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Heinz Dawid

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PAST AND PRESENT DEVELOPMENTS IN THE INTERNATIONAL LAW OF TRADEMARKS

HEINZ DAWID*

I. *Introduction*

The law of trademarks is a comparatively young discipline. Although writers may point to decisions of English courts dating back to 1618,¹ a time when a cloth maker had a recognized cause of action against a competitor who copied his mark,² the first statutory recognition of a right in trademarks occurred only in the middle of the 19th century. France enacted a Trademarks Law in 1857, Britain adopted its first Merchandise Marks Act in 1862, and Germany followed in 1874. In the United States the appearance of a statutory law of trademarks was somewhat delayed. The Supreme Court declared the Act of 1870³ to be an unconstitutional arrogation of powers by the federal government⁴ which was not mandated by the Constitution. A new act was promulgated in 1881.⁵

Against this background, it is surprising to note that the international law of trademarks is almost as old as national trademark legislation, give or take a few decades. The Magna Carta of the international law of trademarks is the Convention of Paris for the Protection of Industrial Property,⁶ which was signed by eleven countries in 1883.⁷ This Convention has remained in effect

* Berlin University (LL.D., 1935), Brooklyn Law School (LL.B., 1951); Member of New York Bar.

1. J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION 112 (1973) [hereinafter cited as McCarthy].

2. *But see* T. BLANCO & R. JACOB, KERLY'S LAW OF TRADEMARKS AND TRADENAMES 2 (10th ed. 1972), referring to the case of *Day v. Day* (1816) as the earliest case dealing with trademark infringement. *See also* J. GILSON, TRADEMARK PROTECTION AND PRACTICE 1-2 (1974).

3. Act of July 8, 1870, ch. 230, 16 Stat. 198.

4. Trade-Mark Cases, 100 U.S. 82 (1879).

5. Act of March 3, 1881, ch. 138, 21 Stat. 502, *as amended*, Act of February 20, 1905, ch. 592, 33 Stat. 724.

6. Convention pour la protection de la propriété industrielle conclue a Paris le 20 mars 1883, 14 *Recueil des Traités de la France* (de Clercq) 203; 10 *Nouveau recueil général de traités* (Martens Nouveau Recueil), ser. 2, 133 [hereinafter cited as Paris Convention].

7. Belgium, Brazil, France, Guatemala, Italy, the Netherlands, Portugal, El Salvador, Serbia (now Yugoslavia), Spain, and Switzerland. Some of the developing countries participating at the Paris Convention withdrew soon after signing: El Salvador, with

without interruption notwithstanding the havoc wrought on international trade and commerce by two world wars and has constituted the basis for the acquisition of rights in trademarks as well as patents and designs by numerous applicants all over the world. Moreover, during the past ninety years it has undergone six modifications⁸ which have added to the substance of the international law of trademarks, patents, and designs. The Paris Convention also served as the model for another group of international conventions concerning trademark rights in the Western Hemisphere.⁹

A question which immediately poses itself is why it was that in the field of trademarks, patents, and designs the leading nations were so willing and anxious to accept international commitments which obligated them to grant not only equal rights but even privileges in the form of priority rights to foreigners, contrary to the customarily nationalistic attitude which is evident in many areas of the law. The answer is in part suggested by the particular interest which the people of the 19th century had in international expositions. The lack of international protection in the field of trademarks and patents constituted an obstacle to the demonstration of new inventions. To induce inventors to divulge their inventions and manufacturers to disclose their new products it was necessary to give them the assurance that disclosures would be protected.

It is, therefore, no coincidence that the first International Congress for Patent Reform was held at the time of the International Exposition at Vienna in 1873 and that it was followed in 1878 by the first International Congress on Industrial Property which was held simultaneously with the International Exposition in Paris. At the latter Congress basic problems were discussed and plans made for a conference to formulate an international convention to establish rules for international protection of patents and trademarks in Paris in 1880. In this connection, it should

effect as of August 17, 1887; Ecuador, which had adhered as of July 7, 1884, withdrew on December 26, 1886; Guatemala, with effect as of November 8, 1895.

8. For the texts of all versions of the Paris Convention, see the *MANUAL OF INDUSTRIAL PROPERTY CONVENTIONS* (World Intellectual Property Organization) [hereinafter cited as *WIPO*] (1968).

9. The first of these was the Convention of Montevideo of 1889, succeeded by the Mexico City Convention of 1902, the Rio de Janeiro Convention of 1906, the Buenos Aires Convention of 1910, the Santiago Convention of 1923 and, finally, the Inter-American Convention of Washington of 1929. S. LADAS, *INTERNATIONAL PROTECTION OF TRADEMARKS BY THE AMERICAN REPUBLICS* 11-14 (1929).

be noted that during the same period a considerable number of international agreements were concluded on other subjects such as the Universal Postal Union of 1878,¹⁰ the International Bureau of Weights and Measures,¹¹ and the International Red Cross.¹² While it would be incorrect to infer from these facts that the nations which concluded these agreements were swayed by a vogue of internationalism, it is undeniable that the leading statesmen of the time felt that there existed many international problems which should be handled by way of agreement. It is surprising, however, that patents and trademarks were placed in the same category as the Postal Union and the Agreement on Weights and Measures.

In his opening speech at the International Conference for the Protection of Industrial Property¹³ in November of 1880, French Foreign Minister Barthélemy Saint-Hilaire stated:

Some general principle should be agreed concerning the interest in industrial property at home and abroad to constitute the basis for a treaty which, like the Postal Treaties, could be applied to all civilized nations and to whom they would be eminently profitable.¹⁴

He also set forth what he regarded as "the great principle of property" as the ideological basis for the proposed Convention and commented that

[u]nfortunately, there are some evil minds which boldly contest this principle, which is the essential basis for any society. Through a practical demonstration we will rebut the false doctrine which may easily turn criminal and will render an immense service to all nations by giving the property in a form in which it exists in the industry solid guarantees which are due to it since a long time.¹⁵

10. *Traité concernant la creation d'une Union Générale des Postes*, signée a Berne, le 9 octobre 1874, 11 *Recueil des Traités de la France* (de Clercq) 257; 1 *Nouveau recueil général de traités* (Martens Nouveau Recueil) ser. 2, 651.

11. *Convention concernant la creation et l'entretien d'un Bureau Internationale des Poids et Mesures*, suite d'un *Reglement et de Dispositions Transitoires*, signée a Paris le 20 mai 1875, 11 *Recueil des Traités de la France* (de Clercq) 297; 1 *Nouveau recueil général de traités* (Martens Nouveau Recueil), ser. 2, 663.

12. *Convention internationale au sujet des militaires blessés sur les champs de bataille*, signée a Genève la 22 aout 1864, 9 *Recueil des Traités de la France* (de Clercq) 118; 18 *Nouveau recueil général de traités* (Martens Nouveau Recueil), ser. 1, 607.

13. *Conference internationale pour la protection de la propriété industrielle*, 4-20 novembre 1880, *France-Documents Diplomatiques*, ser. c, v. 33.

14. *Id.* at 13.

15. *Id.* at 14.

In retrospect, it is of some interest to consider the countries which signed the Paris Convention of 1883, many of which were not the leading industrial countries since neither Great Britain nor the United States¹⁶ nor Germany was among them.¹⁷ Instead, there were only four countries among the signatories which at that time might have been regarded as the "developed countries": Belgium, France, the Netherlands, and Switzerland. The other signatories were Italy, Portugal, and Spain, and, finally, four countries which up to this day qualify as "developing countries": Brazil, Guatemala, El Salvador, and Serbia (now Yugoslavia). Their appearance at the Conference was not accidental. Some of these countries had been parties to bipartite conventions, often in the form of treaties of commerce which had provided for trademark protection between the participants.¹⁸

Bearing in mind the differences which then existed among the participants in terms of their general wealth and the roles industry and science played within their economies, it seems clear that the conclusion of the Paris Convention can be explained only by the fact that they shared certain convictions. Among these was the view that the concept of private property was the backbone of society and that acknowledgement of this concept would encourage and promote inventions and progress and result in industrial development which would benefit all mankind, irrespective of national boundaries and notwithstanding the existing discrepancies of wealth.

The French Foreign Minister had wisely suggested that the parties should agree on general principles rather than on a general system of industrial property law. It was probably this restraint which was the primary cause for the success of the Conference. There were two general principles: that of national treatment of

16. A representative from the United States, J.O. Putnam, attended the conference but had no instructions from the government as to the position to be taken in the negotiations and accordingly, refrained from signing the Convention for the United States.

17. Although Great Britain was not one of the original signatories, it adhered without delay and like the original signers is bound by the Convention as of July 7, 1884. The adherence of the United States became effective on May 30, 1887 whereas Germany's adherence dates back only to May 1, 1903.

18. Brazil, for instance, concluded such treaties in 1876 with France, in 1877 with Germany, and in 1878 with the United States. The latter concluded a convention with Serbia in 1881. See S. LADAS, *THE INTERNATIONAL PROTECTION OF INDUSTRIAL PROPERTY* 54 (1930), containing a list of bilateral conventions dealing with trademarks concluded in the nineteenth century. (This work has been republished in a greatly enlarged and updated version in three volumes entitled S. LADAS, *PATENTS, TRADEMARKS AND RELATED RIGHTS, NATIONAL AND INTERNATIONAL PROTECTION* (1975).

all persons entitled to claim rights under the Convention, and that of the grant of priority terms securing the rights of inventors and trademark owners. Priority was established by filing an application in one Convention country within a limited period of time, thus securing rights in the other signatory countries. Since the idea of international protection of industrial property was historically linked with the promotion of international expositions, a special temporary protection, similar to a priority right, was provided for inventors and trademark owners attending exhibitions.¹⁹

The principle of national treatment was the *conditio sine qua non* for the success of the Convention. The question of reciprocity of protection was raised only once in the course of the deliberations and was immediately dropped. Clearly, a comparison between the laws of the various countries at the time and the difference in the degree of protection available thereunder would have led to endless arguments and might well have made agreement impossible.

Article 12 of the Convention²⁰ is indicative of another characteristic of the Convention, *i.e.*, that it promoted industrial property law on both the international and on the national level, committing participants to establish the domestic organization necessary to implement the international agreement. The adoption of the principle of national treatment had the necessary consequence of affording inventors and trademark owners rights which substantially differed in their extent and content among the various member states. This was qualified by basic commitments to seize goods unlawfully bearing trademarks or trade names on importation,²¹ and to protect trade names without a requirement of recordation.²²

In the course of the following ninety years the member states agreed on a number of additions to the substantive rights created by the Convention, thus coming closer to the ideal of equal rights under the laws of all Convention members. There has, however,

19. Article 11 provides for "temporary protection to patentable inventions, industrial designs and trademarks in respect to goods exhibited at official or officially recognized international exhibitions." 14 *Recueil des Traités de la France* 206.

