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Analysis of Broader Functions of Trade Mark Law

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Abstract: In today's society, trademarks not only serve as indicators of the source of goods and services but also play various other roles, such as sales and advertising functions. Therefore, the function of trademark law to merely prevent consumer confusion is insufficient and poses risks to the development of trademarks in the market. The theories of association and dilution have emerged to address this issue, but there are still many doubts and misunderstandings surrounding them. This article first explores the other functions of trade mark law, specifically the emergence and content of the avoidance of association and dilution functions. The second part explains the necessity of the diverse functions of trademark law, emphasizing that the avoidance of association and dilution functions are crucial for protecting goodwill, safeguarding trademark uniqueness and value, and protecting the interests of merchants. The third part analyzes different regulations regarding the protection subject and dilution standards to determine the applicability of the diverse functions of trademark law across various countries. This analysis of the diverse functions of trademark law holds significant implications for the effectiveness of trademarks and the progress of trade mark law in legislation and judicial practices.

Keywords: trade mark law functions, association, dilution

1. Introduction

The definition of "trade mark" function given by the Supreme Court of the United States is to identify the origin or ownership of the goods to which it is affixed [1], serving as the symbol of the source of goods and services, which has been accepted universally. Some people believe that trade mark law is used to protect trade marks in order to exclusively prevent consumer confusion. However, with the development of modern trademark use, there is no denying that focusing on this is not enough to expanding the market, especially for those famous trademarks which inherently possess the function of preventing confusion. We could see that more and more countries and regions have started exploring the broader functions of trade mark law in legislation and adjudication, but it still remains a challenge to achieve a unified understanding of its functions and significance. This paper mainly explains the arguments in favor of the broader functions that trade mark law should possess, its potential benefits and the limitations people should put on it. Theoretically refining the discussion on the functions of trademark law is of great significance, both for the fair competition of the market and for the improvement of trade mark law legislation and judicial practices.

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2. Broader Functions of *Trade Mark Law*

Traditionally, in most cases, the possibility of confusion has been the key point in courts' judgments of trademark infringement. However, as trademarks are used in more diverse ways, the value of trademarks no longer lies solely in identifying the source of goods or services, but also includes values such as trademark quality assurance, advertising value and so on. As a result, the likelihood of confusion is no longer the only factor in trademark infringement in the modern marketplace, and trademark law has expanded its functions.

2.1. Preventing association

The association theory originated from the Benelux system and case law in Europe. Article 13(1) of the 1971 *Benelux Trademark Law* provides that a trademark owner may prohibit others from using a sign identical to or similar to its trademark on identical or similar products. At that time, most countries used the "likelihood of confusion" as the criterion for determining trademark infringement, while the standard reflected in this provision of the *Benelux Trademark Law* was whether the sign was similar to the registered trademark, and the likelihood of association caused by the similarity was used as an element for determining infringement.

In the case Jullien v. Verschuere, the Benelux Court held that a connection between a sign and a trademark may be established based on the distinctiveness of the trademark, the mark itself, and the similarities in sound, vision, or concept between the trademark and the sign. The perception of the sign often subconsciously evokes memories of the previous trademark, and associations with the sign can transfer goodwill from the earlier one to the later sign, thereby diluting the image of the earlier trademark [2].

It is worth mentioning that Benelux uses association as a criterion for determining infringement, which results in a rather low standard for infringement. This article does not aim to illustrate that the association theory should be used as a standard for determining infringement, but rather as an auxiliary factor for determining infringing behavior, helping to solve the tough problems related to trademark dilution.

2.2. Preventing Dilution

Dilution is an extension of the association theory. Frank I. Schechter, an American scholar, first proposed the dilution theory in 1927 [3]. The traditional trademark infringement theory cannot regulate the use of trademarks on non-competitive products because most consumers are not likely to get confused about the source of these products. However, when others use the trademark on different products, it will weaken the uniqueness of the trademark and gradually deprive it of its selling power, as trademarks with strong distinctiveness leave a positive impression on the public, prompting people to purchase more products or services bearing that mark. Therefore, it might cause damage to the trademark owners. At this time, the theory of trademark dilution should be considered.

