

FUNCTIONAL DEVELOPMENT OF TRADE MARK AND TRADE MARK RIGHTS IN EUROPE

Avrupa’da Marka’nın Fonksiyonel Gelişimi ve Marka Hakları

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ABSTRACT

There has been a rapid change in the nature of trade marks in the last decades. With the discovery of “brand image” by trade mark holders, a modern trade mark has commenced to signify the additional functions which can be identified as the quality guarantee and the investment, advertising or communication functions as well as its essential function of indicating commercial origin. The European case law has recently responded to this change by expanding the exclusive rights given to trade mark under Article 5(1) (a) of the Trade Marks Directive (TMD). However, use of trade mark on products started in European societies as early as the Ancient Times. Trade mark rights have been developing and expanding since the rights for safeguarding the trade mark use first appeared in Europe. To understand better the reasons of today’s trade mark rights expansion, we will try to explore the functional development of trade mark and trade mark rights through the European history in this article.

Keywords: Intellectual and Industrial Property, Trade Mark, Trade Mark Rights, the Functions of Trade Mark, Infringement, the European Union Court of Justice, the European Trade Mark Directive.

ÖZET

Son yıllarda ticari markaların özelliklerinde hızlı bir değişim görüldü. Ticari marka sahiplerinin “marka imajını” keşfiyle birlikte, modern ticari markalar markanın temel fonksiyonu olan ürünlerin ticari orijinlerini tanımlama kadar kalite güvencesi ile yatırım, tanıtım veya iletişim fonksiyonları olarak adlandırılabilir ilave fonksiyonları da temsil etmeye başladılar. Avrupa İçtihat Hukuku bu değişikliklere yakın zamanda Avrupa Ticari Marka Yönergesi Madde 5 (1) (a) da yer alan marka haklarını genişleterek karşılık verdi. Fakat Avrupa toplumlarında ticari markaların kullanılmaya başlanması Antik Çağlar kadar eskiye dayanmaktadır. Marka hakları ise marka kullanımını koruyan hakların Avrupa’da ilk ortaya çıkışından beri sürekli bir gelişme ve genişleme halindedir. Bugünkü ticari marka haklarındaki genişlemenin kapsam ve nedenlerini daha iyi anlayabilmek için, Avrupa tarihi boyunca süregelen markanın fonksiyonel gelişimi ve marka haklarını bu makalede incelemeye çalışacağız.

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Ticari Markanın Fonksiyonları, Hak İhlali, Avrupa Birliği Adalet Divanı, Avrupa Birliği Marka Yönergesi.

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1. Introduction

A trade mark is an intellectual property which a person or a firm, who will be using it in the course of trade, may obtain through registration.¹ When a trade mark has been registered by the authorised institutions, the owner of the registered trade mark is given exclusive rights on his or her trade mark within the territory of registration in relation to specific kinds of products. The exclusive rights conferred by a registered trade mark are set out in related legislations.

In the European trade mark law, the exclusive rights granted to trade mark owners are set out in Article 5 of the TMD.² It defines what will amount to an infringement whereby the scope of the exclusive rights given to trade mark owners is outlined. Article 5 of the TMD specifies three grounds of infringement, which can be viewed as a core right of exclusivity over the use of trade mark for specific products and its additional rights which strengthen the economic power of trade mark.

The right provided under Article 5(1) (a) of the TMD is a “core right of exclusivity” over the trade mark use.³ According to that, a trade mark owner can prevent third parties from the use of the mark in the course of trade within the territory of the exclusive rights of the registered trade mark, and bring an infringement action against third parties due to the use of trade mark without consent. The exercise of this exclusive right was limited to situations where the essential function of trade mark is adversely affected. In other words, the core zone of trade mark right provided under Article 5 (1) (a) of TMD was designed to safeguard the essential function of trade mark which is to guarantee to consumers and end users the commercial origin of the

¹ It is necessary here to note that passing off is a tort that protects un-registered trade marks. Therefore, the un-registered trade marks are the subject of passing off rather than trade mark law.

² It is necessary here to note that this article focuses on the European trade mark law and that this is governed by the Trade Mark Directive (DIRECTIVE 2008/95/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 22 October 2008 to approximate the laws of the Member States relating to trade marks).

³ The “core right of exclusivity” description for the exclusive trade mark right provided under article 5 (1) (a) of Trade Mark Directive was used by Griffiths; Griffiths, A., *An Economic Perspective on Trade Mark Law*, Edward Elgar, (2011), Cheltenham

goods and services bearing the trade mark. However, this core zone of trade mark right has been expanded by the recent judgments of the Court of Justice European Union (CJEU)⁴ where the additional functions of trade mark have been identified as the quality guarantee and communication, investment or advertising functions and they have been found to merit protection under Article 5 (1) (a) of the TMD.

Although the additional functions of trade mark were recently identified by the CJEU, the function of trade mark has been developed since the trade mark use first appeared in the society. Accordingly, the gradual expansion of the exclusive rights given to trade mark owners started with the emerge of rights to trade mark. In order to understand the evolution of trade mark rights, the functional development of trade mark needs to be analysed in three different historical periods. Industrialisation was on threshold of the changes in the function of trade mark owing to the developments of business organisations.⁵ Therefore, the functional development of trade mark is divided into three main periods in this paper. These are “pre-industrial period”, “industrial period” and “post-industrial period.”

2. Pre-Industrial Period

Bearing a mark on products by their traders or makers started as early as the Ancient times.⁶ The first kind of marking known was probably the branding of cattle and other animals.⁷ On the wall paintings of ancient Egypt it is possible to see cattle being branded by Egyptian field workers.⁸ However, any mark on products cannot necessarily be counted as a trade mark. In order to decide whether a mark used on products is a trade mark or not, the use to which it is put is considered. In other words, when products are sold under a mark which intends to indicate by whom the products are made or sold, the mark becomes a trade mark.⁹ A mark which merely indicates possession of an

⁴ *L’Oreal v. Bellure* (C-487/07)[2009] E.T.M.R. 987

⁵ Griffiths, A., *An Economic Perspective on Trade Mark Law*, Edward Elgar, (2011), Cheltenham, 16

⁶ Sherman, B. and Bently, L., *The Making of Modern Intellectual Property Law: The British Experience, 1760-1911*, Cambridge University Press, (1999), 1st edition, Cambridge, 166; Diamond, S.A., ‘The historical development of trademarks’, *The Trademark Reporter*, (1975), 65, 265

⁷ Diamond, S.A., ‘The historical development of trademarks’, *The Trademark Reporter*, (1975), 65, 266

⁸ *Ibid.*, 267

⁹ Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates*

article is not enough to be deemed as a trade mark. Producers or traders used a trade mark in order to inform their customers or end users as to the exact source of the products.

