AND REMEDIES

A. General

270. If it is accepted that the use and protection of certain industrial property rights and the regulation of certain business practices directly affect consumers, and that to such extent relevant industrial property laws can, do and should serve legitimate consumer interests, then consumers should have a role in the formulation and enforcement of such laws.

271. The form and degree of such role of the consumers will depend in great part on the particular socio-economic conditions and legal system of each country. For example, in a country where consumers might have sufficient resources and knowledge to protect themselves on their own initiative if given the legal, procedural and institutional means to do so, emphasis might be placed on providing such means. This might be achieved by encouraging the organization of private consumer associations and by enacting procedural measures granting consumers the right to initiate various types of proceedings in which they have a direct interest. On the other hand, in a country where the majority of consumers, realistically speaking, might not be in any position to exercise "self-help," the competent government authorities will have to assume a more active and direct role in protecting consumer interests.

B. Normative Actions (Policy Formulation and Law Making)

(1) Government Role

272. The formulation of a consumer protection policy by the government is the basis of protecting consumers comprehensively and effectively. Since consumer interests may conflict with other powerful interests, some countries have found it desirable to centralize the formulation and implementation of consumer protection policy in a single department responsible exclusively for consumer affairs. However, the formulation and implementation of consumer protection policy affects so many branches of government that interdepartmental coordination among government agencies concerned with sectoral aspects of consumer protection is necessary in any case.

(2) Consumers' Role

273. The policy makers or legislators should invite representatives of consumer groups to testify in hearings or to submit written opinions whenever a certain aspect of consumer protection policy or a law relevant to consumers' interests is under consideration. Competent government authorities should consider setting up and appointing consumer representatives to consultative bodies and study commissions on particular consumer-related problems. In many countries, consumer protection consultative bodies already successfully advise the government on the formulation of policies and regulatory measures. Where such consultative bodies exist, industrial property offices and the ministries under whose competence they fall should take advantage of their particular expertise in helping them deal with such consumer protection-related questions as raised throughout this study.

274. Means should be explored to encourage greater consumer involvement also at the international level. For example, by being invited to form part of official delegations (as representatives of industry frequently are) and by internationally recognized consumer groups being granted observer status, consumers might be able to make useful contributions in meetings of committees of experts and in conferences dealing with matters of interest to consumers.

(a) Private consumer associations

275. Formal organization can help mobilize the support and provide the political power frequently necessary for consumer interests to be represented and taken into account at the policy formulation and law-making stages. The modern trend has been for consumers to organize their own private associations. Such consumer associations can play a useful role at the policy-formulation stage by recommending consumer representatives to be appointed by the government to study commissions and consultative boards and by lobbying for consumer protection-oriented legislation. (Some of the other services which private consumer associations can render are discussed below.)

(b) Semipublic consumer organizations

276. In some countries, it has proven useful for the government to support semipublic consumer organizations in addition to or in the absence of private consumer associations. Such organizations usually receive significant government financing and frequently consist not only of consumer representatives but also of representatives of government and industry. Semipublic consumer organizations might conduct research, advise the government on relevant policy and assist private consumer associations.

277. In countries where it might be unrealistic to expect consumers to organize, on their own initiative, effective and representative private consumer associations, semipublic consumer organizations might provide a viable institutional structure through which consumers and consumer interests can be represented and heard, and, at the same time, through which the government can encourage greater consumer involvement.

(3) The Role of Industry and Trade, Particularly Owners of Industrial Property

278. The participation of industry and trade representatives—particularly of mark owners and owners of other forms of industrial property—at the policy-formulation stage is indispensable. This sector should participate in policy formulation in similar ways as consumers, e.g., by testifying at hearings or submitting written opinions and by being represented on consumer protection study commissions, consultative bodies and semipublic consumer organizations.

279. The advice of industry and trade at the policy-formulation stage will make consumer protection policy balanced and sensitive to legitimate concerns of trade and industry. Furthermore, participation by trade and industry representatives in public and semipublic bodies where consumers are represented will provide a forum for direct dialogue between the two groups.

