

# TRADE MARKS: PROPERTY RIGHTS AND THEIR LIMITS

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*Against the merits of enlarging the property rights of one person or class of persons must always be set the loss of freedom of action that such enlargement inevitably causes to others.<sup>1</sup>*

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## I INTRODUCTION

That the registered trade mark is the personal property of the registered owner is now, by legislative fiat, beyond question.<sup>2</sup> Trade marks are still badges of origin, providing reliable information about trade source to consumers and thereby preventing consumer confusion in the marketplace, but they now also constitute for their owners an asset with a money value. Legal resistance to viewing trade marks as independent products in their own right (that is, as independent items of property) has given way to a new view of trade marks and their role in the marketplace and the public sphere.

Commentators have traced the trajectories of the consumer protection and property functions in the history of trade mark law and are in general agreement that recent changes in trade mark law signal a new emphasis on, and privileging of, the property function:

It is illuminating to view the development of trademark and trade dress law as a trend from its humble beginning in tort to an almost full property right. Over time, trademark law has expanded to increase the protection afforded to owners of their marks. There has been a move to take it to another realm, from protecting consumers to protecting property.<sup>3</sup>

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<sup>1</sup> Stephen M Waddams, *Dimensions of Private Law: Categories and Concepts in Anglo-American Legal Reasoning* (2003) 175-6. The passage was recently cited with approval by the High Court of Australia in *Network Ten Pty Limited v TCN Channel Nine Pty Limited* (2004) 218 CLR 273, 282.

<sup>2</sup> Section 21(1) of the *Trade Marks Act 1995* (Cth) ('*Trade Marks Act 1995*') expressly provides that a registered trade mark is personal property: s 21(1). There is no equivalent provision in previous trade mark legislation in Australia. See s 22 of the *Trade Marks Act 1994* (UK) for a similar provision to s 21(1) of the Australian legislation in the United Kingdom.

<sup>3</sup> Eric Berger, '*TraFFix Devices, Inc v Marketing Displays, Inc*: Intellectual Property in Crisis: Rubbernecking the Aftermath of the United States Supreme Court's *TraFFix Wreck*' (2004) 57 *Arkansas Law Review* 383, 396-7. See also Frederick Mostert and Trevor Stevens, 'The Protection of Well-known Trade Marks on Non-Competing Goods' (1996) 7 *Australian Intellectual Property Journal* 76: '[T]here is a growing trend of decisions in which courts and commentators highlight protection of the "reputation" of a trademark. In a sense a trade mark is perceived as a *bonum in se* protectable as a *ius in se*; an intellectual property right in and of itself.

It may be that one of the reasons (or justifications) for the property-oriented change in emphasis in trade mark law is the increased consumer protection found in other legislative regimes.<sup>4</sup> Legislative recognition of the registered trade mark as a property interest in part reflects changes that have already occurred in both the case law and in commercial and marketing practice in recent decades. Changes in marketing practices and product and personality merchandising, for example, led first courts and then legislatures to ease restrictive rules governing the licensing of and trafficking in trade marks, legal moves which both reflected and enhanced the status of trade marks as property.<sup>5</sup> Legal entitlement to control the use of a registered trade mark has shifted from being largely based in liability rules to being based, at least in part, in property rules,<sup>6</sup> and this article aims to explore the extent and trajectory of that change. The article, setting its sights in particular on the tension that exists between the role of the trade mark as personal property and its roles as a badge of origin and cultural resource, will note certain pressures and tensions which are increasing in the law of trade marks by reason of the newly emerging property status of the marks. The article will look at doctrinal areas in which a direct correlation seems to exist between the enhancement of one trade mark function or interest and the deterioration of another, and further point to doctrinal areas in which a particular traditional requirement of trade mark law – which enhances one of the other trade mark functions – makes a significant inroad on a full and normal exercise of owners' property rights over their trade marks.

Four doctrinal areas in particular will be analysed, with a view to isolating the specific tensions created by the property function of the trade mark in relation to

(footnote 3 cont'd) In other words, it further reflects the growing body of opinion to recognise trade marks as proprietary interests which at times are protectable by themselves irrespective of whether free public interest against confusion is present or not': at 86; Adam Mossoff, 'What is Property? Putting The Pieces Back Together' (2003) 45 *Arizona Law Review* 371, 418-24; Eric J Lubochinski, 'Hegel's Secret: Personality and the Housemark Cases' (2003) *Emory Law Journal* 489, 491. Berger does note, however, that at least in the United States, there has been a recent move, led by the Supreme Court in the cases of *Wal-Mart Stores Inc v Samara Bros Inc*, 529 US 205 (2000) and *Traffix Devices Inc v Marketing Displays Inc*, 532 US 23 (2001) to reign in this trend toward the elevating of the property role of trade marks and make consumer protection theories more central: at 398. This observation is further confirmed by the very recent decision of the Supreme Court of the United States in *KP Permanent Make-Up Inc v Lasting Impression I Inc*, 408 F 3d 596 (2004).