The majority of the known oldest marks are borne by pottery, the remains of which can be found commonly in the Mediterranean region, in particular around ancient civilisations such as Etruria, Greece and Rome.¹⁰ However, possibly the oldest ones are borne by pottery jars where were found in Transylvania and likely to have been made as long as seven thousand years ago.¹¹ *Prima facie*, these seven thousand years old marks are unlikely to be equivalent to true trade mark, used to indicate source. Nevertheless, it has been argued that "...the way in which the marks were formed, by combinations of straight lines, remained for many thousands of years (certainly well into the 16th century) characteristic of many marks which were undoubtedly true trade mark."¹²

In Ancient Rome, it was certain that some of the marks on Roman pottery were true trade mark because many known Roman potters' marks can be attributed with assurance to certain identifiable ateliers.¹³ Thousands of different Roman potters' marks have been identified as in use during the period of approximately three centuries between 35 B.C. and 265 A.D.¹⁴ Principles of Roman Commercial Law developed the acknowledgement of the origin and the title of potters' marks.¹⁵ A purchaser of products bearing an imitated mark could bring a civil action against the true proprietor of an imitated mark.¹⁶ However, it appears that the highly-developed law system of

its centenary in 1976, H.M.S.O., (1976), London, 1

¹⁰ Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 14; Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates its centenary in 1976*, H.M.S.O., (1976), London, 1

¹¹ Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates its centenary in 1976*, H.M.S.O., (1976), London, 1

¹² *Ibid.*, p.1

¹³ Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 14

¹⁴ Diamond, S.A., 'The historical development of trademarks', *The Trademark Reporter*, (1975), 65, 271

¹⁵ Blackett, T., *Trademarks*, Macmillan Press, (1998), 1st edition, 5; Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 14

¹⁶ Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates its centenary in 1976*, H.M.S.O., (1976), London, 1

Romans did not prevent makers of lower quality potteries from imitating the marks used by well-known pottery makers in order to deceive consumers.¹⁷ It is important to note that it is possible to see some of these imitation Roman potteries bearing fake Roman marks which were made in Belgium in the early part of the 1st century and exported to Britain in the British Museum.¹⁸

Beside the pottery marks, oil lamps, knives, swords and other iron items bearing the names of their makers which belong to Ancient Rome have been found by archaeologists.¹⁹ One of them was a Roman oil lamp mark, Fortis, which appears to have been very successful because specimens bearing that mark come not only from Italy but from almost all of Europe, including France, Germany, Holland, England and Spain.²⁰ Similarly, some pharmaceutical products bearing the name of their creator were circulated in Ancient Rome.²¹ One of them, ointment for the treatment of the eyes bearing the name of the Roman doctor on its container, was evidently an important export item.²² Some food products such as wine or cheese for export were also marked to indicate the geographic origin of these goods.²³ For instance, the famous Etruscan Luna cheese was marked with a picture of the city; one Roman epigram speaks of “a cheese from Luna. This cheese marked with the likeness of the Etruscan Luna will serve your slaves a thousand times for breakfast.”²⁴

Roman traders used these marks on their products as a response to the expansion of trade.²⁵ Trading over great distances substituted for the method

¹⁷ Blackett, T., *Trademarks*, Macmillan Press, (1998), 1st edition, 1; Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 14

¹⁸ Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates its centenary in 1976*, H.M.S.O., (1976), London, 1

¹⁹ Drescher, D.T., ‘The transformation and evolution of trademarks—from signals to symbols to myth’, *The Trademark Reporter*, (1992), 82, 310

²⁰ Diamond, S.A., ‘The historical development of trademarks’, *The Trademark Reporter*, (1975), 65, 271

²¹ Drescher, D.T., ‘The transformation and evolution of trademarks—from signals to symbols to myth’, *The Trademark Reporter*, (1992), 82, 310

²² Diamond, S.A., ‘The historical development of trademarks’, *The Trademark Reporter*, (1975), 65, 272

²³ Drescher, D.T., ‘The transformation and evolution of trademarks—from signals to symbols to myth’, *The Trademark Reporter*, (1992), 82, 310

²⁴ Rogers, S.E., *Goodwill, Trade-Marks and Unfair Trading*, A.W. Shaw Company, (1914), Chicago

²⁵ Diamond, S.A., ‘The historical development of trademarks’, *The Trademark Reporter*, (1975), 65, 272

of doing business directly with an artisan in his shop.²⁶ This change led to the need for source identification because of demands of customers from distant markets for repeat orders although traders were individuals rather than companies.²⁷ They wanted to inform their consumers in distant markets as to the exact origin by attaching their unique marks to their products. By doing so, they represented their address to their consumers who might wish to place repeat orders.²⁸ In relation to trade mark use by Romans, Kohler says that a side of Roman commercial relations, although resting on different principles, were not different from general impulses of today's trade. Roman manufacturers' marks are not unique; they are connected with the same system of marking that is known in modern trade.²⁹ Therefore, Drescher claims that the application of Roman marks to products traded over great distances represents trademark use in the modern sense. More specifically, these Roman marks became symbols of reputation identified with a single source.³⁰ The conclusion drew by Diamond from Romans trade mark use was that Roman trade mark performed the same basic functions as today's trade mark.³¹

In my opinion, there are some similarities between the trade mark of ancient times and today's trade mark. First, traders or producers of ancient times used trade mark to convey information as to the origin of products which is similar to origin function of modern trade mark. The difference is that origin function of ancient marks identifies the maker, the physical origin of products while modern trade mark is used to indicate the commercial origin of products. Moreover, the marks used by traders or producers of ancient times on their products were also conveying a message to buyers or end users as to the material quality features of those products. In that sense, the trade

²⁶ *Ibid.*, p.270

²⁷ *Ibid.*, p.270

²⁸ *Ibid.*, p.270; Drescher, D.T., 'The transformation and evolution of trademarks—from signals to symbols to myth', *The Trademark Reporter*, (1992), 82, 310

²⁹ "Joseph Kohler, with his wide range of scholarship, utilized a great deal of the then available archaeological material in his reconstruction of the early history of trademarks and trademark law." *DAS RECHT DES MARKENSCHUTZES*(1884) cited from Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Columbia University Press, (1925), 1st edition, New York; Rogers, S.E., *Goodwill, Trade-Marks and Unfair Trading*, A.W. Shaw Company, (1914), Chicago

³⁰ Drescher, D.T., 'The transformation and evolution of trademarks—from signals to symbols to myth', *The Trademark Reporter*, (1992), 82, 301, 310

³¹ Diamond, S.A., 'The historical development of trademarks', *The Trademark Reporter*, (1975), 65, 270

mark of ancient times was used by traders or producers to build up reputation about their productions or trades. This economic aspect of the ancient marks has a similarity with the additional functions of modern trade mark.³²

With the fall of the Roman Empire, the elaborate and highly sophisticated system of trade gradually collapsed.³³ Western Europe entered the Dark Ages in about 500 A.D.³⁴ During this period, the use of trade marks almost disappeared.³⁵ However, with the renaissance of trade in twelfth century and with the rise of town and urban units which had won a degree of autonomy to some extent from feudal authorities medieval industry regulated by guilds, merchant organisations or craftsmen, appeared.³⁶ During the mediaeval period, roughly between the fourteenth and sixteenth centuries, the use of marks increased again as an outcome of developments in trade.³⁷

Different kinds of marks were used in medieval times. It is possible to divide medieval marks into a number of categories such as personal marks, house marks, proprietary marks, and production marks. Production marks were used to indicate the origin of goods in order to trace the origin of sub-standard goods.³⁸ As said above, medieval industry regulated by guilds, merchant organisations or craftsmen appeared after the twelfth century. These guilds and organizations were firmly controlled by groups of artisans.³⁹ The members of these guilds and organizations were required to use a production mark.⁴⁰

So, the medieval production marks were compulsory regulatory marks for the member of guilds which aimed to convey clear and unequivocal message to officers of the guild about the identity of makers of goods to which marks

³² Arıkan, Ö., Trade Mark Rights and Parallel Importation in the European Union, Onikilevha, (2016), 1st Edition, p. 32-33.