20. "Each of the High Contracting Parties undertakes to establish a special industrial property service and a central office for the communication to the public of patents, industrial designs and trademarks." *Id.* (Article 12).

21. *Id.* (Article 9).

22. "A trade name shall be protected in all the countries of the Union without the obligation of filing, whether or not it forms a part of a trademark." *Id.* (Article 8).

never been a change in the basic goal of guaranteeing national but not reciprocal treatment. In addition, there has been a continuing development toward strengthening rights of trademark owners and inventors not only against trademark pirates and patent infringers but also against attempts by governments to deny or restrict their rights through domestic legislation.

II. *History of the Paris Convention*

The following brief review will point out the modifications of and additions to the Paris Convention which were agreed upon in the course of six international conferences over the past seventy years, beginning in Brussels in 1900 and ending in Stockholm in 1967.

At the Brussels Convention of 1900,²³ the principle of national treatment was extended to include protection against unfair competition and the group of persons entitled to protection under the Convention was extended to include all persons domiciled or having an establishment in a Convention country. The protection of owners of industrial property against limitations of their rights in national legislation, first expressed in Article 5,²⁴ was extended by providing that a patentee would only forfeit his patent for non-working after a minimum period of three years from the filing of the application and only if he could not justify his inaction.²⁵

At the Washington Conference in 1911²⁶ the principle of national treatment was extended to association marks.²⁷ At that Conference a new effort was made to achieve equal treatment by introducing the *telle quelle* clause²⁸ which provides that "every

23. Acte additionnel du 14 decembre 1900 a l'arrangement du 14 avril 1891 concernant l'enregistrement international des marques de fabrique ou de commerce, 21 *Recueil des Traités de la France* (de Clercq) 774; 30 *Nouveau recueil général de traités* (Martens Nouveau Recueil) ser. 2, 475; WIPO, § 81.

24. "The importation by the patentee into the country where the patent has been granted of articles manufactured in any of the States of the Union shall not entail forfeiture of the patent." 14 *Recueil des Traités de la France* 205 (Article 5).

25. Article 2 provided for the addition of paragraph 3 bis to the Final Protocol annexed to the 1883 Convention. 21 *Recueil des Traités de la France* 775; WIPO, §§ B1, B4.

26. Convention revising the Convention of the Union of Paris of March 20, 1883, as revised, for the protection of industrial property, with final protocol, June 2, 1911, 38 Stat. 1645; T.S. No. 579; WIPO, § C1.

27. *Id.* (Article 7 bis).

28. *Id.* (Article 6) (Article 6 quinquies in the 1958 version); for a detailed comment on this provision, see G. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 107, 113 (1968) [hereinafter cited as Boden-

trademark duly registered in the country of origin shall be accepted for filing and protected in its original form in the other countries of the Union." This requirement was qualified in three respects: the rights of third parties should not be infringed, marks without any distinctive character could be denied protection, and marks could be refused which were contrary to morality or public order. The significance of this provision is still the subject of disputes. Literally construed, it would constitute an important deviation from the principle of national treatment by promoting the concept of a world or international mark which must be recognized in all member states if registered in its home country. However, registrars and courts in most countries where the Convention is applicable as domestic law²⁹ have given this provision a very narrow interpretation. By relying on its history, they have concluded that Article 6 concerned only the form of a mark and the specific exclusion of completely non-distinctive marks has been deemed to be only a restatement of the national laws of most member countries.³⁰

At the 1925 Conference in The Hague³¹ the priority term for trademarks was extended to six months and a new substantive right established for the owners of well-known marks which provided protection against reproduction and imitation. The protection against unfair competition, previously guaranteed by national treatment, was strengthened and changed to a substantive right by declaring and forbidding as acts of unfair competition certain types of behavior such as false allegations to discredit the goods of a competitor. The significance of the special rights granted under the Convention was also emphasized by adding to Article 2, which establishes the principle of national treatment, the words "without prejudice to the rights specially provided by

hausen]. The history of this provision is also discussed at great length in *In re Certain Incomplete Trademark Applications*, 137 U.S.P.Q. 69, 72 (C.C.P.A. 1963). See also *John Lecroy & Son, Inc. v. Langis Foods, Ltd.*, 182 U.S.P.Q. 132 (C.C.P.A. 1974).

29. For instance, Austria, Germany, and Switzerland. See also Bodenhausen, *supra* note 28, at 14 and the decision of the Swiss Supreme Court in *Farberfabriken Bayer, AG c. Bureau fédéral de la propriété intellectuelle*, 4 juillet 1972, 98 Arrêts du Tribunal Fédéral Suisse, Recueil Officiel (R.O.), Teil 1B, 180; 120 Journal des Tribunaux 627; also found in 4 International Review of Industrial Property and Copyright Law [hereinafter cited as IIC] 109 (1972).

30. See Krasser, *Basic Features of the Benelux Trademark Law*, 4 IIC 17, 20-21 (1973).

31. Convention revising the Convention of the Union of Paris of March 20, 1883, as revised, for the protection of industrial property, done at The Hague Nov. 6, 1925, 47 Stat. 1789; T.S. No. 834; 74 L.N.T.S. 289 [hereinafter cited as Hague Convention].

the present Convention."³² Finally, two steps were taken to achieve protection for owners of industrial property rights against adverse national legislation: a period of grace for the payment of fees was established,³³ and the Convention took note of use requirements in national laws and provided that the owners of trademarks should be given a reasonable period to commence use which could be extended if the owner could justify his inaction.³⁴

At the London Convention of 1934,³⁵ the protection of famous marks was extended to include unauthorized translation.³⁶ A new provision was also added which signified a basic change in the general concept of trademark and which opened the door to the modern era of trademark licensing and franchising. It stated that in countries where the assignment of a mark was valid only if transferred together with the business or goodwill to which the mark belonged, the validity of the assignment would be recognized if the portion of the business or goodwill situated in the country in question were transferred to the assignee together with the exclusive right to manufacture or sell the goods bearing the assigned mark in that country.³⁷ With this provision the international law of trademarks incorporated developments in general trademark theory which questioned the historic concept that a trademark was primarily, if not exclusively, an indication of the origin of a product and thus indissolubly linked with the enterprise of the manufacturer. The newer concepts stressed the connection between the trademark and the goods which it identified. While not challenging the historical theory wherever it was the law of the land,³⁸ Article 6 *quater* of the Convention severely limited this principle by allowing the separate transfer of foreign

32. 47 Stat. 1797. See also Derenberg, *The Protection of Foreign Trademarks in the United States: The "Lemon Tree Case - Act II,"* 5 IIC 292 (1974) (contradicting the interpretation of the Convention given in *John Lecroy & Son, Inc. v. Langis Foods, Ltd.*, 182 U.S.P.Q. 132 (C.C.P.A. 1974)).

33. Hague Convention (Article 5 bis).

34. *Id.* (Article 5).

35. Convention revising the Convention of the Union of Paris of March 20, 1883, as revised, for the protection of industrial property, June 2, 1934, 53 Stat. 1748; T.S. No. 941; 192 L.N.T.S. 17 [hereinafter cited as London Convention].

36. *Id.* (Article 6 bis).

37. *Id.* (Article 6 quater); for a discussion of this provision, see Bodenhausen, *supra* note 28, at 104.

38. At the present time only a few of the larger countries will adhere to this theory, in particular, Italy and Germany. However, the German law also provides for the transfer of a trademark in conjunction with a part of the establishment. Article 8, Warenzeichengesetz [1967] I Bundesgesetzblatt [BGB1.] 953.

trademark rights.³⁹

At the 1958 Conference in Lisbon⁴⁰ the national treatment principle was extended to service marks with the proviso that member states were not committed to arrange for their registration. The national treatment principle was also reemphasized by specifically declaring that registration in a Convention country may not be made dependent on the existence of a home registration.⁴¹ This provision did not signify any change of the international law of trademarks as reflected in the Convention since the independence of each registration follows from the principle of national treatment as established in Article 2 of the Convention.⁴² A new substantive right was also created to protect the proprietor of a mark against the unauthorized application by his agent or representative for registration or unauthorized use of a mark.⁴³ The provisions against unfair competition were further strengthened by extending them to indications and allegations misleading the public as to the nature and other characteristics of the goods.⁴⁴

The Lisbon Convention marks the end of the movement to extend protection to the owners of industrial property rights by additions to the provisions of the Paris Convention. The 1967 Convention in Stockholm,⁴⁵ while it resulted in the complete reorganization of the Bureau in charge of the administration of the Convention and in the establishment of the World Intellectual Property Organization [hereinafter referred to as WIPO], pro-

39. In United States law, the principle that a trademark may be assigned only with the business of the assignor has been greatly weakened with the enactment of the Lanham Trademark Act of 1946, 60 Stat. 427, *as amended*, 15 U.S.C. §§ 1051-1127 (1970) [hereinafter cited as Lanham Act]. As a comparison between section 10 of that Act and section 10 of the Act of February 20, 1905, *supra* note 5, indicates, an assignment is now possible in conjunction with "that part of the goodwill of the business connected with the use of and symbolized by the mark."

40. Convention revising the Convention of the Union of Paris of March 20, 1883, as revised, for the protection of industrial property, done at Lisbon Oct. 31, 1958, 13 U.S.T. 1; T.I.A.S. No. 4931 [hereinafter cited as Lisbon Convention].

41. Article 6 (2) provides that an application for registration of a mark filed by a national of a country of the Union in any country of the Union may not be refused on the ground that filing has not been effected in the country of origin.

42. This principle is best expressed in the decision of the French Court of Cassation in *Société Oméga c. Société Oméga Louis et Frères* [1959] J.C.P. II No. 11000.

43. Lisbon Convention, *supra* note 40 (Article 6 septies).

44. *Id.* (Article 10 bis (3) No. 3).

45. Convention revising the Convention of the Union of Paris of March 20, 1883, as revised, for the protection of industrial property, done at Stockholm July 4, 1967, 21 U.S.T. 1583; T.I.A.S. No. 6923, 7727 [hereinafter cited as Stockholm Convention].

duced agreement on only one change in the substantive provisions of the Convention. The change concerned the specific recognition of the Inventors' Certificate as an equivalent to patents,⁴⁶ which became necessary as a result of the adherence of the Union of Soviet Socialist Republics to the Paris Convention in 1965.⁴⁷

This overview of the modifications of the Paris Convention might give the impression that there has been general acceptance of the principles of the international law of trademarks which it expresses. Certainly the reaffirmation of the basic principles of national treatment, recognition of priority rights, limited creation of substantive rights, protection against adverse registration, as well as a constant increase in the membership of the Convention,⁴⁸ would tend to strengthen this impression. However, recent developments which are taking place in member and non-member states contradict this impression and indicate instead a basic challenge to the entire system of industrial property rights and, specifically, to the rights of the trademark owners.