C. Consumer Information and Education and Self-Regulation

280. Consumer information, testing of goods and services and self-regulation by industry and trade are important factors in protecting consumers and can complement protection granted under special laws such as many of the industrial property laws referred to throughout this study.

(1) Consumer Information and Education

281. In some cases, the disclosure of certain consumer information and the manner in which such information should be conveyed is best regulated by law (e.g., by labelling regulations and laws concerning advertising). However, consumer information and education activities can be carried out also without being ordered by law.

(a) Government role

282. Although some government support may be needed to ensure that comprehensive and reliable information is conveyed to consumers, the degree of government involvement will depend on the

particular circumstances of each country. In some cases, the government might have to administer consumer information and education programs directly through competent public agencies, particularly if private consumer associations do not have the resources or expertise to undertake such programs themselves. In other cases, government support can be more indirect, for example, by granting fiscal incentives to consumer associations, helping finance semipublic consumer organizations, encouraging the private sector to adopt voluntary information systems and recommending standards with respect thereto, and monitoring the information activities carried out by private consumer and industry groups.

283. In some countries and as part of their regulatory functions, government agencies have extensive information and data at their disposal, which are useful for consumers, for example, as background material for studies and surveys conducted by consumer associations or in preparation for or as evidence in consumer litigation. Whenever special circumstances do not require that such information be kept confidential, it is in the interest of consumers that government agencies make relevant information easily and inexpensively available to consumers. For example, the conditions governing the use of a collective or certification mark, where these are registered, provide useful information to consumers.

284. An important aspect of consumer education is to advise consumers as to what information is available and what benefits and protection various laws grant them. In this respect, for example, whenever possible, industrial property offices should cooperate with competent government agencies and private consumer groups in advising consumers on relevant aspects of industrial property law, so that consumers can understand how various industrial property laws serve their interests and how they can avail themselves of the remedies which might be available to them thereunder. No matter how consumer-oriented a particular law might be on paper, the first step in its successful implementation is to make consumers aware of the rights and remedies thereby granted to them.

(b) Consumers' role

285. Private consumer associations and semipublic consumer organizations should make significant contributions to consumer education and information programs. On one level, such entities can advise both government and industry as to what type of information should be gathered and made available to consumers. On another level, consumer groups can directly collect relevant information (e.g., by conducting studies, surveys and questionnaires). On still another level, consumer groups can educate individual consumers (e.g., through seminars, publications and otherwise) on how to use already existing information (e.g., information conveyed by label statements and geographical indications), take advantage of various laws, particularly those in the industrial property field, and understand the functions of objects of industrial property such as marks and trade names.

(c) Role of industry and trade (particularly owners of industrial property)

286. Enterprises, individually or as a group, can voluntarily furnish consumer information and adopt collective information systems. Such actions can serve not only the interests of consumers but also of industry. If consumers are put on notice as to pertinent characteristics and other relevant aspects of goods or services they purchase, many complaints and claims may be avoided. Furthermore, as has already been suggested in various parts of this study, furnishing additional information to consumers might correct the misleading effect which a particular mark, trade name or transaction may have on the average consumer. Finally, if industry voluntarily furnishes adequate consumer information, then the need for imposing various types of direct government controls, in many cases, might not arise.

(2) Self-Regulation

287. Self-regulation by trade and industry is not only in the interest of consumers but also of the relevant commercial or industrial sector. Self-regulation by trade and industry might prevent abuses from occurring and thereby reduce the need for direct government regulation in many areas. Self-regulation can also help ensure that individual members of a trade or industry comply with existing laws and regulations the breach of which by only a few enterprises can frequently reflect negatively on the entire sector concerned.

288. Many trade and professional associations have adopted codes of conduct and sometimes even apply internal sanctions against noncomplying members. Self-regulation can be exercised with respect to a particular activity (e.g., advertising) or a particular economic sector or profession (e.g., the food industry). Examples of well-known self-regulatory codes are the International Codes of Advertising Practice, of Sales Promotion Practice, and of Practice in Marketing of the International Chamber of Commerce (ICC).

