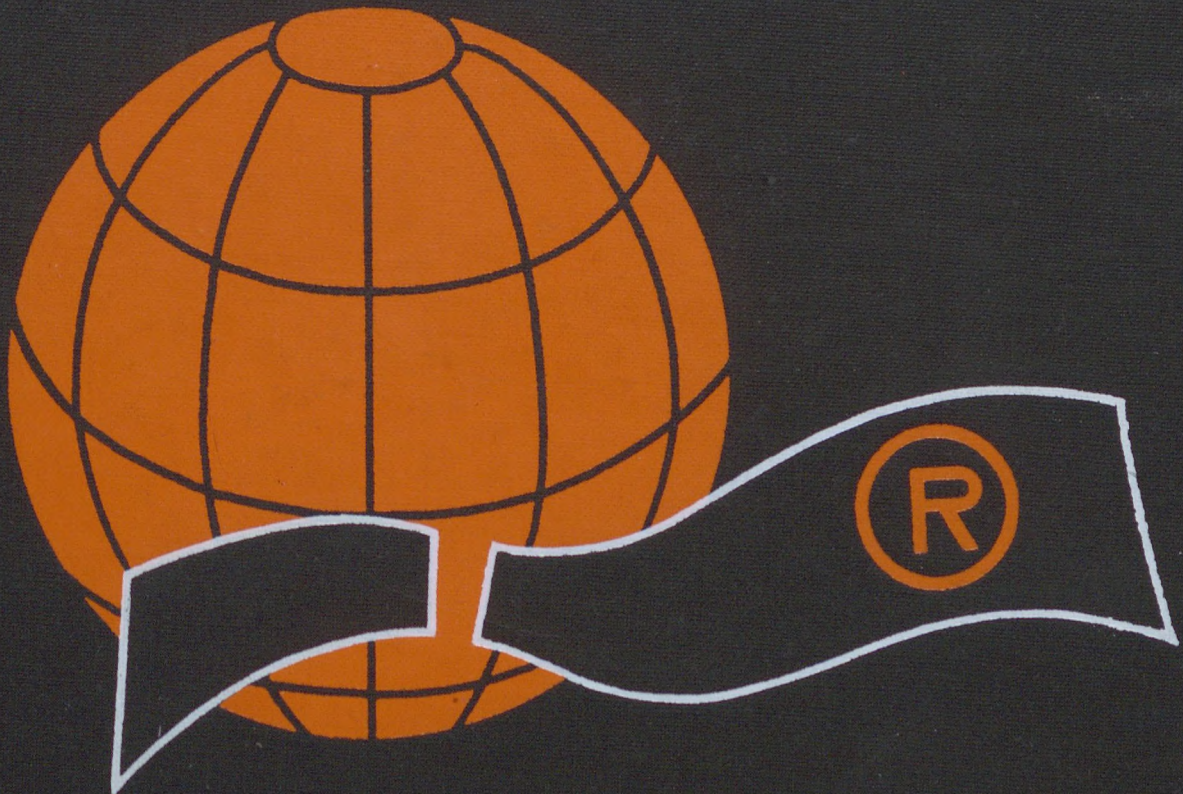


A. Vida

# TRADEMARKS IN DEVELOPING COUNTRIES

Akadémiai Kiadó, Budapest



Licensing Executive Society  
International













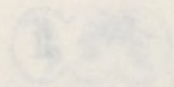




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DR. A. VIDA, C. SC. (*State and Law*)



INTERNATIONAL LICENSING EXECUTIVE BUREAU  
INTERNATIONAL







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BY

DR. A. VIDA, C. SC. (*State and Law*)



AKADÉMIAI KIADÓ  
BUDAPEST



LICENSING EXECUTIVE SOCIETY  
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## FOREWORD

This study is a first attempt to study the special problems of developing countries with regard to trademarks and trademark law, as well as trademark practice and to deal with the possibilities of improving relevant statutory law. As far as we know the study has no precedents.

The author was inspired to write this study by discussions carried on with experts from developing countries, and on site examinations were carried out only in Argentina, Brasil, Cuba and Mexico. The author has, however, gained some practical experience in Hungary, a country with backward industry at the time of his youth. In the subsequent 30 years he was in a position to contribute to the development of a national Hungarian trademark policy as this became necessary, in connection with the socialist industrialization of this country.

