

SAVE OUR BRAND: PROTECTING THE BRANDS UNDER IP REGIME

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§ Introduction

The modern industrialized nations are turning into branded societies.¹ The change is clearly visible in the commercial arena, where the companies and their respective products or services are recognized by *Brands*. Brand provides identity to a commodity or service and ensures uniqueness of a good or a service. It creates a promise on part of the company to provide same quality of goods and services every time. Today, trademark is not merely a symbol of goodwill but often the most effective agent for the creation of goodwill.² The trademark jurisprudence is based on various rationales including consumer protection, economic aspect and propertization of brands. This diversification has led to fazed protection.

The paper aims to study the problem of trademark protection in balancing the two aspects of trademark *i.e.* consumer interest and goodwill. Furthermore, it intends to propose a solution to the same in light of trademark jurisprudence.

§ Brand – An Interdisciplinary Subject

Brand is a mark, which is capable of graphical representation and possesses distinctiveness.³ Traditionally trademark was considered merely a symbol of identification, but in the early twentieth century, the US Supreme Court expanded this view in the landmark judgment of

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¹ Theodore H. Davis, Jr., "Management And Protection Of Brand Equity In Product Configurations", (1998) *U. Ill. L. Rev.* 59, 59.

² Frank I. Schechter, "The Rational Basis of Trademark Protection", (1927) *40 Harv. L. Rev.* 813, 819.

³ Trade Marks Act, 1999, Section 2(zb).

*Coca-Cola Bottling Co. v. Coca-Cola Co.*⁴, where the court held that “trademark is merely one of the visible mediums by which the good will is identified, bought, and sold, and known to the public.”⁵

This gave rise to the economic rationale for brands along with consumer protection. Law aims to protect a producer’s rights in the trademark, specifically the word or symbol, and such protection has been characterized as *propertization*⁶. Trademark jurisprudence developed in light of consumer protection rights, property rights, economic efficiency and universal concepts of justice that underlie the law relating to brands.⁷

The protection of brand under trademark laws assimilates the concepts of consumer protection laws. It aims at protecting the interest of the consumer by removing the confusion caused or which can be caused by the presence of deceptively similar mark and customarily, it protects the goodwill in a mark. A strong brand reduces informational cost, increases consumer confidence, facilitates price and variety competition, fosters the maintenance of quality and has the ability to satisfy the emotional and self-expressive needs of the consumers.⁸

Brand protection also involves trade law aspects such as unfair trade practices.⁹ Trademark doctrines encompass exclusive right of ownership in the mark. Unfair use of brand occurs when a manufacturer other than the owner falsely or deceptively uses the mark to promote its own product. Common law doctrine such as *passing off* developed as the result of unfair trade practices. These doctrines lay down the basis of present trademark laws.

⁴ 296 F. 796, (D. Del. 1920)

⁵ Ibid., 805.

⁶ Lemley Mark A, “Romantic Authorship and the Rhetoric of Property”, 75 *Tex. L. Rev.* 873, 895.

⁷ McCarthy J. Thomas, *McCarthy on Trademarks and Unfair Competition*, (London: Sweet & Maxwell, 2005) § 2.2,

⁸ Swann Jerre B, “An Interdisciplinary Approach To Brand Strength”, (2006) 96 *Trademark Rep.* 943, 952.

⁹ Consumer Protection Act, 1986, Section 2 (1)(r) - “unfair trade practices as a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice including any of the following practices, namely:

(i) The practice of making any statement, whether orally or in writing or by visible representation which, -

(ii) Falsely represents that the goods are of a particular standard, quality, quantity; grade-composition, style or model;”

Moreover, economics also plays a vital role in the regime of the trademark laws. Studies based on economic principles provide incentives for firms to make investments that are aimed at gaining consumer confidence in their marks.¹⁰ Also, one of the principal benefits of trademark protection is that it lowers consumer search costs.¹¹ Successful brand owners have earned a unique, credible, sustainable, fitting, and valued place in customers' minds.¹²

In addition, in the current competitive economies, brand is considered as the most important commercial and institutional asset.¹³ A trademark's value depends on a brand's reputation, which is a product of a firm's expenditures on product quality, service, advertising, and so on.¹⁴ Hence, the protection also includes brand management, advertising and brand valuation studies.

§ Statutory and Common Law protection to the Brand

Almost a century ago, U.S. Supreme Court recognized the underlying objective of the trademark laws and stated that in truth, a trademark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's goodwill in trade by placing a distinguishing mark or symbol - a commercial signature -upon the merchandise or the package in which it is sold.¹⁵ Hence, the identity of the trademark is to be protected by the law.