289. In drawing up voluntary standards and codes of conduct, industry should take into account the interests of consumers and could even invite interested consumer groups to participate in their formulation.

D. Judicial and Administrative Procedures

(1) General

290. As already noted in relevant parts of this study, interested consumers—individually and collectively—should have the right to institute and take part in judicial and administrative proceedings concerning those matters in which their rights and interests are affected. It is also in the consumer's interest that industrial property owners and competitors—individually and collectively—should have the right to take action in matters in which their rights and interests are in question, since, frequently, by asserting and defending their own interests, industrial property owners and competitors indirectly protect those of consumers. Moreover, governmental intervention is often also needed to repress certain undesirable practices. The coexistence of those means of action should ensure that all legitimate interests involved obtain the required protection.

291. Furthermore, adequate remedies should be made available. These might include, as appropriate, injunctive and compensatory relief, corrective orders, specific performance or cancellation of industrial property rights and, in certain cases, criminal sanctions. The actual remedies made available must, naturally, be determined in function of the particular legal system of a given country.

(2) Consumer Action (Individually and/or Collectively)

(a) Speedy and inexpensive procedures

292. Consumers should be able to enforce their rights through speedy and inexpensive procedures. This might be achieved through various means; for example, by providing for informal summary proceedings in small claims or market courts or other tribunals specialized in consumer and marketing questions; by providing for administrative procedures; and/or by providing for conciliation and arbitration proceedings. Another possible measure might be to assist certain needy consumers through direct or at least advisory legal aid and a reduction of court fees.

(b) Jurisdiction over the defendant

293. Consumers frequently encounter difficulties in obtaining jurisdiction over the enterprise responsible for marketing a product or service or for engaging in an alleged act of unfair competition. The courts of the consumer's locality might not have jurisdiction over such party (e.g., if the party does not have assets or a place of business in the consumer's country or locality, depending on the particular law of a given country), and the consumer might not be able to afford to sue the party before some distant tribunal that might have jurisdiction. Therefore, special laws concerning jurisdiction might be needed to facilitate the institution of consumer actions before the courts of the consumer's residence.

(c) Collective action

294. It is in the interest of consumers that they be allowed to institute and participate in legal proceedings not only in their individual capacity but also collectively, for example, represented by one or more consumers or by a consumer association, depending on the legal system of a particular country.

Collective consumer actions have several advantages. They allow consumers to pool their resources in order to obtain the necessary legal and technical expertise and to share other legal and related costs. For example, in a case where consumers claim that a certain indication or allegation is misleading, it might be necessary, in order to present sufficient evidence to the court, to conduct an opinion poll to show the effect such indication or allegation has on consumers. Few individual consumers can personally afford the costs of such a study.

295. Sometimes, actual damages incurred by individual consumers might be small, although the total amount of damages suffered by all affected consumers may be substantial. In such cases, a collective consumer action might be the only practical and economical means to recover the damages incurred. (The actual method of computing the collective damages and whether damages, when individually small, should be distributed among the individual consumers injured or should be paid in a lump sum to the consumer association bringing the suit will depend on the general rules concerning the computation and award of damages in force in each country.)

296. A consumer association is in a better position than an individual consumer to determine which cases might be more appropriately resolved through an informal settlement, which are totally spurious, and which might provide appropriate "test cases," for example, in order to obtain a judicial interpretation of a vague or ambiguous law and thus to prevent future injury to a larger group of consumers.

297. Collective consumer action can also benefit industry and the government. The institution of a single collective action, instead of several individual actions concerning the same or related matter, can reduce legal costs for the enterprise(s) against which action is brought and reduce the number of proceedings brought before already overburdened tribunals.

(3) Action by Members of Industry and Trade (Individually and/or Collectively), Particularly Owners of Industrial Property

298. As previously mentioned, many actions brought by private enterprises (e.g., industrial property owners or competitors), such as opposition proceedings or infringement and unfair competition actions, indirectly benefit consumers since such actions might prevent the registration or the use of certain marks or the continuation of certain dishonest trade practices which might confuse, deceive or otherwise harm consumers. Therefore, it is also in the interest of consumers that speedy and inexpensive procedures be available to members of industry and trade to protect and vindicate their industrial property rights, so that the remedies available to them are not illusory but enforceable in practice. One of the areas where more effective and speedy procedures are needed, not only for the benefit of industrial property owners but also of consumers, is in combating piracy and counterfeiting.