Most of the research work underlying this study was conducted in the *Max Planck Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht* (Munich) where the author acted as scholar in 1974. The author expresses his gratitude to the director of the Institute, Professor Dr. F. K. BEIER, for affording the facilities to perform this research work, as well as to two scholars of the Institute, Dr. S. GREIF and Dr. H. P. KUNZ-HALLSTEIN for the guidance and advice rendered in the preparation of the research report.

The study in its final form was completed in Hungary, where Assistant Professor Dr. E. LONTAI's comments, and Professor Dr. F. MÁDL's analytical criticism helped the author to complete this work.

In conclusion the author would express his gratitude to Mr. PH. MITCHES of LES International, for various valuable suggestions made during the finalization of the work and for its linguistic revision.

A. V.

## EDITOR'S NOTE

I have had the privilege to edit the English linguistic translation of this valuable text on behalf of the simultaneous publishers of this book.

The Licensing Executive Society (LES) commissioned this English publication in co-operation with Akadémiai Kiadó in its belief that, though the work be less pragmatic to developed capitalistic free-market countries or even to socialist countries, there is an underlying need to understand better the activities of both capitalistic and socialistic enterprises and of the developing countries who are all seeking to market their respective goods and services in their domestic markets and in international markets.

A review of the conflicting political and economic environments is necessary in understanding the trends presently taking place in developing countries. In that respect this work is a valid "snap shot" of the present status of world events. The present dialogue will act as a histogram of past events particularly as it relates to third world countries and their respective participation in and the use of trade marks.

It shall thus be appreciated that the views expressed particularly in those various sections of Parts Two and Three hereof under "some comments" are personal to the author and do not reflect the opinions of LES International.

As editor, I have attempted to have the views expressed more clearly than they may have been in the original translation. I thank DR. VIDA who has been most co-operative and has given me of his precious time. I would also extend my appreciation to LES International for the honour of their appointment and in particular to the foresight of certain Presidents of LES International who foresaw that a commitment by LES International was necessary in order to see this work published in English and thereby receive broader exposure. I have been but the servant given the task. Its execution, I hope, meets with the aspirations of all.

*Ph. T. M.*



## ABBREVIATIONS

AIPPI	Association Internationale pour la Protection de la Propriété Industrielle (International Association for the Protection of Industrial Property)
A.P.P.I.A.M.	Association pour la Protection de la Propriété Industrielle Africaine-Malgache (African and Malagasy Association for the Protection of Industrial Property)
BIRPI	Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle (United International Bureaux for the Protection of Intellectual Property)
CMEA	Council for Mutual Economic Assistance (the acronym COMECON is also widely used to designate the same organization)
DJ	Diario da Justica (Gazette of Justice) (Brasil)
GATT	General Agreement on Tariffs and Trade
GRUR-Int.	Gewerblicher Rechtsschutz und Urheberrecht, Internationaler Teil (Industrial Property and Copyright, Part International), Munich
IDCAS	Industrial Development Centre for Arab States
I.P.	Industrial Property, Geneva
O.A.P.I.	Office Africain de la Propriété Industrielle (African Office of Industrial Property)
Paris Convention	Paris Convention for the Protection of Industrial Property (1883)
P.I.	La Propriété Industrielle (Industrial Property) Geneva
R.I.P.I.A.	Revue Internationale de la Propriété Industrielle et Artistique (International Revue of Industrial and Artistic Property) Paris
R.M.P.I.A.	Revista Mexicana de la Propriedad Industrial et Artistica (Mexican Revue of Industrial and Artistic Property) Mexico-City
TMR	Trade Mark Reporter, New York
TM Study, UNCTAD	Systems, including industrial property systems, for improving the national scientific and technological infrastructures of the developing countries. Geneva, 1975. TD/B/C. G/AC. 2/4
TM Impact, UNCTAD	The impact of trademarks on the development process of developing countries. Geneva, 1977 TD/B/C. 6/AC. 3/3 (Also published as <i>The Role of Trademarks in Developing Countries</i> , New York, 1979, UN, Sales No E 79 II D. 5)
UNCTAD	United Nations Conference on Trade and Development
UNCTAD, Santiago	UNCTAD, Third Session at Santiago de Chile, Ed. New York 1973
UNIDO	United Nations Industrial Development Organization
UNO	United Nations Organization
USPQ	The United States Patent Quarterly, Washington
VG	Világgazdaság (World Economy, Hungary)
WIPO	World Intellectual Property Organization, Geneva



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## PART ONE

# ECONOMIC ASPECTS OF TRADEMARKS IN DEVELOPING COUNTRIES

It is not considered the author's task to outline the fundamental elements of trademark law since in the Model Law for the Developing Countries on Trademarks they are appropriately defined (cf. Part Three, Chapter IV).