- 4 See *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411, 413: 'The policy of the 1995 Act can be said to some extent to have shifted the balance of the objectives of trade mark law more towards the identification and protection of commercial products and services than the protection of consumers, although the latter remains an objective. In respect of deceptive trade marks the interests of consumers are also protected by comprehensive federal and state laws relating to conduct which is misleading or deceptive or likely to mislead or deceive'.
- 5 Hilary May Black, 'The Role of Trade Mark Law in the Protection of Celebrity Personality' (2002) 7 *Media and Arts Law Review* 101, 103: 'These [legislative] changes reflect the commercial reality of trade marks having moved from their original role as 'badges of origin' connected to the product of a particular trader to an indication of authorised licence, sponsorship or approval'. See also *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 122, 130: 'Licensing has become commonplace. The law relating to trade marks has responded to these changing conditions'. See also the discussion at 130-9. For further discussion on trade marks, property and licensing issues, see part V below.
- 6 For an analysis of all legal entitlements to a resource as governed by one of two rules, 'property rules' or 'liability rules', see Guido Calabresi and A Douglas Melamed, 'Property Rules, Liability Rules and Inalienability: One View of the Cathedral' (1972) 85 *Harvard Law Review* 1089.

one of the other trade mark functions. Two of the areas involve a specific effect on the badge of origin function of trade mark when the property function expands and two involve an effect on the cultural resource function: (i) the doctrine of trade mark dilution (and the accompanying doctrine of special protection for well-known marks) clearly counterposes the property function of trade marks against their cultural resource function, the interest that the trade mark owner has in controlling all uses of the mark against the public's freedom of expression interest in non-confusing access to the mark; (ii) the doctrinal requirement that a trade mark must be used in the marketplace if registration of the mark is to be achieved and maintained sets the property function of trade marks against their badge of origin function; (iii) the doctrinal requirements and restrictions surrounding the licensing and assignment of trade marks reflect the tension in the area between the property function of trade marks and their function as a badge of origin; (iv) the requirement that a trade mark be used as a trade mark before trade mark infringement can be found again counterposes the property function of trade marks against their cultural resource function.

The aim here is simply to draw attention to the dynamic tensions of trade mark law brought about by the property status of marks, not to attempt to resolve them. Such a resolution is, on the model of trade mark law that was recently and decisively articulated by the High Court in *Campomar Sociedad Limitada v Nike International Ltd* as a continuing contest among interests, neither a possible nor a desirable objective:

There is the interest of consumers in recognising a trade mark as a badge of origin of goods or services and in avoiding deception or confusion as to that origin. There is the interest of traders, both in protecting their goodwill through the creation of a statutory species of property protected by the action against infringement and in turning this property to valuable account by licensing or assignment. ... The exploitation of a trade mark registration in turn may involve questions of public interest. This may engage the law with respect to restrictive trade practices. ... Moreover, trade marks may play a significant role in ordinary public and commercial discourse, supplying vivid metaphors and compelling imagery disconnected from the traditional function of marks to indicate a source or origin of goods.<sup>7</sup>

Although the High Court expressly recognised the historically shifting nature of the legislative protection given to the separate interests of traders and consumers,<sup>8</sup> it provided no guidance on the relative strength that is to be accorded to the protection of each of these interests when they are in conflict. There is nothing in the *Campomar* judgment to indicate that traders' property interests in their

<sup>7</sup> *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45, 47-8 ('*Campomar*'). For an analysis of the decision-making model articulated in the *Campomar* judgment for issues in trade mark doctrine, see Patricia Loughlan, 'The *Campomar* Model Of Competing Interests in Trade Mark Law' (2005) *European Intellectual Property Review* 289.

<sup>8</sup> *Campomar* (2000) 202 CLR 45, 47: 'Further, the Australian legislation has manifested from time to time a varying accommodation of commercial and the consuming public's interests'.

registered marks, for example, are to be privileged or recognised as being a more or less important concern for trade mark law than either the interest of consumers in avoiding confusion over source identity (an interest associated with and protected by the traditional, 'badge of origin' conception of trade mark) or the interest of the public in free communication and competitive markets.

There is a dynamic created among the three separate interests as trade mark jurisprudence develops through international trade directives, legislative change and judicial interpretation. That dynamic reflects, in particular, the tension between the property interests of traders in their trade marks and: (i) consumers' interest in confusion minimisation; and (ii) the public interest in free communication and free competition. The more that one of those interests is protected and enhanced, the more that the other may be weakened or denied.