³³ Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 14

³⁴ Diamond, S.A., 'The historical development of trademarks', The Trademark Reporter, (1975), 65, 272

³⁵ *Ibid.*, p.272

³⁶ Drescher, D.T., 'The transformation and evolution of trademarks—from signals to symbols to myth', The Trademark Reporter, (1992), 82, 311

³⁷ Diamond, S.A., 'The historical development of trademarks', The Trademark Reporter, (1975), 65, 272

³⁸ Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates its centenary in 1976*, H.M.S.O., (1976), London, 2

³⁹ Diamond, S.A., 'The historical development of trademarks', The Trademark Reporter, (1975), 65, 277

⁴⁰ *Ibid.*, p. 277

were attached.⁴¹ This system helped to find the individual master responsible when defective products came from one of those sources. In 1266, England enacted the first bakers' compulsory marking law.⁴² Regarding to bakers' compulsory mark, a passage from a book of instructions for coroners and sheriffs, based on ordinances going back to the fourteenth century, states:

"[A] Baker must set his owne proper marke upon every loafe of bread that hee maketh and selleth, to the end that if any bread be faultie in weight, it may bee then knowne in whom the fault is".⁴³

Medieval production marks were the indicators of source, like a modern trade mark. However, medieval production marks differs from modern trade marks in certain points. The fundamental difference between these production marks and modern trade mark, as mentioned above, is that production marks are kind of "police marks" derived from the craftsman's liability.⁴⁴ Though they indicated the source of products, thereby enabling consumers to distinguish marked products from the same kind of products made by other craftsmen, the reason why production marks were used on goods was to fulfil an obligation rather than to try to use it to convey message as to the origin of products or the material quality features of products in order to gain the loyalty of consumers.⁴⁵ Regarding to this, Drescher says that "the medieval mark was a "liability mark" which only later evolved into as "asset mark" as a valuable symbol of individual good will."⁴⁶

Having said this, medieval mark owners' individual liability for defective work warranted that products to which their production mark attached were of a quality consistent with the standards of guilds.⁴⁷ In other words, craftsman's production mark served as a warranty of quality to be expected from a particular source.⁴⁸ In this sense, the individual liability of craftsmen for the quality standards of their products corresponds to some extent to the commercial responsibility of modern trade mark owners as to the quality of

⁴¹ Drescher, D.T., 'The transformation and evolution of trademarks—from signals to symbols to myth', *The Trademark Reporter*, (1992), 82, 319

⁴² Diamond, S.A., 'The historical development of trademarks', *The Trademark Reporter*, (1975), 65, 277

⁴³ *Ibid.*, p. 277

⁴⁴ Drescher, D.T., 'The transformation and evolution of trademarks—from signals to symbols to myth', *The Trademark Reporter*, (1992), 82, 319

⁴⁵ *Ibid.*, p. 320

⁴⁶ *Ibid.*, p. 319

⁴⁷ *Ibid.*, p. 320

⁴⁸ *Ibid.*, p. 320

their trademarked products. However, there is not a legal obligation for the owners of modern trade mark to provide their marked products at a certain quality, unlike the medieval products.⁴⁹

Another difference between medieval marks and modern trade mark is pointed out by Drescher, using the example of a medieval mark owner, John Odinsay, who was a master blade smith at the guildhall of London blade smiths.⁵⁰ Drescher says that “no matter what type of knife, axe, lance head or other work John Odinsay might produce, that work would bear his raven mark. John Odinsay’s mark, then, did not identify the product; it identified him.”⁵¹ Medieval production marks used to be equal to the identity of the maker of the products.⁵² Although medieval production marks were the indicators of source like a modern trade mark, they identify the maker (the physical origin of products) while modern trade mark indicates the commercial origin of products.

3. Industrial Period

The industrial revolution, which commenced in Britain in the eighteenth century, was a real milestone in the history of trademark and trade mark rights.⁵³ In this period, modern production methods substituted for the handwork of older times.⁵⁴ This led to the increase of production capacity and of production units in size. Along with the development of manufacturing, distribution extended to more distant markets.⁵⁵ In fact, the need for the extension of distribution occurred as a result of increase of production.⁵⁶ All those changes have given rise to the mass marketing of manufactured goods.⁵⁷

With the industrial revolution, especially in the late the nineteenth and

⁴⁹ Arikan, Ö., *Trade Mark Rights and Parallel Importation in the European Union*, Onikilevha, (2016), 1st Edition, p. 36-37.”

⁵⁰ Drescher, D.T., ‘The transformation and evolution of trademarks—from signals to symbols to myth’, *The Trademark Reporter*, (1992), 82, p. 320.

⁵¹ *Ibid.*, p. 320

⁵² Maniatis, S.M., Sandres, A.K., ‘A consumer trade mark: protection based on origin and quality’, *European Intellectual Property Review*, (1993), 15(11), 407

⁵³ Blakeney, M., ‘Trade marks and the promotion of trade’, *International Trade Law & Regulation*, (1999), 5(6), 140

⁵⁴ Diamond, S.A., ‘The historical development of trademarks’, *The Trademark Reporter*, (1975), 65, 289

⁵⁵ *Ibid.*, p. 289

⁵⁶ *Ibid.*, p. 281

⁵⁷ Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 14

early twentieth century, the increased use of trade marks appeared.⁵⁸ Some of today's well known trade marks such as Coca-Cola soft drinks, Quaker oats and Shredded Wheat breakfast cereal emerged in this period.⁵⁹ Wilkins emphasised on the explosion of trade mark by saying that all the United States companies in the late nineteenth and early twentieth century that became multinational enterprises offered trademarked products and all the successful European multinationals that invested in the United States in this same period sold trademarked products too.⁶⁰

However, the increased use of trade marks in this period caused malicious attempts. Unauthorised use of popular marks on similar products in order to deceive consumers led owner of trade marks to seek protection against the unauthorised uses. "The origin and the nature of the legal right" for the protection of the use of a trade mark was emerged from the species of remedy given for its violation.⁶¹ The hundreds of cases involving trade marks were brought and decided under the head of fraud, deceit, misrepresentation, forgery and so on, all of which were grounds of action either in equity or at common law.⁶²

The first reference to trade mark protection in the English courts was thought to be in the case of *Southern v. How* which was decided in the reign of Queen Elizabeth I.⁶³ Protection of the use of the trade mark was undertaken by the court on the basis of preventing fraud. *Southern v. How* was first reported in *Popham's Reports* in 1656,⁶⁴ which stated that:

⁵⁸ *Ibid.*, 15; Diamond, S.A., 'The historical development of trademarks', *The Trademark Reporter*, (1975), 65, 265, p.282

⁵⁹ Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 15

⁶⁰ Wilkins, M., 'The neglected intangible asset: the influence of the trade mark on the rise of the modern corporation', *Business History*, 34, 68

⁶¹ Lloyd, E., *The Law of Trade marks with Some of Account of Its History and Development in The Decisions of The Courts of Law and Equity*, (1865), 2nd edition, London available at www.westlaw.com

⁶² Trade Marks Registry; Moorby, R. L.; Ward Dyer, F. J.; Myall, D. G. A., *A Century of Trade Marks: a commentary on the work and history of the Trade Mark Registry, which celebrates its centenary in 1976*, H.M.S.O., (1976), London, 4

