

Trademark law

Trademark law refers to the set of provisions dealing with specific aspects of trademark protection, including distinctive signs as the subject matter of protection, the duration and scope of such protection and the requirement of actual use of protected trademarks. Each element of trademark law has a specific impact on innovation. Adopting adequate policies is important to guarantee the social value of trademark protection systems.

What are the legal dimensions of trademarks?

Like patent law, trademark law contains provisions dealing with the different aspects of trademarks as subjects of intellectual property protection. However, substantive trademark law refers to a set of characteristics that are different from patents, namely distinctiveness, signs as subject matter of protection, duration, scope of protection and actual use of the trademark.

Distinctiveness

Distinctiveness in the trademark context refers to the capability of a sign of distinguishing the goods or services of one firm from another. A trademark is distinctive if it identifies and distinguishes the source of the goods of one party from those of others. A trademark possesses source distinctiveness if it is able to indicate the source of the goods or services to which it is affixed. It is the degree of differential distinctiveness that a trademark possesses that determines its scope of protection.

In terms of distinctiveness, trademarks can be fanciful, arbitrary, suggestive, descriptive or generic, described as follows:

- Fanciful trademarks are invented words with no dictionary or other known meaning (e.g. Kodak, Xerox).
- Arbitrary marks are actual words with a known meaning that have no association or relationship with the relevant goods (e.g. Apple for computers, Quaker for cereals, or Diesel for clothes) (Landes and Posner, 1987; Economides, 1998).
- Suggestive trademarks are those that suggest (but do not describe) the characteristics or quality of the goods or services (e.g. Blue Ribbon, Gold Medal, Business Week).
- A trademark is descriptive when it describes or gives information about the goods or services.
- Generic marks are those that use words that are the usual names that people use to refer to the goods or services to which such mark is intended to be affixed (e.g. car, computer). These types of marks are not registrable and companies that use them to identify their goods or services will not be able to prevent others from using the same words to identify their products too.

Signs as subject matter of protection

There is no particular restriction on the kind of sign eligible for registration. They can be words, letters, slogans, numbers, figurative signs, combinations of colours, sounds, smells, shapes or any combination of those elements. However, some jurisdictions may nevertheless require that signs be visually perceptible (Millot, 2012).

Over time, the subject matter protected by trademark law has grown to accommodate changes in the nature of commerce and the norms of marketing and advertising (Dogan and Lemley, 2007).

Duration

The duration of a trademark refers to the maximum time period during which it can be enforced. After registration, a trademark can be protected for a limited period of time (at least seven years according to Article 18 of the TRIPS Agreement, WTO, 1994), that is generally 10 years. Once such period of time has expired, the registration can be renewed indefinitely upon payment of a fee.

The lack of a fixed term of trademark protection is one of the main differences between trademarks and other IP rights like patents or copyrights. Trademarks are tied to physical property, which reduces the costs of finding out who the producer of the relevant goods or services is. Thus, to make a producer of a product give up their trademark before they stop selling the goods or providing the relevant services would impose additional search costs to consumers but also reduce the margins received by the trademark owner (Landes and Posner, 1987).

Trademark scope

The scope of trademark protection refers to the extent to which trademark owners can prevent others from using the signs they have registered as trademarks. Trademark scope has been on a steady expansionist path since the early twentieth century (Lemley, 1999; McKenna, 2007) towards providing a greater scope of rights to trademark holders. Trademark law now protects trademark owners against more types of consumer confusion (McKenna, 2007), such as confusion on the Internet and against the use of domain names. It also protects owners against misappropriation of a company's goodwill, thus extending the traditional information transmission character of trademarks (Bone, 2006). Moreover, extended protection is also granted against tarnishment and blurring of well-known marks (Bone, 2006).

Actual use of the trademark

Trademarks exist only as long as consumers perceive them as designations of source (Beebe, 2005). Hence in most jurisdictions, trademark rights must be maintained through actual use of the trademark. Failure to actively use the mark or to enforce the registration in the event of infringement may expose the registration to removal from the register after a certain period of time (Millot, 2012). All jurisdictions with a mature trademark registration system provide a mechanism for removal in the event of such non-use, which is usually a period of three years. This constitutes an element of guarantee that trademarks reflect well the present situation of the market (Millot, 2012).

How is trademark law related to innovation?

First, with regard to distinctiveness, the more distinctive a trademark is, the more it facilitates the consumer's search process, since it will be less costly for them to process the distinction between different marks (Beebe, 2005). A high level of distinctiveness makes trademarks more easily enforceable and allows owners to better appropriate the returns from their creative efforts. It will provide in that way more incentives for investments in innovation.

Second, concerns have been expressed regarding the dangers of overly extending the subject matter of trademark rights (Lemley, 1999; Dogan and Lemley, 2007). In particular, concerns have been expressed about the inclusion of more and more common words, or colours, as registrable trademarks, which may affect people's rights of freedom of expression and impede the use of previously "freely available" signs in new creative works (Denicola, 1982). Moreover, expanding trademark subject matter can induce firms to register frequently used signs (and thus reducing the amount of information available) for merely strategic purposes, such as rent-seeking from other producers that have selected those same signs to mark their products (Dogan and Lemley, 2007).

Third, since the duration of a trademark right is theoretically for an unlimited period of time, wrongly registered trademarks may have an infinite negative impact on innovation (see [Trademarks](#) [1]).

Fourth, the relationship between creativity in the trademark context and scope of protection can be understood as mutually reinforcing, if not ratchet-like. Increased distinctiveness results in wider scopes of protection, and increased scopes of protection act to preserve increased creativity and product innovation (Beebe, 2005). In this sense, wider scopes of protection provide greater

incentives to invest in high quality products and vice versa.

Fifth, because not all registered trademarks are actually used on the market, imposing the obligation on the trademark owner of using his registered mark guarantees that the amount of signs that can be used as trademarks is not reduced in vain. Such obligation avoids the proliferation of abusive or rent-seeking strategies (Millot, 2012).

What are the implications of trademark law for policy?

Policies aimed at training trademark examiners, as well as those that provide guidance and inform current and potential trademark owners about the importance of choosing distinctive signs as their products' trademarks, can be important.

It is worthwhile to analyse potential undesirable effects of allowing the registrability of certain signs. For example, a strict interpretation of the requirement of having acquired secondary meaning for descriptive signs may help reduce the negative effects that granting exclusive property rights over such signs may have (Ramello, 2006).

Trademark authorities need to make sure that only those marks that deserve broader scope of protection actually obtain it. It is important to establish that a firm does not use trademarks when there is no distinguishing effect (for example in the absence of secondary meaning) (Ramello, 2006). In order to ensure that protected signs are actually used in the market, it is important to apply non-use provisions in trademark systems, which would help to avoid undesired conducts in the market place (Millot, 2012).

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