A NEOCONVENTIONAL TRADEMARK RÉGIME FOR "NEWCOMER" STATES

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INTRODUCTION

This research constitutes a (natural) follow-up to an earlier published research paper in which I assessed, through data analysis, the effects of the Paris-TRIPS Conventional Trademark Régime ("CTR") on countries.[1] In that research I devised and applied the *Trademark Potential* concept. Using that concept I demonstrated that if a country has an inherent *Trademark Deficit* because of the structure of its industry, the CTR cannot effectively benefit that country's economy. My empirically-based research has shown that the *Trademark Potential* of a country is not contingent upon its laws' compatibility with CTR. I have established that CTR compliant laws do not necessarily facilitate market entry for newcomers originating in developing countries. Thus, in that research I have refuted the existence of some of the benefits that are generally associated with CTR.

This present research is geared towards considering various avenues for remedying the pitfalls of the CTR by introducing a *NeoConventional Trademark Régime* ("NCTR"). The aim of this proposed régime would be to facilitate the creation and market entry of brands originating in developing countries into their respective national markets and beyond. In this regard, this research constitutes the culmination of my earlier research because it transcends the diagnostic role pertaining to the CTR and ventures into the realm of offering workable solutions thereto.

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1. Amir H. Khoury, *"Measuring the Immeasurable"—The Effects of Trademark Regimes: A Case Study of Arab Countries*, 26 J.L. & COM. 11, 11 (2006-2007).

SECTION ONE: A CATALYST FOR THE RESEARCH

For some decades now, literature has produced contradictory views as to the effects of "global" intellectual property protection on developing countries. While this concern has been widely recognized in the context of patents, it has been less discernible in the trademark sphere.[2] Generally, in the latter field the core of this body of research has been about enhancing the competitiveness of developing countries through the utilization of national trademark law. Here, the proponents of the adoption of present day (conventional) standards of trademark protection contend that those constitute an essential tool for stimulating commercial activity and fair dealing.[3] This position is based on the *Modernization* (Development) theory, according to which non-industrialized countries can only develop through the adoption of norms that have been created by developed countries.[4] It follows that developing countries should adopt the legal norms and standards of trademark protection that have ultimately helped in

2. *See generally* Lee G. Branstetter, *Do Stronger Patents Induce More Local Innovation?*, *in* INTERNATIONAL PUBLIC GOODS AND TRANSFER OF TECHNOLOGY UNDER A GLOBALIZED INTELLECTUAL PROPERTY REGIME 309 (Keith E. Maskus & Jerome H. Reichman eds., 2005) (suggesting that stronger intellectual property rights may not stimulate local innovation, but rather can lead to welfare losses in developing countries that strengthen their IP regimes, as well as more rapid deployment of technology generated in the world's research centers); Heinz Klug, *Comment: Access to essential medicines–Promoting human rights over free trade and intellectual property claims*, *in* INTERNATIONAL PUBLIC GOODS AND TRANSFER OF TECHNOLOGY UNDER A GLOBALIZED INTELLECTUAL PROPERTY REGIME, *supra*, at 481 (arguing that in the debate over access to medicines there is a need to view the relationship between the different sources of law governing human rights, trade, and intellectual property rights in terms of the broader normative goals of international legal order); Timothy Swanson and Timo Goeschl, *Diffusion and Distribution: The Impacts on Poor Countries of Technological Enforcement within the Biotechnology Sector*, *in* INTERNATIONAL PUBLIC GOODS AND TRANSFER OF TECHNOLOGY UNDER A GLOBALIZED INTELLECTUAL PROPERTY REGIME, *supra*, at 669, 670 ("Technological enforcement of proprietary rights in biotechnological innovations will result in uniformly and universally enforced rights in those innovations. These rights should generate enhanced returns to innovation, but at the cost of reduced rates of diffusion.").

3. *See* Shahar J. Dilbary, *Famous Trademarks and the Rational Basis for Protecting "Irrational Beliefs"*, 14 GEO. MASON L. REV. 605 (2007) (concluding in part that producers should be able to command different prices for physically identical products bearing different marks without being subject to antitrust liability or inquiry).

4. *See* ASSAFA ENDESHAW, INTELLECTUAL PROPERTY POLICY FOR NON-INDUSTRIAL COUNTRIES 6 (1996) (commenting that supporters of the "modernization" approach consider it to be the only viable choice for those nations aspiring for industrialization and technological transformation). In this context, a "development" theory rationalization might be that it is only a matter of time before developing brands catch up with other brands of industrial countries because developing brands and marks are a relatively recent phenomenon, unlike many of the American counterparts that have emerged almost a century ago. *Id.* Many of the well-known American brands in use today emerged very early on in the past century. *Id.*

advancing developed countries to where they are today.[5] Others do not accept this view and submit that in the case of developing countries, the trademark system merely benefits foreign brand owners. Here, *Dependency* theorists contend that applying modern standards of trademark protection to developing countries will render those countries evermore dependent on foreign brands and would not help generate new local brands.[6]

1.1 The "Law in Action" and the "Trademark Potential" Concept

This present research constitutes a (natural) follow-up to an earlier published research paper in which I examined, through data analysis, the effects of the *Conventional Trademark Régime* (as embodied in the Paris-TRIPS system) on countries.[7] In that research I argued that the effects of the *Conventional Trademark Régime* ("CTR") should be assessed within the parameters of the *Trademark Potential* concept. According to that concept, the *Trademark Potential* of a country is contingent on the type of industry therein, and not on the level of compliance of its trademark law with norms and standards that are prescribed by the CTR. To substantiate my claims, I presented empirical evidence highlighting the lack of national utilization of trademark laws in developing countries. From my previous research I have been able to draw the following conclusions:

> 1) Developing countries lag behind developed countries in all spheres of trademark use, namely the "Absolute," "Relative," and "Particular." Specifically, developing countries are at a disadvantage in terms of actual (Absolute) trademark registration both within their respective jurisdictions and beyond. Not only is the number of registrations much smaller than the comparable numbers in developed countries, but also the "relative" share of non-resident owned marks that are registered in developing countries is much higher than the share of non-resident registrations in developed countries. Furthermore, the "particular level" indicates that brands originating in developed countries dominate "foreign registrations" in developing countries. Significantly, my findings indicate a consistent pattern since the 1970s.

5. As such, achieving their own growth is very tempting to developing countries.

6. *See* Daniel Chudnovsky, *Foreign Trademarks in Developing Countries*, 7 WORLD DEV. 663 (1979) (arguing that trademarks used by foreign manufacturers in developing countries force domestic enterprises to either accept a reduced share of the market or enter into license agreements with the foreign manufacturers, the latter still forcing the domestic enterprise to lose goodwill development and result in net social costs to the domestic country).

7. Khoury, *supra* note 1, at 22.

2) The ability to create new trademarks in any country is inherently correlated to the economic and commercial structure of that country. Thus, the *Trademark Potential* of a country is directly affected by the composition and structure of the country's economy.[8] The *Trademark Potential* concept provides an analytical tool that would help predict future trademark use in developing countries.

3) Where a country has an inherent *Trademark Deficit*, because of the structure of its industry, no trademark law (no matter how CTR-compliant) can effectively boost its *Trademark Potential* and ultimately improve its national industry's ability to enter the market under its own brands.

4) While developed countries enjoy a robust manufacture-oriented economy with a trademark surplus and a high *Trademark Potential*, developing economies are extractive economies, with exports dominated by raw materials such as oil.[9] Thus, due to their economic orientation, the respective *Trademark Potential* of developing countries remains negligible.

5) Where national production manifests a very low *Trademark Potential* (due to its focus on primitive or raw products), there is no environment for fostering national brands.

6) Products and services that dominate the economy of developing countries have a very low *Trademark Potential*.[10]

8. In this regard, a given country or region might participate in world trade within any of three sectors or a combination thereof, namely: primary raw materials, manufactured products, or intangible services, each of which has a different "trademark potential." *See* LEE E. PRESTON, TRADE PATTERNS IN THE MIDDLE EAST 7 (1970) (suggesting such a tri-sectoral distinction as the basis for analysis of a nation or region's trade position in the world economy).

9. In complete contrast to the situation in developing countries, the U.S. economy has a mighty "trademark balance" and a very high trademark potential. American corporations own many hundreds of thousands of marks. *See* JAMES GERBER, INTERNATIONAL ECONOMICS 4 (2007) (contending that "the vast majority of goods and services we [Americans] consume are made at home. Haircuts, restaurant meals, gardens, healthcare, education, financial services, utilities and most of our entertainment, to name a few, are domestic products. In fact, about 87 percent of what we consume is made in the United States, since imports are equal to about 13 percent of our gross domestic product (GDP).").

10. *See* U.N. Trade & Dev. Board of the Conf. on Trade & Dev. [TDBOR], 10th Special Sess., Geneva, Switz., Mar. 19, 1979, *Report on the Ad Hoc Group of Experts on the External Trade of the Least Developed Countries*, 5, U.N. Doc. TD/B/735, TD/B/AC.29/1 (Feb. 12, 1979) (submitting that in order to achieve economic developments for developing

> Thus, developing countries lack the ability to increase their respective shares of trademarks regardless of the strong protection that is afforded to marks by their national laws. Furthermore, the foreign franchising activity within developing countries and those countries' virtually non-existent shares in super-brands and Multi-National Corporations ("MNCs"), provide additional support for this conclusion.
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> 7) The adoption and application of the CTR in a developing country with a low *Trademark Potential* does not reflect a willful sovereign action, but rather, is motivated by indirect benefits. Such adoption and application of legal norms constitutes no more than a dictated trade-off. Indeed, trademark policy in developing countries appears to be driven by two primary concerns, namely, the loss of foreign investments and economic sanctions that may be imposed (within the WTO framework) as a result of insufficient protection for intellectual property rights.[11]

Consequently, my previously published research proclaims that despite the adoption of CTR-compliant laws, developing countries will continue to experience a *Trademark Deficit* due to the inherently low *Trademark Potential* of their economies. The trademark régime that has been adopted into the trademark laws of developing countries has failed to generate a change within the economic structure of these countries, and its function has been relegated to protecting brands that are mostly foreign-owned and which dominate trademark registration therein. Thus, in the case of trademark laws, the "law in books" and the "law in action" diverge rather than converge.[12] Indeed, while similar laws may be enacted in

countries it is necessary to expand export earnings and to reduce import costs).

11. Amir H. Khoury, *Trademark Policy: The Case of Arab Countries*, *in* INTELLECTUAL PROPERTY, TRADE AND DEVELOPMENT: STRATEGIES TO OPTIMIZE ECONOMIC DEVELOPMENT IN A TRIPS-PLUS ERA 299, 330 (Daniel Gervais ed., 2007) (discussing Arab countries' compliance with international trademark norms as being driven by the risks of losing foreign investment and economic sanctions for inadequate intellectual property protections).

12. Roscoe Pound, *Law in Books and Law in Action*, 44 AM. L. REV. 12, 17 (1910). *Accord* Assaf Likhovski, *Czernowitz, Lincoln, Jerusalem, and the Comparative History of American Jurisprudence*, 4 THEORETICAL INQUIRIES IN LAW 621, 625 n.9 (2003) ("This distinction was just one element in a new conception of law that emerged in the last decade of the nineteenth century and first decades of the twentieth century in opposition to what is sometimes called 'formalist' or 'classical' legal thought. The new conception included rejection of the idea of law as a gapless geometric-like system in which specific rules can be abstractly deduced from general propositions; the notion of the legal order as embedded in society and emanating from 'the people' rather than from an all-powerful state headed by a sovereign (anti-positivism); a conviction that because law is a reflection of society, the academic study of law must be informed by the social sciences; an interest in non-state normative systems (legal pluralism); and, finally, an interest in the use of the law to mitigate

various countries, their impact on those countries is not homogeneous. The CTR can affect different countries in different ways. While developed countries can utilize the CTR to expand their dominance over the brand market, developing countries, due to their inherently low *Trademark Potential*, do not reap any defined equal benefits. In this regard, one research study has concluded that similar intellectual property laws do not ensure similar results in different countries: "[E]mpirical claims that IPRs can generate more international economic activity and greater indigenous innovation are conditional. Other things being equal, such claims may be valid--but other things are not equal. Rather, the positive impacts of IPRs seem stronger in countries with complementary endowments and policies."[13] Furthermore, it should be noted that indirect benefits such as foreign direct investments and participation in the WTO framework that accrue to developing countries, cannot offset the aforementioned deficiencies of the CTR and its chilling effect vis-à-vis facilitating the entry of newcomers into the brand market. That is primarily because these indirect benefits are received by all countries that comply with WTO standards, notwithstanding their *Trademark Potential*. In other words, those indirect benefits are not directed solely to developing countries as a payoff for their compromise in the intellectual property sector. In this regard, the legal history of the WTO and of the drafting of the TRIPS Agreement unequivocally demonstrates that developing countries have not been real partners in the formulation of the WTO framework.[14]

1.2 Objectives of the Research

In light of all of these findings, my belief is that change is needed. To my mind, this change should be about recalibrating the CTR vis-à-vis the needs of current and prospective brand-owners originating in developing countries. This would pave the way for the entry of "newcomers" into the branding scene. Thus, this research is intended to address a single basic

the flaws of liberal individualism.").

13. KEITH E. MASKUS, INTELLECTUAL PROPERTY RIGHTS IN THE GLOBAL ECONOMY 199 (Institute for International Economics 2000). *See also* Peter K. Yu, *The Trust and Distrust of Intellectual Property Rights 5 (MSU Legal Studies Research Paper No. 02-04)*, *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=578563 ("While developed countries might have resources and regulatory mechanisms to reduce the impact of an unbalanced intellectual property system, such a system would substantially hurt less developed countries. Many of these countries do not have the wealth, infrastructure, and technological base to take advantage of the opportunities created by the system. Many of these countries also lack the national economic strengths and established legal mechanisms to overcome problems created by an unbalanced system.").

14. *See generally* *DANIEL GERVAIS, THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* (2d ed., Thompson Sweet & Maxwell 2003) (1998) (describing the drafting process for the TRIPS agreement).

question: How should the CTR be modified or altered so as to offset the *Trademark Deficit* of developing countries and create fertile ground for fostering new brands originating in those countries?

In this regard, the present research constitutes the culmination of my earlier work because it transcends the diagnostic role and ventures into the realm of offering workable solutions. The purpose of this research, then, is to examine how trademark laws need to be reformulated so as to encourage newcomers and to create a level playing field. In practical terms, my aim is to propose a new or modified regulatory environment in the form of a *NeoConventional Trademark Régime* that might help developing countries to penetrate the seemingly impregnable wall that separates the "haves" from the "have-nots" in the trademarking (branding) arena.

My proposed modifications can be classified into two distinct categories. The first category includes those modifications that completely deviate from the *Conventional Trademark Régime*. The second category, which I favor, includes a bouquet of conforming yet pragmatic modifications that function within the CTR. Those modifications would provide the impetus for a NCTR. The comparison between those two categories is ultimately settled through a "cost-benefit" prism. However, before embarking on the task of introducing a NCTR, there is a need to characterize the CTR and to understand its inner workings.

SECTION TWO: HALLMARKS OF THE CONVENTIONAL TRADEMARK RÉGIME

Trademarks have long transcended their basic role of denoting the source of products and have been transformed into an economic asset in their own right. Indeed, while the function of trademarks was originally limited to guaranteeing origin and ensuring the quality of products bearing the mark, over the years the trademark has mutated into a tool for advertising and marketing.[15] Presently, leading and famous marks have acquired an independent commercial status that is distinct from the respective goods/services that they cover.[16] They have become pivotal

15. *See* PETER DRAHOS, A PHILOSOPHY OF INTELLECTUAL PROPERTY 157, 168, 204-205 (Dartmouth Publishing 1996) (discussing the history of the philosophy of intellectual property); ALISON FIRTH, TRADE MARKS THE NEW LAW 9-11 (Jordan Publishing Ltd. 1995) (describing the development of trademarks); Ida M. Azmi et al, *Distinctive Signs and Early Markets: Europe, Africa and Islam*, in 1 PERSPECTIVES ON INTELLECTUAL PROPERTY 123 (Alison Firth ed., Sweet & Maxwell 1997) (describing trademark development in specific cultures); Patricia K. Fletcher, *Joint Registration of Trademarks and the Economic Value of a Trademark System*, 36 U. MIAMI L. REV. 297 (1998) (examining modern trademark use).

16. FIRTH, *supra* note 15, at 12; Liz Cratchley, *The Brand Owner's View*, *in* 7 PERSPECTIVES ON INTELLECTUAL PROPERTY 11 (Norma Dawson & Alison Firth eds., Sweet & Maxwell 2000); *see also* Amir H. Khoury, *Well-Known and Famous Trademarks in*

commercial assets and in some cases even cultural icons.[17] Expanding international trade and the ever-increasing use of trademarks (and service marks) have acted as catalysts for enhancing the international protection for these marks.[18]

2.1 Trademarks between Local Law and International Standards

Trademarks, much like other types of intellectual property rights, have received protection within a wide array of international, regional, and national agreements and laws. The 1883 Paris Convention for the Protection of Industrial Property was the first multilateral agreement intended to protect trademarks, as well as other forms of industrial property subject matter. Since then, other treaties have been introduced, culminating in the Agreement on Trade Related-Aspects of Intellectual Property Rights ("TRIPS").[19] TRIPS requires member-states to establish a minimum level of intellectual property protection in their national law. With respect to trademarks, TRIPS sets various standards, including: the recognition of service marks; setting a minimum (renewable) term of protection; defining use requirements; and enhancing the role of customs in enforcement and recognizing well-known marks even if not registered in the specific jurisdiction.[20] In addition, TRIPS allows for canceling the registration of a mark due to non-use (subject to exceptions). TRIPS also confirms the right to use a mark without conditions, and regulates issues of licensing and assignment. TRIPS specifies minimum standards of protection that are to be adopted by the national laws of all members of the World Trade Organization ("WTO").[21] TRIPS has raised the minimum level of

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Israel: TRIPS From Manhattan to the Dawn of a New Millennium!, 12(4) FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 991, 991 (2002) (discussing more on the regulative structure of well-known marks); Helen Norman, *Schecter's "The Rational Basis of Trademark Protection" Revisited*, *in* 7 PERSPECTIVES ON INTELLECTUAL PROPERTY 191 (Norma Dawson & Alison Firth eds., Sweet & Maxwell, 2000) (exploring the use of trademarks as valuable marketing assets).