The investigation of the trademark law of developing countries shows no particular or homogeneous. Manuals treating foreign trademark law obviously cover developing countries as well, in these countries trademark law is perceived with a strictly pragmatic approach. The aim is to give orientation to the specialists about the trademark legislation of developing countries. It is obvious that these services did not give in mind the detailed matters of developing countries, nor their intention to analyse the particular problems of these countries, nor to reflect on their specific problems in trademark law.

Lately international organisations have gone one step further. WIPO, the World Intellectual Property Organisation, and its predecessor elaborated and published a Model Law for Developing Countries on Trademarks. This Model Law, however, served strictly codification purposes. Thus, it permitted only indirect conclusions regarding the economic functions required to be fulfilled by trademarks in developing countries.

By "developing countries" we mean, for the purpose of this study, all developing countries as such, as defined by the United Nations in 1974 that consider themselves as "developing countries", and which are not bound by international agreements and Treaties with the World Trade Organisation or GATT, as of January 1, 1972, as following 17 developing countries and a total of 100 countries: Algeria, Argentina, Australia, Bahrain, Bolivia, Botswana, Brazil, Canada, Central African Republic, Chad, China, Colombia, Costa Rica, Cuba, Cyprus, Democratic Republic of Congo, Ecuador, Egypt, El Salvador, Equatorial Guinea, Ethiopia, Fiji, Gabon, Ghana, Guinea, Guyana, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Korea, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libya, Arab Republic of Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Paraguay, Papua New Guinea, Republic of Yemen, People's Republic of the Congo, Peru, Philippines, Qatar, Republic of Korea, Republic of Vietnam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sudan, Swaziland, Syria, Taiwan, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Emirates, Uruguay, Venezuela, Viet Nam, Yugoslavia, Zambia, Zaire, Zimbabwe, and 1977 other developing countries, not published in the list of countries.

Model Law for the Developing Countries on Trademarks, World Intellectual Property Organisation, Geneva, WIPO, 1982, 2nd Appendix.





## CHAPTER I

# TRADEMARKS IN THE NATIONAL ECONOMIES OF DEVELOPING COUNTRIES

It is not considered the author's task to outline the fundamental elements of trademark law since in the Model Law for the Developing Countries<sup>1</sup> on Trademarks they are appropriately defined<sup>2</sup> (cf. Part Three, Chapter IV).

The investigation of the trademark law of developing countries shows no particular problem. Manuals treating foreign trademark law obviously cover developing countries as well. In these sources trademark law is presented with a strictly pragmatic approach. The aim is to give orientation to the specialists about the trademark legislation of developing countries. It is obvious that these reviews did not have in mind the detailed interests of developing countries, nor their intention to analyse the particular problems of these countries, nor to reflect on their specific problems in trademark law.

Lately, international organizations have gone one step farther. WIPO, the World Intellectual Property Organization, and its predecessor, elaborated and published a Model Law for Developing Countries on Trademarks. This Model Law, however, served strictly codification purposes. Thus, it permitted only indirect conclusions regarding the economic functions fulfilled or to be fulfilled by trademarks in developing countries.

<sup>1</sup> By "developing countries" we mean, in the first place, those countries, that declare themselves to be such, in the UN; the specialized agencies of UN, that consider them as "developing countries", and which are, thus considered by international public opinion as such. Thus, in the World Trade Conference of UNCTAD held in Santiago de Chile in 1972, the following 97 developing countries took a unity of action: Afghanistan, Algeria, Argentina, Bahrain, Barbados, Bhutan, Bolivia, Botswana, Brasil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Colombia, Costa Rica, Cuba, Cyprus, Dahomey, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Guatemala, Guinea, Guyana, Haiti, Honduras, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Lesotho, Liberia, Libyan Arab Republic, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Paraguay, People's Democratic Republic of Yemen, People's Republic of the Congo, Peru, Philippines, Qatar, Republic of Korea, Republic of Viet-Nam, Rwanda, Saudi Arabia, Senegal, Sierra Leone, Singapore, Somalia, Sudan, Syrian Arab Republic, Swaziland, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela, Yemen, Yugoslavia, Zaire, Zambia.—Since 1972, other developing countries have gained independence, e.g. Angola, etc.