⁶³ Lloyd, E., *The Law of Trade marks with Some of Account of Its History and Development in The Decisions of The Courts of Law and Equity*, (1865), 2nd edition, London; Rogers, S.E., *Goodwill, Trade-Marks and Unfair Trading*, A.W. Shaw Company, (1914), Chicago; Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia University Press, (1925), 1st edition, New York

⁶⁴ It is important to note that there are four later reports of *Southern v. How*. Those are; *J. Bridgeman's Reports* (1659), *Croke's Reports* (1659), *volume 2 of Rolle's Reports* which

“22 Eliz. an action upon the case was brought in the Common Pleas by a clothier, that whereas he had gained great reputation for his making of his cloth, by reason whereof he had great utterance to his benefit and profit, and that he used to set his mark to his cloth, whereby it should be known to his cloth, and another clothier perceiving it, used the same mark to his ill-made cloth on purpose to deceive him and it was resolved that the action did well lie”.⁶⁵

However, *Southern v How* is disregarded as the earliest basis for trade mark law in English legal history with the discovery of *Sandforth's Case* which provide the historical bridge linking guild regulation of trade marks to the development of trade mark jurisprudence by the common law courts as early as mid-sixteenth century.⁶⁶

Although there was protection in the use of a trade mark in those cases, it had no relation to trademark law. This is because; there was no property recognized by the law in any trade mark or trade name; but there was a sort of qualified right recognized by the law.⁶⁷ Regarding the protection of trade mark, Sebastian, who was an English authority on trade marks at the beginning of the 20th century, said that the right to use of trade mark was recognized as early as the reign of Queen Elizabeth [1]; it was rate established in 1833, when a decision was given which indicates a marked departure from the rules governing the ordinary action for deceit.⁶⁸

contains two conflicting accounts of *Southern v. How*. “... (1) Three of the five reports contain no reference whatsoever to the clothier's case in Elizabeth.(2) Of these three reports only one(*Popham*) definitely states the action to have been by the clothier whose mark had been infringed. Of the two others, one (*Croke*) is equally definite that the action was defrauded purchaser, and other (2 *Rolle* 26), while not perhaps so positive in this regard, likewise believes that the action was by the vendee. (3)*Popham* reports Dodderidge to have remembered that the clothier's action occurred in 22 Elizabeth,2 *Rolle* says 23 Elizabeth, while *Croke's Report* states 33 Elizabeth. (4) Only two of the five reports (*Popham* and 2 *Rolle* 5) agree that *Southern v. How* was decided in 15 Jac. I, the other three reports giving other and different dates for the decision.”; Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia University Press, (1925),1st edition, New York

⁶⁵ Lloyd, E., *The Law of Trade marks with Some of Account of Its History and Development in The Decisions of The Courts of Law and Equity*, (1865), 2nd edition, London

⁶⁶ *Sandforth's Case*, Cory's Entries, BL MS. Hargrave 123, fo. 168 (1584); Stolte, K. M., 'How Early Did Anglo-American Trademark Law Begin? An Answer to Schechter's Conundrum', *Fordham Intellectual Property, Media and Entertainment Law Journal*, (1997), 8(2), 505-547, p. 544

⁶⁷ Stephen, H.J., *Mr. Serjeant Stephen's New Commentaries on the Laws of England*, Butterworth & Co., (1914), 16th edition, London

⁶⁸ Sebastian, L.B., *The Law of Trade Mark Registration*, Stevens and Sons Limited, (1922), 2nd

The decision Sebastian applied for his argument was given in the case of *Blufeld v. Payne*, in which it was decided that “the act of the defendant was a fraud against the plaintiff and if it occasioned him no specified damage, it was still to a certain extent an invasion of his right.”⁶⁹ Nevertheless, the English Courts relied upon the authority of *Southern v How* to establish “the antiquity of their jurisdiction” to prevent the unauthorized use of trade marks until the beginning of the 20th century.⁷⁰

Increasing recognition and use of trade marks in commercial practice led to the introduction of registration system for trade marks and the crystallisation of trade mark law.⁷¹ Trade Marks Registration Act, by which first English trade mark register was introduced, came into force in 1875.⁷² An exclusive right to a trade mark which is capable of being acquired by registration was first given by this Act.⁷³ The protection of trade mark use started under the head of fraud, deceit, misrepresentation and so on as early as the 16th or 17th century; but the formation of modern trade mark law begins with the TMR Act in 1875. Sir Duncan Kerly stated with regard to the beginning years of trade mark law: “The law on this subject cannot be traced back further than the nineteenth century.”⁷⁴

As mentioned above, in pre-industrial period trade mark used to identify the makers of the products.⁷⁵ However, the industrial revolution led to crucial changes in the structure of organizations and business activities.⁷⁶ The

edition, London

⁶⁹ Sebastian, L.B., *The Law of Trade Mark Registration*, Stevens and Sons Limited, (1922), 2nd edition, London

⁷⁰ *Blanchard v. Hill* (1742), *Crawshay v. Thompson* (1842), *Burgess v. Burgess* (1853), *Hall v. Barrows* (1863), *Hirst v. Denham* (1872), *Magnolia Metal Company v. Tandem Smelting Syndicate Ltd.* (1900); Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia University Press, (1925), 1st edition, New York

⁷¹ Sherman, B. and Bently, L., *The Making of Modern Intellectual Property Law: The British Experience, 1760-1911*, Cambridge University Press, (1999), 1st edition, Cambridge, 167

⁷² Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 15

⁷³ Stephen, H.J., *Mr. Serjeant Stephen's New Commentaries on the Laws of England*, Butterworth & Co., (1914), 16th edition, London

⁷⁴ cited from the 5th edition of *Kerly's Treatise on the Law of Trade-marks* by Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia University Press, (1925), 1st edition, New York

⁷⁵ Maniatis, S.M., Sandres, A.K., ‘A consumer trade mark: protection based on origin and quality’, *European Intellectual Property Review*, (1993), 15(11), 407

⁷⁶ Griffiths, A., ‘Modernising trade mark law and promoting economic efficiency: an evolution of the Baby Dry judgement and its aftermath’ (2003), 1, 5

companies were characterized by a separation of producer and consumer through a distribution chain.⁷⁷ In other words, the emergence of the mass distribution system caused the loss of the traditional direct relationships between the maker of products and the consumer of products.⁷⁸ Schechter explained the effect of this change on trade mark use after industrial revolution. According to Schechter, a trademark may be affixed to products by a manufacturer thousands of miles away from the consumer, or by an importer who has not manufactured but merely selected the products and put them on the local market, or by a commission merchant who has not selected the products or rendered any service relating to them except to sell such as may have been sent to him/her by the owner.⁷⁹

The producer's identity and reputation were no longer known to the purchaser through the intimacy of personal familiarity between seller and purchaser.⁸⁰ Nevertheless, the need for an undertaking to differentiate its products from similar products of other undertakings remained even though the identity and reputation were not sustained any more by personal connections.⁸¹ Hence, the role that a trade marks play in trading has become more crucial than it used to be. In the late 19th century, in the case of *Powell v. Birmingham Vinegar Brewery Co.*, Lord Justice Lindley stated:

"Persons may be misled and may mistake one class of goods for another, although they do not know the names of the makers of either. A person whose name is not known but whose mark is imitated is just as much injured in his trade as if his name were known as well as his mark. His mark as used by him has given a reputation to his goods. His trade depends greatly on such reputation. *His mark sells his goods* [Emphasis added]".⁸²

⁷⁷ Wilkins, M., 'The neglected intangible asset: the influence of the trade mark on the rise of the modern corporation', *Business History*, 34, 68

⁷⁸ Blakeney, M., 'Trade marks and the promotion of trade', 'International Trade Law & Regulation', (1999), 5(6), 140-146, 140

⁷⁹ Schechter, F.I., 'The rational basis of trademark protection', *Harvard Law Review*, (1926-1927), 815

⁸⁰ Wilkins, M., 'The neglected intangible asset: the influence of the trade mark on the rise of the modern corporation', *Business History*, 34, 68

⁸¹ *Ibid.*, p. 68

⁸² The fact of the case were that: "For thirty-five years the plaintiff had made, from a secret recipe, and sold in round glass bottles, a sauce which he called "Yorkshire Relish," and those words were impressed into the glass of the bottles, and were printed, together with the plaintiff's name, on the labels fastened to the bottles, and without the plaintiff's name on the wrappers in which the bottles were sold. The plaintiff's trade was very large and profitable; and some years ago he had registered the words "Yorkshire Relish" as an old

The changes in the structure of organizations and business activities led to the functional revision of trademarks. A trade mark no longer indicates that products to which it has been affixed came from a particular physical origin.⁸³ In other words, they do not identify by whom the products has been made as they did in the pre-industrial period.

If a trade mark cannot be described as indicators of physical source of the products any more, how should we describe the new role that trade mark is playing? Schechter argued the new concept of trade mark as an identifier of origin in the early 20th century while the Supreme Court of the United States in the leading case of *Hannover Star Milling Co. v. Metcalf* was defining “the primary and proper function of a trademark” as being “to identify the origin or ownership of the goods to which it is affixed”.⁸⁴ Schechter claimed that that a trade-mark indicates either origin or ownership may have been an adequate explanation of its function to Gerard Malynes and his temporaries, but today only by ignoring realities can one sat that to the consuming public a trade-mark actually indicates the specific ownership or origin of goods to which such trademark is affixed. Give a popular product with an international or at any rate consumption through the complicated channels of modern distribution, knowledge of its specific source can by no means generally be attributed to those who purchase it.⁸⁵ Here, Schechter argued the definition

trade-mark of his own; but, after litigation with the defendants, those words had been expunged from the register. The plaintiff had, however, hitherto succeeded in preventing any person other than himself from using the words “Yorkshire Relish” to denote a sauce. The defendants had not discovered the plaintiff’s secret, but they were making and selling, under the name of “Yorkshire Relish,” and in bottles similar to those of the plaintiff, a sauce very like the plaintiff’s sauce, and at a lower price. The defendants printed their own names on their own labels, and there were certain other differences in the labels and in the wrappers; but the evidence proved that the defendants’ sauce could be, and in some instances had been, mistaken by ordinary buyers for that made by the plaintiff” and “Held, by the Court of Appeal (Lindley, Kay, and A. L. Smith L.JJ.), affirming the decision of Stirling J., that the plaintiff was entitled to an injunction to restrain the defendants from selling their sauce as “Yorkshire Relish” without better distinguishing it from the sauce made and sold by the plaintiff.” “APPEALED by the defendants from a decision of Stirling J., restraining them from using the words “Yorkshire Relish” as applicable to sauces other than those of the plaintiff’s manufacture without clearly distinguishing the same from the sauce of the plaintiff.” The appeal was dismissed. *Powell v. Birmingham Vinegar Brewery Company* [1896] 2 Ch. 54 available at www.westlaw.com

⁸³ Drescher, D.T., ‘The transformation and evolution of trademarks—from signals to symbols to myth’, *The Trademark Reporter*, (1992), 82, 313

⁸⁴ Schechter, F.I., ‘The rational basis of trademark protection’, *Harvard Law Review*, (1926-1927), 40, 833

⁸⁵ Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia

of a trade mark used by the Supreme Court of the United States on the basis that the conventional views of trade mark theory fails to take into account new commercial practices.⁸⁶ He also described a modern trade mark as being a sign which merely guarantees to the consumer that the goods in connection with which it is used emanate from the same source or have reached the consumer through the same channels of trade as certain other goods that have given the consumer satisfaction and that bore the same trade-mark.⁸⁷

Trade marks do not indicate that all of the products to which they were affixed have a same physical source or have been made by the same manufacturer.⁸⁸ The essential function of modern trade mark does not focus indicating the physical origin of the products. Rather it focuses on the identification of the product itself.⁸⁹ Thus, modern trade mark may possess an identity independent from the maker of the product.⁹⁰

A modern trade mark merely indicates that there is an economic link of some kind between the products to which it has been attached and one particular undertaking and this undertaking has responsibility for the presence of these products on the markets.⁹¹ In other words, all products bearing a particular trade mark have originated under the unitary control of one undertaking which accepts economic responsibility for those products.

Therefore, the new role of the essential function in the industrial period was to enable consumers to comprehend that two products bearing the same trade mark came from a particular trade origin and that is responsible for the quality of these products. Nevertheless, the source of those products can be anonymous to them. In other words, consumers might not know where the products have been derived from. In the matter of McDowell's Application, it was said by Lord Justice Warrington that the deception which the registration would be calculated to produce is that the two products emanate from the same source, and for the purposes of the present question it does not matter

University Press, (1925), 147

⁸⁶ Pickering, C.D.G., *Trade Marks in Theory and Practice*, Hart Publishing (1998), 43

⁸⁷ Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia University Press, (1925), 150

⁸⁸ Griffiths, A., 'Modernising trade mark law and promoting economic efficiency: an evolution of the Baby Dry judgement and its aftermath', *Intellectual Property Quarterly*, (2003), 1, 5

⁸⁹ Drescher, D.T., 'The transformation and evolution of trademarks—from signals to symbols to myth', *The Trademark Reporter*, (1992), 82, 338

⁹⁰ *Ibid.*, p. 338

⁹¹ Griffiths, A., 'Modernising trade mark law and promoting economic efficiency: an evolution of the Baby Dry judgement and its aftermath', *Intellectual Property Quarterly*, (2003), 1, 5

whether the public do, or do not, know what physical source is.⁹²

Consumers in fact do not attach importance where the trade marked products have been manufactured or by whom they have been made. In other words, consumers do not regard a trade mark as a signifier of the physical source of products that it has been attached. Rather, as Schechter pointed out, consumers regard a trade mark as an identifier of commercial origin which has responsibility for the likely product quality bearing the trade mark.⁹³ Connection indicated by a trade mark in industrial period was not between the marked products and a particular, known source but between the marked products and a source from where previously satisfactory products emanated.⁹⁴ However, the changes in the function of trade mark did not end in the industrial period and the developments in the post-industrial period added a new dimension to the function of trade mark.