17. Jonathan E. Schroeder, *Brand Culture: Trade Marks, Marketing and Consumption*, *in* TRADE MARKS AND BRANDS: AN INTERDISCIPLINARY CRITIQUE 161, 161-176 (Jane Ginsburg, Lionel Bently & Jennifer Davis eds., Cambridge University Press 2008).

18. Indeed, world trade in both goods and services has been growing. In 1998, global trade in goods amounted to a staggering US$6.5 trillion dollars, and reportedly created 1.5 million new jobs. Likewise, trade in service has expanded, and in 1996 it amounted to US$1.2 trillion. *See* BEVERLY M. CARL, TRADE AND THE DEVELOPING WORLD IN THE 21ST CENTURY 15 (Transnational Publishers 1998) (discussing the expansion of world trade).

19. *See* Marshall A. Leaffer, *The New World of Intellectual Property Law*, 2 MARQ. L. REV. 1 (1998) (describing the evolution of international trademark agreements); *see also* GERVAIS, *supra* note 14 (describing the creation of the TRIPS agreement).

20. MASKUS, *supra* note 13, at 26. *See also* Khoury, *supra* note 16, at 999 (discussing standards established by TRIPS on IPRs).

21. *See* JOHN JACKSON ET. AL., LEGAL PROBLEMS OF INTERNATIONAL ECONOMIC

protection in accordance with the standards set by developed countries. It has revolutionized intellectual property protection because of its substantive rules, its effective harmonization of national intellectual property laws, and its ability to ensure the adoption and continued enforcement of these norms. In all, the TRIPS Agreement constitutes the backbone of the CTR. However, given the circumstances under which TRIPS had been formulated, it is possible to conclude that CTR has not been shaped in accordance with national interests, but rather is intertwined in the wider context of international trade.[22] In other words, adopting modern standards of intellectual property protection is not simply a matter of choice, but rather, a matter of political and commercial necessity. According to research, this outcome can best be explained by understanding the distinct narratives relating to the creation of the TRIPS agreement, namely "bargain," "coercion," "ignorance," and "self-interest."[23]

RELATIONS 289-326 (3d ed., West Publishing Co. 1995) (noting that the Uruguay Round of trade negotiations lasted from 1986-1994 and resulted in a better-defined international organization). The WTO stems from the Uruguay round of trade negotiations, which was concluded in December of 1993. *Id.* These were signed by 100 states in April 1994. *Id.* Since that date, the number of WTO members has risen to 153. *Id.* *See also* WTO, *Members and Observer*, http://www.wto.org/ english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited July 23, 2008) (providing more information on WTO membership). It is worth noting that the WTO does not provide any definitions of what constitutes a "developed" or "developing" country. *Id.* Developing countries in the WTO are classified as such based on "self election." *Id.* PETER GALLAGHER, GUIDE TO THE WTO AND DEVELOPING COUNTRIES (Kluwer Law International 2000). Gallagher provides a list of the WTO members and indicates the countries that are "Least Developed." *Id.* Gallagher also explains that this category of "Least Developed Countries" ("LDC") is based on a United Nations Classification, whereby 48 countries are included in that category (30 of which are WTO members). *Id.* The WTO came into effect on January 1, 1995 and is regarded as the more sophisticated successor of the General Agreement on Tariffs and Trade ("GATT"). Id. The WTO is perceived as a mechanism for facilitating and unifying international trade. *Id.* The WTO performs the following functions: (1) Administration and implementation of the multilateral trade agreements that makeup the WTO; including those dealing with IP issues; (2) Providing a forum for multilateral trade negotiations; (3) Providing assistance to the resolution of international trade disputes; (4) Oversight of international trade policies; and (5) Cooperation with other international institutions involved in global economic policy making. *Id.* *See generally* Waincymer J., *Settlement of Disputes Within the World Trade Organization: A Guide to the Jurisprudence*, 24 THE WORLD ECONOMY 1247 (2001) (discussing the aims and organs of dispute settlement under the World Trade Organization).

22. *See* JACKSON ET. AL., *supra* note 21, at 291, 885-92 (describing the process by which the TRIPS agreement was drafted, including multiple international compromises).

23. Peter K. Yu, *TRIPS and Its Discontents*, 10 MARQ. INTELL. PROP. L. REV. 369, 369 (2006). Yu contends that each of these narratives provides valuable insight into understanding the context in which the Agreement was created. *Id.* The article then explores why less-developed countries have been dissatisfied with the international intellectual property system and discusses the latest developments in the area, such as the recent WTO debacle in Cancun, the proliferation of bilateral and multilateral free trade agreements, and the increasing use of technological protection measures. *Id.* The article

The TRIPS agreement has now been equated with combating other impediments to trade, such as dumping and GATT-regulated subsidies.[24] This has been achieved by incorporating TRIPS within the World Trade Organization scheme and by subjecting related disputes to the WTO's dispute resolution mechanisms.[25] In this regard, TRIPS varies greatly from past intellectual property agreements in that it provides "teeth" that help ensure its effective implementation and enforcement.[26] In effect, countries are now subjected to a host of pressures, and as such have adopted the CTR

concludes by offering suggestions on how less-developed countries can reform the international intellectual property system. *Id.* Instead of calling for a complete overhaul or the abandonment of the TRIPS Agreement, the article takes the position that the Agreement is here to stay and explores, from that standpoint, how less-developed countries can take advantage of the Agreement and reform the international intellectual property system. *Id.*

24. The Ministerial Declaration on the Uruguay Round stated that, "[i]n order to reduce the distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade, the negotiations shall aim to clarify GATT provisions and elaborate as appropriate new rules and disciplines." WTO/GATT Ministerial Declaration on the Uruguay Round (Declaration of 20 September 1986), Part I Negotiations on Trade in Goods, *available at* http://www.jus.uio.no/lm/wto.gatt.ministerial.declaration.uruguay.round.1986/d.html. *See generally* ENDESHAW, *supra* note 4, at 121 (stating that TRIPS does not obviate the need for a national system of intellectual property protection for non-industrial countries); CHRISTOPHER MAY, A GLOBAL POLITICAL ECONOMY OF INTELLECTUAL PROPERTY RIGHTS: THE NEW ENCLOSURES? 78 (2000) ("To assert the trade-relatedness of intellectual property is to make a claim for it to be legitimately included within the legal structure governing world trade."); ROBERT M. SHERWOOD, INTELLECTUAL PROPERTY AND ECONOMIC DEVELOPMENT 67-92 (1990) (surveying available literature related to the impact of intellectual property protection on innovation, research, development, technology, and economic growth).

25. *See* MAY, *supra* note 24, at 74 (noting that TRIPS "disputes are mediated at the WTO through the agency of inter-governmental diplomacy."); DAVID W. PLANT, RESOLVING INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES (1999) (discussing the resolution of disputes arising from intellectual property in the international context). *See generally* GALLAGHER, *supra* note 21, at 182 ("Members are permitted to limit the scope of rights within certain bounds, including to grant compulsory licenses under certain conditions, and to take measures to prevent abusive anti-competitive practices."). WTO members that do not comply with these trademark standards may be subjected to economic and trade sanctions imposed by other WTO member states or to expulsion from that organization. *Id.* TRIPS allow for settling disputes between member states over IP issues by applying the WTO "Dispute Settlement Mechanism." *Id.* This mechanism also covers disputes pertaining to "National Treatment" as well as issues of "Most Favored Nation" status. *Id.* Other issues such as Gray Market (parallel imports) have been left out of TRIPS and the "Dispute Settlement Mechanism." *Id.*

26. WORLD INTELLECTUAL PROPERTY ORGANIZATION, INTRODUCTION TO INTELLECTUAL PROPERTY: THEORY AND PRACTICE 475 (1997). *See also*, International Trademark Association, *TRIPS 2000 Subcommittee Treaty Analysis Committee, Developing Countries Compliance with the TRIPS Agreement* (Updated Version) (Oct. 1999), http://www.inta.org/downloads/tap_trips2000.pdf (discussing how TRIPS provides rules concerning trade-related intellectual property rights).

without questioning the scope of its benefits and possible pitfalls. Drahos concludes that developing countries have comparably little influence in the international intellectual property standard setting process.[27] The diversion of intellectual property issues in the GATT-WTO forum and consequent creation of TRIPS was a product of forum shifting.[28] In view of the current structure of international trade, developing countries appear to have resigned themselves to the fact that they have no real choice but to join the WTO because, in the long-run, no country can survive economically outside the WTO.[29] In addition to the multilateral track, unilateral pressures have been brought to bear on developing countries. The most prevalent of these is *Special 301* of the US Trade Act which authorizes the United States Trade Representative to determine the adequacy and effectiveness of intellectual property rights in other countries.[30]

2.2 The Impact of the Conventional Trademark Régime

Given the low *Trademark Potential* of developing countries, this system, perhaps inadvertently, helps preserve the unrivaled exposure and

27. PETER DRAHOS, COMMISSION ON INTELLECTUAL PROPERTY RIGHTS, DEVELOPING COUNTRIES AND INTERNATIONAL INTELLECTUAL PROPERTY STANDARD-SETTING, www.iprcommission.org/papers/pdfs/study_papers/sp8_drahos_study.pdf, at 2 ("The main reason lies in the continued use of webs of coercion by the US and EU, both of which remain united on the need for strong global standards of intellectual property protection.").

28. *Id.*

29. *See* ENDESHAW, *supra* note 4, at 4 (outlining Dependency theory as an explanation for relations between developing and developed countries); K. C. Fung et al., *Developing Countries and the World Trade Organization: A Foreign Influence Approach* 26 (J. Int'l Trade & Econ. Dev., BBVA Working Paper No. 0912, 2009), *available at* http://ssrn.com/abstract=1468111 ("[P]owerful countr[ies] will always have an incentive to exert pressure on the poor . . . , but the developing countries will be better off with the WTO since its nondiscrimination principles help to mitigate and temper some of these influences."); Ehsan Masood, *Why the Poorest Countries Need a WTO*, OPEN DEMOCRACY, Dec. 13, 2005, *http://www.opendemocracy.net/globalization-trade_economy_justice/wto_3116.jsp* (arguing that "a determined poor country stands a better chance of getting its way in the WTO than it does through other UN agreements").

30. Trade Act of 1974, 301-06 (codified as amended at *19 U.S.C.A. 2411*-16), *amended by* Pub. L. No. 96-39, tit. IX, 93 Stat. 295 (1979), *amended by* Pub. L. No. 98-573, 304-306, 98 Stat. 3002 (1984), *amended by* Pub. L. No. 100-418, 1301—02 (1988). *See* Judith H. Bello & Alan F. Holmer, *"Special 301": Its Requirements, Implementations, and Significance*, 13 FORDHAM INT'L L.J. 259, 260-61 (1989-90) (discussing Special 301's aim to promote the adequate and effective prosecution of intellectual property rights in foreign countries); Kevin M. McDonald, *The Unilateral Undermining of Conventional International Trade Law via Section 301*, 7 D.C.L. J. INT'L L. & PRAC. 395, 408-10 (1998) (arguing that Special 301 violates international law as established under the WTO dispute resolution mechanism). *See generally* ENDESHAW, *supra* note 4, at 7 (finding that the US has, through TRIPS, imposed its economic interests on various countries and regions including developing countries, and has subjected non-compliant countries to unilateral measures by the U.S., forcing the hand of developing countries).

distribution of marks originating in developed countries. CTR is a problematic system because it does nothing to help developing economies compete in the global marketplace. CTR thus contributes to preserving the already vast economic rift between "North" and "South." According to Dependency theorists, this enhances the argument against the blind importation of "Western" laws that are held to be "universal."[31] Dealing with the issue of trademarks in a sterile manner while overlooking the economic reality of the countries involved will only provide conclusions based on half-truths. This view, regarding the effects of the law on different market players, is not limited to trademarks; it has preoccupied research in other fields of intellectual property, particularly patents. For example, one study has demonstrated that the terms under which downstream firms can access intellectual property affects entry decisions, product diversity, prices, and welfare.[32] The concept of harmonization in trademarks, as in other fields, cannot ensure fair global redistribution of resources. Research dealing with international taxation has demonstrated that the concept of harmonization, even when it exists, is not synonymous with a "just" redistribution on a global scale.[33] Consequently, the

31. ENDESHAW, *supra* note 4, at 8-9. *See generally* Leaffer, *supra* note 19, at 3-4 ("[T]rademark law has undergone profound changes, both multilaterally and regionally [examples being the Madrid Protocol, the Trademark Law Treaty and the Community Trademark]. These changes, brought about by increasing globalization of markets, are leading toward the acceptance of universal trademark norms and . . . we may even see the eventual unification of trademark law among nations."); ROBERT B. SEIDMAN, THE STATE, LAW AND DEVELOPMENT 21 (1978) (noting that "laws should as closely as possible express standards of conduct necessary for resolving current and foreseeable problems in society. The inference is that a proper identification of the real and possible problems within non-ICs must be the basis for introduction of relevant laws and mechanisms to help resolve those problems").

32. Patrick Rey & David Salant, *Abuse of Dominance and Licensing of Intellectual Property*, (June 2008), *available at* http://ssrn.com/abstract=1302368.

33. Tsilly Dagan, Just Harmonization (Dec. 31, 2008) (unpublished manuscript), *available at* http://www.law.ubc.ca/files/pdf/ncbl/papers/Dagan.pdf. This skeptic approach to the perceived benefits of harmonized systems such as that of the WTO has emerged in other contexts. *Id.* Dagan has demonstrated that in the context of international taxation "[h]armonization in itself is not necessarily a solution for a just global redistribution of wealth." *Id.* at 43. Furthermore Dagan has alluded to the fact that "[a]lthough negotiations might be perceived as serving the interests of all the parties involved, they can, in fact, result in troubling outcomes. *Id.* at 28. Negotiations seem like a neutral procedure, since countries are free to choose whether or not to participate. *Id.* But in actuality, the shift from competition to negotiations is not a trivial move; replacing tax competition with negotiations entails costs for some of the parties and benefits for others." *Id.* As such, Dagan is not optimistic about the redistributive attributes of harmonization. *Id.* She argues that, "[u]nder this scenario, harmonization would protect residence countries from tax competition among themselves but would drive taxation in host countries to the bottom, in preventing them from collecting taxes from foreign investors. *Id.* at 21. Thus, developed countries can be best understood here as operating as a cartel of capital suppliers—and transferring the costs of harmonization to developing countries." *Id.*

perplexing ease with which non-industrialized countries adopt the "latest" intellectual property laws and standards has been harshly criticized as "out of touch with the existing problems in the countries concerned."[34] As noted above, the only explanation for the adoption of the CTR by developing countries is the pressure that has been brought to bear on them by developed countries.

SECTION THREE: EXTREME REACTIONS TO THE MODERN TRADEMARK RÉGIME

Conceptually speaking, trademarks are not a limited public good. There are an infinite number of possible distinctive trademarks.[35] As such, on its face, it should not matter under what trademark a given market player operates because his competitors are entitled to operate under any other marks that they respectively devise. Furthermore, trademark ownership is just a commercially-oriented proxy mechanism for (foreign or local) ownership of goods and services traded in a given country. Therefore, it should not matter whether ownership of the mark is local or foreign. In addition, trademark laws afford equal protection to marks without regard to their proprietors' origin, *i.e.*, domestic or foreign. This concept of equality is embedded in the CTR and is articulated by two principles, namely National Treatment ("NT") and Most Favored Nation ("MFN").[36] When combined, these two principles ensure that member-states treat domestic and foreign entities in the same manner. In the context of trademark regulation, it means that local or foreign mark owners can qualify for equal trademark protection as afforded by national law. However, this legal equality and freedom to select marks should not, and cannot, function as a curtain which conceals the commercial realities on the ground. As demonstrated by my earlier research, this *prima facie* equality on the legal-administrative level does not necessarily entail equality on the commercial-substantive level. The findings in my previous research indicate that despite the equality on the formal level, brands emanating

34. ENDESHAW, *supra* note 4, at 7.

35. With the exception of shapes and colors. *See* Ann Bartow, *The True Colors of Trademark Law: Greenlighting a Red Tide of Anti Competition Blues* 97 KY. L.J. 263 (2008) (arguing that the ability to trademark colors inhibits legitimate competition); Amir H. Khoury, *Three Dimensional Objects as Marks: Does a Dark Shadow Loom Over Trademark Theory?*, 26 CARDOZO ARTS & ENT. L.J. 335 (2008) (demonstrating that three dimensional objects can operate simultaneously as both a trademark and an industrial design).

36. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), art. 3, Jan. 1, 1995 ("Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property.").

from developing countries have no real presence on the international trademark scene and do not even have an equal footing in their own markets. Apart from the low *Trademark Potential* of developing countries, various foreign super-brands command a much higher value and impact on commercial activity.[37] Therefore, despite the equal legal footing afforded to all market players, those from developing countries are at a disadvantage due to the low *Trademark Potential* of their domestic industry and the market strength that their brands enjoy.

In the preceding section, I have established that the mere imitation of formalistic trademark protection legal structures that has been erected by developed countries does not necessarily improve the *Trademark Balance* of developing countries (given their low *Trademark Potential*). On the contrary, it appears that these laws only serve to encourage the entry of additional foreign brands into the markets of developing countries. This, in turn, would reduce the chances of market entry by newcomers. It would also contribute to preserving the status of developing countries as merely import markets and allow foreign brands uncontested hegemony over local markets. This would not only manifest itself on the fiscal commercial level but would also impact local culture. Here, foreign marks have been infiltrating local culture and affecting moral values in society.[38]

In light of these realities and adverse effects on newcomer states, and given their low *Trademark Potential*, it is quite possible to envision cases in which those states would search for specific solutions intended to neutralize the adverse effects on their status as competitors in the branding market. This section is intended to examine possible far reaching and extreme solutions that are expected to entail unjustified costs.

3.1 Maintaining the Status-quo

The first possible reaction to this situation might be to maintain the *status quo* by reasoning that the CTR is part of a more expansive "trade-off" which developing countries have accepted in order to enhance their

37. *See generally* Report by the UNCTAD Secretariat, *The Role of Trademarks in Developing Countries, United Nations Conference on Trade and Development*, UN, New York, 1979, at 13 [hereinafter UNCTAD] ("[W]hile all registered trade marks have the same legal value and unlimited life, as long as they are renewed, their commercial value and duration are widely different.").