## II TRADE MARKS AS PROPERTY

Opinions differ as to what the fundamental effects of recognition of the trade mark as a full property right are or will be. On one view, the interpretation of the role of trade marks as a full property right like any other is simply descriptively inadequate because it cannot account for all the ways in which trade marks in existing legal doctrine are not in fact treated as property. Another view treats the interpretation of the trade mark as a full property right, in the conventional sense, as potentially pernicious because of the very power that the property concept has in legal analysis:

The danger in utilising a property conception of trade mark however goes beyond its inadequacies as a descriptive theory. When adopted, it inevitably assumes a normative role, producing a mode of analysis incapable of transcending doctrine, thus precluding rational consideration of competing social, economic and occasionally constitutional interests.<sup>9</sup>

The High Court of Australia has itself recently noted the particular rhetorical potency of proprietary language and concepts in the area of intellectual property and impliedly signalled a need to resist (or at least critically analyse) the persuasive power of that rhetoric.<sup>10</sup>

Although the argument is sometimes made that when trade marks are viewed as property, no restrictions on their creation or use which are not found in other

<sup>9</sup> Robert C Denicola, 'Trademark As Speech: Constitutional Implications Of The Emerging Rationales For The Protection Of The Trade Symbols' (1982) *Wisconsin Law Review* 158, 164.

<sup>10</sup> *Network Ten Pty Limited v TCN Channel Nine Pty Limited* (2004) 218 CLR 273 citing, at 282, Waddams, above n 1, 175-6: 'Professor Waddams, speaking of the use of terms such as "piracy", "robbery" and "theft" to stigmatise the conduct of alleged infringers of intellectual property rights, describes "the choice of rhetoric" as "significant, showing the persuasive power of proprietary concepts". He also remarks: "Against the merits of enlarging the property rights of one person or class of persons must always be set the loss of freedom of action that such enlargement inevitably causes to others."'

forms of intellectual or other property can be correctly imposed,<sup>11</sup> on another view, the adoption of a property discourse in trade mark law and theory, given the strong legal and political understanding of what property is and what its limits are, is the only way to keep trade mark law within limits and stop its unprincipled expansion.<sup>12</sup>

Opinions vary on what a 'full property right' even is, given the variety of theories of property promulgated in recent decades.<sup>13</sup> The best response to the question of what it means to say that a trade mark is 'property' may lie in a kind of 'ordinary language' understanding of the concept:

Trademarks become property not merely in the formal, legal sense of a right assigned to an entity reasonably well-placed to protect and vindicate the mark's information function, but in the more ordinary, more substantive, and ultimately more absolute sense of a thing belonging fully and completely to its owner.<sup>14</sup>

If an ordinary language and expectation approach is adopted, then certain basic and 'ordinary' things will be expected of trade mark doctrine: trade mark owners should undoubtedly have the right to assign and exploit (including the right to refuse to exploit or authorise others to exploit) their trade marks and also have the right to exclusive use of their marks. But each of these apparently basic property rights is in fact somewhat problematic and restricted in traditional and even in contemporary trade mark doctrine.

One thing is clear in the murky area of what it really means to say (and what the effects are of saying) that trade marks are 'property.' That is that the specific incidents and conditions of this, 'statutory species of property',<sup>15</sup> are unique and uniquely problematic in so far as the property status of trade marks must co-exist with the traditional badge of origin function of marks and also with the newly-recognised public interest in the effect of trade mark use on freedom of competition and communication.

### III TRADE MARK DILUTION AND WELL-KNOWN MARKS

The doctrine of trade mark dilution exemplifies the dynamic relationship between the property function of trade marks and the public interest in freedom of expression, and quite specifically illustrates the counterpoise between property

<sup>11</sup> See, eg. Neil J Wilkof, 'Same Old Tricks or Something New? A View of Trade Mark Licensing and Quality Control' [1996] 5 *European Intellectual Property Review* 261, 261; Lubochinski, above n 3, 512: 'Because trade marks have become sources of wealth as much as any other business asset, the owner should not be susceptible to the judiciary's determination of what is best for society'.

<sup>12</sup> Mossoff, above n 3, 423.

<sup>13</sup> For a comprehensive review of modern theories of property, see Mossoff, above n 3.

<sup>14</sup> Glynn S Lunnay Jr, 'Trademark Monopolies' (1999) 48 *Emory Law Journal* 367, 372.

<sup>15</sup> This phrase is used of trade marks by the High Court in *Campomar* (2000) 202 CLR 45.

and freedom noted by the High Court recently, though in the context of copyright: 'Against the merits of enlarging the property rights of one person or class of persons must always be set the loss of freedom of action that such enlargement inevitably causes to others.'<sup>16</sup>

If non-confusing use of a registered trade mark by another person is prohibited on the basis that such use might dilute the drawing power of the mark and thereby diminish its monetary value, the property interest of trade mark owners is protected even as the expressive availability of the mark to the public is decreased. Conversely, where public access to expressive, non-confusing use of trade marks is zealously guarded, the value of the trade mark, with the investment of resources by the owner that such value represents, may be diminished without compensation and the property function of trade marks diminished.