III. *The Nature of Ownership in Trademark Law*

Since its adoption, the Paris Convention has treated trademarks and trade names as merely two of a large number of industrial property rights which include, *inter alia*, patents and designs. At the outset, this treatment may have been quite advantageous to the owners of trademarks since it enabled them to benefit from the desire of the international community to promote and encourage industrial and scientific progress and to protect inventors.⁴⁹ In fact, the inclusion of trade names in this context underlines the arbitrariness of this procedure. A trade name, like a personal name, is nothing more than a means of identifying

46. *Id.* (Article 4 1.-(1), (2)).

47. WIPO, §F3 at 2.

48. Commencing with the eleven original signatories and ending with eighty countries, which as of January 1, 1974 are bound by at least one of the texts of the Paris Convention. *But see* Ladas' comments in *GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT INTERNATIONAL PART* [hereinafter cited as *GRUR Int'l Part*] 223 (1973), pointing out that the figures indicating the increase in membership of the Paris Convention are somewhat deceptive insofar as they include fourteen African republics, three Asian states and four other countries which were formerly covered through membership by France and Great Britain. The author also draws attention to the fact that not less than sixty-two countries remained outside the Paris Convention.

49. Concerning the basic differences between trademarks and other industrial and intellectual property rights, see McCarthy, *supra* note 1, at 121; 3 R. CALLMAN, *THE LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES* 43 (3rd ed. 1968).

a person or business. Accordingly, it has in principle no value of its own but rather derives its value from the person or enterprise which it identifies. On the other hand, an invention or a literary work which is in clearly definable form is immediately divorced from the person of the inventor or author and has its own value. At the time the Paris Convention was negotiated, the link existing between trademarks and the enterprise using the marks was deemed to be as close as that between the enterprise and its trading name. Like trade names, rights in trademarks could be assigned only with the enterprise itself.⁵⁰ The basic distinction between a trade name and a trademark is that the former relates only to the party which it identifies, whereas the latter creates a link between the manufacturer or trader using the mark and the product originating from this party.⁵¹

It follows from the nature and the purpose of the trademark that its value depends entirely on its relationship with the enterprise and, accordingly, a trademark which is not actually being used or is held in reserve has only a very questionable value, if any. It has been said that a trademark right gives a monopoly in a word, but this statement requires two important qualifications. First, it is limited to the owner's particular area of interest. In principle, the right in a trademark identifying a beverage may not prevent another person from using the same trademark on an automobile or television set. Second, the courts of the United States distinguish between trademarks consisting of words from the general vocabulary and those which have been coined by owners; broader rights are granted to the latter because protection for such marks does not affect the vocabulary available to the public.⁵²

The sum of the rights of a trademark owner, therefore, is not comparable to the monopoly position created by the granting of a patent, which gives the owner not only the exclusive right to exploit his invention but also the right to prevent others from reproduction for the duration of the patent term, irrespective of good faith.⁵³ Recognizing the different degrees of exclusivity

50. See text accompanying note 37 *supra*.

51. As to the confusing use of the word "tradenname," see McCarthy, *supra* note 1, at 97.

The Lanham Act clearly defines tradenames in section 45. As to the treatment of Article 8 of the Paris Convention, see Bodenhausen, *supra* note 28, at 23, 133.

52. For the distinction between fanciful and descriptive marks, see *Telechron Inc. v. Telicon Corp.*, 198 F.2d 903, 906 (3rd Cir. 1952).

53. A copyright owner is protected only against copying. He cannot prevent a third

granted to patents, copyrights, and trademarks, legislators in all countries have made the term of patent rights much shorter than that for copyrights, whereas a trademark right may be maintained indefinitely through successive renewals.

The basic difference between the patent monopoly and the rights resulting from a trademark is well expressed in the 1973 decision of the United States Court of Appeals for the Sixth Circuit in the case of *Beer Nuts, Inc. v. Kings Nut Company*.⁵⁴ The court was asked to determine whether the doctrine of *Lear, Inc. v. Adkins*,⁵⁵ which barred licensee estoppel in patent litigation and allowed the licensee to challenge the validity of the patent, should be applied to litigation involving trademark infringement. The question was answered in the negative, the court pointing out that whereas the patent system awarded an inventor exclusive use of his discovery for a limited period of time, the principles underlying the law of trademarks were distinguishable in that trademark protection guarded the public from being deceived into purchasing an infringing product. Since the trademark in question consisted of words from the general vocabulary, the court recognized the existence of a public interest in the freedom to use the general vocabulary but added that

[w]hen the balancing test is employed, we conclude that the public interest in guarding against the depletion of the general vocabulary available for description of articles in commerce is not so great that it should take precedence over the rule of the law of contracts that a person should be held to his undertakings.⁵⁶

It might be expected that since the economic systems of the Socialist countries are not based on principles of competition, there would be no need for trademarks and that goods would be identified only by generic terms. However, none of the Socialist countries has yet adopted this view. This would be feasible only if one type of each product were in fact offered to the purchasing public, thus leaving no choice whatever. Since this policy is not followed and an effort is made to cater to the consumer, the existence of trademarks and the regulation of their use by law becomes a necessity.

party from recreating the work in good faith.

54. 477 F.2d 326 (6th Cir. 1973).

55. 395 U.S. 653 (1969).

56. 477 F.2d at 329.

It might also be expected that the fundamental changes required to establish a Socialist economic system would inevitably affect trademark legislation. Such was not the case and, in fact, some Socialist countries have acted slowly in replacing their pre-Socialist trademark laws.⁵⁷ This conservative approach to amending pre-war legislation⁵⁸ demonstrates the unique character of the law of trademarks which, while generally regarded as an essential part of the legal systems of free enterprise countries, is also compatible with Socialist ideology⁵⁹ in that it preserves, to a limited extent, the freedom of choice of the consuming public and provides protection against deceptive trade practices.

The People's Republic of China [hereinafter referred to as PRC] has made a special effort to create a new trademarks law in line with Communist ideology.⁶⁰ The title of the April 10, 1963, regulations, "Regulations Concerning the Control of Trademarks,"⁶¹ is indicative of the intent of the PRC to avoid any recognition of "rights" in trademarks and to stress their social function instead. Article 3 defines trademarks as "markings representing a certain quality of a commodity." Consonant with the

57. Hungary, for instance, replaced its pre-war legislation only in 1969. See Bognar, *The New Hungarian Law on Trademarks*, 9 INDUSTRIAL PROPERTY 187 (1970).

By contrast, Article 37 of the East German Trademarks Law of February 17, 1954 still refers to and acknowledges the validity of the 1909 Law against Unfair Competition. See DER SCHUTZ DES GEWERBLICHEN EIGENTUMS IN DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK (THE PROTECTION OF INDUSTRIAL PROPERTY IN THE GERMAN DEMOCRATIC REPUBLIC) (Inventions and Patents Office of the D.D.R., Berlin).

58. According to the view of one commentator, despite the fact that all Eastern European countries have introduced new legislation to regulate industrial property, the content of these laws is surprisingly similar to pre-war legislation. See S. PISAR, CO-EXISTENCE AND COMMERCE 329 (1970).

59. The Hungarian Minister, A. Kiss, during a debate on December 12, 1969 in the Hungarian Parliament concerning the new trademarks act stated:

The trademark is a conventional, internationally acknowledged and accepted means of publicizing goodwill and distinguishing between products. The trademark draws the public's attention to the goods and services of enterprises. A trademark with good reputation is of significant value. It symbolizes the goodwill of the enterprise and influences the buyer's choice. Hence, it serves the interests of both enterprises and buyers.

Vida, *The New Hungarian Trademark Act*, 22 AM. J. COMP. L. 563, 566 (1974).

The foregoing statement might just as well have been made by an American congressman proposing a modification of the Lanham Act.

60. See Hsia & Haun, *Laws of the People's Republic of China on Industrial and Intellectual Property*, 5 LAW AND POLICY IN INTERNATIONAL LAW 743, 764-65 (1973) [hereinafter cited as *Laws of the P.R.C.*].

61. [1964] 13 CHUNG HUA JEN MIN KING HO KUO FA KUEI HUI PIEN (Collection of Laws and Regulations of the People's Republic of China) 162 [hereinafter cited as FKHP].

purpose of the law, the use and registration of trademarks is mandatory. Because the purpose of the law is to place obligations on trademark owners rather than to award rights, Article 11(1) provides that a trademark shall be cancelled if the quality of the product has deteriorated as a result of poor workmanship.

The most serious challenge to the entire system of industrial property rights in general, and to trademark rights in particular, is being mounted in the developing countries. In 1880, Brazil, Guatemala, and El Salvador participated in the deliberations which resulted in the Paris Convention.⁶² At that time, they shared with the industrialized countries a belief in the principles of international economic liberalism,⁶³ according to which the movement toward technical economic progress, if not blocked by national barriers, would reach and benefit all mankind. This theory has been criticized in the years since World War I and has been replaced by the philosophy of economic nationalism, according to which governments interfere in and exercise control over economic matters in varying degrees, particularly to improve the national balance of payments. Translating and applying these principles to the system of industrial property rights, the developing countries have begun to question the benefits derived for their nations from the exchange of technology, noting that such exchange in the past has been mostly one-sided, that technology was frequently acquired at an unduly high price or under onerous conditions, and that the technology was at times obsolete or not suitable or beneficial to national economic policies.

IV. *Contemporary Developments—Socialist Attitudes*

Challenges to industrial property rights in general, and trademark rights in particular, have been gaining momentum and are not limited to a few countries or to countries which adhere to a particular economic system. They are caused by differing motivations and vary in intensity in many parts of the world, in the developed countries of the West as well as the developing and Socialist countries.

While it might be logical to assume that the severest attack on the concept of industrial property would take place in the

62. See Aracama-Zorraquin, *New Trends in Latin America Concerning the Transfer of Technology*, 12 INDUSTRIAL PROPERTY 33 (1973).

63. See Pointet, *The Role of Industrial Property in the Economic Development of States*, 6 INDUSTRIAL PROPERTY 60 (1967).