38. *See* ENDESHAW, *supra* note 4, at 6-7 ("The advocacy for, and support of, borrowing by non-ICs is done in disregard of considerations that may show certain IP forms as being more suitable for a certain country or time than for another country or for a different time. . . . Much of the borrowing or formulation of IP policies and laws in non-ICs has involved . . . very little or no understanding of the dynamic that operates in the economic and technological domain of the non-ICs.").

ability to engage in international trade and commerce.[39] However, given the conclusions in my previous research, it is highly doubtful that this reasoning is sufficient to justify *CTR status quo.* Given the inherently low *Trademark Potential* of countries, one cannot simply adopt the CTR and then hope for the best. Proactive action needs to be taken in order to align the CTR with the needs and interests of developing countries.

My view rests on the premise that trademarks do not constitute an end in themselves, but rather a means towards regulating commerce. As such, the validity of a given trademark system always needs to be contingent on its commercial benefits. Indeed, in view of the *Trademark Potential* concept, the impact of the CTR on any given country depends on that country's economy. Therefore, if the CTR is creating a hurdle to market entry, it needs to be changed.

It is worth noting that the CTR and its main component, *i.e.*, TRIPS, reflect but one variant of how intellectual property is regulated around the world. For example, while the European Union ("EU") model requires member-states to adhere to a full harmonization of intellectual property policy, the North American Free Trade Agreement ("NAFTA") sets higher standards than those prescribed by TRIPS and without requiring harmonization.[40] *Mercosur*,[41] as well as bilateral agreements between the EU and various non-EU members, allow for policy variances.[42] An additional model that is applied by the Asian Pacific Economic Cooperation Forum ("APEC") is based on mutual exhortation to proceed as is appropriate to each nation, without formal negotiations on IPRs. This allows each state to formulate an intellectual property régime that balances the moral justifications of intellectual property protection and its national interests.[43] Such a model may be useful in circumventing the national

39. *See* Carlos M. Correa, The Strengthening of IPRs in Developing Countries and Complimentary Legislation, 2 (Oct. 2000), *available at* http://webarchive.nationalarchives.gov.uk/+/http://www.dfid.gov.uk/AboutDFID/files/itd/iprcl.pdf (stating that developing countries have accepted the CTR despite the fact that it often places them in an unfavorable position).

40. *See* MASKUS, *supra* note 13, at 5 (comparing EU model and NAFTA model requirements for member states).

41. *See* Wikipedia, http://en.wikipedia.org/wiki/Mercosur (defining the Mercosur as a Regional Trade Agreement (RTA) among Argentina, Brazil, Paraguay and Uruguay created in 1991 by the Treaty of Asunción and later amended and updated by the 1994 Treaty of Ouro Preto with the purpose to promote free trade and the fluid movement of goods, people, and currency). *See also* Edgardo Rotman, *A Guide to Mercosur Legal Research: Sources and Documents*, GLOBALEX (2005), http://www.nyulawglobal.org/globalex/Mercosur.htm (discussing the "Mercosur," a Treaty between Argentina, Brazil, Uruguay, and Paraguay to set up a common market and eliminate trade barriers).

42. *See* MASKUS, *supra* note 13, at 5 (explaining that some agreements merely provide base requirements which states may then exceed).

43. *Id.*

treatment principle, especially where a country's economic interests dictate this. What is more, research has identified various trends that have been intended to allow countries to circumvent "intellectual property harmonization" in order to "reclaim autonomy over their intellectual property policies."[44]

3.2 Radical Interventions

Given the misgivings of the CTR, there is a need to consider options for change. One option for altering the CTR involves radical steps that diverge from the existing régime.

3.2.1 Abolishing the Conventional Trademark Régime

The low *Trademark Potential* and the *Trademark Deficit* of developing countries constitute a microcosm of the underdevelopment of these "periphery" countries. Therefore, when considering how to react to the CTR, it is helpful to consider existing models for combating underdevelopment in non-industrialized countries.[45] In this regard dependency theorists entertain the idea of "detaching," "delinking," or "decoupling" the economies of non-industrialized countries from those of industrialized countries.[46] In the context of trademarks, this most radical approach of delinking calls for abolishing trademarks altogether because brands are merely an embodiment of capitalism in the age of globalization. In this regard the claim would be that if the CTR cannot remedy the *Trademark Deficit* because of the inherently low *Trademark Potential* of developing countries, then there is no sense in applying the CTR in those

44. Peter K. Yu, *Five Disharmonizing Trends in the International Intellectual Property Regime*, 4 INTELLECTUAL PROPERTY AND INFORMATION WEALTH: ISSUES AND PRACTICES IN THE DIGITAL AGE 73, 73 (2007). Yu identifies five disharmonizing trends that offer resistance to the recent push for greater harmonization in the international intellectual property arena: (1) the inclusion of reciprocity provisions in national laws; (2) the demands for diversification; (3) the use of bilateral and plurilateral agreements; (4) the creation of non-national systems as a response to Internet disputes; and (5) the reliance on alternative measures by rights holders. *Id.*

45. ENDESHAW, *supra* note 4, at 4. In this context, the dependency theory has entertained a variety of models that may be applicable when considering underdevelopment in non-industrial countries, including socialism. *Id.* The rationale for such a far-reaching approach is, according to one commentator, that "dependent bourgeoisie . . . has been unable to undertake national development and may in fact impede it." *Id.* Hence, there is a necessity to bring economic control back into the hands of the masses. *Id.*

46. *See id.* at 8 (suggesting that non-ICs should "reject international IP rights and enter into bilateral arrangements if they need to. . . . [And n]on-ICs which have already introduced IP [laws] modeled after those in ICs and have become members of international conventions will have to rethink their actions and withdraw from them.").

countries.

One variant of this approach, namely the "No Logo" approach, submits that brands have overrun our lives because we live in a world in which everything has been branded, including taste, cultural standards, and even values.[47] According to this approach brands have lost their justification because they have done away with their original function of indicating origin and assuring the quality of the product and have become the object of sale. According to that position, successful brands know no limits; brands have not only moved from denoting a product to denoting a lifestyle, their owners have now set their sights on seducing the consumer into believing that he or she can live life inside their respective brand.[48] In effect, trademarks, in their purely indicative capacity, have become a thing of the past. Trademarks have shed their original skin and become a tool for market dominance and social change. But the adverse effects of brands do not end in the commercial sphere. They extend into the cultural sphere as well. In fact, research indicates that the CTR has been exploited in order to leverage certain cultural views.[49] Foreign brands do not only harness market control in the commercial sense but they also act as a Trojan horse whose purpose is to inject new cultural values into a given society. In effect, some brands that are protected by the CTR embody a whole set of Western and mostly American values, which might not fit other cultures.[50]

47. *See* NAOMI KLEIN, NO LOGO: TAKING AIM AT THE BRAND BULLIES xviii (2000) (suggesting that university students, as well as social and environmental activists are upset by what they feel is an overarching corporate presence).

48. As such, producers now focus on their brands' deep inner meanings. *Id.* at 197. Namely, how the brand "capture[s] the spirit of individuality, athleticism, wilderness or community." *Id.* Klein focuses on the NIKE mega brand. Id. at 21-22. She contends that, Nike's swoosh logo has come to represent the ultimate in athletic style and whose slogan "just do it" identified it with the assertion of individuality. *Id.* She perceives brand builders to be the "new primary producers in our so-called knowledge economy." *Id.* at 198. It is they who formulate what is of "true value: the idea, the life style, the attitude." *Id.* at 198. *See also* Walden Bello, *No Logo: A Brilliant but Flawed Portrait of Contemporary Capitalism – A review of No Logo by Naomi Klein*, Sept. 30, 2001, http://www.zmag.org/CrisesCurEvts/Globalism/nologo.htm (reviewing Klein's work).

49. *See, e.g.*, S.F. Arts & Athletics, Inc. v. U.S. Olympic Comm., 483 U.S. 522, 534-35 (1987) (holding that the word "Olympic" is trademarked and cannot be used to describe an amateur athletic competition). *See generally* ROSEMARY COOMBE, THE CULTURAL LIFE OF INTELLECTUAL PROPERTIES: AUTHORSHIP, APPROPRIATION AND THE LAW 226, 226-29 (1998) (explaining that those who own trademarks can influence cultural norms); Rochelle Cooper Dreyfuss, *Reconciling Trademark Rights and Expressive Values: How to Stop Worrying and Learn to Love Ambiguity*, *in* TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH 261, 279-81 (Graeme B. Dinwoodie and Mark D. Janis eds., 2007) (arguing that trademark holders have been able to control certain aspects of our lives).

50. *See* Teresa Da Silva Lopes & Mark Christopher Casson, *Entrepreneurship and the Development of Global Brands* 81 BUS. HIST. REV. 651, 653 (2007) (arguing that some of the most successful companies have done cross-country analysis before marketing their brand); Smita Sharma, *Onslaught of Global Brands - Indian Brands Fight Back!!* 1 (2005),

Generally, these brands also carry a collective message, which is one of consumerism, a distinctively Western "value." In fact, due to this interrelation between brands and culture, some have referred to globalization as "Americanization," "McDonaldization," or "Cocalization" of the world.[51] Furthermore, the mere fact that many of the leading brands are now owned by multinational corporations or holding companies that are registered in offshore locations, does not change the fact that those brands remain foreign and still dominate the local markets of many developing countries.[52] In this context it is still possible to identify a core institution for each brand despite the multinational nature of the brand owning entity and the reliance on "outsourcing" models of production.[53]

Consequently, in view of the iron grip with which leading brands dominate the markets, and in view of the fact that such brands have transcended their original function of indicating origin, it is not surprising that the idea of abolishing trademarks has appeared as a plausible solution.

available at http://ssrn.com/abstract=704266 (suggesting that Indian brands can survive in India despite competition with global brands if they offer something the global brands do not); John Tomlinson, *Cultural Globalization: Placing and Displacing the West*, 8 EUR. J. DEV. 22-36 (1996) (examining cultural globalization as an extension of Western cultural power).

51. *See* Al-Tom, Abed-Allah Othman & Adam, Abed Al-Ra-oof Mohammad, *Globalization: An Analytical and Critical Study* 98, 103 (Dar Alwarrak, London 1999) (noting that globalization and Western brand proliferation appears to fit logically within the perceived Western economic domination, noting Gandhi's philosophy that opposed consumption of foreign products, contending that consumption contributed to continued British control of India, and, in addition, referring to a statement by Lord Cromer (the British High Commissioner of Egypt during 1883-1907) who boasted of his success (within only 15 years) in turning Egyptian textile workshops in Cairo into coffee shops—this after hampering the competitiveness of the Egyptian textile industry (which had been in stiff competition with the Lancashire textile companies of England)). Clearly, proponents of globalization reject the notion that globalization is an extension of imperialism. *Id.* According to those while imperialism achieved control by force, globalization does not. *Id.* Accordingly, globalization is essentially a pacifist approach that does not employ the methods of "cultural imperialism." *Id.* That approach also contends that the "cultural dimension" emanating from consumer brands is in fact a perception created by the consumers (in other non-Western cultures) and is not forced on those consumers by the "Western" brand owners and producers. Producers (in the West) are not preoccupied with "creating" new cultures but rather with increasing sales. *Id.* As such, globalization today should not be identified with Western imperialism, since some aspects of globalization (such as inventions and the environment) are in the interest of all countries and peoples. *Id.* *See, e.g.*, Tomlinson *supra* note 50, at 22-36 (1996) (concluding that globalization may not be completely within the grip of the West).

52. *See* Ricardo G. Flores &, Ruth V. Aguilera, *Globalization and Location Choice: An Analysis of US Multinational Firms in 1980 and 2000*, 38 J. INT'L BUS. STUD. 1187, 1189 (2007) (discussing the dominance of foreign brands).

53. *See* Kenneth M. Amaeshi, Onyeka K. Osuji & Paul Nnodim, *Corporate Social Responsibility in Supply Chains of Global Brands: A Boundaryless Responsibility? Clarifications, Exceptions and Implications* 81 J. BUS. ETHICS 223, 224-25 (2008) (providing details on the structure of the brand ownership and production chains).

It is worth mentioning that the concept of abolishing the use of trademarks is not new. Indeed, the idea was raised in the early 1970s, in the context of pharmaceutical products with the aim of reducing the price of drugs.[54] This approach of "de-linking" in the context of trademarks would involve taking radical steps including the refusal to register foreign marks. It would also include severely restricting their registration, refusing to base local applications on foreign registrations, cancelling procedures for priority applications, and nullifying (or limiting) all legal defenses or rights based on foreign marks, as well as well-known foreign marks. I submit that such a radical approach should be rejected because it entails many losses that render it morally, legally, socially, and economically unjustified. But most importantly, the lack of protection for this intellectual property subject matter is likely to discourage foreign investments that fuel economic development, create new jobs (domestically), and attract technology.[55] Indeed, the cost analysis of the "de-linking" approach will entail adverse consequences. First and foremost, by abolishing trademarks the regulatory system would undermine the moral justification for rewarding efforts that are directed towards creating the goodwill (reputation) for brands. This would further diminish the benefits of trademarks, namely, indicating

54. *See* Robert Niblack, TRADEMARKS WHY? 5-8 (1976) ("Benefits to be gained by generic prescribing in contrast to prescribing by trademarks have been grossly overstated."). Niblack defines a generic name of a product as the common non-proprietary descriptive name of a chemical or other entity and can be used by anyone. *Id.* at 9. In the case of a pharmaceutical product, it refers to an active ingredient in that product and is a shorthand version (adopted by a committee on names) of the chemical name which defines the complete molecular structure of that active ingredient. *Id.* Niblack reasons: (1) that trademarks are a useful tool for identifying the source or origin of goods, and as such, both producer and consumer benefit from their use; (2) commonly, it is more practical to introduce a pharmaceutical product under a trademark than under its chemical or generic name; (3) as an indication of quality, a trademark prompts the producer to maintain the quality of his product, and if one trademark falls below the producers' usual standards (quality, value, and service), it may bring down with it his entire reputation and goodwill; therefore, the producer will typically not introduce his trademarked pharmaceutical product before sufficient medical research is conducted; (4) trademarks do not increase the price of pharmaceutical products, and hence, using a chemical or generic name rather than trademarks is not justified; (5) a product sold under the generic name "merely identifies its active ingredient(s) and gives no indication whatsoever of other features of the product, for example quality, formulation, dosage forms, biovalidity or, of course, source;" and (6) the price of a medicine is determined by constant costs, regardless of whether it is a generic or trademarked product. *Id.* According to Niblack these constant costs include the innovation level of the product; the product's cost of development, production and introduction costs, the market structure or competing products, capacity, number, nature and price of competitive products, etc.; and the general conduct of the manufacturing firm (costs and sophistication or research programs, overhead expenses, anticipated earnings, etc.) *Id.*

55. *See* Spyros M. Maniatis, *Competition and the Economics of Trade Marks*, *in* 2 PERSPECTIVES ON INTELLECTUAL PROPERTY 63, 70-73 (Adrian Sterling ed., 1997) (discussing the economical benefits of trademarks).

origin and preventing forgery. Furthermore, the complete delinking from TRIPS by developing countries would effectively undermine the entire structure of that agreement. Consequently, any country that embarks on this road should also expect to lose its membership in the WTO without which the prospects for foreign trade would be greatly reduced.[56] Such "rogue states" should expect to incur severe trade losses, and to see a reduction in the scope of their exports.[57] Furthermore, in the absence of a trademark régime, additional costs are anticipated. They are highlighted at the end of this section.

3.2.2 Restricting Entry of Dominant Foreign Brands

Another radical step that might be undertaken by developing countries in response to the CTR would be to bar or limit the entry of certain foreign brands that dominate commercial activity in their respective fields. In such a case, the argument would be that some foreign brands have attained such a degree of renown and influence to the extent that local industry is unable to compete against them. Supporters of this approach might contend that the concept of prohibiting the entry of foreign products has already been utilized by the United States through Section 337 of the U.S. Tariff Act of 1930, as amended, which allows a U.S. petitioner to bar the entry into the U.S. of foreign products that infringe a U.S. patent or any other patent right.[58] The rationale behind Section 337 is that countries are entitled to invoke measures in order to limit the entry of certain infringing brands. As such, Section 337 is considered to fall within the powers granted to member-states, by TRIPS, to exercise border measures that enhance the enforcement of intellectual property rights and place restrictions on infringing products entering the country.[59] By similar measure, it might be possible to tolerate certain protectionist steps that are intended to curb foreign trademark dominance. Facially, the analogy seems to be out of place because, while Section 337 is intended to protect marks, my proposed

56. Indeed, even vast economies such as China have been keen to join the WTO.

57. One interesting, albeit theoretical, scenario is that of a synchronized mass de-linking by all underdeveloped countries. Such a "collective" walkout by the "consuming" countries may yield a reopening for negotiations of the entire world trade structure.

58. David A. Gantz, *A Post-Uruguay Round Introduction to International Trade Law in the United States*, 12 ARIZ. J. INT'L & COMP. L. 1, 107 (1995) (citing 19 U.S.C. § 1337(d) (1988)). In view of this harsh remedy, it is not surprising "that most Section 337 actions are settled either through the issuance by the U.S. International Trade Commission of a 'cease and desist' order or through a settlement that contemplates the conclusion of a royalty-payment licensing agreement between the U.S. patent holder and the foreign producer who is allegedly infringing the [IPR]." Id. (citing 19 U.S.C. § 1337(f)(1) (1988); 19 C.F.R. §210.51(b)-(c) (1994)).

59. Gantz, *supra* note 58, at 108 (referring to the provision of the TRIPS agreement that pertains to special requirements relating to border measures).

measures appear to do the opposite. However, once these protectionist measures are considered from a different perspective, the analogy appears to make more sense. Indeed, in both cases the State intervenes in order to protect its national commercial interests. That is to say, the State perceives itself as a relevant actor vis-à-vis commercial activity that has adverse spillover effects on its national market.