299. The right of individual enterprises to bring collective action, for example, by being represented by an industry or trade association, have many similar advantages to those of collective consumer actions, especially as regards the sharing of legal costs. This might be particularly valuable for small businessmen and traders who individually might not have the resources and expertise needed to pursue proceedings which frequently result in lengthy and costly litigation.

300. Collective action might be particularly suited to cases of unfair competition where several enterprises might be harmed by the same dishonest trade practice. In this respect, Article 10^{ter} of the Paris Convention should be noted. It requires that countries of the Paris Union undertake not only to assure to nationals of other countries of the Union appropriate legal remedies to repress effectively the acts referred to in Article 9 (concerning the seizure of goods unlawfully bearing a mark or trade name), Article 10 (concerning the seizure of goods bearing a false indication as to their source or the identity of the producer) and Article 10^{bis} (concerning the protection against unfair competition) but also, more specifically, to provide measures to permit federations and associations representing interested industrialists, producers, or merchants to take action in the courts or before the administrative authorities with a view to repressing the acts referred to in Articles 9, 10 and 10^{bis}, provided that the law of the country in which protection is claimed allows such action by domestic federations and associations.

(4) Direct Government Action

301. Government authorities cannot avoid playing some role in ensuring that consumers are protected effectively against the practices discussed in the preceding chapters, although the optimal form and degree of government involvement might vary in different countries, depending on particular needs and conditions. For example, in many countries, consumer protection problems may be self-correcting and consumers may be in a reasonably strong position to defend and enforce their rights, so that the need for government involvement may be minimal. On the other hand, in other countries, such as in many developing countries where a significant number of consumers might not be in the position to protect themselves on their own initiative and where few private consumer associations might exist to advance consumer interests, direct government action to protect consumers may prove desirable.

302. Direct government involvement can take various forms, many of which have been discussed throughout this study. For example, the industrial property office can conduct, prior to opposition proceedings, *ex officio* examinations of mark applications for conflicts with prior marks. Competent government authorities concerned specifically with consumer matters or with sectoral aspects of consumer protection can issue rulings and guidelines on standards of conduct. In some cases, it might even be necessary, if consumers and members of industry have been unable or negligent to do so, for competent government authorities to initiate legal proceedings (civil or criminal) against persons engaged in unlawful acts which mislead or otherwise harm consumers and possibly to recover damages on behalf of consumers who were harmed. Some countries have entrusted a public official or entity with the responsibility to handle consumer complaints, to act as a prosecutor on behalf of consumers, upon their request and on his or its own initiative, and to act as arbitrator in disputes between consumers and enterprises accused of unfair practices (e.g., the "Consumer Ombudsman," in Sweden and Norway, and the "Federal Office for Consumer Affairs" or the *Procuraduria Federal del Consumidor*, in Mexico).⁶⁹ An important factor for such an official to be effective is his independence to act on behalf of consumers.

⁶⁹ Mexico presents an interesting case where the government of a developing country has decided to become directly involved in the protection of consumers by creating, among others, the *Procuraduria Federal del Consumidor*, an independent decentralized public entity, responsible for promoting and protecting consumer rights and interests. Among its attributions, the *Procuraduria* represents consumers before administrative authorities, courts and private entities, denounces before the competent authorities unlawful acts concerning prices, weights and measures, quality standards and monopolistic practices, requests such authorities to take necessary action to combat practices harmful to consumers, and acts as arbitrator in conflicts between consumers and traders and other suppliers of goods and services. As regards consumer education and information and research in the consumer protection field, these activities generally fall within the competence of the National Institute for Consumer Affairs (*Instituto Nacional del Consumidor*). Both entities were created by the Mexican Federal Law on Consumer Protection of 1976; see particularly Articles 57 to 66 and 67 to 75, respectively.