4. Post-Industrial Period

Since the end of the Second World War during which profound improvements to the well-being of much of the world's population have occurred, exploitation of trade marks to the world has appeared.⁹⁵ The collapse of communism, the rise of mass media and arrival of the internet has contributed to the exploitation of trade marks.⁹⁶ They have become an important marketing tool for the trade mark owners to broaden their marketplace with the contribution of advertising. Some of trade marks have become worldwide known brands such as Coca Cola drinks, McDonald's burgers and Levi's jeans. Products of a trade mark reached the shelves of the shops in different markets around the world through a variety of organizational structures and business devices.⁹⁷

The changes of organization structures and business practices in the post-industrial period was well summarised in a paper, *Reform of Trade Marks Law*, issued by the Department of Trade and Industry in September 1990.

⁹² Schechter, F.I., 'The rational basis of trademark protection', *Harvard Law Review*, (1926-1927), 40, 817

⁹³ Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, Colombia University Press, (1925), 150

⁹⁴ Pickering, C.D.G., *Trade Marks in Theory and Practice*, Hart Publishing (1998), 43

⁹⁵ Blackett, T., *Trademarks*, Macmillan Press, (1998), 1st edition, 6

⁹⁶ Clifton, R., *Brands and Branding*, The Economist in association with profile books, (2009), 2nd edition, London, 15

⁹⁷ Griffiths, A., 'Modernising trade mark law and promoting economic efficiency: an evolution of the Baby Dry judgement and its aftermath', *Intellectual Property Quarterly*, (2003), 1-37, 5

It is stated in this paper that whatever may have been the position in 1938, the public is now accustomed to goods or services being supplied under the licence from the trade mark owner. For example there has been growth of franchise operations.⁹⁸

In post-industrial period, the trade mark law has responded to the changes arising from the exploitation of trade marks. There are two significant developments in relation to trade mark and trade mark rights in this period. First, the conceptual change in the essential function of trade mark because of the structural changes of business organizations. Second, emerge of the additional functions that a trade mark performs and the expansion of the trade mark protection to cover them. The conceptual change of the essential function of trade mark and its impact on the trade mark rights can be viewed in the early judgments of the CJEU. The issue in relation to the notion of the essential function appeared as early as *Hag I*⁹⁹ case. In this case, Hag Bremen was the owner of *Hag* coffee trade mark for Germany, Belgium and Luxemburg. At the end of the Second World War the *Hag* trade mark was sequestered by the Belgian and Luxemburg authorities and assigned to the Van Zuylen family for these countries. After twenty years later, Hag Bremen decided to sell *Hag* coffee in Luxemburg. However, it was prevented by Van Zuylen on the basis of infringement of its exclusive rights under the national law. In relation to this case, the CJEU held that the Belgian owner was not entitled to prohibit the German owner from marketing its products in Luxemburg under the identical trade mark because products of these two firms had a common origin.¹⁰⁰

Nevertheless, the judgment of the CJEU was criticized by commentators on the basis of understanding of the concept of commercial origin signified by trade mark.¹⁰¹ In *Hag II*¹⁰², which came after twenty years, German owner of *Hag* coffee sought to prohibit the use of the identical trade mark by Belgian owner for marketing its products in Germany. In *Hag II* case, the approach of the CJEU was different from that of the *Hag I* case though the facts are the same as in *Hag I* case.

In this case, the CJEU overruled its *Hag I* judgment. The CJEU revised the notion of a common origin. According to the judgment of the CJEU, the

⁹⁸ *Scandecor v Scandecor* [2001] E.T.M.R. 74, p. 814,815

⁹⁹ *Hag I* [1974] 2 C.M.L.R. 127

¹⁰⁰ Gagliardi, A., F., 'Trade mark assignments under E. C. law', *European Intellectual Property Review*, (1998), 371-378, 373.

¹⁰¹ *Ibid.*, p.373

¹⁰² *Hag II* [1990] 3 C.M.L.R. 571

word 'origin' in this context does not refer to the historical origin of the trade mark; it refers to the commercial origin of the products. The consumer is not interested in the genealogy of trade mark. Rather, the consumer is interested in knowing who made the products that he/she purchases. The function of a trade mark is to signify to the consumer that all goods sold under that mark have been produced by, or under the control of, the same person and will, in probability, be of uniform quality.¹⁰³

In *Hag I*, the historical link of two different enterprises had been found enough to consider them as the same commercial origin. However, the decision of the CJEU in *Hag II* emphasized the importance of unitary control on the quality of the trade marked goods when considering whether two different enterprises are the same commercial origin. Thus, according to approach of the CJEU in *Hag II* case, the historical link of two enterprises is not enough to consider them as the same commercial origin. In order for a group of enterprises to be considered as the same commercial origin, the quality control of the products bearing the trade mark must be unitary. Therefore, the essential function of trade mark was revised by the CJEU as being to guarantee that all the products bearing it have been manufactured or supplied under the control of a single undertaking which is responsible for their quality.

As can be understood from the explanation of the CJEU, a trade mark does not only convey information about the commercial origin of the products bearing it, but it also guarantees a particular economic context of that origin. In the essential function theory, the CJEU recognized quality guarantee provided by a trade mark to some extent by saying that trade mark must offer a guarantee that all the products bearing it have been originated under the control of a single undertaking which is responsible for their *quality*.

However, the economic aspect of a trade mark was much more than what is explained in the essential function theory. Therefore, the additional functions of trade mark are identified by the CJEU in *L'Oréal v Bellure* as being "... that of *guaranteeing the quality* of the goods or services in question and those of *communication, investment or advertising* [Emphasis Added]" and found to merit protection under the provision of Article 5(1) (a) of the TMD.¹⁰⁴ In other words, the core zone of exclusive right provided under 5 (1) (a) of TMD has been expanded through the judgments of the CJEU to protect

¹⁰³ *Ibid.*, p.586

¹⁰⁴ *L'Oréal v. Bellure* (C-487/07)[2009] E.T.M.R. 987 at [58]

the economic aspect of a trade mark in addition to its essential function of indicating commercial origin.

As a matter of fact, the economic aspect of trade mark was pointed out by Schechter as early as 1920s. According to Schechter, a trade mark indicates not that the article in question comes from a definite or particular source, the characteristics of which or the personalities connected with which are specifically known to the consumer, but merely that the products in connection with which it is used “*emanate from the same - possibly anonymous - source or have reached the consumer through the same channels as certain other goods that have already given the consumer satisfaction*”, and that bore the same mark.¹⁰⁵ Therefore, the “true function” of a trade mark is described by Schechter as being “to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public”.¹⁰⁶ Schechter pointed out here that a trade mark has become an important communication tool for trade mark owners in the absence of personal direct relationship by imprinting an “impersonal guaranty of satisfaction” upon the mind of consumers and creating a desire for further satisfactions. In other words, Schechter emphasized the economic meaning of trade mark for its owner in order to convey message as to the likely consistency of product quality and create reputation to gain the loyalty of consumers.¹⁰⁷ The formulation of Schechter as to the economic meaning of a trade mark may be accepted as the early identification of the additional functions.

However, the concept of quality guarantee function performed by trade mark was described by Beier in 1970s. According to the Beier’s definition, the quality or guarantee function has no independent legal significance. It is derived from the essential function of identifying the origin of goods and simply means that public, from its knowledge that trademarked artefacts have the same origin, often believes these to be of the same quality. However, this expectation to the extent that it really exists is not protected by trade mark law.¹⁰⁸ Here, Beier put emphasis on the fact that there is no legal obligation for trade mark owners to provide trade marked products at specific quality.