However, even if the analogy does hold water, I predict that it will not be sustainable primarily because it undermines the legal equality between brand owners, without which, international trademark protection would be nullified. In addition, it creates a spiral-down effect which can effectively lead to the abolishment of all forms of multilateral trademark regulation and a return to pure "nationalistic" regulation which does not fit into the reality of global trade.[60] Such a trend would most likely lead to a slippery slope argument that would pave the way for additional unilateral State action against the entire WTO-GATT framework, including the re-imposition of duties and tariffs on foreign imports and the granting of subsidies to national manufacturers.

3.2.3 Raising the Level of the Test of Likelihood of Confusion

Trademark infringements are generally determined using the test of likelihood of confusion.[61] Hence, by raising the bar in this test, local trademark owners would be able to compete more easily with foreign marks without being considered as infringing on those marks. In other words, domestic brand owners would be less at risk of being held liable for trademark infringement of other marks. For example, local courts might provide less protection to colors, shapes or certain words by raising the level of the phonetic or visual similarities that are required in order to make a determination of trademark infringement.[62] However, such a far-reaching rule is likely to encourage the use of confusingly similar marks rather than to increase the flexibility within the CTR. That is why such a rule, if

60. Riccardo Faini, *Trade Liberalization in a Globalizing World* (2004) (Centre for Econ. Pol'y Res., Discussion Paper No. 4665, October 2004) *available at* http://www.cepr.org/pubs/new-dps/dplist.asp?dpno=4665.

61. *See* Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 761-62 (2004) (explaining that under the "likelihood of confusion" test, infringement will be found if the marks are deemed sufficiently similar that confusion can be expected).

62. Bartow, *supra* note 35, at 263. Bartow cautions that "[t]rademark law can be used to monopolistically harness the aesthetic appeal or preexisting social meaning of a color." *Id.* In her view, the Supreme Court in *Qualitex v. Jacobson Products Co.*, 514 U.S. 159, 161 (1995) "was wrong to facilitate this abuse of trademark powers" by ruling "that colors alone could constitute protectable trademarks." *Id.* In her view this ruling "reduced competition and consumer choice by creating illegitimate aesthetic and communicative cartels." *Id.* at 264.

adopted, must be implemented with care because it carries a risk whereby confusion would prevail and consumers would be misled into purchasing products that they do not desire. Another option, which is less problematic, might assume the form of a narrower application of specific doctrines, such as that of the initial interest confusion and post-sale confusion.[63]

3.2.4 Restricting Franchising

It might be possible to curb the economic impact that is associated with franchising by imposing various restrictions on franchising activities.[64] That is especially needed in view of the fact that franchising activity by foreigners seems to overlook local particularities.[65] In the context of this research, developing countries might elect to raise the level of supervision that is required of brand owners. This might cause a rise in the cost of these transactions and render them altogether less lucrative. In addition, developing countries may choose to limit the share of profits that franchisees are entitled to collect. While all of these restrictions can achieve the goal of discouraging the entry of foreign brand owners into a developing country, they also constitute a blatant and disproportionate intervention in the freedom of contract between franchisers and franchisees. Still this intervention could be upheld due to the unbalanced bargaining positions of both parties. A more radical step would be to restrict franchising altogether. This would be applicable to cases in which

63. Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105, 107 (2005). While "[t]he benchmark of trademark infringement in the United States traditionally has been a demonstration that consumers are likely to be confused by the use of a similar or identical trademark to identify the goods or services of another . . . a court-created doctrine called 'initial interest confusion' . . . allow[s] findings of trademark infringement solely on the basis that a consumer might *initially be 'interested,'* 'attracted,' or 'distracted' by a competitor's, or even a non-competitor's, product or service." *Id.* at 107-8 (emphasis in original) (citations omitted). Initial interest confusion is being used with increasing frequency, especially in the context of the Internet, and "application of the . . . doctrine prevents comparative advertisements, limits information available to consumers, and shuts down speech critical of trademark holders and their products and services." *Id.* at 108. *See also* Ben Allgrove & Peter O'Byrne, *Post-Sale Confusion*, 2 J. INTELL. PROP. L. & PRAC. 315, 315 (2007) (exploring the implications of the initial interest doctrine after the sale of an infringing good or service under UK law).

64. Rahul Chakraborty, Franchising Laws in India-The Road Ahead 7-9 (Jan. 31, 2009) (working paper), *available at* http://ssrn.com/abstract=1335868 (suggesting a well developed legal structure on franchising is necessary for the effective functioning of business).

65. See Francine Lafontaine & Joanne E. Oxley, *International Franchising Practices in Mexico: Do Franchisors Customize Their Contracts?* 13 J. ECON. & MGMT. STRATEGY 95, 95 (2004) (exploring and comparing contractual restrictions in franchising agreements in the United States, Canada, and Mexico).

foreign franchises are found to severely disrupt market competition due to the market power associated with the foreign brand involved in the transaction. In this regard, the rationales of antitrust theory could come into play.[66]

3.3 The Ramifications of Radical Intervention

The radical approaches that have been detailed above entail many costs that render them unwarranted. This subsection details some of the most prevalent costs that can result from invoking extreme measures, as described above.

3.3.1 A Surge in Counterfeiting

A weak intellectual property régime is expected to lead to a surge in counterfeiting. Even now, counterfeiting constitutes a global phenomenon that is intertwined with globalization.[67] Indeed, just as it has become easier to engage in international trade, it has also become easier to trade in counterfeit goods.[68] Counterfeiting is widespread in many types of commodities.[69] In the absence of a trademark régime, counterfeiting is expected to increase exponentially. That is because abolishing the CTR would create a regulatory vacuum in which counterfeiting could thrive. It is worth noting that this problem, even with the existing CTR, poses a serious threat to producers around the world.[70] Indeed, according to one

66. Kenneth L. Port, *Trademark Monopolies in the Blue Nowhere* 28 WM. MITCHELL L. REV. 1091, 1091 (2002) (noting an unnatural monopoly has been created for trademark owners by the Uniform Dispute Resolution Policy).

67. Daniel C.K. Chow, *Counterfeiting in the People's Republic of China*, 78 WASH. U. L. Q. 1, 1 (2000); David J. Goldstone & Peter J. Toren, *The Criminalization of Trademark Counterfeiting*, 31 CONN. L. REV. 1, 1 (1998).

68. One commentary observes that "[a]s global trade has become easier, so the global trade in counterfeit goods has become easier. The two go hand in hand". *See* Stuart Adams, *Tackling Counterfeiters in the Middle East*, 129 TRADEMARK WORLD 11, 11 (2000); Chow, *supra* note 67, at 1.

69. Including motion pictures (on tape), laser discs, DVDs, computer software (on CD-ROM, CD-R and floppy diskettes), music (on CDs or tapes), toys, toys, handbags, wallets, backpacks, consumer electronics, sunglasses, and footwear. *See* Puay Tang, *The Social & Economic Effects of Counterfeiting: A Scoping Study*, IP Institute (2001) (detailing seizures in FY 2000 by the US Customs Services). *See also* Goldstone & Toren, *supra* note 67, at 1 (explaining that criminal punishment is appropriate for trafficking in counterfeit goods or services because it helps promote a country's economic health and protect consumers).

70. Clothing, footwear, and luxury goods are more easily copied because of advanced technology that is at the disposal of counterfeiters. Peter Fowler, The Scope and Global impact of Trade in Counterfeit Goods, http://www.aseansec.org/21385-8.pdf. It is estimated that one in every 5 items of apparel and footwear sold worldwide are in fact forgeries with an estimated value of US$ 21 billion for the year 1995. *Id.* From the outset, it is important

study, international trade in counterfeit and pirated goods could have accounted for up to USD 200 billion in 2005. That study further suggests that counterfeit and pirated goods in international trade grew steadily over the period 2000-2007 and could amount to up to USD 250 billion in 2007.[71]

3.3.2 Loss of Foreign Direct Investment

Another cost that is associated with the lack of intellectual property protection (including for marks) relates to the disincentive to foreign investors who own intellectual property. These intellectual property owners will refrain from investing in countries that fail to protect their intellectual property rights.[72] Thus, the loss incurred is twofold: loss of the Foreign Direct Investment ("FDI") and loss of technology transfers that usually accompany such investments.[73] According to this argument, without such transfer of investments and expertise, developing countries will continue to "lack . . . advance[s] in health and housing conditions, skills and training, business practices, etc."[74]

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to recognize the difficulties associated with estimating the volume of trademark infringements because of the nature of counterfeiting and the difficulty of measuring the volume of sales of pirated products. *Id.* That is because such products are sold on the black market and, by definition, are not coupled with bookkeeping. *Id.* Furthermore, it should be recognized that there is no complete overlap between purchasers who are willing to purchase original products and purchasers who are willing to purchase counterfeit products. *Id.* This is because in the former group there are those who will buy only original products; and in the latter group there are those who cannot afford original products (or who do not mind buying fakes). *Id.* Therefore, a sale of fake products does not necessarily entail a lost sale in the other group. *Id.*

71. OECD, MAGNITUDE OF COUNTERFEITING AND PIRACY OF TANGIBLE PRODUCTS: AN UPDATE (Nov. 2009), http://www.oecd.org/dataoecd/57/27/44088872.pdf.

72. However, this premise is not accepted by all. *See, e.g.*, Keith E. Maskus, *Intellectual Property Rights and Foreign Direct Investment*, at v (Centre for Int'l Econ. Stud., Policy Discussion Paper No. 0022, May 2000), *available at* http://ssrn.com/abstract=231122 ("[S]trong IPRs alone are not sufficient incentives for firms to invest in a country. If they were, recent FDI flows to developing economies would have gone mainly to sub-Saharan Africa and Eastern Europe. In contrast, China, Brazil, and other high-growth, large-market developing economies with weak protection would not have attracted nearly as much FDI.").

73. FDI occurs in various forms including start-ups of new operations, purchase of (10% or more) of investment companies, and purchase of stocks and bonds (internationally). JAMES GERBER, INTERNATIONAL ECONOMICS 397 (4th ed. 2008). In the past 3 decades, the volume of international FDI has risen sharply, from only US$ 105 billion in 1967 to US$ 596 billion in 1984 and to a staggering US$ 3.2 trillion in 1998. *Id.* In 1996, FDI in the US totaled US$ 630 billion, up from a meager US$ 6.9 billion in 1970. *Id.* At the same time (1996), US direct investment abroad totaled US$ 796 billion. *Id.* Gerber limits the definition of FDI to physical assets (real estate, factories and business establishment, etc.). *Id.* He contends at 397, that FDI's have become a "major avenue for foreign market entry and expansion." *Id.*

74. Tang, *supra* note 69, at 60. *See also* NATIONAL RESEARCH COUNCIL, GLOBAL

Notwithstanding, some commentators remain rather skeptical of this argument and contend that trade involving "transfer of technology" to developing countries is limited to "turnkey projects" and does not entail real technology transfers.[75] Additionally, there is no clear correlation between lack of intellectual property protection and the withdrawal of FDI. A clear example of this is China, which despite its problems with counterfeiting and intellectual property enforcement, continues to enjoy an influx of FDI.[76] What is more, this argument pertaining to loss of technology investments may be relevant in the case of patents but is much less so in the case of trademarks. That is because branded goods are usually imported into developing countries as ready-made products while the manufacturing skills and the technology associated with these products remain outside the borders of developing countries.[77]

3.3.3 Adverse Affects on Innovation and Creativity in Society

A widely accepted argument asserts that a lack of protection for intellectual property rights will discourage innovation and creativity. Indeed, if a brand owner cannot protect his brand from unauthorized copying then he will have no real incentive to maintain the quality of products sold under his brand.[78] Consequently, lack of such protection may

DIMENSIONS OF INTELLECTUAL PROPERTY RIGHTS IN SCIENCE AND TECHNOLOGY (Mitchel B. Wallerstein et al. eds., National Academy Press, 1993) (noting the underlying policy tensions and trends in intellectual property rights development worldwide); Carlos A. Primo Braga, Carsten Finks & Claudia Paz Sepulveda, *Intellectual Property Rights and Economic Development*, 2000 World Bank Discussion Paper No. 412 (discussing the difficulties that developing countries face as a result of worldwide changes in intellectual property rights 1993).

75. Saad Nusrullah, *Developing Countries and Intellectual Property Rights* 17 (July, 2005) (Submitted to World Intellectual Property Organization (WIPO) for Summer School on Intellectual Property) *available at* http://www.scribd.com/doc/5364069/Developing-Countries-and-Intellectual-Property-Rights-by-Saad-2005 ("After [sic] second Patent Act, Thailand experienced an increase in technology transfer and FDI. However, most ventures to date have been 'turnkey' projects, where technology is imported and controlled by foreign experts for a limited purpose. So, this has failed to foster growth in domestic technology R&D and Thailand remains dependent on technology from industrialized nations.").

76. Chow, *supra* note 67, at 1. *See also* Tang, *supra* note 69, at 13 (noting that many Western multinational corporations have established assembly plants and factories in China).

77. Beata Smarzynska Javorcik, *The Composition of Foreign Direct Investment and Protection of Intellectual Property Rights: Evidence from Transition Economies*, 48 EUR. ECON. REV. 39, 39 (2004) ("[W]eak protection deters foreign investors in technology-intensive sectors that rely heavily on intellectual property rights. Moreover, the results indicate that a weak intellectual property regime encourages investors to undertake projects focusing on distribution rather than local production.").

78. *See* Goldstone & Toren, *supra* note 67, at 18 ("To the extent that counterfeited

ultimately curb innovation and creativity in countries that do not combat piracy.[79]

This position, however, seems to overlook the fact that the process of learning and development is sometimes contingent on copying.[80] Interestingly, even the United States, in its economic infancy, did not adequately protect foreigners' intellectual property rights under the pretense of boosting local innovation and knowledge through copying.[81] Thus, the argument for preserving the inventiveness and creativity of intellectual property owners should take into account the identity of the brand owner and the country in question. Indeed, the question should be: Does the protection of trademarks in developing countries contribute to the innovation and creativity in those countries despite their *Trademark Deficit* and low *Trademark Potential*? In view of my findings, it is not possible to conclude that the CTR is a positive factor in promoting innovation and creativity in developing countries. However, one cannot rule out any adverse effects on innovation and creativity in society. One such social cost might relate to the reduced incentive to maintain the quality of brands.

3.3.4 Losses of Tax Revenues

An additional social cost resulting from counterfeiting relates to lost tax earnings. Those losses lead to the diversion of national revenues (from loss of tax revenues) away from public services because counterfeit products are generally sold through "clandestine channels" in which sales are neither reported nor taxed. Consequently, anti-piracy advocates submit that "if there were no revenue losses incurred from counterfeiting, the revenue collected would have gone to pay for more health and education

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goods are permitted to be traded without sanction, incentives to invest in a reputation for quality work will be undermined.").

79. PUAY TANG, THE SOCIAL AND ECONOMIC EFFECTS OF COUNTERFEITING: A SCOPING STUDY, 57-58 (2001).

80. *See* Bruno S. Frey, *Art Fakes--What Fakes?, An Economic View* (Inst. for Empirical Research in Econ., Univ. of Zurich, Working Paper No. 14, 1999) *available at* http://ssrn.com/abstract=203210 (concluding that "copies are not necessarily bad but rather good" because they "create[] utility for persons demanding, and paying for them.").

81. This counter-argument draws strength from an unlikely historical source, namely the United States' non-compliance with British copyright law: "The US did not comply with British copyright law until 1891, neither was compensating scholars, part of the American political agenda then." Tang, *supra* note 69, at 57. *Accord* Dru Brenner-Beck, *Do As I Say, Not As I Did*, 11 UCLA PAC. BASIN L.J. 84, 87-88 (1992) (stating that the United States did not recognize the works of foreign authors until 1891 and as a nation was one of the foremost pirates of British works); DORON BEN-ATAR, TRADE SECRETS: INTELLECTUAL PIRACY AND THE ORIGINS OF AMERICAN INDUSTRIAL POWER 86 (2004) (arguing that "respect for Britain's intellectual property laws was out of the question" in early colonial America).

services."[82]

This argument presupposes one crucial element; namely, that the revenues from the sale of original products or the rendering of services are taxed by the same country in which such products are sold or such services are rendered. My findings indicate that developing countries mostly export commodities with low *Trademark Potential*, while importing products with high *Trademark Potential*.[83] As such, the bulk of trademarked goods (and services) being sold in developing countries are foreign-owned. Consequently, the only taxable revenues collected by developing countries are those pertaining to the final sale involving the end consumer minus the cost of production and transit. Those point of sale revenues constitute only a fraction of the revenues collected by the foreign brand owner.[84] It is also worth noting that in a post GATT-WTO world in which import tariffs and customs duties have been greatly reduced, importing countries cannot offset the losses in sales through customs duties and other tariffs.[85] Indeed, the argument relating to lost tax earnings is most relevant when considering counterfeiting within brand owning industrialized countries such as the United States, Japan, and countries of Western Europe, where most of the brand owning entities originate. But, even in these countries, tax havens have reduced tax earnings.

82. Tang, *supra* note 69, at 58. *See also* NATHAN ASSOCIATES INC., INTELLECTUAL PROPERTY AND DEVELOPING COUNTRIES: AN OVERVIEW 5 (2003), *available at* http://www.nathaninc.com/NATHAN/files/CCPAGECONTENT/DOCFILENAME/0000503252/Intellectual%20Property%20and%20Developing%20Countries.pdf (noting that counterfeiting "impede[s] economic development" as "[c]ash starved governments are deprived of tax revenues.").

83. *See* MASKUS, *supra* note 13, at 81 ("Because the ownership and exports of intellectual property are concentrated in the hands of firms in a few developed countries, the effect of TRIPS will be to shift the terms of trade in their favor and away from intellectual property importer. In turn, profits will be shifted from both developing countries and developed countries with a comparative disadvantage in intellectual property marketing toward a few developed economies, the United States in particular.").

84. In practice, many foreign brand owners operate their own shops and outlets in developing countries (through licensing or franchising). In such cases, even more revenues flow outwards into foreign countries in which said brand owners originate, thus reducing even more the extent of taxable income that flows into the treasury of developing countries. Consequently, the bulk of revenues from such transactions are not fully taxed by developing countries but rather by foreign states in which brand owners originate.