This dynamic between property rights and communicative rights involves the doctrine of trade mark dilution which, while it does not exist in full-blown form in Australia as it does in the United States,<sup>17</sup> may well be beginning to permeate trade mark doctrine here. In the following passage from *Campomar*, the High Court adverted to the entry of trade mark dilution principles into Australian law through s 120(3) of the *Trade Marks Act 1995*, the infringement action by which trade mark owners can take action against users of their trade marks on unrelated goods if, *inter alia*, such use adversely affects the owner's interests:

In this decade, legislation in the United States, the United Kingdom and now in Australia [1995 Act, ss 120(3) and (4)] to varying degrees has extended the infringement action to restrain activities which are likely adversely to affect the interests of the owner of a "famous" or "well-known" trade mark by the "dilution" of its distinctive qualities or of its value to the owner ... [W]hat is protected is "the commercial value" or "selling power" of a mark by prohibiting uses that dilute the distinctiveness of the mark or tarnish the associations evoked by the mark.<sup>18</sup>

The doctrine of trade mark dilution, while it clearly provides an enhancement of the property interests of trade mark owners and a corresponding deterioration in the public interest in free communication, does not simultaneously promote the consumer protection function of trade marks.<sup>19</sup> The dynamic is essentially purely

<sup>16</sup> *Network Ten Pty Limited v TCN Channel Nine Pty Limited* (2004) 218 CLR 273 citing, at 282, Waddams, above n 1, 176.

<sup>17</sup> The definition of 'dilution', which founds a cause of action in trade mark infringement in the United States, in the *Lanham Act* 45, 15 USC 1127 is: 'the lessening of the capacity of a famous mark to identify and distinguish goods or services regardless of the presence or absence of: (1) competition between the owner of the famous mark and other parties; or (2) likelihood of confusion, mistake or deception'.

<sup>18</sup> *Campomar* (2000) 202 CLR 45. Arguments have also been made that the dilution doctrine was not intended to be introduced into Australia in the new legislation and does not in fact fit easily within the meaning of the infringement sections. See Trevor Stevens, 'Dilution In Australia: Waiting In The Wings' (2004) 16 *Intellectual Property Law Bulletin* 129, 129.

<sup>19</sup> In its most recent decision on trade mark dilution, the Supreme Court of the United States expressly stated that in contradistinction to traditional trade mark infringement law, the doctrine of trade mark dilution is 'not motivated by an interest in protecting consumers'. See *Moseley v Victoria's Secret Catalogue Inc*, 537 US 418, 418 (2003).

between property interest and public interest in this area.

The dynamic and the potential polarisation of the ‘property’ interest and the ‘public’ interest in contemporary trade mark law exist in the special dilution protection given by the infringement action under s 120(3) of the *Trade Marks Act 1995* to trade marks under international treaty requirements and domestic legislation.<sup>20</sup> It should be noted that section 120(3) applies only to marks that are ‘well-known’. Such marks potentially represent particularly huge value to their owners and massive resource investment in their creation and maintenance and yet they may, by the very fact of their prominence, constitute particularly attractive cultural forms for expressive uses by others that can contribute significantly to the communicative sphere. Enhancement of one of these interests, through the infringement action and through judicial interpretation of that action’s scope, diminishes the other interest.

#### IV THE REQUIREMENT OF USE

The requirement of trade mark use in the marketplace for the achievement and the maintenance of trade mark registration provides another example of an intrusion into property rights in the interest of preserving the badge of origin function of trade marks. The concepts of trade mark ownership and trade mark use are strongly interconnected in trade mark law and registration of a mark is highly dependent upon proof of its use. Registration of a trade mark can only be achieved if, in general terms, the applicant both claims to be the owner of the mark and can show either use of the trade mark or intention to use it.<sup>21</sup> Absence of intention on the part of the applicant to use the mark is a ground of opposition to registration.<sup>22</sup> A trade mark must also continue to be used and can be removed from the Register if it is shown that the owner has not used the mark in Australia for a continuous period of three years.<sup>23</sup>

This use requirement is a significant inroad into full property rights for the trade mark owner and remains a major theoretical and practical limitation on the status of the registered trade mark as property. Claims are frequently made in the commentaries that trade marks are and ought legally to be treated as a full intellectual property right like patents and copyright. The reasoning is that those forms of property are not dependent for their survival on continuous use, so why therefore should trade marks be so dependent:

<sup>20</sup> The extended infringement action provided for by s 120(3) of the *Trade Marks Act 1995* is viewed as providing the required additional protection for ‘well-known’ marks that is called for by international treaty. The protection given by s 60 of the Act to owners of trade marks that have established a reputation in Australia though which are not registered here also gives additional protection to well-known marks.

<sup>21</sup> *Trade Marks Act 1995* s 27.

<sup>22</sup> *Trade Marks Act 1995* s 59. Pursuant to s 88(2)(a), it is also a ground for cancelling a registration, that the applicant does not (or did not at the time of registration) intend to use the mark

<sup>23</sup> *Trade Marks Act 1995* s 92(4)(b).

If a trade mark is first and foremost a species of personal property, perhaps it can be viewed as fully analogous to other intellectual property rights, namely no use or other requirement should be imposed for either creating or maintaining the right.<sup>24</sup>

If, as the *Trade Marks Act 1995* provides, a trade mark is the personal property of the owner, then surely an owner of such property should, for strategic or other reasons, be free – on this line of reasoning – to choose not to keep his or her property in play in the market-place.