¹⁰⁵ Schechter, F.I., ‘The rational basis of trademark protection’, Harvard Law Review, (1926-1927), 40, 833, p.816

¹⁰⁶ *Ibid.*, p.818

¹⁰⁷ *Ibid.*, p.818

¹⁰⁸ F.K., Beier, ‘Territoriality of Trade Mark law and international trade’, (1970), 1 IIC 48-72, p. 64 Cited by Phillips J., *Trade Mark Law A Practical Anatomy*, Oxford University Press, (2003), Chapter 2 .36

¹⁰⁹ In other words, a trade mark does not provide consumers with a legal guarantee about the likely product quality. The reassurance about the likely product quality provided by trade mark is economic in nature. It is based on an assumption that the owner of a trade mark will not let the quality of the trade marked products decline in order to retain or increase the benefits which he derives from consumers' expectations of consistency.

If products covered by a particular trade mark possess certain expected quality, consumers may use this trade mark to identify to them as a source of satisfactory and repeat their purchasing. If products covered by a particular trade mark do not possess certain expected quality, consumers may use this trade mark to identify to refrain from purchasing them. The economic pressure created by the consumers induces trade mark owners to keep the quality of trade marked products constant. In other words, the expectation of consumers as to the likely product quality is a crucial economic factor which creates incentives for firms to keep the quality of their products constant though they are not under a legal obligation to do that.¹¹⁰

Moreover, a trade mark enables firms to create additional purchasing motivations in order to attract consumers to their products. Firms may use their trade mark to generate a brand image which might be associated with a desirable attitude or lifestyle such as quality, elegance, exclusivity, luxury, modernity. However, firms need to make an investment in the creation, development and protection of that brand image. The brand image that a trade mark may come to symbolize can be created in a variety of marketing techniques but especially through advertising.¹¹¹

Consumers may develop attachments to the trade mark signifying a brand image in response to their cognitive and emotional experiences which is going to play an effective role in making their decision to purchase.¹¹² The choice of a product because of the attraction of the brand image signified by a trade mark will lead the trade mark to acquire a selling power, which is also called

¹⁰⁹ Pickering, C.D.G., *Trade Marks in Theory and Practice*, Hart Publishing (1998), p. 47

¹¹⁰ Landes, W.M., Posner, R.A., *The Economic Structure of Intellectual Property Law*, The Belknap Press of Harvard University Press, (2003), London, p. 168; Economides, N.M., 'The economics of trademarks', *Trademark Reporter*, (1988), 78, 523-539, p. 527

¹¹¹ Arian, Ö., *Trade Mark Rights and Parallel Importation in the European Union*, Onikilevha, (2016), 1st Edition, p. 79.

¹¹² Gerhardt, R.D., 'Consumer investment in trademarks', *North Carolina Law Review*, (2010), 88, 427-500, p. 459-460.

its suggestive value.¹¹³ For instance, *Louis Vuitton* is not only a registered trade mark for clothing or *Apple* is not only a registered trade mark for electronics. Firms who own those trademarks succeeded to create a brand image signified by them using advertising and other marketing techniques. Therefore, those brands express consumers something more than the commercial origin and the material quality characteristics of products bearing them.

According to Gerhardt, trade mark associated with a brand image has become a “*powerful vehicle for self-expression and personal affirmation of beliefs and values*” in the twenty first century.¹¹⁴ The choice of a product bearing a particular trade mark associated with a brand image that a consumer will repeatedly show may send strong signals as to the identity, preferences and lifestyle or attitude of that consumer. In other words, consumers of this century may use the products of a particular trade mark which is associated with a brand image as “powerful repositories of meaning” to express their personal unique preferences.¹¹⁵

In addition to affirming personal identity and enhancing individual expression, the choice of the products of a particular trade mark signifying a brand image may give an individual consumer a means of feeling part of a larger community.¹¹⁶ In other words, consumers may prefer to purchase a specific trade mark which is associated with a brand image in order to feel part of a particular, but generally artificial, society.

For example, *Burberry* is a well-known British trade mark for clothing with a brand image of luxury. Queen Elizabeth II and The Prince of Wales have granted the company Royal Warrants which is seen as a guarantee of acceptable quality and an indicator of prestige.¹¹⁷ Therefore, consumers may prefer to purchase the products of *Burberry* not only because of its reliable long-term commercial source or quality but also the brand image of British luxury which gives consumers the feeling of being part of high-class society with the taste of British royalty and aristocracy.¹¹⁸

¹¹³ Ghidini, G., *Innovation, Competition and Consumer Welfare in Intellectual Property Law*, Edward Elgar (2010), p. 177; Sakulin, W., *Trademark Protection and Freedom of Expression*, Wolters Kluwer, (2011), Rotterdam, p. 61

¹¹⁴ Gerhardt, R.D., ‘*Consumer investment in trademarks*’, North Carolina Law Review, (2010), 88, 427-500, p. 459-460.

¹¹⁵ *Ibid.*, p. 461

¹¹⁶ *Ibid.*, p. 462

¹¹⁷ Available at http://www.brandfinance.com/knowledge_centre/stories/how-we-valued-the-monarchy-as-a-brand-royal-warrants 12.08.2012

¹¹⁸ Arıkan, Ö., Trade Mark Rights and Parallel Importation in the European Union, Onikilevha,

According to Holt, experiencing trade marks accompanied with a brand image of a certain attitude or lifestyle in today's modern secular society substituted for the rituals of religious myth that anthropologists have documented in every human society. Einstein elaborates this point in "*Brands of Faith*" by saying that much as religion created meaning for people's lives over the centuries, now marketers create meaning out of the products that fill our existence.¹¹⁹ According to Einstein, today's products come to be not just clothes to wear or cars to drive, but elements of who we are.¹²⁰

As Ramello and Silva remarked, the relationship between consumers and today's trade marks accompanied by a strong brand image goes beyond "the informational sphere", which is the essential function of trade mark, to touch "the emotive and psychological realms", which is the additional functions of trade mark.¹²¹ Haig referred to the words of Scott Bedbury, *Starbucks'* former vice-president of marketing, who controversially admitted that 'consumers don't truly believe there's a huge difference between products,' and pointed out that trade marks have to establish 'emotional ties' with their customers so as to gain their loyalty.¹²²

Therefore, it is possible to say that trade mark itself has become the actual object of consumption rather than the product it represents. Moreover, the product might be used as a vehicle to sell the brand image of trade mark it is attached.¹²³ The appreciation of trade mark itself can be seen as the individualisation of trade mark or separation of it from physical product. Lemley underlined this change in his article: "... [T]here is an increasing tendency of treating trademarks as assets with their own intrinsic value, rather than as a means to an end."¹²⁴

Trade marks with a strong brand image have acquired a specific economic value which is independent of its associated product. The independent economic value of trade marks accompanied with a strong brand image

(2016), 1st Edition, p. 82.