85. Elba Cristina Lima Rago, *From GATT to WTO: What Has Changed, How it Works and Where The Multilateral Trade System Is Going To*, *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=9552. See also Hideo Konishi et al., Free Trade, Customs Unions, and Transfers 2 (2003), available at http://ssrn.com/abstract=428346 (noting that "[a]ll countries would agree to immediate global free trade if countries were compensated for any terms-of-trade losses with transfers from countries whose terms-of-trade improve, and if customs unions were required to have no effects on non-member countries. Global free trade with transfers is in the *core* of a Kemp-Wan-Grinols customs union game.").

3.3.5 Loss of Employment Opportunities

Another cost associated with counterfeiting is the loss of employment opportunities. This is because the workforce that is producing authentic products is left partially redundant due to the decline in demand for authentic products. Furthermore, foreign corporations that cannot secure their intellectual property in a given territory might be deterred from manufacturing in such countries (due to their fears of devaluing their products), thus causing an even greater loss of employment opportunities in that territory.[86]

However, this argument cannot be applied in full vigor in the case of developing countries because the bulk of branded products that are sold in developing countries are produced oversees and imported as finished products. Consequently, the bulk of the workforce that is connected with their production is not based in most developing countries. Additionally, it is not clear whether Western-controlled production facilities, located in some developing countries, mostly in East Asia, do in fact benefit those countries given the low wages and the poor working conditions.[87]

3.3.6 Jeopardizing the Consumers' Health and Safety

Another social loss pertains to the health hazards that are associated with the consumption and use of counterfeit products such as foods, beverages, chemicals, electrical machines, tools, pharmaceutical products, clothing items (especially for infants), and even spare parts for cars and aircrafts.[88]

86. OECD, *Leniency Programs to Fight Hard-Core Cartels*, in 3 OECD J. COMPETITION L. AND POL'Y No. 2, 22 (2001). *See* Tang, *supra* note 69, at 60 (noting that producers are "reluctant to manufacture their products in countries where counterfeiting is prevalent"); Braga et al., *supra* note 74, at 43 (discussing the difficulties that developing countries face as a result of worldwide changes in intellectual property rights); Edwin Mansfield, *Unauthorized Use of Intellectual Property: Effects on Investment, Technology Transfer, and Innovation, in* GLOBAL DIMENSIONS OF INTELLECTUAL PROPERTY RIGHTS IN SCIENCE AND TECHNOLOGY 107, 112 (Mitchel B. Wallerstein et al. eds., 1993) (reporting that a country's intellectual property regime constitutes a major consideration amongst US firms evaluating that country's suitability for direct investment).

87. *See* Richard M. Locke et al., *Virtue Out of Necessity?: Compliance, Commitment and the Improvement of Labor Conditions in Global Supply Chains* (MIT Sloan School Working Paper 4719-08, 2008), *available at* http://ssrn.com/abstract=1286142; Bello, *supra* note 48 (stating that Klein argues Nike similarly exploited young workers by selling their products in the North, while denying their rights as workers through eliminating permanent employment, doing away with benefits, paying minimum wage, hiring part-time employment and severing the last non-instrumental tie by contracting workers from temp agencies).

88. Fake goods are more prone to contain components or ingredients of an inferior quality, thus making them less reliable and more prone to hurt the consumer. Goldstone &

However, there is no empirical data that confirms a correlation between poisoning or injury incidents and the consumption of foods and beverages that are marketed under another producer's mark or under a mark that is confusingly similar to it. Similarly, no data proves widespread injuries from the use of counterfeit items of clothing or parts thereof. In the case of counterfeit pharmaceutical products, the danger appears more plausible.[89] The problem here does not lie solely with the producers, but also with consumers because their conduct suggests a readiness to assume the risk that is associated with the consumption or use of such products. Indeed, some research proposes the harsh question that if consumers do not perceive these potential dangers (or at least the less obvious and imminent ones) as a real cost, why should regulators step in to protect them? Indeed, why not respect their wishes to purchase what they please, especially in cases that do not involve post-sale confusion by other parties?[90]

Toren, *supra* note 67, at 8-9. The danger in this case is mainly from clothing items bearing cheap and/or toxic fumes or from the possibility of detachable parts that may cause choking (buttons and other parts). *Id.* Trademarks and service marks play a vital role in modern society. *Id.* at 8. For consumers who cannot investigate the merits of every product they buy or service they use, marks can provide a uniquely reliable source of information about potential purchases. *Id.* For manufacturers, trademarks crystallize the good will they have built up over time and ensure that customers will continue to purchase their products. *Id.* Counterfeiting can destroy these important benefits, cheating customers, manufacturers, legitimate retailers, and society at large. *Id.* In the most extreme cases, it poses a threat to public health and safety. *Id.* at 9. *See also* International Trademark Association, Counterfeiting, http://www.inta.org/index.php?option=com_content&task=view&id=1534&Itemid=&getcontent=4 ("Although some believe counterfeiting is a victimless crime, it has many far-reaching consequences. To begin with, depending upon the nature of the product being counterfeited, there can be serious health and safety concerns—as, for example, in the case of counterfeit baby formula, drugs, car parts, or electronic goods. Needless to say, counterfeiting damages trademark owners' goodwill in their products and detracts from their profits . . . .").

89. *See* Amir H. Khoury, *The "Public Health" of the Conventional International Patent Régime & The Ethics of "Ethicals:" Access to Patented Medicines*, 26 CARDOZO ARTS & ENT. L.J. 25, 25 (2008) (claiming that many residents in third world countries cannot afford to buy original products, the most striking example being medicines like the AID-HIV Cocktail).

90. *See* Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP, 423 F.3d 539, 549 (6th Cir. 2005) ("Post-sale confusion occurs when use of a trademark leads individuals (other than the purchaser) mistakenly to believe that a product was manufactured by the trademark-holder."). CBC News In Depth, *Counterfeit Goods: Is Your Buy Real or Fake? And Why Should You Care?*, http://www.cbc.ca/news/background/consumers/counterfeit.html (last updated Mar. 6, 2007) ("[A] recent . . . poll found that two in five Canadians said they purchased counterfeit goods.").

3.3.7 Encouraging Organized Crime

The counterfeiting industry, much like other industries, requires organization as well as a well-oiled manufacturing and marketing infrastructure. It is therefore not surprising that this industry is classified as a form of "organized crime".[91] However, in the context of developing countries, it is not at all clear that local society suffers from the fact that it buys fake consumer goods instead of original products owned by manufacturers originating in the United States, Japan, or Europe. Indeed, as stated above, even European consumers are generally not bothered by the fact that such fake products are produced by crime syndicates in the Far East.

3.3.8 Losses to Consumers

When considering the losses to the consumer as a result of lack of trademark protection, there is a general tendency to refer to the "consumers" in a collective manner as if they were a coherent group of individuals with similar needs and expectations.[92] However, this is not the case.

One commentary distinguishes between two types of consumers that purchase counterfeit products based on the degree of their informed choice regarding that purchase. One group within the general body of consumers willfully and knowingly engages in purchasing counterfeit products. According to one researcher, customers worldwide appear to be consciously choosing to purchase items that are not genuine and without regard for their inherent inferiority.[93] A second group of consumers is unwittingly lured into such transactions.

The common factor behind the actions of the two groups is their

91. *See* Tang, *supra* note 69, at 59 ("[Crime] [s]yndicates are the big operators of counterfeiting activity in the Philippines and Thailand."); INTERNATIONAL ANTICOUNTERFEITING COALITION, THE NEGATIVE CONSEQUENCES OF INTERNATIONAL INTELLECTUAL PROPERTY THEFT: ECONOMIC HARM, THREATS TO THE PUBLIC HEALTH AND SAFETY, AND LINKS TO ORGANIZED CRIME AND TERRORIST ORGANIZATIONS (2005), *available at* http://www.iacc.org/resources/IACC_WhitePaper.pdf (explaining the links between counterfeiting, piracy and organized crime).

92. *See* OECD, *Competition Policy and Intellectual Property Rights, in* 3 OECD J. COMPETITION L. AND POL'Y No. 2, 123 (2001) (explaining that "[f]rom a consumer perspective, intellectual property rights (IPRs) involve a tradeoff between short and long run gain. In the short run, consumers would be better off if businesses were free to copy the results of one another's creative efforts, thus helping ensure that products incorporating IPR are priced close to marginal cost. In the long run, however, consumers would suffer if they had to forgo the fruits of activities IPRs are designed to encourage.").

93. *See* Tang, *supra* note 69, at 58 (claiming that consumers are able to identify the authenticity of the product since "the price itself signals that they are counterfeit items").

underlying motive to pay less.[94] In this regard, one commentary acknowledges that consumers are constantly seeking to acquire well-known brands at cheaper prices. Ironically, consumers may boast of buying (original looking) fakes for much less than the original products. As such, counterfeiting should in large part be blamed on the consumers themselves because counterfeiters are merely "traders exploiting an opportunity."[95] Here it may be possible to challenge the right to limit commercial activity that does not pose a threat of confusion. However, this is beyond the limits of this research.

An additional potential "consumer loss" emanates from the fact that while consumers might, in nominal sum, pay less for a product that is fake, they end up paying an "excessive price for an inferior product."[96] Indeed, when consumers elect to purchase cheap items of inferior quality, they might ultimately end up paying more by way of maintenance or even sustaining bodily harm.

A third type of loss that might be suffered by consumers emanates from the possibility that brand owning entities would refrain from selling their products in some countries, thus, effectively reducing the scope of consumer choice in that country.[97] However, no empirical research is provided in support of this contention. Indeed, it is highly unlikely that a foreign brand-owning corporation would opt to commit commercial suicide by willfully electing not to sell their products in a given jurisdiction and thus intentionally reducing its revenues to zero. It should be noted that such producers (brand owners) cannot even achieve short term success (as an educational exercise) because consumers (in that specific jurisdiction) would still be able to obtain authentic products through parallel imports. Furthermore, the local industry might even benefit because in the absence of dominant brands, domestic manufacturers would be able to expand their share in the market.

In conclusion, when applied to developing countries, the cost analysis approach is somewhat less convincing given the low *Trademark Potential* therein. However, adopting an approach that effectively abolishes trademarks would be resisted by both brand owners and developed countries. Furthermore, that approach would undermine the moral basis of protection and would entail negative effects and costs that cannot be overlooked. In my opinion, formulating the best reaction to CTR involves taking into consideration the varying levels of *Trademark Potential* and the *Trademark Balance*, the interests of local consumers and producers, and

94. *See* Adams, *supra* note 68, at 11 (stating that the opportunity to counterfeit is a byproduct of consumers desire for cheap prices on well-known brand products).

95. *Id.*

96. Tang, *supra* note 69, at 58.

97. *Id*. at 9.

the need to promote fair competition.

SECTION FOUR: THE MIDDLE GROUND APPROACH: CREATING A NEOCONVENTIONAL TRADEMARK RÉGIME

After rejecting both of the aforementioned extreme solutions, *i.e.*, full adoption or full rejection, it appears that the only viable trademark régime is one that presents a middle ground approach that contributes towards reducing the *Trademark Deficit* of developing countries and raises their *Trademark Potential* while not completely deviating from the standards of the CTR. Ideally, such a solution would contribute towards reversing the negative effects of the current trademark régime while preserving the moral basis of trademark protection and avoiding unnecessary political and commercial conflicts with industrialized brand-owning countries.

This concept of a middle ground approach has been recognized as the only workable approach in the wider context of development of non-industrialized countries (non-ICs). In this context, one commentary submits that:

> "If, as seems inevitable, foreign interests are to be involved in economic activities, then the ways in which they blend with indigenous inputs becomes of great importance. It would be imperative for non-ICs to pursue selective policies that promote and extend positive benefits but prevent harmful effects that foreign interests may entail. This might be the only way of realizing policies arising from a correct assessment of the strength and weakness of the respective non-ICs in light of the international situation as a whole. . . . Neither complete insulation nor wide-open integration but a policy of enlightened discrimination would present the correct answer."[98]

Furthermore, in this context one pre-TRIPS commentary has observed that:

"Intellectual property rights are independently defined and granted by all nations. Thus, protection of these rights is territorial. Each nation must choose the composition and extent of the protection it will provide and structure its laws to accomplish its political and economic objectives. Historically, this choice has reflected a country's evaluation of the costs and benefits of a particular level of protection, and the effect on the country's economic objectives. The choice of an ideal level of protection, ranging from free access to intellectual property at one extreme to complete protection at the other, will change as the country develops and its

98. Paul Streeten, *Development Dichotomies*, 11 WORLD DEV. 875, 883 (1983). *See also* ENDESHAW, *supra* note 4, at 45 (explaining the effects of the legal transportation of ICs' laws into non-ICs' laws).

economic needs change. This change is largely due to the accompanying change in the calculation of costs and benefits at the different stages of development."[99]

In this section, I explore some amendments that may be entered into for the CTR in order to introduce changes from within the existing system while still preserving its continuity. This reformulation of the CTR would create what I refer to as a *NeoConventional Trademark Régime*.

4.1 Reinvigorating Comparative Advertising

Comparative advertising is a powerful marketing tool, whereby one party may promote its brand by comparing its products (or services) with its rivals' products. This measure helps to draw the consumers' attention to competing products of comparable quality, which are sold under other brands. This legal tool already exists in various national laws.[100] It can also be derived from a notion of free speech and act as a counterbalance to unlimited trademark rights.[101]

According to one observer "[c]omparative advertising, when truthful and non-deceptive, is a source of important information to consumers and assists them in making rational purchase decisions. It encourages product improvement and innovation and can lead to lower prices in the market place."[102] The use of comparative advertising is further justified because trademarks, especially in the modern era, have expanded their role beyond the basic, albeit important, function of indicating the source of products and have acquired an independent value of their own. Furthermore, leading brands now command strong loyalty by consumers who are unaware of the qualities (or even the existence) of alternative products marketed under lesser known brands.

Under conditions of "perfect competition" the products of different

99. Brenner–Beck, *supra* note 81, at 85 (internal citations omitted).

100. *See, e.g.*, Manuel Morasch, Comparative Advertising—A Comparative Study of Trade-mark Laws and Competition Laws in Canada and the European Union (2004) (faculty of law dissertation, thesis, University of Toronto), *available at* http://ssrn.com/abstract=685602 (discussing comparative advertising laws in the United States and Canada).

101. *See, e.g.*, Filippo M. Cinotti, *"Fair Use" of Comparative Advertising Under the 1995 Federal Dilution Act*, 37(1) IDEA 133 (1996) (exploring the implications of "fair use" and the First Amendment for comparative advertising); Samia M. Kirmani, *Cross-Border Comparative Advertizing in the European Union*, 19 B.C. INT'L & COMP. L. REV. 201, 201 (1996) (noting recent debate over the trade impacts of comparative advertising laws in European nations).

102. Cassels Brock, *Apples to Oranges Comparative Advertising*, May 22, 2004, http://www.hg.org/articles/article_396.html (last visited Nov. 15, 2008) (citing *Energizer v. Duracell* (Australia), where the court rejected the notion that comparative advertising should be subjected to increased scrutiny).

sellers constitute perfect substitutes from the consumer's point of view and demand is determined by the price of a given product or service. In this market of "perfect competition," business would compete through the price of the products sold. However, in the modern market, products are not homogeneous. In this market, buyers and sellers do not have full knowledge of market conditions and there are barriers to entry and exit. Furthermore, the consumer's "imperfect" knowledge of the selection of products leads him or her to evaluate one brand over-optimistically while being excessively pessimistic about others. Research concludes that these manifestations of "loyalty" are clearer among individual (household) consumers whom are prone to commit both types of errors because they purchase a limited amount of a wide range of products and because they cannot afford the assistance of trained experts. Thus, their product selection is typically based on clues "many of which are not accurate indicators of [the] products' value or quality."[103] It is the combination of these two errors that ultimately lead consumers to develop unsubstantiated "loyalty" to some brands over others. Thus, the consumer's "Brand Loyalty" affects or predetermines the consumer's future choice. Comparative advertising is intended to offset this imbalance.[104]

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103. Donald F. Cox, *The Sorting Rule Model of the Consumer Product Evaluation Process*, in RISK TAKING AND INFORMATION HANDLING IN CONSUMER BEHAVIOR 324-68 (Donald Cox ed., 1976); A.G. BEDIAN, CONSUMER PERCEPTION OF PRICE AS AN INDICATOR OF PRODUCT QUALITY, MSU Business Topics 59 (Summer 1971); A.G. Woodside, *Relation of Price to Perception of Quality of New Products*, 59 J. APPLIED PSYCHOL. 116, 116 (1974); R.W. Olshavsky & T.A. Miller, *Consumer Expectations, Product Performance and Perceived Product Quality*, 9 J. MARKETING RESEARCH 19, 19 (1972). Therefore, it is not surprising that "errors of commission could be made persistently over time, all based on nothing more than the mere existence of brands for experience goods. This is generally called brand loyalty or trade mark allegiance." UNCTAD, *supra* note 37, at 7. This report defines "experience goods" as those goods "whose utility can be evaluated only after their purchase (e.g. canned foods, drinks, soaps, motor-cars, appliances)." *Id.* Other goods whose quality and distinct features can be judged by a simple inspection are referred to as "search goods;" fresh fruits and vegetables are included in this latter group. Id. Understandably, consumers are less prone to commit purchasing errors with respect to "selection goods" because they can independently and cheaply collect information about different products. Ross M. Cunningham, *Brand Loyalty--What, Where, How Much?*, 34 HARV. BUS. REV. 116, 116 (1956). That study found that "a significant amount of brand loyalty to individual products does exist – more, indeed, than has hitherto been realized by many marketing executives". *Id.* That study concludes that "[t]here are many instances where 90% or more of a family's purchases have been concentrated on a single brand over three whole years." *Id.* That empirical research encompassed several experience goods and found that this pattern of behavior runs across the entire socioeconomic spectrum of consumers. *Id.* at 117.

104. The rationale underlying "Brand Loyalty" is that the market operates under conditions of imperfect competition. UNCTAD, *supra* note 37, at 7. As such the consumer has imperfect knowledge of the products that he desires and the availability of alternatives to such products. *Id.* Thus, the consumer can commit two types of errors, "commission" and "omission." *Id.* The former occurs when the consumer makes a purchase based on "an

The modern market reflects a system of "imperfect competition" wherein similar products do not compete on an equal footing and non-price competition is prevalent. Indeed, in the modern market where conditions of "imperfect competition" dominate the scene, producers are able to compete through "product differentiation" and competing products constitute only "close substitutes" of each other.[105] Various factors (the trademark included) can contribute to establishing product differentiation.[106] The economic structure of developing countries and their relatively limited diversification lead to a situation whereby a few foreign firms dominate its consumer market, resulting in oligopolies or even monopolies. And as stated above, under these conditions of imperfect competition, producers are able to invoke various non-price measures (such as trademarks) that are able to influence the consumers' choice and demand.