<sup>2</sup> Model Law for the Developing Countries on Marks, Trade Names and Acts of Unfair Competition. Geneva, BIRPI Ed. 1967. See: Appendix.



UNCTAD went still further, in publishing at first a short, yet substantial paper on the statistical, economic and legal aspects of trademarks in developing countries,<sup>3</sup> then a more voluminous one, on the impact of trademarks on the development process of developing countries.<sup>4</sup>

In the preparation of multilateral international agreements, however, the viewpoint of developing countries has not been specially considered. The TRT<sup>5</sup>, as an example, shows no noteworthy attempt to take into account the needs of developing countries.<sup>6</sup> On the other hand, in the course of the planned revision of the Paris Convention, that started in 1975, attention is being given to the unique problems of developing countries in trademark matters too (cf. Part Three, Chapter V).

Whatever aspect is studied, whether the use or legislation of trademarks in developing countries, it must be admitted that relationship between the socio-economic structure of developing countries and the role and function of trademarks does not appear to have been disclosed adequately. In my opinion, the following fundamental points should be clarified:

- Is there an actual present demand in developing countries for trademarks at all, or is such demand to be expected within the foreseeable future?
- Is the appreciation of trademarks in developing countries similar to that of patents? (Note that in most developing countries patents are considered as an instrument for dominating the domestic market.)
- In view of the infrastructure of developing countries, do trademarks have any economic role at all; and will they have any in the foreseeable future?

It stands to reason that these questions are crucial and of basic economic importance. The legal problems connected with trademark law are worth studying only after an answer to the economic questions is in hand.

According to this reasoning, the necessity emerges to clarify the role played by trademarks in developing countries in trade and in connection with the process of industrialization.

## 1. GROWTH IN THE TRADE OF DEVELOPING COUNTRIES

Both socialist and the industrially developed capitalist countries distribute their goods in developing countries under trademarks. This practice seems to be quite natural.

<sup>3</sup> TM Study, UNCTAD.

<sup>4</sup> TM Impact, UNCTAD.

<sup>5</sup> TRT (Trademark Registration Treaty) adopted by the 1973 Vienna diplomatic conference, yet, in absence of suitable ratification, it has not yet come into force.

<sup>6</sup> At the time, the author criticised this method of the preparation for TRT, and recommended to the Executive Committee of AIPPI to carry out appropriate exploratory and analysing work. Cf. Vida, *AIPPI-Proc. (Hungary)*, No 1. p. 76. This recommendation was then adopted by the Hungarian National Committee of UNIDO which submitted it to the UNIDO-Secretariat.



For now, we will ignore the question of the value of trademarks, especially of world notorious marks, in countries where a considerable part of the population is illiterate. Rather let us examine it from the various views of the developing countries and of their enterprises.<sup>7</sup>

We can only study the role of marks as an element in the trade of developing countries, i.e. render an opinion as to whether they should be used or barred, provided we also consider the general position of not only the home, but the foreign trade of the given developing country as well.

It is self-evident that the entire economic activity of developing countries, including the intensity of their industrial trade, is lagging behind the industrialized countries.

Endeavours to improve the commercial position of developing countries by organizing and establishing institutionalized measures can be recognized as having begun with the first World Trade Conference arranged by UNCTAD. Soviet literature mentions this in connection with the moral support given by the CMEA countries to developing ones. The joint effort of socialist and developing countries aims at doing away with all forms of discriminatory practice in international trade, thus aspiring to change the trading position of the developing countries. At UNCTAD World Trade Conferences the representatives of developing countries have quoted a number of examples illustrating the discriminatory practices of enterprises domiciled in leading capitalist countries. Discrimination takes the form of prejudicial trading conditions, of high customs duties, and last but not least, of import quotas apportioned for goods originating from selected and generally developing countries.<sup>8</sup>

These conditions are admitted by capitalist countries as well, though, naturally, in less sharp terms. The former minister of economic co-operation in the German Federal Republic, Mr. EPPLER stated that the most up-to-date branches of agriculture in most developing countries are geared to exports. These countries supply the industrialized countries with cheap primary materials: foodstuffs, tropical consumer's goods, vegetables, minerals and raw materials. On the other hand, developing countries are dependent on imports of industrial products, particularly capital goods.<sup>9</sup>

In the late sixties a number of interesting and valuable UN-sponsored studies were made on developing countries, giving more or less detailed attention to the trading patterns and policies of developing countries.