The short answer to the problem is that the trade mark is also a badge of trade origin and if a mark were to be kept on the register despite not referring to any trade source for any product, it would have no badge of origin function whatever and be nothing other than a form of private property. If firms were able to register and own inventories of trade marks which they neither used nor intended to use, they would undoubtedly have assets with a money value and markets would develop for the purchase and sale of such marks. The marks would have no badge of origin function during their time as inventory, but they would nonetheless be removed from public availability. When, on the other hand, the use requirements of trade mark law are strong and stringently adhered to, then the badge of origin function of marks is maintained, though their potential asset value as pieces of property may be lessened from what it might otherwise be.

It has recently been argued that the standard set for testing whether a trade mark has been or is being used in Australia is much too low and should in fact be raised in order for its function as a badge of origin to be properly fulfilled:

If the good is not for sale the trade mark confers no benefit. Thus conditioning trade mark right on use is a way of limiting the use of scarce enforcement resources to situations in which the rights in question are likely to yield net social benefits.” From this perspective it seems that a much higher test than that currently employed is to be preferred – it is only if there is substantial public use that there is the public benefit.<sup>25</sup>

When only the property function of trade marks would be enhanced by a doctrinal change (such as removing the requirement of use) and the badge of origin function rendered meaningless, the reasons for any such change seem less than compelling.

## V TRADE MARK LICENSING

One of the normal rights associated with the ownership of property is the right to exploit and dispose of the property freely and, on any view of ‘property’ as an

<sup>24</sup> Wilkof, above n 11, 261, arguing that the requirement for a trade mark to continue to be in use if registration is to be maintained is incompatible with the status of the trade mark as property. See also Lubochinski, above n 3, 491.

<sup>25</sup> Lionel Bently and Robert Burrell, ‘The Requirement of Trade Mark Use’ (2002) 13 *Australian Intellectual Property Journal* 181, 186 quoting William Landers and Richard Posner, ‘The Economics of Trademark Law’ (1988) 78 *Trademark Reporter* 267, 280.

aggregate of rights and powers, the rights to alienate and to authorise others to use must be prominent among the rights central to the concept. Certainly the more that a trade mark is viewed as a trader's property rather than as a product's badge of origin, the more that a right of free disposition of the mark will be a coherent and acceptable part of legal doctrine.

Rights of disposition and exploitation (assignment and licensing) of trade marks have in fact been significantly restricted throughout the history of trade mark law. The restrictions have flowed from what has been perceived to be a fundamental conceptual incoherence in allowing untrammelled assignment and licensing of marks. The trade source theory of trade marks has been viewed as logically inconsistent with either the assignment or licensing of trade marks. If the trade mark is (and is justified as being) a designator of a specific trade source, and that trade source changes by assignment or license while the mark remains the same, then surely the trade mark is falsely pointing to something and misleading consumers. The trade mark becomes an act of miscommunication:

The brand is an indication of origin, and if you transfer the indication of origin without transferring the origin itself you are transferring a right if any right at all, to commit a fraud upon the public and such a right is not recognised by the law of England.<sup>26</sup>

This is an early manifestation of the fundamental problem in trade mark law that the property and badge of origin functions of trade marks are actually at odds with each other and the enhancement of one of these functions is done at the expense of the other. Since the badge of origin theory of marks was, at the time of *Bowden Wire Ltd v Bowden Brake Co Ltd*, in the ascendant, and the property theory latent,<sup>27</sup> it is not surprising that the property-based right of licensing was severely restricted.

The modern history of trade mark law has been a history of the gradual and generally progressive easing of the early stringent restrictions on licensing. Restrictions on the licensing of marks (the giving of permission to use the mark and preventing any possibility of bringing an infringement action for such use) that have existed at common law and in legislation, follow a similar trajectory to restrictions on assignment, beginning with a prohibition and ending with a

<sup>26</sup> *Pinto v Badman* (1891) 8 RPC 181 at 194-5. For an American case similar in content, reasoning and date, see *Macmahon Pharmacal Co v Denver Chemical Mfg Co*, 113 F 468, 471 (1901): 'An assignment or license without such a transfer is totally inconsistent with the theory upon which the value of a trade mark depends ... Disassociated from merchandise to which it properly appertains, the trade mark lacks the essential characteristic which alone gives it value and becomes false and deceitful designation.'

<sup>27</sup> See, eg, the clear and simple assertion of the role and function of trade marks in *Bowden Wire Ltd v Bowden Brake Co Ltd* (1914) 31 RPC 385, 395: 'A Trade Mark, after all, my Lords, is simply an intimation upon goods that they are the goods of the owner of the mark. That is, in one compendious phrase, the entire law of Trade Marks'.

liberality that greatly enhances the property-status of trade marks.<sup>28</sup> This freedom of assignment is viewed as such a significant aspect of modern trade mark law that it is enshrined in international trading norms, through its incorporation into the TRIPS Agreement:

Article 21 ... [T]he owner of a registered trade mark shall have the right to assign the trade mark with or without the transfer of the business to which the trade mark belongs.