In view of this "imperfect competition," as well as product differentiation and brand loyalty, it is evident that trademarks do carry a substantial independent value that influences or even determines consumer demand.[107] Therefore, despite the legal equality that is afforded to all trademarks, this does not entail equality in the impact of trademarks and their market foothold. This state of affairs provides the justification to the (measured) use of comparative advertising.

It is worth noting that the comparative advertising tool has been recognized in the laws of many countries. Suffice it to mention, EU Directive 97/55/EC that has amended an earlier Directive (84/450/EEC),

inflated or excessively favorable, pre-purchase assessment of the goods." *Id.* This type of error could cause the consumer to get less than he bargained for. *Id.* The later type of error occurs when the consumer "demands less than he would if he had full knowledge" of all alternative products on the market. *Id.*

105. *See* UNCTAD, *supra* note 37, at 6 (noting that "while in perfect competition the cross elasticity of demand between different pairs of outputs will approach infinity, such elasticity will be perceptible and finite in the case of competition through product differentiation.").

106. *See* E.H. CHAMBERLIN, THE THEORY OF MONOPOLISTIC COMPETITION: A RE-ORIENTATION OF THE THEORY OF VALUE 56-62 (5th ed. 1947) (explaining that both trademarks and patents "make a product unique in certain respects; this is its monopolistic aspect. Each leaves room for other commodities almost but not quite like it; this is its competitive aspect."). The differentiation achieved through trademarks exceeds that of patents and industrial designs because the protection that is granted to trademarks is not limited in time and trademarks are connected with the product (or service in the case of a service mark) and can visually be perceived by the consumer in a clear and direct manner. *Id.* Despite this distinction, trademarks and patents possess similar monopolistic and competitive qualities. *Id.*

107. *See, e.g.*, Baila Caledonia, *Assessing a Company's Most Valuable Assets: Conducting an Intellectual Property Audit*, MONDAQ BUS. BRIEFING (June 4, 2001), *available at* http://www.mondaq.com/article.asp?articleid=11872 (explaining the worth of intellectual property and the need to assess its true value).

deals with misleading advertising. Furthermore, the national laws of European countries are now bound by these norms and provide conditional recognition of comparative advertising. The most vivid example of this appears in German law, which recognizes comparative advertising within the boundaries of actions that are not misleading.[108] Similarly, the *International Trademark Association* has called on all countries to "permit comparative advertising so long as there are legal controls to prevent harm and/or damage to the marks of competitors, and to prevent explicit or implicit false or misleading representations or other forms of unfair competition."[109] In line with this approach, if the comparative advertising mechanism is abused, then the brand owner can invoke legal recourse in the form of both monetary damages and "corrective advertising" at the expense of the infringer.[110]

I submit that the use of the comparative advertising tool should be further enhanced so as to make it a central feature in existing commercial brands. This type of comparative advertising is especially needed in developing countries in view of the marketing power that is enjoyed by foreign brands, and in order to enable local brands to compete in the market. Consequently, where comparative advertising is conducted within the boundaries of truth and objectivity, it should be allowed and even encouraged. This legal tool is especially justified in view of the imperfect market conditions and brand loyalty that strong brands command as well as the low *Trademark Potential* of countries. Comparative advertising should be pursued vigorously and become standard procedure in the marketing operations of newcomer states. In this regard, the legal maneuvering space should be expanded. This can be achieved by way of amending the CTR and ultimately trademark laws on the national level. For example, the law should provide a clear defense involving the bona fide use of another's mark, so long as it is informative and truthful. Furthermore, the judiciary may also contribute to the successful use of comparative advertising by taking a more lenient stance towards prospective infringers. Herein lies a

108. *See* Andrea Lensing-Kramer & Peter Ruess, *Recent Developments in Comparative Advertising and the Implications for Trademark Law in Germany*, 94 TMR 1315, 1332-34 (2004) (explaining Germany's movement away from strict prohibition of using a competitor's trademark in advertising, to allowing it so long as the advertisement is not misleading); Ulf Doepner & Frank-Erich Hufnagel, *German Courts Implement the EU Directive 97/55/EC--A Fundamental Shift in the Law on Comparative Advertising?*, 88 TRADEMARK REP. 537, 537 (1998) (describing how the German courts have implemented the new rule).

109. INTA, Comparative Advertising, March 3, 1998, http://www.inta.org/index.php?option=com_content&task=view&id=217&Itemid=153&getcontent=3.

110. *See* Paul E. Pompeo, *To Tell the Truth: Comparative Advertising and Lanham Act Section 43(a)*, 36 CATH. U. L. REV. 565, 577-80 (1987) (describing court-imposed penalties for abuse of comparative advertising).

quandary regarding the optimal scope of this tool. On the one hand, there is the view that comparative advertising should be tolerated as long as it does not present the consumer public with factually misleading information. A more reserved view would be that comparative advertising should not be used in order to undermine trademark rights or to reduce the incentive of trademark owners to maintain quality. While the first approach is one that recognizes the need to use trademarks in creative ways (*e.g.*, stepping on two competitors canned beverages to get the third brand of beverages), the latter approach is more concerned with the ramifications of such use on overall competition in the market and on the dilution or tarnishment of the marks. This latter view would most likely caution against the opportunistic use of another's trademark. Indeed, the latter approach would tolerate comparative advertising so far as it provides consumers with access to information. The latter approach would be inclined to view unrestricted comparative advertising as an abuse of trademark rights under the pretence of market entry.

Given the two sides of the argument, my view is that the use of comparative advertising should be restrained lest it becomes a tool for circumventing the laws of unfair competition. My advocacy for the proactive use of comparative advertising as a tool for assisting newcomer states does not overlook the public interest of preserving competition. It is merely an attempt to reinvigorate competition within the bounds of open and accessible information. Therefore, in order for the comparative advertising tool to be effective, there needs to be a clear commitment within the national trademark system towards ensuring commercially-oriented free speech. In my view, reservations about the Freedom of Commercial Expressions Doctrine do not derogate from the need to allow the free flow of relevant information to consumers, even at the cost of limiting the scope of trademark rights.[111] In other words, the legal culture within the relevant national jurisdiction needs to be such that market players can utilize this tool without fear or hesitation, so long as it does not produce misleading information.[112] Absent such immunity it would not be possible to facilitate the unimpeded circulation of information and the comparative advertising tool would remain redundant.

In addition to all of the above, it is worth noting that while, in theory, this legal tool can be used by newcomers and non-newcomers alike, its

111. *See* ROGER A. SHINER, FREEDOM OF COMMERCIAL EXPRESSION xxiv (2003), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=545142 (dismantling the arguments put forth by supporters of the commercial expression doctrine).

112. *See* Francesca Barigozzi & Martin Peitz, *Comparative Advertising and Competition Policy* 33-34 (Int'l Univ. in Germany, Working Paper No. 19, 2004), *available at* http://ssrn.com/abstract=699583 (discussing how both legal practice and consumer perception affect whether comparative advertising firms will make false or truthful statements).

projected use will predominantly be by the former group. That is because while newcomers will be keen to inform and educate consumers about their products that are similar in quality to existing products (that are sold under dominant brands), the owners of established brands will not have an interest in "promoting" a competitor's lesser-known brand. Indeed, the use of comparative advertising is merely a tool to foster market entry by lesser-known brands covering products and services that are comparable in quality with products that are covered by leading brands.[113] Clearly, such a policy will not be effective in cases where the consumer seeks to purchase goods because of the specific (foreign) brands that they are sold under. In those cases the consumer would be making the selection not based on the quality-price axis, but rather, on the social-cosmopolitan image that the foreign brands denote.[114] But if that is true, the role of the comparative advertising mechanism remains relevant for many consumers, especially for products that are purchased but not displayed by their owners. This is especially true for car parts and home products.

4.2 Tolerating "Association" Advertising

In addition to the (classic) comparative advertising tool as described above, I propose taking comparative advertising to new heights. This proposal involves the use of a new tool, which I refer to here as association advertising. This tool would allow domestic brand owners to go a step further in comparative advertising and to actually use another's brand on their respective products. The aim of this use would be to indicate to the consumer the characteristics of products marketed under other lesser-known brands. In other words, the aim would be to create, in the minds of consumers, a direct "association" between rival brands, namely that of the dominant market player and that of the newcomer. Such a method could be used, for example, to indicate the "compatibility" of products, especially in the case of spare parts, *i.e.*, that a certain product is compatible with other

113. *See* Smita Sharma, *Onslaught of Global Brands--Indian Brands Fight Back!!!*, 1 (2005), *available at* http://ssrn.com/abstract=704266 ("Brands can [] survive by delivering a value advantage over the new brands"); s*ee also* Charles A. Rarick, *Mecca-Cola: A Protest Brand Makes its Mark*, 1 (2008), *available at* http://ssrn.com/abstract=1122863 (discussing how companies such as Mecca-Cola, a Coca-Cola substitute, has been successful in countries with large Muslim populations); Nebahat Tokatli, *Asymmetrical Power Relations and Upgrading Among Suppliers of Global Clothing Brands: Hugo Boss in Turkey*, 7 J. ECON. GEOGRAPHY 67, 69-70 (2007) (citing Hugo Boss as an example of a small firm that encroached a market that was already dominated by leading brands).

114. *See* Geoffrey Jones, *Blonde and Blue-Eyed? Globalizing Beauty, c.1945-c.1980*, 61 ECON. HIST. REV. 125, 150 (2008) (highlighting that beauty ideals vary from country to country and that consumers select their cosmetics based on whether the company matches their beauty ideal).

competitors' products. This is particularly useful in cases involving the use of spare parts for machines or refills for relevant products.[115] This method is quite similar to the love/like slogans that are used in advertising.[116] This form of association advertising would allow for actual informative use of another's brand on one's own product in order to highlight its substitutive value. Another, more radical form of association advertising would sanction the use, by newcomers, of another's mark in order to indicate the "generic" qualities of their own product. This can be referred to as "Substitute" association advertising. Clearly, this more radical form of association advertising should be restricted to cases where the party requesting its use is able to establish that its competitor's brand dominates that market to an extent that renders any (regular) competition futile. In other words, it should be applied only in cases involving sectors that are dominated by specific brands effectively creating a form of "Brand Antitrust." As such, this solution can only provide partial and limited relief to brand owners originating in developing countries. Its use would be contingent on the commercial status of established brands. This, in turn, would ensure that use of those brands does not become a method for free riding or for creating confusion among consumers in relation to brands of similar market strength.

The justification for my proposed association advertising emanates from various sources. The initial justification rests on utilitarian theory. Indeed, if the aim of the intellectual property system is to promote social benefits, then the regulator should be inclined to adopt any system that enhances competition and maximizes social benefits. This would include cases where consumers are afforded maximum information with minimum search costs. Other research along these lines have called for removing government restrictions on advertising expression (as copyright protected content) and on slogans (as trademarks) in order to enhance market competition by increasing the "images and language available for use in advertising."[117] The second tier for justifying association advertising rests on the already existing trend of greater leniency when it comes to the interface between trademark law and the need to promote market competition. This has become increasingly prevalent in the virtual sphere. There it has been argued that trademark triggered pop-up ads or search result ads should be tolerated if they are properly indentified and not

115. *See* Gillette v. Amir Shivook (citing the example of razors as compatible with Gillette shavers); Kenwood case (Israel) (discussing spare parts for Kenwood mixers).

116. *See* Diane M. Reed, *Use of "Love/Like" Slogans in Advertising: Is the Trademark Owner Protected?* 26 SAN DIEGO L. REV. 101, 102 (1989) (discussing how advertisements that mention a competitors' name in its slogan have become popular; for example, "If You Like [Their Product], You'll Love [Our Product]").

117. Lisa P. Ramsey, *Intellectual Property Rights in Advertising*, 12 MICH. TELECOMM. & TECH. L. REV. 189, 263 (2006).

misleading.[118] This approach has been further bolstered by the notion that trademarks can be used as keywords by internet search engines because the Internet is analogous to an "information mall" that should be made accessible to all; information should flow freely without being restricted by intellectual property rights.[119] A third tier of justification for association advertising rests on the fact that consumers' choice is in many cases superficial because it is not as a result of a clear deductive process, but is influenced and shaped by psychological, as well as, irrational factors.[120]

4.3 Limiting the Scope of Protection of Well-Known Marks

The overly broad coverage of well-known marks has been a topic for concern in research literature. The concern has focused on the scope of protection that the law should grant to well-known marks in order for them not to become overly dominant. These marks not only control the market, but also create the "need" to purchase products or services that are covered by them. Indeed, these leading marks raise the volume of imports and could, ultimately, increase the dependence of local consumers on foreign brands. Consequently, some literature has been highly apprehensive about granting broad protection to well-known marks that are not registered in a given jurisdiction.[121] This is not surprising given the imbalance in the terms of brand-holdings between the industrialized brand-owning countries and developing countries.

118. *See* Kendall Bodden, *Pop Goes the Trademark? Competitive Advertizing on the Internet*, 1 SHIDLER J. L. COMM. & TECH. 12, 12 (2005) (discussing current case law and legislation that affects internet advertising, specifically trademark-triggered advertisements and "pop-up" ads).

119. *See* Matim Li v. Crazy Line (District Court of Tel Aviv); See also Kurt M. Saunders, *Confusion is the Key: A Trademark Law Analysis of Keyword Banner Advertising*, 71 FORDHAM L. REV. 543, 574-75 (2002) (asserting that keyword banner advertisements should be treated as trademark fair use and should not lead to liability).

120. *See* Margreth Barrett, *Domain Names, Trademarks, and the First Amendment: Searching for Meaningful Boundaries*, 39 CONN. L. REV. 973, 985 (2007) (noting that the courts have stretched the element of likelihood of confusion, in trademark cases to include irrational consumer decisions).

121. *See* Maxim Grinberg, *The WIPO Joint Recommendation Protecting Well-Known Marks and the Forgotten Goodwill*, 5 CHI.-KENT J. INTELL. PROP. 1, 2 (2005) (suggesting that the overbroad territorial protection proposed by the Joint Recommendation from the World Intellectual Property Organization dealing with protection of well-known trademarks undermines important policies of U.S. trademark law: it allows the attainment of enforceable trademark rights without investment in the trademark's goodwill and diminishes the quantity of available trademarks to U.S. entrepreneurs, raising their cost of entry into the market); David Vaver, *Unconventional and Well-Known Trade Marks*, 8 SING. J. LEGAL STUD. 1, 18 (2005) (stating that expanded protection accorded to these marks is not self-evidently a good thing in public policy terms and concluding that reforming the law is not the same as reforming it).

In light of this state of affairs, it might be necessary to reduce the level of protection that is afforded to well-known marks that have not been registered in a given developing country. In this way, developing countries would limit the protection granted to well-known marks to only those marks that are registered in their respective jurisdictions.[122] Developing countries would only implement article 16(3) of TRIPS with respect to well-known marks that are registered in the relevant jurisdiction.[123] In other words, those countries would be exempted from implementing article *6bis* of the Paris Convention in relation to well-known marks that are not registered in the given jurisdiction.[124] It is worth noting that such a step may be a setback for the owners of well-known marks which are not registered in the relevant jurisdiction. However, such a setback, if it is indeed present, could very well be offset by the tort of passing-off. That tort could provide sufficient protection for marks that enjoy renown but which are not formally registered with the national trademark office.[125]

An additional method in which to further limit the clout of well-known marks would be to lower the benchmark of generic marks, making it possible to classify well-known marks as generic names thus allowing them to be used by people other than their original owners.[126] The aim of such an exercise would be to deflate the impact of leading foreign brands. Understandably, such a step is expected to encounter stiff resistance by industrialized, brand-owning countries. Therefore, and in order to shore up support for such an undertaking, those countries would need to receive some form of compensation. This compensation might be achieved by establishing a centralized international registration for well-known marks or by reducing the registration fees for marks that are deemed to be well-known.

122. In that case, well known marks that are also registered in the relevant jurisdiction would be subject to the other restrictions that are detailed in this section.

123. In developed, industrialized countries, the full application of Article 6bis of The Paris Convention and Article 16 of TRIPS, is warranted because it is assumed that the industries in those countries have a real opportunity at competition.

124. The countries of the Union undertake, *ex officio*, if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well–known mark or an imitation liable to create confusion therewith.

125. *See* Ng Siew Kuan, *Foreign Traders and the Law of Passing-Off: The Requirement of Goodwill within the Jurisdiction*, SING. J. LEGAL STUD. 372, 373 (1991) (examining the common law tort of passing-off).

126. *See* Dev Saif Gangjee, *Say Cheese! A Sharper Image of Generic Use Through the Lens of Feta*, 5 EUR. INTELL. PROP. 172, 172 (2007) (discussing the legal and political debate on whether Feta cheese should be deemed a generic term).

4.4 Reducing the Impact of Leading Foreign Brands

One way to reduce the influence of foreign brands on local consumers might be to impose pricing restrictions on products sold under leading foreign brands so that the owners of such brands do not abuse the persuasive value that their brands enjoy. By keeping the prices of leading products at bay, developing countries could better ensure that their domestic consumers do not end up paying an excessive price for products that they feel compelled to buy. However, such conduct is contrary to the principles of open and free trade as prescribed by the WTO-GATT framework. Such conduct can be considered an unwarranted intervention in trade. However, because consumers are operating in a market of imperfect competition, they should be protected from being trapped in their own "brand loyalty." This is of special relevance in the case of products or services that have aspiring local substitutes that are put on the market under lesser-known brands.[127] A counter argument might suggest that there is no need to intervene to lower the price of leading brands because the rule of supply and demand will offset any excessive pricing or disproportionate market control. According to this approach, increasing rather than lowering prices of such goods would curb the power of leading brands. Regardless, price intervention remains a very problematic concept and is liable to create a slippery slope effect that could lead to the complete loss of market competition and to excessive governmental regulation of free markets.