<sup>7</sup> There are 700 million illiterates in the developing countries. Even in the countries on top, e.g. Mexico, the names of underground stops are represented by words *and* by symbols (pictures of animals, stars, tools, etc.) so that the underground trains could be used by all inhabitants, without exception.

<sup>8</sup> TJULPANOV, p. 150.

<sup>9</sup> EPPLER, p. 65.



### a) *The Pearson Report*

This is one of many documents aiming at the exploration of the commercial problems of developing countries.<sup>10</sup> The great attention devoted to this document all over the world is justified by the fact that the Pearson Report was commissioned by the UN International Bank for Reconstruction and Development. The International Bank has an important role in financing developing countries, thus its attitude is remarkable both from the point of view of the developing countries and of the developed industrial countries.

The basic conclusion of the Pearson Report states 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 the local demand without resorting to foreign resources. In the long run this is desirable by expanding their export trade with other nations.<sup>11</sup>

The Pearson Report publicly reveals the heavy commercial reliance on foreign currency earnings with primary or raw products. In the late sixties, almost 90 per cent of the export earnings of the developing countries were derived from primary products. Moreover half of these countries earned more than 50 per cent of their export receipts from a single primary commodity. As many as three quarters of them earned more than 60 per cent from three primary products.

The Report places the primary products into four categories:

a. tropical beverages—coffee, cocoa and tea. Their output is subject to wide variations due to natural factors. At the same time, both output and demand for most of them are unresponsive to price changes in the short run.

b. Industrial raw materials—rubber, jute, cotton, and hard fibres—where developing countries have a virtual monopoly but this category of exports is to a great extent subject to competition from synthetic products.

c. The exports of minerals and metals, e.g. phosphate, gas, oil, with ores (copper, zinc, lead) forming a separate sub-category. These also suffer from extreme price fluctuations.<sup>12</sup>

d. Tropical food products, such as sugar, rice, fats and oils, cotton and tobacco, together with temperate foodstuffs such as cereals, meat and dairy products. Some of them are of major importance in the export mix of developing countries.

It must be appreciated that the prospects of developing countries to rapidly expand export earnings depends on the willingness of developed countries to relax restrictions on their imports, and as well as on the ability of the developing countries to improve the quality and general price competitiveness of their products.

Hereafter, dealing with manufactures and semi-manufactures, the Report states that experience shows growth in exports of manufactured goods from these

<sup>10</sup> *Partners in Development. Report of the Commission on International Development*. Ed. L. B. PEARSON.

<sup>11</sup> PEARSON, p. 80.

<sup>12</sup> Since the oil crisis of 1973/74, in connection with crude oil, a change has taken place, at least in favour of some mechanism, to stabilize prices.



countries. In the period between 1960–66, the growth rate of exports of finished and semi-finished goods was 12.7 per cent. More and more developing countries have emerged into the world market as exporters of manufactured goods. In the past few years, the exports of developing countries have grown in importance, particularly processed foodstuffs, clothing textiles and leather goods.

Nevertheless, developing countries encounter various substantial barriers in exporting industrial goods.

The Report also states that in most industrial countries quantitative import restrictions (import quotas) are in force for 30 per cent of certain manufactured goods, such as cotton textiles, clothing, and processed foodstuffs. In this connection, it must be remembered that cotton and cotton-made textiles are normally primary export articles of developing countries.

Further tariff structures of developed countries also discriminate against imports of manufactures and semi-manufactures from developing countries. Tariff rates on manufactured imports from developing countries remain considerably higher than on those from developed countries.

These statements relate to the exports of developing countries to developed countries. It is also acknowledged that trade among developing countries is relatively low; these countries on the average sell less than one fifth of their exports to one another. Foodstuffs, the most important category of trade among developing countries, accounts for nearly one third of the total. Fuels make up another one fourth; manufactured exports a little less than a quarter of this trade. Financial institutions, payment arrangements, and marketing channels are all geared to facilitating trade with existing wealthy trading countries and are often biased against trade between other developing countries. Thus, the foreign-trade policy of developing countries is likely to continue to be oriented to industrial countries for a long time to come.<sup>13</sup>

#### *b) UN Development Strategy*

Parallel with the Pearson Report, as well as similar other analysing documents,<sup>14</sup> the ECOSOC (Economic and Social Council of the UN) has established a committee to elaborate a concept for development for the next decade (Preparatory Committee for the Second UN Development Decade). This committee was initiated by the developing countries, yet, its work is based upon a compromise agreement concluded as a result of lengthy discussions with the representatives of the capitalist countries.<sup>15</sup>

<sup>13</sup> PEARSON, p. 82.