Successful marks are like packets of information. Legal protection to brands becomes necessary because in its absence consumers shall not be able to properly appropriate the value of goods and services

¹⁰ J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, (London, Sweet & Maxwell, 2005) § 2.3, Microeconomic theory teaches that trademarks perform at least two important market functions: (1) they encourage the production of quality products; and (2) they reduce the customer's costs of shopping and making purchasing decisions.

¹¹ Landes William M & Posner Richard A, "Trademark Law: An Economic Perspective", (1987) 30 *J.L. & Econ.* 265, 268-70.

¹². Swann Jerre B, "An Interdisciplinary Approach To Brand Strength", (2006) 96 *Trademark Rep.* 943, 954.

¹³ Available at http://www.interbrand.com/best_brands_2007.asp; For example Coca-Cola brand values at \$65,324 Millions, Microsoft brand values at \$58,709 Millions and IBM brand values at \$57,091 Millions

¹⁴ Pulos Michael, "A Semiotic Solution To The Propertization Problem Of Trademark", (2006) 53 *UCLA L. Rev.* 833, 837.

¹⁵ *United Drug Co. v. Theodore Rectanus Co*, 248 U.S. 90 (1918) as cited in Carter Stephen L., "The Trouble with Trademark", (1990) 99 *Yale L.J.* 759, 762.

provided by the firm, which shall, subsequently, lead to reduction of incentives for the firm and an increase in consumer search cost.¹⁶

Basically, the protection of the brands is based upon the following functions of a brand.¹⁷ They are as follows:

1. To identify goods of the seller and distinguish them from those sold by others.
2. To signify that all goods bearing the trademark come from or are controlled by a single, *albeit* anonymous, source.
3. To signify that all goods bearing the trademark are of an equal level of quality.
4. As a prime instrument in advertising and selling the goods.
5. Objective symbol of the good will of the firm.

In India, the Trademarks Act, 1999 provides for protection in case of trademark infringement. It requires the goods to belong to the same or related class. However, the common law remedy of *passing off* does not require the same. Whereas likelihood of confusion is sufficient to cause *passing off*, the mark should necessarily be identical or similar for infringement action. Therefore, there is a marked difference in the remedies provided under the two systems of law. This is because information transmission model¹⁸ is considered as the core basis of trademark protection whereas goodwill is not given due recognition.

§ Lacuna in Brand Protection

Due to unsettled trademark jurisprudence and limitations, trademark laws are still insufficient to protect brands adequately. Statutory protection against infringement action is limited to a class or related classes. However, the brand suffers damage even due to imitation

¹⁶ A. Alchian & W.R. Allen, "Exchange and Production: Competition, Coordination, and Control," 193 (2d ed. 1977) as cited in McCarthy J. Thomas, *McCarthy on Trademarks and Unfair Competition*, (London: Sweet and Maxwell, 2005), § 2.5.

¹⁷ McCarthy J. Thomas, *McCarthy on Trademarks and Unfair Competition*, (London: Sweet & Maxwell, 2005) § 3.2.

¹⁸ This model views trademarks as devices for communicating information to the market and sees the goal of trademark law as preventing others from using similar marks to deceive or confuse consumers; see. Bone Robert G, "Hunting Goodwill: A History Of The Concept Of Goodwill In Trademark Law", (2006) 86 *Bost. Univ. L. Rev.* 547, 549.

in other classes or by its dilution. Moreover, goodwill in the brand is still not given due consideration by the statutory remedy and remains secondary to the *distinguishing factor*.

A few decades back, both civil and common law lawyers understood that the rationale for trademark protection resides in the trademark's function of designating the origin of the good and that the public should be protected against the risk of confusion as to the origin of the goods deriving from the unauthorized use of an identical or similar sign in connection with identical or similar goods.¹⁹ The same approach is taken in protecting mark against infringement. Goodwill is still considered to be an additional factor and not one of the major characteristic of the brand. Therefore, brand requires dual protection of (a) exclusivity and (b) goodwill

The above discussion on protection of brands under trademark regime dealt with protection of exclusivity of the brand and not the goodwill attached to it. It is important for us to understand the concept of goodwill under the trademark regime to appreciate its importance for brand protection.

§ Understanding Concept of Goodwill in Trademark Law

Goodwill is defined as business' reputation, patronage, and other intangible assets that are considered when appraising the business, especially for purchase. It is the ability to earn income in excess of the income that would be expected from the business viewed as a mere collection of assets.²⁰ Goodwill is an inherent part of the trademark and hence, any harm to trademark directly affects the goodwill of the firm.