The doctrinal mechanism by which the reconciliation between the conflicting functions was achieved (both judicially and legislatively) was that of a requirement of quality control exercised by the trade mark owner over the product of the licensee.<sup>29</sup> Each step of the liberalisation path was based upon a requirement of quality control, so that the licensed trade mark would maintain its status as a reliable and legitimate indicator of trade source, of a true connection between the owner of the mark and the marked product. This has been based on a judicial recognition that consumers use trade marks as predictors of the quality of a product:

The centrality of quality control is not surprising, given that quality control provided the justification by which the source theory of trade marks was accommodated to the modern demands of licensing and other third party users of the mark. As long as the licensor exercises (or at least enjoys the possibility of exercising) control over the use of the trade mark by the licensee, the mark

<sup>28</sup> At common law, if a trade mark were assigned without an accompanying transfer of the underlying goodwill of the business, the mark was viewed as being abandoned. A trade mark could not be assigned without an accompanying assignment of the goodwill of the business. Under the *Trade Marks Act 1955* (Cth), a position part way between freedom of assignment and a total prohibition on the transfer of a mark without a transfer of the good will was achieved. Under the *Trade Marks Act 1995*, registered trade marks can be freely transferred with or without the underlying goodwill of the business, although at common law, unregistered trade marks still cannot be transferred independently from the assignment of the goodwill of the business.

<sup>29</sup> The prohibition on trade mark licensing imposed by *Bowden Wire Ltd v Bowden Brake Company Ltd* (1914) 31 RPC 385 was modified by *RADIATION Trade Mark* (1930) 47 RPC 37, in which a trade mark was permitted to be licensed to a related group of companies over which the trade mark owner exercised quality control. The next legislative step in England [*Trade Marks Act 1938* (UK) s 28] and then in Australia [*Trade Marks Act 1955* (Cth) Part IX] was a system whereby a trade mark owner could licence its mark to 'registered users' in circumstances where the owner maintained adequate quality control over the product in relation to which the mark was used. It was later judicially decided that being a registered user was not a necessary pre-condition to the validity of a trade mark licence, the critical factor being only judicially whether or not there was suitable quality control being exercised by the trade mark owner: *Bostitch Trade Mark* [1963] RPC 183; *Pioneer KK v Registrar of Trade Marks* (1977) 137 CLR 670. The controversial decision of the House of Lords in the case of *Holly Hobbie Trade Mark* [1984] 1 All ER 426 emphasised, contrary to the historical trend, the importance of the badge of origin function of trade marks, and thereby de-emphasised the importance of the rights of trade mark owners, viewed as property-owners. The court declared strongly against 'trafficking' in trade marks and held that there must continue to be a connection between the owner of the mark and the goods produced by the licensee if the licence is to be valid. On the facts of the case, the trade mark owner granted multiple licences for diverse and otherwise unconnected products, with a quality control mechanism which was a matter of form only, given that the owner was not actually able to exercise the required control. The connection required by the House of Lords was said to be compatible with a trade mark licence if and only if it was achieved by genuine quality control exercised by the owner of the trade mark over the end product.

can continue to be relied on to indicate that the goods or services are of a certain consistent quality, even if the proprietor of the mark is not the direct source of them.<sup>30</sup>

Consumers use trade marks to identify the trade source of a product that has been satisfactory or unsatisfactory to them in terms of quality in the past. With the reliable trade source information provided by trade marks, consumers can make purchasing decisions in the knowledge (or at least the plausible belief) that the same trader is the source of the same product and the product is therefore likely to be of a quality similar to those which are or have been produced from that same source. When the licensee of a trade mark is functioning under a legal requirement of quality control by the trade mark owner, but not otherwise, this same effect can be achieved.<sup>31</sup>

As was also the case in the United Kingdom,<sup>32</sup> the system of registered users was abandoned in new legislation, the *Trade Marks Act 1995*, which created a deregulatory regime where a licensee's use can amount to 'authorised use'<sup>33</sup> and thereby obtain certain benefits under the *Trade Marks Act 1995*. Use is so authorised when the user, 'uses the trade mark in relation to goods or services under the control of the owner of the trade mark'.<sup>34</sup> The required control for a finding of authorised use under the Act is further articulated as the owner's 'quality control over goods or services'<sup>35</sup> or the owner's 'financial control over the other person's relevant trading activities'.<sup>36</sup> Further undefined forms of control are also provided for.<sup>37</sup>

<sup>30</sup> Wilkof, above n 11, 267.