Socialist countries for ideological reasons, the facts do not bear this out. A glance at the current membership list of the Paris Convention proves otherwise. None of the countries of Eastern Europe which had become members of the Paris Convention prior to their joining the Socialist camp⁶⁴ renounced the Convention. Instead, they not only retained their membership but declared their adherence to the more recent versions of the Convention regardless of the fact that each subsequent version was intended to add to the rights of the owners of trademarks and patents.⁶⁵ East Germany declared its adherence to the Paris Convention in January of 1965, a time when most of the western countries refused to recognize East Germany as an independent country,⁶⁶ and the USSR accepted the Lisbon Version of the Paris Convention as of July 1, 1965.⁶⁷

The explanation of this apparent paradox lies in the fact that contrary to the statement of the French Foreign Minister⁶⁸ at the International Conference in 1880, the concept of industrial property differs fundamentally from the concept of property as it is usually understood when applied to movables or immovables.⁶⁹ A distinction is made between the objects of the property right such as the intellectual work in the form of an invention, a trademark, or a literary product and real or personal property such as an article of clothing or a building. The value of the latter is clearly and definitely limited: an article of clothing may be worn by the owner and a building either occupied or leased to a third party. In either case, however, the right of the owner to exploit his property is opposed to the interest of the public in using the same piece of property, such as utilizing a building for a public pur-

64. This group includes Bulgaria, Czechoslovakia, Hungary, Poland and Romania.

65. Bulgaria as of March 28, 1966; Czechoslovakia as of January 4, 1962; Hungary as of July 14, 1962 (Lisbon version as of March 23, 1967); Romania as of November 19, 1963. Only Poland has so far failed to adhere to any of the newer versions and is still bound by the Hague Convention of 1925.

66. As a result, for several years the International Bureau was unable to indicate with certainty the exact number of members and instead had to add to its statements the qualification "or one less if the German Democratic Republic is not considered a party. Contracting countries disagree on this question." *International Unions*, 10 INDUSTRIAL PROPERTY 5, 13 note 1 (1971).

67. See text accompanying note 47 *supra*.

68. See text accompanying note 14 *supra*.

69. See, e.g., OSTERRIETH & AXSTER, *DIE INTERNATIONALE ÜBEREINKUNFT* 3 (1903); Bodenhausen, *supra* note 28, at 20; 1 A. BAUMBACH & W. HEFERMEHL, *WETTBEWERBS UND WARENZEICHENRECHT* 50 (1971); McCarthy, *supra* note 1, at 54 and decisions of American courts referred to therein.

pose. On the other hand, the owner of the intellectual (or industrial) property can benefit materially from his property only by sharing it with the public and, indeed, may derive the greatest benefit therefrom by giving the public the broadest possible access to his property, by producing the article containing his invention, distributing the book containing the literary creation, or promoting a product under his trademark. Taking into consideration also that there is practically no limit to the number of people who may benefit from an intellectual or industrial property, it follows that the conflict between self-interest and public-interest which is at the root of Socialist ideology and is solved by expropriation and nationalization is not directly applicable to the field of intellectual creation.⁷⁰

At any rate, none of the Socialist countries has ever attempted to abolish the concept of industrial and intellectual property. In this connection, the handling of this problem by the PRC is of particular interest. On August 11, 1950, within ten months after the establishment of the government in Peking, the government of the PRC approved the decision on Awards for Inventions, Technical Improvements and Rationalization Proposals relating to Production,⁷¹ and in the same month Provisional Regulations for the Registration of Trademarks were enacted.⁷²

In order to understand the manner in which the Socialist countries have regulated the law of trademarks, the fundamental difference existing between corporeal and intellectual or industrial property which has been outlined above⁷³ should be taken

70. It might be argued, of course, that the owner of an intellectual or industrial property exploits his rights by collecting either royalties or sales receipts from members of the public and that this may result in social inequality which is contrary to the principles of Socialism. See, e.g., *Laws of the P.R.C.*, *supra* note 60, at 752. This argument, however, is of very limited significance because the individual payment due as a royalty may be insubstantial even though the receiver earns rich rewards.

71. Decision of Aug. 16, 1950, Concerning Awards for Inventions, Technical Improvements and Rationalization Proposals Relating to Production, [1954] 2 CHUNG HUA JEN MIN KUNG HO KUO MIN FA TZU LIAO HUI PIEN (Collection of Materials on the Civil Law of the People's Republic of China) 220.

72. Provisional Regulations of Aug. 28, 1950, Concerning the Registration of Trademarks, [1952] 1 CHUANG YANG JEN MIN CHENG FU FA LING HUI PIEN (Collection of Laws and Decrees of the Central People's Government) 528. For an English translation, see 58 PAT. & T.M. REV. 358 (1966). This was replaced in 1963 by Regulations Concerning the Control of Trademarks, 13 FKHP 162.

73. See text accompanying notes 49-52 *supra*. The distinction between industrial property dealing with patents, designs, and trademarks and intellectual property dealing with copyrights has for all practical purposes been abandoned in 1967 with the Convention Establishing the World Intellectual Property Organization (WIPO) (Stockholm Conven-

into consideration, as well as the basic difference existing between trademarks and all other forms of intellectual products.

V. *Emergence of Technology Controls in the Developing Nations*

In the nineteen-sixties numerous developing countries began to impose controls over foreign investments, and specifically over payments due to foreign technology owners, in order to protect or improve their foreign exchange position. This movement necessarily led to the imposition of controls over technology agreements. The first extensive investment code providing for detailed control over technology agreements was promulgated on December 31, 1970, by the five countries which then formed the Andean Common Market: Bolivia, Chile, Colombia, Ecuador, and Peru, in the form of Decision No. 24.⁷⁴ This was issued in accordance with Articles 26 and 27 of the Cartagena Agreement of May 26, 1969,⁷⁵ which constitutes the legal basis for the Andean Community.

tion), which in Article 2 defines intellectual property as including literary, artistic and scientific works as well as inventions, scientific discoveries, industrial designs and trademarks. 21 U.S.T. 1631.

74. Common Rule of Treatment of Foreign Capital and of Trademarks, Patents, Licenses and Royalties. For the text of the agreement see 11 INT'L LEG. MAT's 126 (1972).

The implementation of Decree No. 24 was delayed for some time by the Colombian Supreme Court which denied that the President had the power to issue the required regulations to enforce the Cartagena Agreement; see note 75 *infra*. However, in 1973, the Colombian Congress issued Law No. 8 empowering the government to enforce, *inter alia*, Decision No. 24. See Bayith, *Inter-American Legal Developments*, 6 LAWYER OF THE AMERICAS 93, 112 (1974).

Venezuela joined the Andean Common Market as of February 13, 1973. Decision No. 24 was implemented by the Venezuelan Congress through the enactment of Decree No. 62 of April 28, 1974. See 13 INT'L LEG. MAT's 1220 (1974).

75. Agreement of Andean Subregional Integration, signed at Bogotá, May 26, 1969. For the text of the Agreement, see 8 INT'L LEG. MAT's 910 (1969). According to Article 26, the contracting parties shall

initiate immediately a process of harmonization of their economic and social policies and of coordination of their plans of development in specific sectors and in successive steps with the purpose of attaining a joint planning regime for the integrated development of the area.

Id. at 916.

Article 27 specifically provides that prior to December 31, 1970, the Commission was to approve and submit to the contracting parties for their consideration a common regime for the treatment of foreign capital considering, among other things, trademarks, patents, licenses, and royalties. The contracting parties were to adopt the provisions necessary to put this regime into practice within six months following the date of its approval by the Commission. As far as a common regime for industrial property rights including trademarks is concerned, the Commission encountered considerable difficulties and as a result

Article 18 of Decision No. 24 proclaims the principle that all controls on importation of techniques, patents, and marks must be examined and subjected to the approval of the corresponding organism in the respective member country which must evaluate the effective contribution of the imported technique through an estimate of the possible profits, the price of the assets benefited with the techniques, or other specific forms of evaluation of the effect of the imported technique.⁷⁶

Articles 20 and 25 contain detailed provisions regarding contracts for the transfer of technology and patents and for the exploitation of trademarks. In particular, there are a number of clauses which are specifically prohibited in order to achieve the twin objectives of assuring that the party receiving the technology is charged a fair price,⁷⁷ and that the receiver shall have a reasonable degree of freedom in operating his own business.⁷⁸

To understand the significance of this development to the law of trademarks, it must be borne in mind that during the past thirty or forty years there has been an important change in the trademark concept which has served to loosen the close tie between the trademark and the business establishment whose products it identifies and to place greater emphasis on the connection between the trademark and the goods themselves. The year 1938 became a milestone in the history of the laws of trademarks when the British adopted a new Trademarks Act.⁷⁹ This Act proclaimed the principle of free assignability of trademarks and also provided for the licensing of trademarks under certain safeguards, abandoning and reversing past law and jurisprudence. It is from this time on that trademarks acquired a truly independent economic value. This value could be expressed in percentages of turnover figures and royalties, as with patents and copyrights. The licensing provisions of the British Trademarks Act were followed by similar legislation in many other countries such as Australia,⁸⁰

only on June 5, 1974 was the Commission able to announce, in Decision No. 85, uniform rules for industrial property for the countries of the Andean Pact, providing for the harmonization of their legislation within six months. This deadline has not been met.

76. Text appears in 10 INT'L LEG. MAT'S 158 (1971).

77. An agreement to pay for unused patents and trademarks is proscribed.

78. This is achieved by outlawing certain trade restraints such as vertical price-fixing and limitations on the export of goods, as well as restrictions on the use of raw materials, intermediate goods, equipment or personnel of the licensor.

79. Trade Marks Act, 1 & 2 Geo. 6, c. 22 (1938).

80. Trademarks Act 1955-1958, 5 Commonwealth Acts 1901-1950 4502.

Canada,⁸¹ India,⁸² and Japan.⁸³ In the United States, the Lanham Act of 1946⁸⁴ does not refer specifically to licensing but the right to license trademarks is evident from the language of sections 5 and 45.⁸⁵ In West Germany trademark licensing became quite customary after World War II although it was not recognized by the Trademarks Law until 1968.⁸⁶ Up to that time, a license had amounted only to a covenant not to sue for trademark infringement.⁸⁷

The change in thinking concerning trademarks is perhaps most dramatically expressed by the decision of the United States Court of Appeals for the Ninth Circuit in *Siegel v. Chicken Delight, Inc.*⁸⁸

The historical conception of a trademark as a strict emblem of source of the product to which it attaches has largely been abandoned. A burgeoning business of franchising has made trademark licensing a widespread commercial practice and has resulted in the development of a new rationale for trademarks as representations of product quality. This is particularly true in the case of a franchise system set up not to distribute the trademarked goods of the franchisor, but, as here, to conduct a certain business under a common trademark or trade name. Under such a type of franchise, the trademark simply reflects the goodwill and quality standards of the enterprise which it identifies. As long as the system of operation of the franchisees lives up to those quality standards and remains as represented by the mark so that the public is not misled, neither the protection afforded the trademark by law nor the value of the trademark to the licensee depends upon the source of the components . . . [t]he goodwill of the *Chicken Delight* trademark does not at-

81. Trademarks Act of 1953, Can. Rev. Stat. c. 49 (1953).

82. Trademarks Act, 1940; replaced in 1958 by The Trade and Merchandise Marks Act, 8 India Code, pt. 5, 77.

83. Law No. 127 of April 13, 1959. For an English translation, see R. FOSTER & M. ONO, *THE PATENT AND TRADEMARK LAWS OF JAPAN* 7 (1973).