Goodwill and trademark are inseparable. Trademark has no existence apart from the goodwill of the product or service it symbolizes.²¹ Modern trademark jurisprudence reckons brand as the property that creates and retains the goodwill, traditionally, it was considered as a property that merely symbolizes it. The goodwill of the firm increases with the consistent performance of the functions of the

¹⁹ Litman Jessica, "Breakfast with Batman: The Public Interest in the Advertising Age", (1999) 108 *Yale L.J.* 1717, 1720.

²⁰ Black, Henry Campbell, *Black's Law Dictionary*, (St. Paul, Minn: West Publishing Company, 1990).

²¹ McCarthy J. Thomas, *McCarthy on Trademarks and Unfair Competition*, (London: Sweet and Maxwell, 2005), § 2.15.

brand. Hence, the property right in the trademark is only due to goodwill attached to it.

Damage caused to the brand is not only by misrepresentation of the trademark, but also by misappropriation of goodwill. Based on its appropriation, goodwill can broadly be classified into following three types – (a) brand goodwill, (b) firm goodwill, and (c) inherent goodwill.²²

Brand goodwill is considered to be integral part of trademark laws. This goodwill is developed when the consumer relates factors such as quality, reliability, etc., to a particular brand, *i.e.*, the goodwill attached to the characteristics of the brand. This form of goodwill suffers, if any confusion is caused to the consumer by the other competitors selling the same product under similar or deceptively similar brands. Propertization of the trademark has to an extent, lead to the protection of brand goodwill under the trademark laws.

There is another type of goodwill known as firm goodwill, which is attached to a firm through its branded product in the market. This goodwill is an outcome of consumer satisfaction in one or more than one brands of the same firm. There are possibilities that the firm goodwill could be injured if consumers mistakenly believe that the other product, which actually belongs to some other firm, is that of the presumed firm or there is some connection between the two. Firm goodwill is broader than brand goodwill and is not usually covered by the trademark laws as the confusion mainly relates to association or connection of the infringing brand of the same or different class, of that firm to which the actual brand belongs.

Brand, also, possesses inherent goodwill. As the name suggests, it inheres in the mark itself. It is significantly different from brand and firm goodwill and protecting it involves different considerations,²³ as this form of goodwill is attached to the brand and is independent from the class or the source it belongs to. Usually famous brands suffer misappropriation of inherent goodwill as the brand not only signifies the goodwill in the product and the firm, but it also carries reputation of its own. Inherent goodwill is the most vulnerable of all the other types as it does not require either consumer confusion to attract the infringement

²² Bone Robert G, "Hunting Goodwill: A History Of The Concept Of Goodwill In Trademark Law", (2006) 86 *Bost. Univ. L. Rev.* 547, 551.

²³ Ibid., 552 (The protection is solely based upon the appropriation of goodwill and has nothing to do with safeguarding the quality consumer information).

laws or free ride other forms of goodwill for attracting the anti-dilution laws.²⁴

Illustration - Say, XXX is a well known brand of A, a car manufacturing company, which is highly reputed and satisfies various needs including emotional and self-expressive needs of the consumers. Trademark regime protects the brand in following cases:

- a. If B, another car manufacturing company uses mark, deceptively similar to XXX, such as XAX, which causes consumer confusion, it shall be liable for trademark infringement.
- b. If C, a lubricant oil manufacturing company uses XXX for its product and causes confusion as to the source, it shall be liable for blurring (kind of dilution) by free-riding on the firm's goodwill of XXX.
- c. If C's product is very low quality lubricant oil and causes confusion as to the quality of the lubricant, it shall be liable for tarnishment (kind of dilution) by free-riding on the brand goodwill of XXX brand to sell cheaper grade of lubricant oil.

However, if D, a well known shoe manufacturing company uses XXX brand for its high quality product, it may not be held liable under any trademark laws. The principle of honest and concurrent use as provided by the information transmission model may provide a defence to D. But from the perspective of inherent goodwill, one finds that it is a classic example of goodwill appropriation, which the present legal system fails to protect.

Hence, one finds that the actual protection of brands equally requires misappropriation-based liability with the present underlying objective, i.e., consumer confusion based liability. Misappropriation based liability assumes that it is morally wrong to free ride on goodwill, which invokes the familiar Lockean labor-desert theory of natural

²⁴ The dilution concept, in theory at least, is different from goodwill appropriation. Dilution is a kind of injury to the mark and its goodwill. It occurs when the defendant's use impairs the mark's selling power, either by tarnishing it with unsavory associations or by blurring its distinctiveness with multiple uses on different products; *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418.

property rights that recognizes a natural right to control the fruits of one's own labor.²⁵