<sup>31</sup> It should be noted that in terms of the requirement of quality control as a determinant of the validity of a trade mark license, two leading comparable jurisdictions have strongly varied. With the decision of the House of Lords in *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 122, the quality control requirement for a valid trade mark license under UK trade mark law essentially disappeared. The *Trade Marks Act 1994* had abandoned the registered user provisions of the previous legislative regime and the issue before the court was the extent to which bare licenses with no quality control provisions were acceptable. It was held, at 133, that modern consumers, 'realise that there is always the prospect that, unbeknown to them, the management of a business may change'. With this knowledge, the use of a mark by a bare licensee with no quality control by the owner cannot, *per se*, be viewed as deceptive. The licensee's use need no longer denote a connection between the owner of the mark and the goods put into the course of trade by the licensee. The essential feature of a valid licensing arrangement is simply that during the term of the licence the exclusive licensee has been authorised to use the mark and that the consumer identifies the exclusive licensee as the source of the goods. In the United States, on the other hand, the opposite is the case. Where a trade mark owner does not exercise adequate control over the licence and the licensee can use the mark on goods of any quality, the trade mark may be found to have been abandoned by the licensor: *Barcamerica International United States Trust v Tyfield Importing Inc*, 289 F 3d 589 (9<sup>th</sup> Cir, 2002). Section 5 of the *Lanham Act* provides that the use of a trade mark by a licensee shall inure to the benefit of the licensor, provided that the licensee is a 'related company', defined as one under quality control by the licensor.

<sup>32</sup> Under the *Trade Marks Act 1994* (UK), the system of registered users was abolished with the grant of a trade mark licence being a voluntarily registrable transaction for the limited purposes of giving notice to third persons of the existence of the licence and conferring some rights of the licensee in infringement actions.

<sup>33</sup> *Trade Marks Act 1995* s 7(3)

<sup>34</sup> *Trade Marks Act 1995* s 8(1)

<sup>35</sup> *Trade Marks Act 1995* s 8(3)

<sup>36</sup> *Trade Marks Act 1995* s 8(4)

<sup>37</sup> *Trade Marks Act 1995* s 8(5), providing that the expression 'under the control of' is not limited to the meanings of quality and financial control expressly set out in the other sub-sections.

The benefit of authorised use of a trade mark for a licensee is that where the use is authorised, use of the mark by the licensee is deemed to be use by the trade mark owner, who is not then susceptible to removal of the mark from the Register on the basis of non-use.<sup>38</sup> This type of provision has also been mandated by the TRIPS Agreement: 'When subject to the control of its owner, use of a trade mark by another person shall be recognised as use of the trade mark for the purpose of maintaining the registration.'<sup>39</sup>

An important contemporary issue in Australian trade mark law is the extent to which these new legislative licensing provisions will be interpreted by the courts stringently, thereby favouring the traditional approach and the badge of origin function, or leniently, in keeping with the nascent property rights function of trade marks. The more control that is required to be exercised by the owner of the mark over the licensee, the greater the commitment to the badge of origin function of marks; the less control that is required to be exercised, the more untrammelled freedom of exploitation of the mark as a piece of property is given to the registered owner. This will be as much a policy choice as a doctrinal matter for the courts as the cases come before them, given the newness of the legislative provisions and the general sense of legal renewal brought about by the *Trade Marks Act 1995*.

There has only been some scattered case law to give meaning to the 'authorised use' provisions of the Act (and thereby to the nature and effect of licensed use of marks), but no conclusive principles have as yet been articulated,<sup>40</sup> and some indication, without a decisive conclusion, that the test for control under the new Act should continue to be that of the previous legislation as interpreted by *Pioneer Electric Cor v Registrar of Trade Marks*:

[The] essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connection in the course of trade with the registered proprietor even though the connection may be slight such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary.<sup>41</sup>

The device of permitting a relatively free licensing of trade marks (provided that substantive control is maintained by the licensor) is a legal compromise which manages to combine two of the main functions of trade marks without

<sup>38</sup> Another benefit of the requirement of 'authorised use' should be noted. Any licensing or assignment of trade marks that results in the licensee's or assignee's use of the mark being likely to deceive or cause confusion renders the trade mark vulnerable to removal under s 88(2)(C) of the *Trade Marks Act 1995*, which is a consumer protection provision. Authorised use of the mark helps to remove this vulnerability, a vulnerability that is a significant inhibition on a trade mark owner's property right.

<sup>39</sup> Art 19(2).

<sup>40</sup> *TGI Friday's (Minnesota) v TGI Friday's (Australia) Ltd* (1999) 48 IPR 65; *Toddler Kindy Gymparoo Pty v Gymporee Pty Ltd* (2000) 51 IPR 1.

<sup>41</sup> *Pioneer Electric Cor v Registrar of Trade Marks* (1977) 137 CLR 670, 683. That this is still the test was suggested in *Re Yau's Entertainment v Asia Television Ltd* (2002) 54 IPR 1 and hinted at, but not decided, in *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42.

favouritism and simultaneously protects both trader and consumer interests. It maintains the dynamic between the two interests. Any dilution in the control requirement would dilute the effectiveness of that compromise and distort the balance of interests called for under the *Campomar* model.