84. 15 U.S.C. §§ 1051-1127 (1970).

85. Although the Lanham Act makes no specific reference to licensing, section 5, 15 U.S.C. § 1055 (1970), entitled "Use By Related Companies" in conjunction with section 45, 15 U.S.C. § 1127 (1970), which contains the definition of a "related company," constitutes the legal basis for the use of registered trademarks by parties other than their proprietors on the basis of an agreement between the parties.

86. Warenzeichengesetz, [1967] BGBI. I 953.

87. In a few countries, such as Italy, trademark licensing is still under a cloud due to adherence to the concept that the rights in a trademark are insolubly linked to the rights in the establishment.

88. 448 F.2d 43 (9th Cir. 1971).

tach to the multitude of separate articles used in the operation of the license system or in the production of its end product. It is not what is used, but how it is used and what results that have given the system and its end product their entitlement to trademark protection. It is to the system and the end product that the public looks with a confidence that established goodwill has created.⁸⁹

It is this new type of exploitation of trademark rights which is being controlled and limited by Decision No. 24 of the Andean Common Market.⁹⁰ While in *Chicken Delight*, trademark rights are treated in approximately the same fashion as patent rights and other technological assets, at least according to the letter of the law, there appears to be a trend on the part of governments which exercise control over technology transfers to question the value of trademarks, particularly foreign ones, as compared to the value of patents and other technology.⁹¹

On September 13, 1971, Argentina followed the lead of the Andean countries by enacting Law No. 19231⁹² which imposed approximately the same degree of control over foreign technology agreements as Decision No. 24. The momentum of the trend toward control over technology agreements is evidenced by the fact that the 1971 law had already been replaced as of October 28, 1974, by a new technology law⁹³ which contains more stringent provisions.⁹⁴ The Andean example was also followed by Mexico with its law of December 28, 1972, providing for the registration of contracts and agreements regarding the transfer of technology.⁹⁵ Article 7 lists no fewer than fourteen different clauses which are also comparable to Decision No. 24 and which make it man-

89. *Id.* at 48-49.

90. See note 74 *supra*.

91. An unsigned article in the Official Bulletin of the Brazilian Patent Office of October 15, 1974 entitled "The Trademark and Its Function in the Control of Commercialization" warns Brazilian industrialists against becoming licensees of foreign trademark owners, especially of owners of famous marks. The article recommends development of one's own trademarks, possibly at the outset, by "combining" the licensed trademark with their own mark until the Brazilian trademark has acquired prestige in the eyes of the public and may then "walk alone."

92. [1971] *Anuario de Legislación* 1123 (English translation in 11 INDUSTRIAL PROPERTY 125 (1972)).

93. Law No. 20794, published October 1, 1974. See Benitez, *Inter-American Legal Developments*, 7 LAWYER OF THE AMERICAS 81, 83 (1975).

94. These provisions are discussed in text accompanying notes 97 & 98 *infra*.

95. Law on the Registration of Contracts Regarding the Transfer of Technology, *Diario Oficial*, December 28, 1972; English translation in 12 INT'L LEG. MAT'S 421 (1973).

datory for the authorities to refuse to register and approve a technology agreement. Finally, on September 21, 1973, Spain issued Decree No. 2343/1973⁹⁶ which provides, *inter alia*, for the recordation of agreements concerning transfer of technology. Under the Decree, the government may refuse recordation when an agreement includes restrictive clauses that may impede, jeopardize, or hinder the technological development of the transferee, limit his business operations, or represent an abuse by the transferor. The Decree makes no specific reference to trademark rights but they are deemed to be included by the broad reference to industrial property.

Although none of the decrees discussed above specifically outlaws the licensing of foreign trademarks, the authorities who are empowered to approve technology agreements have made it clear that royalties to be paid for the use of trademarks are to be kept at a much lower rate than had previously been the practice. The rates are also lower than royalties for the use of patents or other technology.

The 1974 Argentine Law No. 20794⁹⁷ makes the policy of disapproval of the use of foreign trademarks official for the first time. It not only places under control all agreements providing for the use of foreign trademarks regardless of whether such use is against payment of royalty but, in addition, provides in Article 9⁹⁸ that all trademark licenses already recorded under Law No. 19231 shall terminate on December 31, 1979. Furthermore, all such agreements are to be modified by providing that within the next five years either the licensee shall develop a local substitute trademark or the licensor shall assign to the licensee all rights in the mark free of charge. With regard to any new trademark license agreements, the law specifically provides that they may be used only on exports from Argentina.

Brazil has not followed the general trend in enacting technology transfer legislation. However, Article 90 of its new industrial property code⁹⁹ limits royalty payments for the licensing of foreign trademarks by stating that such licenses may be granted only for

96. Decree No. 2343 of September 21, 1973, Official Gazette No. 236, October 2, 1973.

97. See note 93 *supra*.

98. This provision is to apply only to agreements dealing solely with the licensing of trademarks and is not applicable to a technology package covering the use of trademarks in conjunction with the use of patents and know how.

99. Law No. 5772 of December 21, 1971, 7 *Coleção das Leis, Atos do Poder Legislativo* 190.

the first ten-year term of a registration and, furthermore, only if the registration was secured by claiming priority rights under the Paris Convention (which Brazil still adheres to). In practice, few foreign applicants have claimed priority rights when applying for trademark registration in recent years.¹⁰⁰

VI. *Developments in the Far and Middle East*

While the countries of Central and South America have taken the lead in enacting technology transfer legislation, they are by no means the only developing countries which are trying to place limits on the exercise of trademark rights. Article 29 of the new Korean Trademarks Law,¹⁰¹ which for the first time recognized the concept of trademark licensing, provides for special approval by the Minister of the Economic Planning Board when there is an agreement between a foreign trademark owner and a Korean licensee.¹⁰²

India's policy has been to discourage the use of foreign trademarks since the passage of the Trade and Merchandise Marks Act of 1958.¹⁰³ While the basic concept of recording a licensee as a registered user appears to have been derived from the British Trademarks Act of 1938, it is to be noted that only in India is the approval of the entry of a registered user under the jurisdiction of the Central Government rather than the Registrar. In allowing or refusing an application the government will take into consideration "all the circumstances of the case including the interests of the general public and the development of any industry, trade or commerce in India."¹⁰⁴ In the intervening sixteen years it was very difficult to obtain government approval for the entry of Indian registered users of foreign trademarks because the Registrar re-

100. Contrary to the policy in certain Andean Pact countries, *e.g.*, Argentina and Mexico, there has thus far been no special technology transfer legislation in Brazil. The Brazilian Patent Office, however, when considering whether to record a trademark, is guided by principles quite similar to those set forth in Decision No. 24 of the Andean Pact. Contract provisions such as compulsory use of a foreign trademark by a Brazilian licensee, prohibitions against the licensee using his own mark, and licensor control over the licensing of the products by the licensee are regarded as abuses of economic power and in violation of the Brazilian Antitrust Law.

101. Law No. 2506 of February 8, 1973, effective January 1, 1974. For an English translation of Korean industrial property laws see BYONG-HO-LEE, *NEW LAWS OF PATENT & TRADEMARK OF KOREA* (1974).

102. *See also* Notice No. 2487 of April 27, 1973 of the Korean Ministry of Agriculture and Fisheries, promoting the use of "official names" for agri-chemical products.

103. *See* note 82 *supra*.

104. 8 India Code, pt. 5, 113.

jected registered user applications which were considered to be likely to prejudice the interests of the indigenous Indian industry. This practice was challenged in the case of *J.B. Williams Co., Inc. and L.D. Seymour & Co. (India) Private Limited v. The Registrar*.¹⁰⁵ Plaintiffs therein commenced an action before the High Court in Calcutta and secured a ruling setting aside the decision of the Registrar on the ground that the Registrar must not be influenced by extraneous considerations and that his decisions should be based strictly on the terms of the Trademarks Law. The Central Government and Registrar of Trademarks have taken an appeal from this decision.¹⁰⁶ A new obstacle to the use of foreign trademarks in India has been created by the Foreign Exchange Regulation Act of 1973,¹⁰⁷ which provides for approval by the Reserve Bank of India when an Indian party is permitted use of a foreign trademark "for any direct or indirect consideration."¹⁰⁸

In Pakistan, the problem of foreign trademarks has been limited to use of such trademarks in connection with pharmaceutical preparations. Ordinance XIV of 1972¹⁰⁹ provides in Article 7(1):

No person shall import, manufacture, stock, distribute, sell or prescribe any drug under any brand, patent or proprietary names other than a drug under a generic name in accordance with the provisions of this Ordinance.

Although thus far numerous exemptions have been granted regarding individual products, the tendency to refer to generic terms rather than to trademarks must be regarded as rather ominous, particularly because there is no reason why such references should remain limited to pharmaceutical products.

105. 61 A11 India Rptr. C7 (Calcutta High Court, 1974). The official practice is based on Rule 82 of the Trade and Merchandise Marks Rules (1959) which details the information to be submitted to the Registrar in connection with an application for recording a registered user. In particular, the application must disclose whether the proposed registered user is committed to purchase from the registered proprietor any materials, whether he is free in setting prices for his goods, whether the permitted use involves the transmission of monies outside India, whether the proposed permitted use is intended solely in relation to goods for export from India, whether the proposed registered user has the right to acquire the mark after any stipulated period against payment of consideration, etc. For further particulars on the Indian law, see P. NARAYANAN, *LAW OF TRADEMARKS AND PASSING OFF* (1971); S. VENKAVESWARAN, *THE LAW OF TRADE AND MERCHANDISE MARKS* (1963).

106. 8 LES NOUVELLES 233 (1974) (publication of the Licensing Executives Society).

107. Act No. 46 of 1973, A11 India Rptr., 1973 Annual Index 182.

108. *Id.* (Article 28).

109. 24 A11 Pakistan Legal Decisions 674 (1972).