It is worth noticing that some scholars believe that dilution is caused by confusion. Professor McCarthy refutes this view, arguing that trademark confusion and dilution are totally separate theories. Overly broad dilution protection would threaten the entry of later merchants into related markets, lead to unfair competition and prevent legitimate use of trademarks, thereby creating a market monopoly [4].

In terms of the legal system, the first dilution law in the US appeared in Massachusetts in 1947. This law states that regardless of whether there is competition between the parties or whether there has been confusion, as long as the distinctiveness of the trademark is weakened or the reputation of the trademark owner may be damaged, the right owner can request anti-dilution protection.

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In Europe, there is no specific legislation on "dilution", but the European Union trade mark regulation also stipulates relevant content. The trademark owner has the right to prevent any sign that is identical or similar to its trademark from being used on goods that are not similar to its own goods. The prerequisite is that the trademark enjoys a reputation within the EU and that the use of the sign would take advantage of or damage the distinctiveness and reputation of the trademark.

3. Benefits for More Functions of Trade Mark Law

3.1. Restricting Damage to Goodwill

Trademarks, beyond their function of indicating the source of goods, often represent the guarantees of qualities and advantages of the corresponding merchant's products, acting as "an agency for the actual creation and perpetuation of goodwill" [3]. If trademark law fails to effectively address dilution and other infringement, it could damage the goodwill associated with a trademark.

For example, using the Coca-Cola trademark for cleaning products like toilet cleaners is almost unlikely to confuse most consumers into thinking the company produces these items. However, allowing such trademark use would inevitably have negative consequences. For the Coca-Cola company, the unique association between their trademark and delicious beverages would be broken, inevitably impacting their brand reputation. Consumers enjoying their drinks may unconsciously link them to toilet cleaners, negatively affecting their experience.

3.2. Preventing Destroying Uniqueness and Reducing Trademark Value

Trademark owners constantly manage and promote their trademarks to make them more noticeable, giving them deeper cultural significance and stronger sales potential [5], making trademarks valuable in their own right.

Trademark confusion and dilution damage different aspects of a trademark's distinctiveness, with dilution affecting the trademark's distinguishing distinctiveness. In dilution, consumers form associations between trademarks from different sources, creating the impression that similar or identical trademarks represent different product origins. This reduces the distinctiveness of trademarks, especially for well-known ones. Barton Beebe argues that the "uniqueness" of trademark dilution does not refer to a referential relationship, meaning it's not the uniqueness of a trademark sign pointing to its source or product, but rather the difference and distinctiveness of that trademark compared to others [6]. Famous trademarks not only possess unique distinctiveness regarding specific goods or services, but also carry out identification, advertising, and investment functions. They carry the trademark owner's accumulated goodwill, commercial value, and consumer trust over the years. If these famous trademarks are used on other products, it will gradually lead to a decline in the value of the famous trademark. It does not refer to past economic harm but to some likelihood of future harm [7]. Some famous trademarks themselves have become carriers of different cultural meanings [8].

For example, when people think of Disney, they associate it with childhood and dreams. But if others use the Disney trademark on horror or evil films for a long time, our impression of Disney associated with the trademark will be damaged.

3.3. Protecting Merchants' Profits

Trademarks also serve the function of reducing costs. Once a trademark builds a reputation, companies can reduce search costs and advertising costs, as they have already secured a certain customer base and sales volume [9]. Like, when people see the color Tiffany blue, they could associate it with the brand Tiffany without any effort.

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The improvement of trademark law has brought significant benefits to both trademark owners and consumers. However, trademark law primarily protects merchant rights, as it mainly safeguards registered trademarks, which are property rights of the trademark registrant [10]. Consumers' rights are more often protected by consumer rights protection laws. In the Victoria's Secret case, the Supreme Court took a similar view, holding that, trademark dilution law did not develop from common law or from a motivation to protect consumer interests [11].

4. Refining Standards of Other Trademark Law Functions

While other functions are important for the improvement of trademark law, their unrestricted application can also bring about negative consequences for the development of trademark law. Protection against trademark association and dilution may lead to unfair competition among goods of different categories and the issue of large brands squeezing out the survival space of small and medium-sized enterprises.