¹¹⁹ Einstein, M., *Brands of Faith: marketing religion in a commercial age*, Routledge, (2008), 1st edition, p. 71

¹²⁰ *Ibid.*

¹²¹ Ramello, G.B. and Silva, F., 'Appropriating signs and meaning: the elusive economics of trademark', *Industrial and Corporate Change*, (2006), 937-963, p. 947

¹²² Haig, M., *Brand Failures*, Kogan Page (2003), p. 5

¹²³ Ramello, G.B. and Silva, F., 'Appropriating signs and meaning: the elusive economics of trademark', *Industrial and Corporate Change*, (2006), 937-963, p. 958

¹²⁴ Lemley, M.A., 'The Modern Lanham Act and the Death of Common Sense', *Yale Law Review*, (1999), 108, 1687-1715, p. 1693

is known as “brand equity” or “brand value”. The brand equity of a trade mark might be increasingly significant in the total financial value of firms compared to their tangible assets. For instance, the most significant asset of *Coca-Cola Company* is probably the brand value of its registered *Coca-Cola* trade mark.¹²⁵ According to report of *Brand Finance Brand Evaluation Consultancy Company*, the estimated brand equity of *Coca-Cola Company* was \$ 26 billion while its estimated enterprise value was \$ 69 billion.¹²⁶ It means that almost 40 % of enterprise value of *Coca-Cola Company* belongs to its brand equity. These numbers illustrate the economic importance of trade mark with a strong brand image in business of this century. According to Pickering, this aspect of trade mark cannot be explained directly by the essential function theory.¹²⁷

Therefore, the CJEU held in its recent judgments that the quality guarantee and communication, investment or advertising functions of a trade mark merits protection under Article 5(1) (a) of TMD as well as its origin function.¹²⁸ The idea that there might additional economic functions in addition to the essential function of indicating origin was first suggested in *Arsenal Football Club v Reed*.¹²⁹ In his opinion to the CJEU, AG Colomer raised an argument as to the traditional determination of the scope of trade mark rights by saying that “it seems to me to be simplistic reductionism to limit the function of the trade mark to an indication of trade origin” because a trade mark can indicate at the same time origin of the products, the quality of the products it represents and also the reputation of the firm. Thus, there is “...no reason whatever not to protect those other functions of the trade mark and to safeguard only the function of indicating the trade origin of goods and services.”¹³⁰

As a result, the CJEU in its ruling hinted at the economic functions of trade mark. According to the judgment of the CJEU, the exercise of the exclusive right under Article 5(1) (a) of the TMD must be reserved to cases in which a third party’s use of the sign affects or is liable to affect “the functions of the

¹²⁵ Ghidini, G., *Innovation, Competition and Consumer Welfare in Intellectual Property Law*, Edward Elgar (2010), p. 178

¹²⁶ Available at < http://www.brandfinance.com/knowledge_centre/reports/september-update-of-brandfinance-global-100-brands-2011> visited at 20 January 2012

¹²⁷ Pickering, C.D.G., *Trade Marks in Theory and Practice*, Hart Publishing (1998), p. 47

¹²⁸ *Interflora Inc v Marks & Spencer* (C-323/09) [2012] E.T.M.R. 1; *Google France and Google Inc v Louis Vuitton Malletier*, *Google France v Viaticum Luteciel* and *Google France v CNRRH* (C-236/08, C-237/08 and C-238/08) [2010] E.T.M.R. 30; *L’Oréal v Bellure* [2009] E.T.M.R. 55

¹²⁹ *Arsenal Football Club v Matthew Reed* [2002] E.T.M.R. 82

¹³⁰ *Ibid.*, at [46]- [47]

trade mark”, in particular its essential function of guaranteeing to consumers the origin of the goods.¹³¹

The identification of those functions came with its judgment in *L'Oréal v Bellure*¹³². In *L'Oréal v Bellure* and the subsequent cases such as the *Google* and *Interflora* cases, the CJEU identified the additional functions of trade mark in order to apply them in the interpretation of the scope of the trade mark rights under article 5 (1) (a) of the TMD.¹³³

Having said that, a trade mark must always perform its origin function while performing its additional functions, in particular the advertising or investment functions, depends on whether the owner of the trade mark wants to use it to that end. However, this difference between the essential function of a trade mark and the additional functions cannot justify excluding the protection of the additional functions under Article 5 (1) (a) of TMD as long as one of those functions that a trade mark performs have been adversely affected by the unauthorised use of the third parties.¹³⁴

In other words, there is no difference between the essential function and the additional functions of a trade mark in terms of meriting protection under Article 5(1) (a) of TMD if the owner of trade mark decided to use its trade mark to convey further messages as to the material quality of products bearing it or a brand image which consumers wish to be associated with.

5. Conclusion

In this paper, the functional development of trade mark and its impact on trade mark rights is examined under the three periods: “pre-industrial period”, “industrial period” and “post-industrial period”. The reason to divide the evolution of trade mark into three different periods is to indicate the significant changes in the function of trade mark owing to the developments in the business activities and organisations and its impact on the development of the trade mark rights. Industrial revolution was on threshold of the changes in the function of trade mark. Hence, industrialisation is used as key point to divide the development of trade mark and trade mark rights.

¹³¹ *Arsenal Football Club v Matthew Reed* [2003] E.T.M.R. 19 at [54]

¹³² *L'Oréal v Bellure* [2009] E.T.M.R. 55

¹³³ *Google France and Google Inc v Louis Vuitton Malletier, Google France v Viaticum Luteciel and Google France v CNRRH* (C-236/08, C-237/08 and C-238/08) [2010] E.T.M.R. 30; *Budějovický Budvar, národní podnik v Anheuser-Busch Inc* (C-482/09) [2012] E.T.M.R. 2

¹³⁴ *Ibid.*, at [40]

First, we examine emerge of trade mark and trade mark rights in the pre-industrial period. We subdivide the trade mark of pre-industrial period into two: ancient times and medieval times. This is because the difference of market system and business activities between these two pre-industrial times created different reasons for trade mark use. Interestingly, trade mark of ancient times shows some similarities with the modern trade mark in terms of indicating material quality features of the products and gaining reputation through its quality assurance function owing to the free market economy system in the ancient times. However, the individual liability of medieval craftsmen for the quality standards of their marked products does not really correspond to the commercial responsibility of modern trade mark. There is a legal obligation for the owners of medieval marks to provide their marked products at a certain quality while the quality assurance of modern trade mark is economic in nature.

Nevertheless, the essential function of both ancient and medieval marks was to identify the physical source of the products although the essential function of the modern trade mark identifies the commercial origin of products. In this sense, there is a conceptual difference between the essential function of the pre-industrial trade marks and the post-industrial trade marks.

As a matter of fact, the most important development of the industrial period, in which trade mark law commenced to crystallise with the introduction of registration system, was the evolution of trade mark function from indicating the physical source of products to identifying commercial origin of products owing to the changes in the structure of organizations and business activities.

Nonetheless, the revision of the concept of “the essential function”, which is to identify the commercial origin of products, is required in the post-industrial period because of the changes arising from the exploitation of trade marks. The amendment of the concept of “the essential function” and the application of it in the interpretation of the exclusive rights given trade mark under Article 5 (1) (a) of the TMD was clarified in the *Hag I and Hag II* judgments of the CJEU.

More importantly, the post-industrial period witnessed the emerge of the additional functions that a trade mark performs and the expansion of the trade mark protection by the case law of the CJEU to cover those additional functions. This means that the CJEU applies to the additional functions of trade mark as well as its essential function in the interpretation of the scope of the exclusive right provided under Article 5 (1) (a) of the TMD. The rights of

trade mark owners have been gradually expanded since the trade mark use first appeared in the society. However, the rapid change in the nature of trade mark and the response of the CJEU's judgments in recent years moved the European trade mark law to another level in the post-industrial period.

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