VII. *Developments in the United States and in the European Economic Community*

In the countries of the Western world, and especially in the United States and the countries of the European Economic Community, there has also been a substantial change in the general attitude towards trademarks during the past few decades. These countries no longer adhere to the 19th century philosophy of economic liberalism without serious reservations and limitations. In particular, laws and regulations limiting the property right and the freedom to contract have had a direct bearing on the trademarks law.

A. *Case Law in the United States*

Two separate trends in this development have emerged. The first has to do with attempts to limit the exercise of trademark rights, primarily as a result of court decisions applying antitrust legislation to situations involving the use of trademarks. A considerable number of decisions in the United States during the past few decades have declared the exercise of trademark rights to be a restraint of trade and therefore in violation of section 1 of the Sherman Act.¹¹⁰ Section 2 of the Act has been held applicable to a patent obtained by fraud, but there is doubt as to whether this provision could also be applied to a party misusing its trademark in light of the comparatively limited power which the law bestows upon a trademark owner.¹¹¹

The case law¹¹² and legislation¹¹³ dealing with the attempts of manufacturers to set minimum prices for the resale of their trade-

110. *United States v. Topco Associates, Inc.*, 405 U.S. 596 (1972); *United States v. Sealy, Inc.*, 388 U.S. 350 (1967); *Timken Roller Bearing Co. v. United States*, 341 U.S. 593 (1951); *United States v. Bausch & Lomb Optical Co.*, 321 U.S. 707 (1944).

111. See 2 McCarthy, *supra* note 1, at 420, commenting on the significance of the Supreme Court decision in the case of *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), with regard to trademark controversies. See also 1 Callman, *supra* note 49, at 341; *United States v. Guerlain, Inc.*, 155 F. Supp. 77 (S.D.N.Y. 1957) (rejecting the charge of the government of a violation of Section 2 of the Sherman Act through misuse of a trademark right).

112. *United States v. Arnold, Schwinn & Co.*, 388 U.S. 365 (1967); *United States v. Parke, Davis & Co.*, 362 U.S. 29 (1960); *United States v. Colgate & Co.*, 250 U.S. 300 (1919); *Dr. Miles Medical Co. v. John D. Park & Sons Co.*, 220 U.S. 373 (1911).

113. *Miller-Tydings Act*, Act of Aug. 17, 1937, ch. 690, 50 Stat. 693, *amending* §1 of the *Sherman Act*, Act of July 2, 1890, ch. 647, §1, 26 Stat. 209, *as amended*, 15 U.S.C. §1 (1970); *McGuire Act*, Act of July 14, 1952, ch. 745, §§ 1,2, 66 Stat. 631, *amending* § 5 of the *Federal Trade Commission Act*, Act of Sept. 26, 1914, ch. 311, § 5, 38 Stat. 719, *as amended*, 15 U.S.C. § 45 (1970).

marked products will not be discussed in this context because it is not in the nature of a trademark right that the owner thereof should have any control over the further use of the product bearing the mark after he has parted with title.¹¹⁴ Instead, the efforts to maintain resale prices, which in the United States led to a collision between federal antitrust legislation and the "Fair Trade" laws of the several states,¹¹⁵ belong in the broader area of laws against unfair competition and contract law.¹¹⁶

On the other hand, a problem which clearly falls within the domain of the trademark law arises in the case of "parallel imports." In this situation, goods manufactured nationally by or with the authorization of the trademark owner must compete with goods bearing the same trademarks which have been manufactured abroad and are imported by third parties. This may occur in various ways since the trademark in the foreign country may belong to either the same party who has registered it domestically or to an affiliated company or may have been formally assigned to a foreign licensee. The trademark owner and his authorized distributors may try to prevent the importation of the same merchandise, which may be offered at a lower price, by relying on the principle of territoriality. This principle is regarded as one of the basic concepts of the law of trademarks¹¹⁷ and derives from the fact that all trademark rights are national in origin, having resulted from a statute or from the development of common law. The special protection granted to famous marks¹¹⁸ is one of the few exceptions to this principle.

In recent years, however, this principle has been challenged with the argument that the trademarks law is only a segment of the broader law of unfair competition and that it would thus be a misuse of the right in a trademark if the importation of genuine merchandise produced by or with the consent of the trademark

114. *United States v. Bausch & Lomb Optical Co.*, 321 U.S. 707 (1944). The only exception would occur when there has been some change in the composition or quality of the product which might detrimentally affect the trademark owner's goodwill. *See, e.g., Alfred Dunhill, Ltd. v. Interstate Cigar Co., Inc.*, 499 F.2d 232 (2d Cir. 1974).

115. *See Old Dearborn Distributing Co. v. Seagram-Distillers Corp.*, 299 U.S. 183 (1936).

116. The trademark right must be regarded as exhausted following the sale of the article bearing the mark; for the West German law, *see Baumbach & Hefermehl, supra* note 69, at 461.

117. *See, e.g., H. DAVID, KOMMENTAR ZUM SCHWEIZERISCHEN MARKENSCHUTZGESETZ* 52 (2d ed. 1960).

118. Paris Convention (Article 6 bis).

owner were prohibited. In the United States, the courts have struggled with this problem for some time. In a case where an independent importer owned the United States registration, the Supreme Court upheld his right to oppose the importation of goods bearing the same trademark from France where the trademark was in the name of the manufacturer, taking the position that the public associated the product with the American importer and distributor and not with the French manufacturer.¹¹⁹ However, in the case of *United States v. Guerlain, Inc.*,¹²⁰ the District Court for the Southern District of New York held to the contrary in a case where the American registration belonged to the American branch of a multinational enterprise. With respect to the importation of such merchandise, the revised Customs regulations treat this problem at length¹²¹ by providing that the Customs Service shall not prevent the importation of articles bearing a trademark registered in the United States Patent Office if (a) both the foreign and the United States trademark or trade name are owned by the same person or business entity, (b) the foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control, or (c) the articles of foreign merchandise bear a recorded trademark or trade name applied under the authorization of the United States owner.

The other area evidencing a trend toward stricter limits of the property rights of trademark owners is the conflict which arises between the principles of antitrust law and licensing and franchising agreements. The trademark owner tries to exercise control over the product manufactured by his licensees or over the services rendered by his franchisees, arguing that such control is necessary in order to maintain the integrity of his trademark or service mark, whereas the licensee or franchisee challenges this position as constituting an unreasonable restraint of trade which is in conflict with section 1 of the Sherman Act. While this conflict has not yet reached the Supreme Court, it has been dealt with extensively by the Court of Appeals for the Ninth Circuit in the *Siegel v. Chicken Delight, Inc.* case.¹²² The court placed important limitations on the control of the franchisor over the activ-

119. *A. Bourjois & Co. v. Katzel*, 260 U.S. 689 (1923).

120. 155 F. Supp. 77 (S.D.N.Y. 1957).

121. Customs Regulation 90, 19 C.F.R. § 133.21 (Supp. 1975) (restrictions on importation of articles bearing recorded trademarks and tradenames).

122. 448 F.2d 43 (9th Cir. 1971).

ities and the product of the franchisee, particularly with regard to the franchisee's freedom to select and purchase equipment and materials required for the final product. The franchisor's power to determine such ingredients was limited to only a few items deemed essential for the final product, and all other restrictions were held to constitute an illegal tie-in.

In *United States v. Topco Associates*,¹²³ the United States Supreme Court declared horizontal territorial restraints upon trademark licensees to be a per se violation of section 1 of the Sherman Act. The defendants constituted a cooperative association which had assigned to its members, who were small- and medium-sized supermarket chains, individual territories for the use of the Association label, thus excluding or at least limiting intra-brand competition. The District Court applied the rule of reason and found for the defendants, pointing out that the promotion of the Association label enabled the members of the Association to compete with national brands and large national supermarket chains. The Supreme Court reversed, relying on earlier precedents which deemed horizontal territorial restraints to be a per se violation of the Sherman Act. In his dissent, Chief Justice Burger pointed out that most of the precedents referred to in the decision, in particular the case of *United States v. Sealy, Inc.*,¹²⁴ could be distinguished on the ground that in those instances the defendants had also been guilty of price fixing and also that the majority's holding in *Topco* in fact established a new per se rule against territorial restraints as such.¹²⁵

B. *Decisions of the E.E.C. Court of Justice and the Commission*

Based on the provisions of the Rome Treaty of 1958, the Court of Justice and the Commission of the European Economic Community have issued a number of decisions in the past eight years which place important limits on the rights of trademark owners. These decisions have affected not only the trademark laws of the nine countries which now form the extended European Common Market,¹²⁶ but also those of Austria, Sweden, and Switz-

123. 405 U.S. 596 (1972).

124. 388 U.S. 350 (1967).

125. 405 U.S. at 614.

126. Under the Accession Treaty of January 22, 1972, Denmark, Great Britain, and Ireland are members of the European Economic Community as of January 1, 1973, thus forming a common market together with Belgium, France, Italy, the Netherlands, Luxembourg, and West Germany.

erland. These three countries concluded Free Trade Agreements with the European community in 1972,¹²⁷ according to which the antitrust provisions of the Rome Treaty (Articles 85 and 86) will be applicable to the relationships between the parties.

In the 1966 decision of *Consten, S.A., Etablissements v. EEC Commission*¹²⁸ the court dealt with parallel imports. It ruled that the French distributor of Grundig, a German manufacturer, who had taken out a trademark registration with Grundig's authorization, was not in a position to prevent a third party from importing the genuine German product into France. The court pointed out that the very purpose of registration had been to circumvent the provisions of the cartel law and therefore in conflict with Article 85 of the Rome Treaty.

The same provision was applied in *Sirena S.r.l. v. Eda, GmbH*.¹²⁹ In that case, the owner of a trademark which was registered in Italy and which had been assigned to him over thirty years before by an American manufacturer, tried to prevent the importation into Italy of merchandise originating with the German licensee of the American manufacturer and bearing the identical trademark which, in Germany, still belonged to the original American registrant. Taking into consideration the fact that the assignment had occurred more than twenty years before the Rome Treaty came into effect, the court ruled that the assignment should be considered to be in violation of the provisions of the Treaty if its effects were continuing. In subsequent proceedings before an Italian court, facts were developed which permitted the conclusion that the 1938 assignment had a continuing cartel-like effect to which Article 85 should apply.

In the 1974 decision of *Van Zuylen Frères v. Hag A.G.*,¹³⁰ the

127. Agreements of July 22, 1972; as to the effect for Austria, see Pösch, *Die Missbräuchliche Aus Ausnützung einer beherrschenden Stellung*, ÖSTERREICHISCHE BLÄTTER FÜR GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT 25 (1974). It is expected that it will be left entirely to the initiative of the Common Market Commission to enforce the anti-trust provisions of these agreements.