The common law doctrine of *passing off* recognizes and protects the goodwill of a brand.²⁶ The underlying principle of the doctrine is to protect the goodwill against its erosion through usage of identical or similar trading mark and preventing the exclusive reputation in trading name from getting debased.²⁷ However, the *passing off* action associates the invasion of the proprietary rights (goodwill) of the trademark owner with the likelihood of consumer confusion, due to which it fails to protect the goodwill.²⁸ Various tests in a *passing off* action, which are laid down and followed in a catena of cases, favours the consumer confusion based liability over the misappropriation based liability.²⁹

The major focus of trademark law is protecting the source identification and information transmission function of marks.³⁰ It helps

²⁵ Gordon Wendy J, "A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property", (1993) 102 *Yale L.J.* 1533, 1540 (John Locke's theory of Natural law states that labour provides a foundation for property); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002-03 (1984), (US Supreme Court cited Locke where it held that intangible products of an individual's labour and invention can be property); Locke John, *Two Treatises of Government*, 287-88 (Peter Laslett ed., 2d ed. 1967) (3d ed. 1698, corrected by Locke) (bk. II, § 37) (Lockean theory establishes two classes of rights a) liberty rights (areas free of duty) and b) claim rights (areas where the right-holder is owed a duty by others). According to the theory, all persons have a duty not to interfere with the resources others have appropriated or produced by laboring on the common).

²⁶ The Law of Passing off has three elements i.e. (1) misappropriation of goodwill, (2) by a competitor, (3) resulting in consumer confusion as to source; see *American Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281 (6th Cir.1900).

²⁷ *Kirloskar Diesel Recon Pvt. Ltd. and anr v. Kirloskar Proprietary Ltd. and ors*, AIR 1996 Bom 149.

²⁸ The court held that there is no likelihood of the defendant's trade mark invading the proprietary right of the plaintiffs mark because the test of likelihood of confusion or deception arising from similarity of marks is not satisfied in the present case; *Kala Devi v. Parle (Exports) Pvt. Ltd. and Ors.*, 1992 (23) DRJ 436.

²⁹ The test follows – Is the defendant selling goods so marked as to be designed or calculated to lead purchasers to believe that they are the plaintiff's goods; see *Ruston and Hornby Ltd. v. Zamindara Engineering Co.*, AIR 1970 SC 1649, Para 4; Court should decide if on first impression the two marks are so similar as likely to cause confusion or deceit, (2) which question should be decided from the point of view of a man of average intelligence having imperfect recollection, (3) if their overall visual and phonetic similarity is likely to deceive or confuse such a man that he may mistake the goods of the defendant for those of the plaintiff and (4) as to who are the persons likely to be deceived and as to what rules should govern the comparison in deciding the existence of resemblance; *M/s Anglo-Dutch Paint, Colour and Varnish Works Pvt. Ltd. v. M/s India Trading House*, AIR 1977 Delhi 41, Para 8.

³⁰ *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64.

to reduce the consumer search costs by enforcing exclusivity³¹, supports seller incentives to maintain and improve product quality³² and reduces the risk that consumers will be misled into buying products they do not want.³³ Hence, it is clear that goodwill is not considered as a primary element in the Trademark doctrines and reflects the influence of information transmission model. Similarly, the remedy under common law is based on information transmission function of mark. Hence, the different kinds of goodwill of the brand are not recognized by the law and thereby not protected appropriately.

§ Conclusion

Apart from being a symbol of identification, brand envelops property right in the form of various kinds of goodwill attached to it. In light of the above discussion, to strengthen the trademark protection, it is suggested that additional protection should be conferred upon goodwill itself, which is inherent in the brand. If goodwill is considered as the property in the brand, the gap between the various forms of trademark protection *i.e.* protection against infringement, *passing off* and dilution, can be unified.

But, goodwill has an inherent defect. It is very vague as compared to trademark, which has a certain and ascertainable character. Hence, the answer to protect both exclusivity and goodwill does not lie even by considering goodwill as the property. It is indeed required to link the information transmission model with goodwill appropriation for broadening the scope of the trademark regime and protecting the brands in a better fashion.

The answer to proper protection of brands relate back to the history of trademark, when it was considered as a signature, which conveniently carried the goodwill. The protection requires amalgamation of goodwill appropriation model with the existing information transmission model. Hence, the existing trademark laws require modification based on the two models to strengthen the protection for the brands. It is suggested that the Courts carefully identify the elements of brand which are to be protected on case to case basis.

³¹ Landes William M & Posner Richard A, "The Economics of Trademark Law", (1988) 78 *Trademark Rep.* 267.

³² *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164.

³³ Robert G. Bone, "Enforcement Costs and Trademark Puzzles", (2004), 90 *Va. L. Rev.* 2099, 2121-22.