## VI PROPERTY AND USE OF THE MARK AS A MARK

Another of the normal rights associated with the ownership of property is the right to exclude all others from unauthorised use of the property and again, on any view of 'property' as an aggregate of rights and powers, the right of exclusive use must be prominent if not predominant among the rights central to the concept.<sup>42</sup> Certainly the more that a trade mark is viewed as a trader's property rather than as a badge of origin or as a cultural resource, the more that exclusive rights to trade mark use of all kinds will be asserted and will be a coherent and acceptable part of legal doctrine.

The law of trade mark in its current form both does and does not provide to trade mark owners full participation in that property right of exclusivity. Certainly trade mark owners do have the exclusive right to use their registered trade marks as a badge of origin, to establish themselves through their mark as a trade source for the particular products for which the mark is registered and they can exclude all others from such use. But that is the limit of the right. All those uses of registered trade marks which are not trade mark uses are uses which trade mark owners cannot legally control. In infringement actions, a plaintiff must be able to prove that the defendant has used the plaintiff's trade mark 'as a mark'; that is, (as the courts have interpreted the phrase), as a sign pointing to a trade source. The defendant must, for the infringement to be successful, have been using the plaintiff's trade mark as a badge of origin and expressive or descriptive use of the mark, without a source-identifying function, would simply not suffice.<sup>43</sup>

Other trade mark uses (such as descriptive or parodic or comparative advertising uses), which are not badge of origin uses, are in the public communicative sphere and available to pop groups, trade rivals and political satirists alike. Such non-badge of origin uses create a cultural resource and were expressly recognised in *Campomar* as involving a public interest in communicative access to registered trade marks:

[T]rade marks may play a significant role in ordinary public and commercial discourse, supplying vivid metaphors and compelling imagery disconnected from the traditional function of marks to indicate a source or origin of goods.<sup>44</sup>

<sup>42</sup> See Mossoff, above n 3, at 375, for an account of leading property theorists (with whom he disagrees) who view the right to exclude as being in fact the only necessarily essential characteristic of property.

<sup>43</sup> Section 120 of the *Trade Marks Act 1995* provides that infringement occurs when a person 'uses as a trade mark' a sign registered by the plaintiff (emphasis added).

<sup>44</sup> *Campomar* (2000) 202 CLR 45, 67.

So long as we do not use 'Barbie' to point to a trade source, we can use it in a song with sexy and mocking lyrics, sending up the values and associations that cluster around the trade mark, or we can use it reverently to name our daughters. But each such use is part of public cultural and communicative freedom. It is a use outside of the exclusive property rights of the owner of the 'Barbie' trade mark.<sup>45</sup>

It has been argued that the requirement of Australian trade mark law that plaintiffs must prove that the defendant's use of the plaintiff's trade mark was a 'badge of origin' use is an important protection for freedom of speech in Australia, despite its negative effect on the private interests of trade mark owners:

The statutory requirement of use as a trade mark can and does function in Australia as the First Amendment functions in trade mark cases in the United States – to protect expressive and culturally significant uses of registered trade marks. The requirement marks out the division in trade mark law between that which is private (and deemed to be amenable to market relations and individual ownership) and that which is public (and deemed to be part of the public domain, the intellectual commons). It helps to assemble a boundary between the private sector and the common culture, between that which can be privately owned and that which cannot, much like the idea-expression distinction in copyright law.<sup>46</sup>

The relation between the property function and the cultural resource function of registered trade marks in this area is again a dynamic one in which enhancement of the one function is an encroachment on the other. The doctrinal requirement of 'use of a trade mark *as* a trade mark' is a mediating principle between the two trade mark functions of property and cultural resource (protecting and preserving both) just as the requirement of quality control mediates between the property and the badge of origin functions of trade mark in the area of licensing.

## VII CONCLUSION

Defining, even loosely, the limits of the property entitlement of trade mark owners is a necessary objective of contemporary trade mark law because those limits have a significant impact on so many different areas of trade mark doctrine. Examining what it means to have a full property right in the conventional sense and then applying that meaning to trade mark ownership might appear *prima facie* to be a sensible approach to achieving that objective. But in trade mark law, the limits of the property entitlement are themselves dependent upon other limits;

<sup>45</sup> See *Mattel Inc v MCA Records Inc*, 28 F Supp 2d 1120 (1998), in which the owner of the trade mark 'Barbie' attempted to use trade mark law to suppress use of the term 'Barbie' in a highly successful and amusing pop song.

<sup>46</sup> Patricia Loughlan, 'Protecting Culturally Significant Uses of Trade Marks (Without A First Amendment)' [2000] *European Intellectual Property Review* 328, 331-2.

that is, limits on the interest that consumers have in reliable information about trade source and limits on the interest that the public has in free communication and competitive markets. This article has attempted to demonstrate that the property interest does not and should not dominate the other interests also served by trade mark law, that trade mark doctrine is permeated with a dynamic (and creative) tension among the three interests, and that there are no static limits to any one of those interests.

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