To better achieve the diverse functions of trademark law, countries and regions worldwide have made efforts to improve its protection standards. Europe and America are the origins of the theory of association and dilution, and their theoretical development is more mature. Meanwhile, other countries are also working on improving the functions of trademark law.

4.1. Requirements for the Subject of Protection

4.1.1. European Union

The subject of anti-dilution protection in the EU is not a "well-known mark" but a "trademark with reputation", which has a lower requirement for fame compared to well-known trademarks. The main target of its anti-dilution protection is trademarks that enjoy a reputation within the EU region, maintaining their distinctiveness and reputation and protecting the property rights established by trademark law for owners of reputation trademarks.

4.1.2. United States

In the *US Lanham Act*, the definition of dilution uses the term "a famous mark". The Court also pointed out in a case in 1998 that the fame and distinctiveness required to obtain anti-dilution protection are more stringent than the standards required for protection based on traditional trademark infringement [12].

4.1.3. Australia

Section 120(3) of the *Australian Trademark Law* states that, a person infringes on a registered trade mark if: ... because the trade mark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trade mark. The Australian law protects "well-known trademarks".

Therefore, all countries require a relatively high degree of fame for the subject of anti-association and anti-dilution protection. The author believes that since anti-dilution protection is another significant expansion of the scope of trademark protection, and because anti-dilution law mainly protects the interests of the trademark owner, its scope of application should be strictly limited.

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4.2. Determining Dilution Standards

4.2.1. United States

The United States is the first country to legislate specifically on anti-dilution protection. In 1995, the Federal Trademark Dilution Act (FTDA) was passed. The FTDA includes many provisions regarding trademarks eligible for anti-dilution protection and sets the standard for infringing as "actual dilution". However, after the implement of the FTDA, many problems arose in judicial practice, with one major problem being the significant difficulty for plaintiffs to prove that actual dilution occurred.

In response to the impracticality of the FTDA in practice, the US Congress passed the Trademark Dilution Revision Act (TRDA) in 2006. This amendment made significant revisions, clarifying the criteria for determining diluting behavior. Based on practical experience, it abandoned the "actual dilution" standard and established the "likelihood of dilution" standard.

4.2.2. European Union

The EU generally determines the occurrence of dilution based on "actual harm" as the main standard [13]. The prior trademark right owner needs to provide evidence that the use of the subsequent trademark has led to a decrease in the reputation of its own products, requiring actual dilution to be found.

4.2.3. Japan

Japan's trademark anti-dilution protection system is not found in its trademark law but is regulated in the Unfair Competition Prevention Act. It states that using a sign that is "identical or similar" to another person's "well-known product" on one's own goods constitutes dilution, without requiring actual dilution or the likelihood of dilution.

5. Conclusion

This paper mainly explores the development process, relevant content, and necessity of the broader functions of trademark law, primarily focusing on the prevention of association and dilution. The phenomena of association and dilution are a major danger to market development. When one trademark infringement is not properly regulated, similar infringements will emerge endlessly. Through long-term legislative and judicial practice, it can be seen that the broader functions of trademark law are needed in many ways, which is beneficial to trademark owners, brands, and consumers alike. Although the theories of association and dilution have been developed for a long time, many shortcomings can still be seen in judicial practice. Even in their places of origin, Europe and the United States, there is still significant room for improvement. Compared to preventing consumer confusion, the protection scope of other functions of trademark law, such as avoiding trademark association and dilution, is much broader. As a result, their provisions need to be more detailed.

There has always been much debate within the academic and judicial communities regarding the theories of association and dilution. Countries around the world are going through a process of constantly correcting and optimizing. There are different opinions among countries regarding the clear definition and determination standards of association and dilution theories. In addition, factors such as legal language usage habits and translation make it a difficult process to achieve progress by learning from the laws of other countries. Therefore, establishing a set of trademark laws that appropriately combine confusion theory with association and dilution theories, with clear rules and ease of operation, is a goal that all countries should strive for.

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