Furthermore, in order to counter the sway of foreign brands and the scope of exposure that they enjoy, it may be possible to limit the scope and intensity of their advertising activity by setting a quota for advertising of foreign brands. This is intended to bridge the rift between the advertising capability of domestic and foreign brands and would allow the consumers to be proportionally more exposed to domestic brands that compete with foreign brands over the same consumer segment. These controls can be achieved by applying antitrust rationales as will be detailed in Section 4.6 below.

A third way to possibly limit the hegemonic impact of leading foreign brands is by openly encouraging parallel imports of (gray market) goods. Conceptually speaking, the TRIPS agreement does not conclusively regulate parallel imports. It does, however, grant member-states the freedom to determine the scope of those imports. Therefore, developing countries can, if they choose, adopt a legal norm allowing for unrestricted

127. *See* Bharat N. Anand & Ron Shachar, *Brands, Information, and Loyalty 22-23* (Harvard Bus. Sch. Competition & Strategy Working Paper Series, Working Paper No. 00-069, 2000), *available at* http://ssrn.com/abstract=240792 (arguing that consumers may become attached to particular brands because they lack information about substitutes).

parallel imports. In this regard, developing countries can embrace the doctrine of *International Exhaustion* of trademark rights.[128] Under that doctrine, a brand owner's rights are exhausted after the first sale of the product bearing the mark, thus permitting the product to be imported into any other jurisdiction notwithstanding the right of sole use that attaches to trademarks.[129] That being said, it is important to bear in mind that the impact of parallel imports on developing countries is limited in scope because of the fact that most parallel imports are directed to rich markets in which there is still a chance to generate profits from parallel imports that originate in poorer countries.[130] Thus, in this context, the beneficial impact of parallel imports on developing countries is questionable.[131] *A fortiori*, parallel imports would not directly contribute to raising the *Trademark Potential* or the *Trademark Balance* of developing countries. However, by allowing various market actors to import the same branded goods, market competition would be enhanced and the price of these products would be reduced. In my view, the latter two tools, *i.e.*, parallel imports and the imposition of limitations on advertising, are more likely to take root than the first, more radical idea of intervening in the price of products.

4.5 Promoting the Use and Registration of Domestic Trademarks

In addition to the low *Trademark Potential* of developing countries and the control of markets in developing countries by multinational corporations, there is an acute need to promote national awareness about the power of trademarks.[132] Indeed, in a world in which product promotion

128. This is the case in some countries including Australia, Japan, and Israel.

129. Gene M. Grossman & Edwin L.-C. Lai, *Parallel Imports and Price Controls* 1 (Nat'l Bureau of Econ. Research, Working Paper No. 12423, 2006), *available at* http://www.ssrn.com/abstract=923346.

130. *See* Romana L. Autrey & Francesco Bova, *Gray Markets and Multinational Transfer Pricing* 2-4 (Harvard Bus. Sch., Working Paper No. 09-098, 2009), *available at* http://ssrn.com/abstract=1351883 (creating a model to examine the effects of gray markets on relatively richer countries); *see also* Charles A. Rarick, *First Black, Now Gray: The Increasingly Difficult Task of International Brand Protection* (2006), *available at* http://ssrn.com/abstract=1112463 (discussing how counterfeit New Balance shoes made in a relatively poorer country, China, were then imported into a relatively richer country, Japan).

131. *See generally* Mattias Ganslandt & Keith E. Maskus, *Intellectual Property Rights, Parallel Imports and Strategic Behavior* 40 (2007), *available at* http://ssrn.com/abstract=982241 (suggesting that restraints on parallel trade may actually lead to the distribution of essential medicines to poor countries); Keith E. Maskus & Chen Yongmin, *Parallel Imports in a Model of Vertical Distribution: Theory, Evidence and Policy*, 7 PAC. ECON. REV. 319, 321 (2002) (discussing existing literature, which suggests that developing countries prefer not to restrict parallel trade).

132. *See* VIDA SANDOR, TRADEMARKS IN DEVELOPING COUNTRIES 32 (Licensing Executive Soc'y Int'l ed., Akade'miai Kiado', 1981) (noting that even when it is possible for developing countries to avail themselves of trademarks, they often fail to do so). A

and marketing is no less important than production itself, the publicity of the brand has a decisive effect on consumer choice. Thus, by promoting the concept of a national brand, I predict that producers in developing countries will be able to secure a larger portion of the domestic branding market.

When doing this, producers should first determine the identity of their potential consumers and then create a brand that would be appealing to their tastes; one that they can identify with. Ideally, producers in developing countries should invest in increasing their respective brands' appeal through attractive packaging. Even this seemingly "superficial" component is crucial in the contest for the hearts and minds of consumers.[133]

Local producers should be encouraged to create new and elegant brands based on distinct features of local culture that might capture the consumers' imagination. In this regard, UNCTAD suggests that developing countries should use trademarks that indicate names of historical or famous personalities as well as names of internationally recognized locations within developing countries. Potential trademarks could be: Great Wall of China, Cleopatra, Petra, Sphinx, Jordan River, Sinai, Red Sea, Everest, Sahara, Victoria Falls, and Dead Sea.[134] Such brands may even capture the imagination and attention of consumers in the West. A living example along these lines is the Mecca-Cola brand covering a cola beverage, which has been competing with internationally renowned brands such as Coca Cola,[135] Pepsi Cola, and RC Cola. As could

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striking example of such a lack of awareness involves Oriental carpets, and the process European merchants' initiated to regulate the use of indications of origin when identifying carpets. *Id.* In 1970, the Association of Oriental Carpet Traders in Switzerland reportedly published a list of trade names to be applied in carpet trade. *Id.* Thus, in Switzerland names like Tabris, Serabent, and Bochara are only used with respect to hand-made carpets, produced in those Iranian towns, and the mark Barber is applied to carpets made in North Africa. *Id.* As reflected in this case involving geographic indications and/or indications of origin, producers in developing countries are generally unaware of the marketing power of trademarks and indications of origin. *Id. at 33.* However, the opinion survey that I conducted reveals that brand owners are becoming more aware of the role of trademarks.

133. *See* BELINDA ISAAC, BRAND PROTECTION MATTERS 1-25, 136-191 (2000) (discussing the effect of various marketing and branding choices). *See also* JOHN MURPHY & MICHAEL ROWE, HOW TO DESIGN TRADEMARKS AND LOGOS (1988) (examining the history of different logos and their purposes).

134. *See* SANDOR, *supra* note 132, at 35 (referring to UNCTAD).

135. DEXTER BROOKS, *Global Approach to Building Strong Trademarks*, *in* STRATEGIC ISSUES OF INDUSTRIAL PROPERTY MANAGEMENT AND GLOBALIZATION ECONOMY 3, 5 (Thomas Cottier, Peter Widmer & Katharina Schindler eds., 1999). Dexter Brooks, a senior staff council, legal division, at the Coca-Cola Company, Atlanta, USA, notes that, "Coca-Cola is the world's best-known trade mark. The company is the world's leading marketer of soft drink syrups and concentrates, with 1995 retail sales of *$18 billion* and a total sales volume *double* that of our nearest competitor. . . . Coca-Cola is available in more than 195

be expected, this religious connotation behind the Mecca-Cola brand has also generated consumer interest among Muslims around the world.[136]

A helpful step towards raising the *Trademark Potential* of developing countries, it would be useful to initially focus on existing national products. Developing countries should invest in building and promoting domestic brands covering national agricultural products. Such products might include grains, cereals, vegetables, fruits, and textiles. Furthermore, local consumers should be alerted that in some cases foreign brands cover products of a similar quality to those covered by the local brands. For example, in the case of the textile industry, consumers should be alerted to the simple truth that many of the leading Western brands have been engaged in outsourcing activities.[137] Furthermore, many of the world-famous (Western) coffee brand owners import their coffee from developing countries (mainly Colombia).

Where commercially feasible, producers in developing countries should "Go-Global" with their brands after identifying possible potential markets for their products around the world. Producers in developing countries should determine where to export their products and, by this, also determine where to register their trademarks in order to receive adequate protection for them.[138]

Similarly, consumers should be alerted to the existence of national products, and they should be encouraged to appreciate their local products and to view them with a sense of national pride. This way, consumers might also begin to manifest preference to national brands as a microcosm of national pride. In addition, producers should maintain a high level of product quality and reliability so that the brands that they market under are able to establish long lasting goodwill among local and international consumers and to even raise the demand for such products.

Another way to boost the trademark competitiveness of developing countries is to have those countries cooperate among themselves. This can be done with a view to raising the quality and design of products,

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countries; and company brands account for more than 45 per cent of all soft drinks sold worldwide. . . . [W]e have in force at present 13,000 registrations throughout the world . . . ." *Id.*

136. *See* Charles A. Rarick, *Mecca-Cola: A Protest Brand Makes its Mark* (Purdue University Calumet, Working Paper, 2008), *available at* http://ssrn.com/abstract=1122863 ("Mecca-Cola and other products have arisen in recent years in response to an increasing anti-American and anti-globalization movement in certain parts of the world. This case briefly explores this movement, with a focus on one company, Mecca-Cola, and asks readers to explore the consequences for American multinational brands.").

137. For example, Levi's Corporation has reportedly shut down its last two production factories in the U.S. and has relocated its production plants to the Far East.

138. The United Nations Conference on Trade and Development (UNCTAD), Geneva, Switz., Dec. 11-19, 1978, *Report of the Ad hoc Group of Experts on the External Trade of the Least Developed Countries*, 6 (March 19, 1979).

improving quality of labor, investing in research and development ("R&D"), and understanding international export markets.

In the context of trademarks, this cooperation may be achieved by establishing "Regional Trademark Preferential Zones." The aim of such zones would be to promote regional trademarks and service marks, and to encourage their use. In addition, such zones would ideally allow for fast track registration of national marks in other partner countries and would even allow for a common registration system. In such a system, a valid trademark registration in one member-state would be considered a valid registration in other member-states.[139] Furthermore, developing countries may elect to diversify their imports by shifting from Western industrialized countries to other developing countries. In this way, the *Trademark Deficit* and the *Trademark Balance* of developing countries would be greatly improved. This, in turn, may contribute to the consumers' awareness of the existence of various brands for similar products, and consumers would be less inclined to focus on a limited number of leading brands. Clearly, in order for all of these actions to succeed, it is necessary for the regulator to create an apt legal setting and to engage in legislative activity towards this end. Furthermore, the governments of developing countries are required to launch national awareness campaigns that are intended to protect the use and registration of domestic marks.

4.6 Raising Antitrust Protection in Developing Countries

While developing countries have enhanced intellectual property protection in their jurisdictions, they have not passed sufficiently vibrant competition laws. Developing countries generally lack sophisticated competition safeguards to counter-balance foreign intellectual property rights. Indeed, while protection of intellectual property rights ("IPRs") is injected into the legal and administrative systems of developing countries, mainly through TRIPS, those countries generally lack a competition policy system that can "prevent and remedy possible abuses by IPRs right holders."[140] Maniatis, who makes this distinction, contends that, "consumers want choice and information, in the case of competitive markets, and regulation covering prices, quality, penalties and

139. In the context of this research, it would be possible to claim that in view of the findings, a "Trademark Union" or "Free Trade Market Area" could be a reasonable counter-measure to the domination of the market by Western brands. Here too, the deviation from the MFN principle (as prescribed by TRIPS) may arguably be a form of "affirmative action" or "corrective discrimination."

140. CARLOS M. CORREA, U.K. DEP'T FOR INT'L DEV., THE STRENGTHENING OF IPRS IN DEVELOPING COUNTRIES AND COMPLIMENTARY LEGISLATION 2 (2000), http://webarchive.nationalarchives.gov.uk/+/http://www.dfid.gov.uk/AboutDFID/files/itd/iprcl.pdf.

compensation, in the case of markets where competition is absent."[141] This observation is especially true given that consumers in developed countries are better informed and are more exposed to their national brands, while, on the other hand, consumers in developing countries are exposed to foreign brands and the cultural values that they encompass without any noticeable domestic competition. Thus, it might be possible to counter-balance the power of foreign brands through antitrust legislation that would authorize the governments of developing countries to intervene in commercial activity that effectively creates brand monopolies.[142] The need for a proactive antitrust system in developing countries is an acute one. This is especially because those countries are "particularly vulnerable to inappropriate intellectual property systems."[143]

Invoking such antitrust measures could be based on article 40(2) of the TRIPS Agreement that is intended to mitigate the exploitation of market power. That article includes a non-exhaustive list of potentially abusive licensing practices including exclusive grant-back conditions and coercive

141. Spyros M. Maniatis, *Competition and the Economics of Trade Marks*, *in* INTELL. PROP. AND MARKET FREEDOM 65, 119-20 (Persp. on Intell. Prop. vol. 2) (Adrian Sterling ed., Sweet & Maxwell Limited 1997). *See also* Glynn S. Lunney, *Trademark Monopolies*, 48 EMORY L.J. 367, 478-80 (1999) (arguing that trademark protection necessarily leads to anticompetitive losses).

142. *See* WILLIAM LANDES & RICHARD POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 402 (The Belknap Press of Harvard University Press 2003) ("We conclude that antitrust doctrine is sufficiently supple, and sufficiently informed by economic theory, to cope effectively with the distinctive-seeming antitrust problems presented by the new economy–-the most striking example of the rise of intellectual property to the pinnacle of the American economic system."); Herbert J. Hovenkamp, *The Intellectual Property-Antitrust Interface*, *in* 3 ISSUES IN COMPETITION LAW AND POLICY 1979 (Univerity of Iowa Legal Studies Research Paper No. 08-46, Nov. 2008), *available at* http://ssrn.com/abstract=1287628 (noting that true conflicts between antitrust and intellectual property are rare); Michael J. Meurer, *Vertical Restraints and Intellectual Property Law: Beyond Antitrust*, 87 MINN. L. REV. 1871, 1872 (2003) (arguing that copyright and patent law can be effective vertical restraints); Rudolph J.R. Peritz, *Rethinking U.S. Antitrust and Intellectual Property Rights* 5 (New York Law School Public Law and Legal Theory, Research Paper Series, No. 22, 2005), *available at* http://ssrn.com/abstract=719745 (describing the interplay between competition and policy rights as seen in both antitrust and patent examples).

143. COMMISSION ON INTELLECTUAL PROPERTY RIGHTS, INTEGRATING INTELLECTUAL PROPERTY RIGHTS AND DEVELOPMENT POLICY 4 (2003), http://www.iprcommission.org/papers/pdfs/final_report/CIPRfullfinal.pdf, ("[W]e consider that, if anything, the costs of getting the IP system 'wrong' in a developing country are likely to be far higher than in developed countries. Most developed countries have sophisticated systems of competition regulation to ensure that abuses of any monopoly rights cannot unduly affect the public interest. In the US and the EU, for example, these regimes are particularly strong and well-established. In most developing countries this is far from being case. This makes such countries particularly vulnerable to inappropriate intellectual property systems.").

package licensing.[144] It is understood to provide "considerable discretion to WTO member states in specifying '. . . licensing practices or conditions that may . . . constitute an abuse of intellectual property rights . . . .'"[145] Some commentators contend that this article could be interpreted in a broad manner so as to cover "abuse[s] of [intellectual property rights], including monopoly pricing, refusals to license, effectuating horizontal cartels through patent pooling, and exclusive vertical arrangements that forestall competition."[146] This broad interpretation, which seems warranted given the language and the rationale of article 40, should be sufficient to allow developing countries to protect their local market and industry from invasive or domineering foreign brands. This is notwithstanding the specific protection that is provided by TRIPS to well-known marks.[147] Indeed, although it would not be easy to substantiate the assertion that article 40, broadly read, overrides such a specific provision that is plainly set out in TRIPS, it is possible to reconcile them by stating that each article addresses a specific issue. While the first is intended to protect marks that enjoy world renown, the other is intended to curb abuse of the intellectual property system and to facilitate market entry and competition.

4.7 Import Substitution

Raising the *Trademark Potential* of developing countries might also be achieved through the diversification and expansion of domestic production into areas that possess a higher *Trademark Potential*. In essence, the aim here is to motivate the national economy to produce its own national brands to effectively substitute foreign brands for local ones. But, as a matter of fact, on the macro level the concept of national self-sufficiency is not new. Various developing countries, such as Mexico, have experienced some success in their respective endeavors to establish a viable and stable system of *import substitution*. However, that success has been short-lived due to external pressures that have been brought to bear by

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144. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, at 337, 33 I.L.M. 1197, at 1213 (1994) [hereinafter TRIPS Agreement] ("Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market.").

145. The WTO/World Bank Conference on Developing Countries' in a Millenium Round, Geneva, Switz., Sept. 20-21, 1999, *Competition Policy and Intellectual Property Rights in Developing Countries: Interests in Unilateral Initiatives and a WTO Agreement*, (*prepared by* Keith E. Maskus & Mohamed Lehouel) 18.

146. *Id.*

147. *See* TRIPS Agreement, *supra* note 144, at 326 (incorporating Article 6*bis* of the Paris Convention).

industrialized countries citing concepts of free trade.[148] In the first half of the twentieth century, various developing countries attempted to exit this vicious circle of "free trade" and to reduce their dependency on foreign products and service by establishing substitutive national industries.[149] This method is referred to as "Import Substitution" or "Import-Substituting Industrialization."[150] Import substitution rejects the underlying concepts of free trade and comparative advantage, which hold that specialization is equally beneficial to both developed and developing countries. It also rejects the approach that underlies the GATT Agreement, wherein the expansion of international trade, to the benefit of all countries, is contingent on the removal and promotion of intervention in the free market.[151] Consequently, fundamental changes are warranted so that those developing countries may achieve acceptable rates of growth, otherwise import substitution would discontinue.[152]

148. *See* LESTER B. PEARSON ET AL., PARTNERS IN DEVELOPMENT: REPORT OF THE COMMISSION ON INTERNATIONAL DEVELOPMENT (Praeger Publishers 1969) 4-6 (noting that the idea of self sufficiency was also upheld by the Pearson Report of 1969 commissioned by the UN International Bank for Reconstruction and Development). *See also* Christian Joerges, *Free Trade with Hazardous Products? The Emergence of Transnational Governance with Eroding State Government* (Eur. U. Inst., Working Paper LAW No. 2006/05, 2006) *available at* http://ssrn.com/abstract=908843 (discussing the weighing of domestic concerns with free trade).