128. [1961-1966 Transfer Binder] CCH COMM. MKT. REP. ¶ 8046 (1966).

129. [1971-1973 Transfer Binder] CCH COMM. MKT. REP. ¶ 8101 (1971).

130. [1974 Transfer Binder] CCH COMM. MKT. REP. ¶ 8230 (1974). The legal principle which is the gist of this decision, i.e., that national trademark rights not be recognized in case of conflict between parties whose marks have a common origin, may be retested in the near future in connection with a somewhat different set of facts. This is the conflict between CBS and E.M.I., the latter company owning rights in a trademark in all Common Market countries whereas CBS owns the same mark in the United States and both companies derive their trademark rights from a common source. The court might decide in favor of E.M.I. without reversing the *Hag* doctrine by holding that this applies only if conflicting

court was faced with a new problem in the exercise of trademark rights. The Belgian rights in the trademark *Hag*, which were owned by the German defendants prior to World War II, had been assigned by them to their Belgian subsidiary which, under the Belgian post-war legislation, was taken over by the Belgian government. The Government then assigned the trademark rights to the plaintiffs, who tried to prevent the German company from importing its products into Belgium under the *Hag* trademark. The court distinguished the *Sirena* case in that here there was no contractual tie between the parties or the parties' predecessors and thus Article 85 of the Rome Treaty, prohibiting restraint of trade, was not applicable. The court found a new basis for its ruling in Article 36 of the Rome Treaty which provides, *inter alia*, that while the provisions of the Treaty shall not preclude prohibitions or restrictions on imports, exports, or goods in transit which can be justified on a number of grounds such as protection of industrial and commercial property, "such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between member states."¹³¹

This provision was interpreted to mean that whereas the Rome Treaty recognizes the existence of national industrial property rights, their exercise may be subjected to limitations whenever such exercise is contrary to the purposes of the Treaty. In *Hag*, the court emphasized that the trademark rights of the two parties had a common origin since both the German and Belgian registrations originally belonged to the same party. However, this particular qualification has no basis either in logic or in the text of Article 36 and, for that reason, the *Hag* decision has caused considerable concern among European trademark owners because it may possibly open the door to further limitations of rights in trademarks. The court dealt specifically with the question of the confusion which necessarily arises when the products of two different enterprises appear on the marketplace under an identical trademark. It took the position that there are alternative means to prevent such confusion such as indicating the name of the manufacturer, although this would in effect deny the very purpose of a trademark.

trademark rights exist between Common Market countries and not between the Common Market area as a whole and foreign countries.

131. *Id.*

While the decisions of the European Court of Justice have been elucidating the effect of the Rome Treaty on the rights of trademark owners under the national laws, the Commission has played a somewhat less spectacular role in this area. The authority of the Commission derives from paragraph 3 of Article 85, according to which the Commission may declare the prohibitions contained in paragraph 1 of Article 85 against agreements and concerted practices which may affect trade between member states and which have as their object or effect the prevention, restriction, or distortion of competition within the Common Market, to be inapplicable with respect to certain types of agreements and concerted practices. Paragraph 1 lists five particular situations which are deemed to have such effect: the limitation or control of prices or trading conditions, production, markets, technical development, or investment. According to paragraph 3, the Commission may declare paragraph 1 inapplicable in the case of agreements or concerted practices which contribute to improving the production or distribution of goods or to promoting technical or economic progress while allowing consumers a fair share of the resulting benefits, and provided further that the restrictions imposed on the enterprises are not indispensable and the enterprises are not given the possibility of eliminating competition with respect to a substantial part of the products in question.

Based on this provision, the Commission issued a series of regulations establishing the procedure for obtaining exemptions under paragraph 3 of Article 85,¹³² and it also listed a number of types of agreements for which notification was not required for the purpose of obtaining exemption. Among these it included agreements which impose restraints on the exercise of the rights of any person acquiring or using industrial property rights, including trademarks.¹³³ It is to be noted, however, that in order to

132. 1 CCH COMM. MKT. REP. ¶ 2051 (1973).

133. *Id.* at ¶ 2441. A market-sharing agreement which was to make an end to a conflict between two similar trademarks by requiring each party to use a different mark in the home country of the adversary while allowing the marks to co-exist in third countries was declared to be a violation of Article 85 of the Rome Treaty by decision of the Commission of March 5, 1975 in the case of *Phildar v. Sirdar*. [1975 Transfer Binder] CCH COMM. MKT. REP. ¶ 9741 (1975). The Commission disregarded the argument that each party remains in a position to compete with the other in its home country by adopting a different trademark, claiming that the need to use a different trademark would deprive the party of the impact of the advertising featuring the original trademark. It is to be noted that the parties, by barring competition only in two specified countries while allowing it in all others, leave themselves open to the charge of market-sharing and also that the very

benefit from this regulation the agreement must fall within the exceptions of paragraph 3 of Article 85, so that a trademark agreement which is in conflict with the basic prohibitions of paragraph 1 of Article 85 would be deemed an unlawful restraint of trade and the procedure for exemption would be inapplicable.

In the same connection, Regulation 67/67¹³⁴ concerning exclusive distributorship agreements is of considerable interest. Taking into consideration that such agreements may fall under the prohibition of paragraph 1 of Article 85 but pointing out that they generally result in an improvement in distribution by enabling an enterprise to concentrate its selling activities, Regulation 67/67 provides that if such agreements are concluded between only two enterprises they shall be covered by paragraph 3 of Article 85, and thus be exempt from the prohibitions of paragraph 1 for a term until December 31, 1982. This exemption applies only if the agreements do not contain certain prohibited clauses such as those which

make it difficult for middlemen and consumers to obtain the products under contract from other dealers in the Common Market, particularly when the contracting parties exercise industrial property rights for this purpose.¹³⁵

VIII. *Developments in Other Jurisdictions*

The problem of parallel imports has also been given consideration outside the United States and the European Common Market. In Canada, a legislative solution was found in 1969 by the insertion of paragraph 49A¹³⁶ into the Trademarks Act, which

purpose of the agreement was not to avoid confusion. The question arises whether Article 85 could also be brought into play if, as a result of a trademark agreement, but without a court or patent office decision declaring two marks confusingly similar, parties could agree on modifying one trademark on a worldwide basis or at least for the entire Common Market area.

134. 1 CCH COMM. MKT. REP. ¶ 2727C (1973).

135. *Id.*

136. Following the 1970 revision of the Statutes of Canada this is now Section 50. A parallel imports situation was also the subject of the famous decision of the Court of the Exchequer in the case of *Wilkinson Sword (Canada) Ltd. v. Juda*, 2 Ex. C.R. 137 (1968), where the Canadian subsidiary, after the Canadian registration had been assigned to them by the British manufacturer, tried to prevent the importation of the genuine merchandise through the defendant. See also H. FOX, *THE CANADIAN LAW OF TRADEMARKS AND UNFAIR COMPETITION* (3d ed. 1972). But see the decision of the Court of the Exchequer in *Ulay (Canada) Ltd. v. Calstock Traders Ltd.*, 59 C.P.R. 223 (1969), where the court refused a preliminary injunction to prevent the importation of genuine merchandise originating in Britain and manufactured by a company affiliated with the Canadian plaintiff; it does

provides that the owner of a pharmaceutical trademark may not use his trademark right to bar products bearing the identical mark from entering Canada if they originated with a related company.

In Japan, there have been a number of conflicting cases on the subject. The most recent decision is the case of *N.N.C.K.K. v. Shriro Trading Co., Ltd.*,¹³⁷ in which the Osaka District Court held that the defendant, although it was the exclusive licensee for the trademark *Parker*, could not prevent the plaintiff from importing the genuine merchandise from Hong Kong. The plaintiff had relied on the principle of territoriality; the court rejected this argument by emphasizing that

the scope of the territoriality principle must be determined in the light of the purpose of trademark protection and the existence of an infringement must be determined by judging whether or not the proper functions of the trademark are harmed.¹³⁸

IX. *Challenges to the Trademark Concept*

Whereas decisions of the courts in the United States, Europe, and Japan, which are based on the rationale that trademark law is a segment of the law of unfair competition, attempt to set limits to the exercise of the rights in trademarks, a more far-reaching challenge to the trademark concept may be found in certain efforts aimed at severely limiting or barring the use of trademarks. These challenges are rooted in the belief that the trademark concept impedes rather than promotes competition, and thus adds to the consumer's cost of living.

The primary target of these efforts, which were briefly mentioned previously in the case of Pakistan,¹³⁹ are the trademarks for pharmaceutical products and, in particular, those for prescription drugs. A number of reasons explain this development. In the first place, in this age of Medicare, socialized medicine, and other government schemes to supply the elderly and poor with pharmaceutical products, governments are bound to take a particular interest in the price of these products and may be expected to use

not appear that the main proceeding seeking a permanent injunction was ever brought to a conclusion.

137. For a summary of the decision, see TERUI DOI, DIGEST OF JAPANESE COURT DECISIONS IN TRADEMARKS AND UNFAIR COMPETITION 71 (1971).

138. *Id.* at 73.

139. See text accompanying note 109 *supra*.

whatever power they possess to keep the prices of these products at a minimum. Furthermore, in the general field of pharmaceutical drugs, customers often do not possess the usual freedom of choice to buy or not to buy a product; in the case of prescription drugs there is no choice whatsoever.

This situation has led numerous countries to legislative and administrative efforts to reduce or do away with the use of trademarks. In the United States Senate, Senator Gaylord Nelson introduced a bill¹⁴⁰ on October 30, 1973, to amend the Federal Food, Drug and Cosmetic Act by prohibiting the use of any name in connection with a prescription drug other than the official name designated for such drug by the Secretary of Health, Education and Welfare. In his statement explaining the reasons for the bill, the Senator referred to the efforts of the British Minister for Trade and Consumer Affairs to compel a Swiss pharmaceutical manufacturer, Hoffman-La Roche, to reduce the prices for *Librium* and *Valium*, two of the world's most extensively used tranquilizers.¹⁴¹

140. S. 2633, 93d Cong., 1st Sess. (1973). Attempts to promote the use of generic terms instead of trademarks in connection with pharmaceutical preparations have also been made in other countries. Denmark adopted, on June 20, 1975, a new Act on Medicines which provides that labels for pharmaceutical specialties must contain the non-proprietary name in a lettering which is half as large as the lettering used for the trademark.

A number of federal agencies in the course of the past two years have made numerous efforts through administrative regulations to promote the use of generic terms and to counteract the emphasis on trademarks in respect of pharmaceutical drugs. In particular, the Department of Health, Education and Welfare has issued Maximum Allowable Cost Regulations, 40 Fed. Reg. 32283 (1975), encouraging purchases at the lowest possible price of pharmaceutical drugs available on a multiple source market, *i.e.*, drugs not protected by patent. See 239 PATENT, TRADEMARK AND COPYRIGHT JOURNAL [hereinafter cited as PTCJ] 3 (Aug. 7, 1975). The Federal Trade Commission is concentrating on situations where a manufacturer, during the term of a pharmaceutical patent, has been able to develop a trademark for the product to the extent that after the expiration of the patent the trademarked drug has remained in the public and professional mind so that the product will be preferred against competing products. The Bureau of Competition of the FTC is considering a proposal that under such circumstances the trademark protection should be cancelled. State law enters the picture as a result of anti-substitution laws forbidding pharmacies to sell low price generic drugs if an expensive brand is prescribed. The Office of Policy Planning of the FTC is considering challenging such state laws. See 237 PTCJ 14 (July 25, 1975).

141. This comparison with the British *Valium* and *Librium* situation disregarded the fact that those two drugs were also patent protected so that the solution of the problem would lie rather in a compulsory license to increase competition. Thus, the general challenge against the use of trademarks on pharmaceutical products does not appear to be justified. Nonetheless, this challenge has been mounted and the question is bound to arise whether if this attack were successful and would lead to the use of generic terms in lieu

In recent years attempts have been made by international organizations to deal with the problems which have arisen in connection with the use of trademarks. In 1965, the International Bureau for the Protection of Industrial Property [Bureaux Internationaux Reunis pour la Protection de la Propriété Industrielle—BIRPI] proposed a model law for trademarks, commercial names, and unfair competition for developing countries which specifically provided that there should be no protection against parallel imports.¹⁴² It also set limits on the degree to which trademark owners could control the activities of their licensees. Taking into account balance of payment problems, the draft further provided that government approval was needed for agreements under which a trademark royalty was to be paid to a foreign country and also that authorities could take national interests into consideration when called upon to approve a trademark license.

X. *The Future of Trademark Legislation*

It remains to be seen whether the problems which have arisen in recent years in connection with trademarks will be dealt with at the next diplomatic conference for the modification of the Paris Convention. It must be remembered that the 1883 Convention provided in Article 14 that the Convention "shall be submitted to periodical revision with a view to the introduction of amendments designed to improve the system of the union."¹⁴³

In the past, the International Association for the Protection of Industrial Property [Association Internationaux pour la Protection de la Propriété Industrielle—AIPPI] was instrumental in the movement towards the revision and strengthening of the Convention. The Association, which was founded in 1897, has as its main purpose the discussion of improvements in the protection of industrial property rights on an international level and over the past seventy years has played an important if not decisive role in promoting the concepts of industrial property and in having them expressed in the International Convention.

of trademarks on pharmaceutical products, similar efforts to do away with or reduce the use of trademarks may not be made in respect of other industrial products. *See, e.g., Special Report on Prices by the Royal Commission on Farm Machinery, REPORT ON INTELLECTUAL AND INDUSTRIAL PROPERTY, Economic Council of Canada, Information Canada, Ottawa.*

142. GRUR Int'l Part 349 (1973).

143. 14 *Recueil des Traités de la France* 207.

Whether the AIPPI will have a strong influence on the development of the Convention in the future is highly questionable. This is primarily due to the fact that the status of WIPO as an independent agency has been changed in recent years through a Working Agreement between WIPO and the United Nations of September 22/October 12, 1970, which provides for the exchange of information and WIPO's attendance at meetings as observer with the aim of "co-ordinating WIPO activities with organizations of the United Nations system."¹⁴⁴ This was followed by the agreement of December 17, 1974, making WIPO a "specialized agency" in the United Nations system of organizations.¹⁴⁵ WIPO will now be responsible for taking appropriate action, *inter alia*, for promoting creative intellectual activities and for facilitating the transfer of technology related to industrial property to the developing countries in order to accelerate economic, social, and cultural development subject to the competence and responsibilities of the United Nations and its organs, particularly the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

This affiliation may well prove decisive for the further development of the International Convention. Therefore, while at the May, 1975 San Francisco Convention of the AIPPI members disagreed as to the manner in which the Convention should be revised in order to further the interests of developing countries and resolved to study these questions further, it may now be expected that great pressure will be brought in the General Assembly of the United Nations, where the developing countries have an overwhelming majority, to adapt the Convention to suit the special interests (or what seem to be the special interests) of the developing countries. The desires of the developing countries have been emphasized more strongly in the Charter of Economic Rights and Duties of States which was adopted as General Assembly Resolution 3281¹⁴⁶ of December 12, 1974, by a vote of 120 against 6 (the minority consisting of the United States, the United Kingdom, Belgium, Denmark, West Germany, and Luxembourg, with France, Italy, Austria, Canada, the Netherlands, Norway, and

144. U.N. Doc. E/4891 (1970); 9 INDUSTRIAL PROPERTY 368 (1970).

145. U.N. Doc. A/PV 2323 (1974); 13 INDUSTRIAL PROPERTY 399 (1974); 14 INDUSTRIAL PROPERTY 3 (1975).

146. U.N. Doc. A/RES/3281; 14 INT'L LEG. MAT's 251 (1975).

four others abstaining). Article 13 of the Charter states that every state has the right to benefit from the advances and developments in science and technology for the acceleration of its economic and social development, and that all states should promote international, scientific, and technological cooperation and transfer of technology with proper regard for all legitimate interests including, *inter alia*, the rights and duties of holders, suppliers, and recipients of technology.

In particular, all states should facilitate the access of developing countries to the achievements of modern sciences and technology, transfer of technology, and the creation of indigenous technology for the benefit of developing countries in forms and in accordance with procedures which are suited to their economies and their needs.¹⁴⁷

While this Charter did not spell out the methods by which this aim should be achieved, the General Assembly Resolution of September 16, 1975,¹⁴⁸ on Development and International Cooperation, which was unanimously adopted, is somewhat more specific and lists among the proposals for implementing the objectives of the Resolution "revision of Conventions on Patents and Trademarks to meet the special needs of developing countries."

The basic change in the international system desired by the developing countries and expressed in these resolutions is aptly characterized by Z. Brzezinski as

a change from a system designed to promote interstate peace to a system also designed to promote intrastate progress and from a system designed to make possible greater global economic productivity to a system also designed to enhance greater economic equity.¹⁴⁹

While the resolutions of the General Assembly do not indicate the exact manner in which the Convention should be revised, representatives of developing countries have indicated that they propose to challenge the principle of national treatment as well as the priorities given to inventors and trademark owners. These efforts have been met with determined resistance in the industrial world, especially in the United States where the Patent, Trademark, Copyright Section of the American Bar Association in its

147. *Id.* (Article 13 (2)).

148. N.Y. Times, Sept. 17, 1975, at 9, col. 1.

149. N.Y. Times, Oct. 5, 1975, § 4, at 1, col. 3.

1975 Montreal Convention resolved that they "are strongly opposed to any modification of the principles of national treatment and the right of priority." Under these circumstances, there is little prospect that an agreement on the modification of the Convention can be reached at this time.

The latest international convention in the field of trademarks, the Trademark Registration Treaty of May, 1973,¹⁵⁰ does not deal with any of these questions. Instead, its main significance lies in the fact that it is to give American trademark owners the benefits of a simplified international filing through the International Bureau at Geneva which will be effective in all member states, a possibility which has been in existence in a very similar form under the Madrid Arrangement¹⁵¹ since 1891. It is to be noted that adherence to the Madrid Arrangement as well as to the Trademark Registration Treaty depends on membership to the Paris Convention. In comparison to that Convention, both the Madrid Arrangement and the Trademark Registration Treaty must be regarded as purely procedural devices which do not affect the two basic principles of the international law of trademarks, as expressed in the Paris Convention, of national treatment and of limited priority. This is also true with respect to the London Version¹⁵² of the Madrid Arrangement, although this contained a special feature making an international registration dependent on the continued validity of the home registration.¹⁵³ In the Nice Version of the same arrangement¹⁵⁴ this principle was reduced to a five-year term¹⁵⁵ and the Trademark Registration Treaty provides for the complete independence of an international registration which may be challenged in each country just like a national registration.¹⁵⁶

150. See Official Gazette of the United States Patent Office, July 4, 1973.

151. Protocole concernant la dotation du Bureau international de l'Union pour la protection de la propriété industrielle, conclue a Madrid le 15 avril 1891, 19 *Recueil des Traités de la France* (de Clercq) 75; 17 Martens Nouveau Recueil ser. 2, 759.

152. London Convention, *supra* note 35.

153. *Id.* (Article 6). While the United States never adhered to the Arrangement, Americans have been able to avail themselves of this procedure provided they maintain a bona fide establishment in a country which adhered to the Arrangement.

154. Agreement of Madrid of April 14, 1891, as revised, concerning the international registration of trademarks, revised at Nice June 15, 1957, [1963] G. Brit. T.S. No. 23 (Cmd. 2007) at 611; 583 U.N.T.S. 3.

155. *Id.* (Article 6 (2)).

156. It remains to be seen whether this feature of the Trademark Registration Treaty may not make this treaty particularly attractive to unscrupulous individuals who could place themselves in a strong negotiating position vis-à-vis legitimate businessmen by pre-

Whether the Trademark Registration Treaty will come into effect appears to depend entirely on the United States, where the question of ratification is being hotly debated because the interested parties and professional groups disagree as to the benefits of this Convention for the American trademark owner.

XI. *Conclusion*

Nearly a century has passed since the principles of the international law of trademarks, patents, and designs were established on the basis of a conviction that the protection of the rights of inventors and trademark owners and the free exercise of these rights on the international level would benefit all mankind. In a more skeptical age of conflict between different economic and political ideologies, between manufacturers and consumers, and between the haves and the have-nots, the value and general applicability of these principles are being seriously challenged. While trademarks as a means of identification and the concept of the law of trademarks as a segment of the law of unfair competition are not seriously under attack, it may well be assumed that in the future there will be less emphasis on the rights of trademark owners, the freedom of use of industrial property rights on an international level, and the principle of national treatment.

Despite the proven durability of the Paris Convention, there is now considerable doubt whether the Convention can be adapted to the views and needs of a new age and whether it will remain one of the symbols of the international legal system in light of the radical changes which are desired by a multitude of the developing countries.

empting them in respect of newly adopted trademarks in as many countries as possible since they might demand as the price for the abandonment or transfer of the acquired rights a sum comparable to the cost of instituting and prosecuting cancellation proceedings in all countries claimed in the application.