149. Constantine Michalopoulos, *Developing Countries' Participation in the World Trade Organization* (World Bank Policy Research, Working Paper No. 1906, 1998), available at http://ssrn.com/abstract=620518; Magali Cowan & Melissa H. Birch, *Trade Strategies for Development: Import Substitution Versus Export Promotion* (Darden Case No. UVA-G-0393), *available at* http://ssrn.com/abstract=1419317.

150. *See* HOWARD HANDELMAN, THE CHALLENGE OF THIRD WORLD DEVELOPMENT 231 (Prentice-Hall, Inc., 1996) (describing the practice of import substituting industrialization as reducing dependency on foreign imports by producing them at home). *See also* BEVERLY M. CARL, TRADE AND THE DEVELOPING WORLD IN THE 21ST CENTURY 34-35 (1998) (stating that in the middle of the past century (1940-1960), Mexico followed a policy of 'import substitution' during which Mexico experienced an average annual growth of 6.4 percent in its gross domestic production).

151. *See* NICOLAS LOCKHART & ANDREW D. MITCHELL, *Regional Trade Agreements under GATT 1994: An Exception and its Limits*, *in* CHALLENGES AND PROSPECTS FOR THE WTO 217 (Andrew D. Mitchell ed., Cameron May 2005) *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=747984 (examining regional trade agreement exceptions to GATT and their role in expanding trade); Gyoung-Gyu Choi, *The Optimal International Trade Agreement and its Enforcement under Asymmetric Information* 3 (Sept. 1997), *available at* http://ssrn.com/abstract=46905 (noting that GATT was built upon the assumption of the rule of free trade); Kenneth W. Dam, *Cordell Hull, the Reciprocal Trade Agreement Act, and the WTO* 10 (John M. Olin Law and Economic Working Paper No. 228, Oct. 2004), *available at* http://ssrn.com/abstract=604582 (describing Cordell Hull's principles of free trade as shown through the 1934 Reciprocal Trade Agreement).

152. *See* CARL, *supra* note 18, at 35-36 (referring to a study by Dr. Raul Prebisch (the executive president of UNCTAD), Towards a New Trade Policy for Development: Report of the Secretary—General of the United Nations Conference on Trade and Development

Import substitution has been achieved in some countries through a dual process of attracting investment (both foreign and domestic) and placing restrictions on imports.[153] Despite initial expenditures on inputs for production, import substitution has allowed such countries to reduce the scope of imports and to create new job opportunities domestically. Despite its initial promise, this economic model has been short lived. Its collapse began as early as the 1960s due to a host of reasons.[154] First, the market for consumer goods manufactured by these sheltered industries that practiced import substitution were small, thus preventing manufacturers from taking advantage of economies of scale.[155] Second, the local industries in developing countries lacked access to modern technology and their production was slower, less efficient, and of a lesser quality. Third, industrialized countries, spearheaded by the United States, viewed import substitution as a direct threat against the international expansion of their own industries on the world market and exerted pressure on developing countries to abandon this system. This pressure was applied through various channels including the World Bank, the IMF, the GATT-WTO, and the Generalized System of Preferences.[156]

(UNCTAD), UN Econ., UN Doc. E/Conf. 46/3 at 6, 11-19 (1964)), in which Dr. Prebisch added that GATT's rules and principles are based on an "abstract notion of economic homogeneity which conceals the great structural differences between industrial concerns and peripheral countries with all their important implications.").

153. *See* Marcelo De Paiva Abreu, Afonso S. Bevilaqua & Demosthenes M. Pinho, *Import Substitution and Growth in Brazil, 1890s-1970s* 2 (Dec. 1996), *available at* http://ssrn.com/abstract=45564 (describing the role of import substitution in Brazil's coffee export growth); Anne O. Krueger & Baran Tuncer, *Microeconomic Aspects of Productivity Growth under Import Substitution: Turkey* 4 (National Bureau of Economic Research Working Paper Series No. 532, Aug. 1980), *available at* http://ssrn.com/abstract=263411 (arguing that non-traditional industries are not more dynamic than traditional industries and therefore import substitution does not necessarily yield rapid long term growth).

154. *See* Diego Puga & Anthony J. Venables, *Agglomeration and Economic Development: Import Substitution Vs. Trade Liberalisation* 2 (*Centre for Economic Performance* Discussion Paper No. 377, Nov. 1997, rev., Nov. 1998), *available at* http://ssrn.com/abstract=74696 (noting that import substitution attracts a different sector of industry than trade liberalization, which has consequences on the economic development of the country); Douglas A. Irwin, *Did Import Substitution Promote Growth in the Late Nineteenth Century?* 3 (National Bureau of Economic Research Working Paper Series No. 8751, Feb. 2002), *available at* http://ssrn.com/abstract=299163 (questioning whether import substitution promoted growth through shifting the employment from agriculture to industrial, or whether the shift in employment itself was the catalyst for growth).

155. *See* CARL, *supra* note 18, at 35-36 (stating that by the 1960's import substitution was "exhausted" on the national level because the markets for the consumer goods of protected industries were small and this limited market size "prevented manufacturers from taking advantage of economies of scale.").

156. *See id.* at 36-37 (noting that ultimately, these efforts bore fruit because the governments of developing countries "were persuaded that the road to economic prosperity and political stability was foreign trade"). The sum of these factors led some developing countries, primarily East Asia's newly industrialized countries (NICs), to shift their

Another approach recognizes the importance of trade to economic development and contends that developing countries should, rather than export primary products, initiate a process of industrialization through "backwards linkage, starting with light industry and concluding with capital goods production."[157] This approach is referred to as the "structuralist approach."[158] Thus, while neo-classical theorists claimed that the benefits of trading between two countries would be distributed equally, structuralists have asserted that the industrialized countries not only retained their own productivity gains, but also absorbed a portion of productivity generated from primary exports.[159] Evidently, those that oppose the school of comparative advantage share a perception whereby "fostering state owned enterprises is essential both to protect national independence and to develop new industries."[160] In this regard, one commentator notes that "the only long term hope of developing countries is to replace imported goods by domestic products and to create conditions enabling their national economy to meet local demand without resorting to foreign resources."[161] As alluded to above, when a wider variety of products are domestically produced in a certain country, national brands

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emphasis "away from import substitution over to export expansion" also referred to as Export-Oriented Industrialization (EOI). *Id.* Consequently, developing countries began to reduce their tariffs and to increase their imports of manufactured products with a high trademark potential thus increasing their trademark deficit. *Id.* The steps undertaken by developing countries with respect to their abandonment of import substitution were not reciprocated by developed countries. While sixty developing nations were working (during the late 1980s) on reducing their trade restrictions, twenty of the top twenty-four industrialized nations were raising their trade barriers. *Id.* This is further testimony to the structural bias in the global trading system. Carl also explained that a number of developing countries, especially Argentina, Chile and Uruguay, dramatically reduced their tariffs and increased imports. *Id.* at 36-37. *See also* HANDELMAN, *supra* note 150, at 234 (explaining that "East Asia's NICs initiated their industrialization drive through import substitution, just as their Latin American counterparts had done years earlier. Soon, however, they diversified into manufacturing for export. Early protectionism measures were phased out, thereby forcing local companies to become more competitive. State agencies shaped the market, pressuring manufacturers and offering them incentives to export. By 1980, manufactured goods constituted over 90 percent of all South Korean and Taiwanese exports, while representing only 15 percent in Mexico and 39 percent in Brazil. Fueled by their dynamic industrial export sectors, East Asia's booming economies, have become the envy of the developing world.") (citations omitted). Interestingly, some research argues that the experience of East Asia's NICs in Export-Oriented Industrialization (EOI) was a positive one. *Id.*

157. CARL, *supra* note 18, at 36.

158. *Id.*

159. *See id.* ("The elasticity of demand were low for primary products, while the developed countries' exports (especially manufacturers) enjoyed relatively high elasticities of demand.").

160. *Id*. at 35-36, n.110.

161. SANDOR, *supra* note 132, at 24 (referring to conclusions reached by the Pearson Report, at 80).

gain a better footing in the market, thus improving the *Trademark Potential* and ultimately the *Trademark Balance* of a country. In my view, altering the *Trademark Balance* through import substitution in developing countries necessitates overcoming various structural hurdles as to the impact of brands including inept laws, stagnation in industrial production, narrow economic outlooks, and education gaps.

Indeed, in order to succeed in import substitution, it is imperative to gear national industry towards this end. Import substitution requires a thorough review of import practices by developing countries. They need to determine the exact nature of imports and to attempt to substitute such imports with local products bearing domestic brands. This will contribute towards raising the *Trademark Potential* of the country and in improving its *Trademark Balance*.

4.8 Prospects for Assistance by Other Entities

Developing countries will, most likely, not be able to single-handedly amend their trademark régimes, especially in light of the current concentration of economic and political powers in the hands of Western-Industrialized countries--namely the United States and some Western European countries. For this reason, developing countries are in need of a "policy space" in order to strike a new balance with their respective national intellectual property systems.[162] One study concludes that developing countries may gain a stronger footing in the reformulation of intellectual property standards by receiving assistance from other parties and by collaborating with each other. Thus, the question that presents itself here is: From whom can developing countries receive assistance in this regard?[163]

162. *See* Peter K. Yu, *The International Enclosure Movement*, 82 IND. L.J. 827, 830 (2007) (contending that if countries are to benefit from their intellectual property systems, they need to strike the right balance between proprietary interests and public access needs in their intellectual property system and to strike the right balance, countries need wide policy space—or, in political terms, autonomy and sovereign discretion--to design their intellectual property system); s*ee also* Peter K. Yu, *Building Intellectual Property Coalitions for Development*, 4 (The Ctr. for Int'l Governance and Innovation, Working Paper No. 37, 2008) (noting that the adoption of a "Development Agenda" by the WTO has given less developed countries a unique opportunity to reshape the international intellectual property system).

163. *See* Yu, *Building International Property Coalitions for Development*, *supra* note 162, at 4 (finding that, by bringing countries together, "coalitions will have leverage that does not exist for each less developed country alone," and, "if used strategically, they will allow less developed countries to shape a pro-development agenda, articulate more coherent positions, or even enable them to establish a united negotiating front."). Yu further found that these coalitions will "also help less developed countries establish a more powerful voice in the international debates on public health, intellectual property, and international trade,"

First, non-governmental organizations ("NGOs") can play a vital supporting role for developing countries. This is because various NGOs have demonstrated their ability to rally the masses and to influence Western public opinion. Thus, a coordinated effort between developing countries and NGOs may ultimately tip the balance and allow for entering changes into the trademark régime. However, despite the potential for such cooperation, its success is not assured because "these kinds of coalitions are difficult to put together, are issue specific and predominantly rely on a crisis of some kind to be truly effective. They do not threaten the standard-setting dominance of the US and EU, especially when these two states are united on the direction in which global regulation should travel."[164]

Similarly, the Council of TRIPS may be asked to play a more active role in addressing cases of excessive domination by foreign trademarks and service marks. Article 68 of TRIPS allows member-states to consult on "matters relating to the trade-related aspects of intellectual property rights."[165] Article 71(1) of TRIPS also empowers the council to review the implementation of the agreement "in the light of any relevant new developments which might warrant modification or amendment of this [a]greement."[166] These authorities could be interpreted as granting the council the authority to inquire with states that are "seeking to raise intellectual property [protection] standards beyond those agreed to multilaterally."[167] In this type of review process, developing countries could initiate consultations regarding the effects of trademarks and their contribution to achieving real globalization and free trade. Such a consultation process within the Council of TRIPS might revive the debate regarding the future form and content of TRIPS generally and trademarks specifically.[168]

and that "instead of focusing on state-to-state relationships, less developed countries need to better understand the importance and challenges for working with non-governmental organizations and sub-state agents and within non-national systems." *Id.* at 10.

164. Peter Drahos, *Developing Countries and International Intellectual Property Standard-setting*, 5 J. WORLD INTEL. PROP. 765, 768 (2002).

165. *See* TRIPS Agreement, *supra* note 144, Article 68 ("The Council for TRIPS shall monitor the operation of this Agreement and, in particular, Members' compliance with their obligations hereunder, and shall afford Members the opportunity of consulting on matters relating to the trade-related aspects of intellectual property rights. It shall carry out such other responsibilities as assigned to it by the Members, and it shall, in particular, provide any assistance requested by them in the context of dispute settlement procedures. In carrying out its functions, the Council for TRIPS may consult with and seek information from any source it deems appropriate. In consultation with WIPO, the Council shall seek to establish, within one year of its first meeting, appropriate arrangements for cooperation with bodies of that Organization").

166. TRIPS Agreement, *supra* note 144, at Article 8.

167. Drahos, *supra* note 164, at 794.

168. *See* Ralph Cunningham, *Policing the World of Intellectual Property, TRIPS Council–-Special Report*, *in* WORLD IP CONTACTS HANDBOOK 18, 20-21 (2002) (explaining

In addition to the Council of TRIPS, the WTO Trade Policy Review Mechanism ("TPRM") might be another suitable forum in which developing countries can raise issues regarding possible distortions in trade that are being caused by the CTR. TPRM might be petitioned in view of the aforementioned unilateralism by the US and EU. Indeed, according to Drahos, TPRM has "broader implications for the stability of the WTO system."[169] Consequently, developing countries may initiate an in-depth review of the trade-related effects of trademark protection on their economies, imports, exports, industry, the consumer market, and the national culture.

Developing countries might also elect to forge an economic-political alliance which would constitute a counter-balance to the influential "Quad" of industrialized countries that formulated TRIPS.[170] Indeed, by pooling their efforts, developing countries should be more effective in amending their respective trademark régimes. Such pooling of resources would allow developing countries to dispatch joint delegations that specialize in health, environment, law, trade, economics, and agriculture. Indeed, some commentators blame this lack of coordination for the failure of developing countries in the negotiations leading up to TRIPS.[171]

In addition, the World Intellectual Property Organization ("WIPO") can play a crucial role in reviving the intellectual property debate. This is in spite of the fact that developed countries have been successful in shifting the forum from WIPO to WTO-TRIPS. WIPO commands substantial international respect and credibility that allows it to play a more effective role in revitalizing the debate over intellectual property and development, rather than just focusing on promoting intellectual property protection.

4.9 The Challenge of Compatibility with TRIPS

Many of the abovementioned proposed solutions within the middle ground approach could potentially clash with the principles underlying the TRIPS Agreement. Indeed, it appears as though remedying some of the negative effects of TRIPS in the context of trademarks by providing

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that these conflicting positions are reported in a briefing note published by the WTO before the Ministerial Council that was held in Doha, Qatar in November 2001).

169. Drahos, *supra* note 164, at 795. This doubt surrounding the effectiveness of the TPRM in this context is more clearly apparent in view of the fact that the objectives of the TPRM include an "'increased transparency and understanding of countries trade policies' as well as 'to create a multilateral assessment of the effects of policies on the world trading system.'" *Id.* (quoting the WTO Website).

170. *See* Drahos, *supra* note 164, at 794-795 (suggesting that the four countries that should form this counter-quad are India, Brazil, Nigeria, China).

171. *See id.* (noting that developing countries can join such a constellation and contribute their share within).

preferential treatment to brands originating in developing countries would clash with various norms prescribed by TRIPS, including the principles of National Treatment (Article 3) and Most Favored Nation (Article 4), which I have dealt with in Section Two above. But in addition to these two hurdles, the TRIPS agreement presents other hurdles, including those appearing in articles 8 and 72 of that Agreement.

Article 8(2) of TRIPS allows member-states to take measures against abuse of intellectual property right holders on the condition that "[such measures] are consistent with the provisions of this Agreement."[172] In other words, member-states can only maneuver "freely" within the parameters of measures that are prescribed by TRIPS. In light of this limitation, it would be difficult to establish that trademark protection, as prescribed by TRIPS, would in fact result in the abuse of intellectual property rights by right holders or "unreasonably restrain trade or adversely affect the international transfer of technology."[173] Consequently, there is a need to first recognize such a possibility by the TRIPS Agreement. In this regard, Article 72 of TRIPS makes it exceedingly difficult for any member-state to independently modify any of the TRIPS norms because it plainly states that "reservations may not be entered in respect of any of the provisions of this [a]greement without the consent of other Members."[174] Understandably, such consent is not easy to come by. Therefore, Article 72 also needs to be amended in order to allow a member-state to enter unilateral reservations pertaining to the trademark régime where its national interests dictate this. However, allowing this would effectively undermine the uniformity of TRIPS.

CONCLUSIONS AND SUMMARY

In light of the *Trademark Potential* concept, it appears that presently, the CTR is beneficial to some countries and much less so to other countries. Thus, although CTR is intended to provide equal protection to all brands, whether domestic or foreign, the equality in the commercial foothold of brands is not attained. My previous research has demonstrated that the effects of the CTR on developing countries contribute towards creating a *Trademark Deficit* in those countries.

In this research, I have explored various possible ways of modifying the CTR in developing countries that are also considered to be newcomers

172. *See* TRIPS Agreement, *supra* note 144, at Article 8 (stating that "appropriate measures, provided that they are consistent with the provisions of this agreement, may be needed to prevent the abuse of IPRs by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.").

173. *Id*.

174. *Id.* at Article 72.

in the brand-owning arena. In other words, while the modern trademark régime contributes towards the entry of more foreign brands into developing countries, it does not, and cannot, sufficiently facilitate the creation of national brands therein. Absent any intervention, the *Trademark Deficit* of these countries will be preserved.

Consequently, I have introduced and examined new methods that are intended to offset the differences among countries. Indeed, in view of this imbalance in the end-result and in order to remedy it, two possible courses of action for change come to mind. The first avenue is that of delinking from the CTR. In its most extreme form this might involve the abolition of the CTR in its entirety. I have rejected this approach and asserted that it would be counter-productive to society at large. I have also equally rejected the unequivocal support for the CTR because it fails to take into consideration the differences among different countries. However, in the borderline between those two extremes I have identified and devised a host of amendments, which I have referred to collectively as the *Neo-Conventional Trademark Régime* ("NCTR"). In my view, the mechanisms that are included in the NCTR reflect the recognition that while trademark protection must be preserved, changes are required in order to assist newcomer states to effectively participate in the trademark game.

In a nutshell, this research proposes various methods through which the existing *Trademark Deficit* of developing countries can be counterbalanced in a manner that might assist these newcomer countries to penetrate the seemingly impregnable wall that separates the "haves" from the "have-nots" in the trade-marking (branding) domain.