<sup>14</sup> World-Employment Project, World-guidelines on the development of agriculture, the Jackson-Study, the Tinbergen-recommendations.

<sup>15</sup> The socialist CMEA countries did not take part in the work of the Committee, out of solidarity because the German Federal Republic was admitted, but the German Democratic Republic was not. In the General Assembly, however, they voted, as a matter of course, for the motion. They recorded their concepts concerning the extent and methods of co-operation, as well as their views on the responsibility for the developing countries in a separate document, on September 21, 1970.



With its resolution No. 2626 (XXV) the General Assembly, held on 24 October, 1970, on the 25th anniversary of the UNO, formally and unanimously adopted the strategy for the second development decade of the UN.<sup>16</sup>

The development strategy established by the resolution of the UN General Assembly is the first economic political, socio-political, and development-political document agreed upon by all peoples, regardless of their racial, political, social, and religious affiliation and their living standard. Mr. DUBAY of India, who finalized the report of the Committee in the Assembly, stressed at the General Assembly that the Strategy is one of the few historical documents which represents a decisive step in the international planning for the benefit of developing countries.<sup>17</sup>

The Strategy provides a certain priority for the measures furthering the foreign trade of developing countries, based upon the consideration that an increase of those imports needed for the economic development of these countries over the long run, can only be financed through an adequate increase of export takings.

Items 21–26 of the Strategy deal with the development of the international trade of primary products; according to the last item, priorities will be accorded to developing countries reducing or eliminating duties and other barriers to export. It must be also ensured that developing countries have improved access to world markets and to the market growth for those products in which they are presently or potentially competitive. We think that this must be accompanied by the individualization of the goods, (including trademarks, and packaging) as well as effective publicity (advertising).

If we stress the importance of the competitiveness of raw materials, we do not intend to neglect other important circumstances mentioned in the Strategy, that in some countries heavy purchase (turnover) taxes are imposed on tropical consumer goods. Since our subject is the use of trademarks, the significance of the distinguishing marks is stressed in connection with competitiveness too.

As far as the trade of manufactures and semi-manufactures is concerned, Article 31 of the Strategy states that the diversification of the export trade of developing countries is especially important. The participation of these countries in international trade can be increased by the proper choice of export goods. Even though the Strategy does not stress the importance of competitiveness, its necessity is obvious.

These articles of the Strategy refer to the industrially developed capitalist countries. Article 38, however, stresses the importance of the same objectives in connection with the CMEA countries regarding the obligation to maximize and diversify

- imports of primary commodities from developing countries,
- imports of manufactures and semi-manufactures from developing countries.

According to an OECD-forecast, the CMEA countries are likely to increase their imports from developing countries by 8–9 per cent in the period between 1968–80;

<sup>16</sup> Only the South African Republic abstained from voting.

<sup>17</sup> TIMMLER, p. 91.



developing countries, on the other hand, plan to increase their exports to a similar extent.<sup>18</sup> At the same time, it must be borne in mind that capital does not flow back to the CMEA countries from developing countries, thus, the increase of imports from developing countries imposes a much heavier burden on the socialist countries than it does on the industrially developed capitalist countries.

The Strategy—as has been shown—establishes rules of behaviour not only for capitalist and socialist countries but also for developing countries. In this context, Article 36 of the Strategy should be mentioned, according to which the developing countries should make greater use of trade promotion with other developing countries too.

### *c) UNCTAD and the development of trade*

The implementation of the development strategy decided at the 25th General Assembly of the UN, at least as far as the objective affecting the drive of enhancing trade with the developing countries is concerned, is primarily the task of UNCTAD. Therefore, it is proper to mention briefly the activity of this specialized UN-agency.

The quadrennial world-trade conferences of UNCTAD are the rostrums of an ever sharper confrontation of conflicting interests between developing countries and the highly developed industrial countries. This is reflected by the decisions made by the representatives of over 150 countries after a one month-long debate at the fourth World Trade Conference of UNCTAD held in Nairobi in 1976. These decisions were described by the socialist press as “compromises”.

As example, let us quote some important decisions of the fourth World Trade Conference of UNCTAD:

1. In 1977 talks were launched on the establishment of a price stabilization stock for the most important raw materials and of a fund of 6 million dollars serving this purpose.
2. The debts of developing countries in the most difficult position are to be examined on a bilateral basis.
3. Studies of the possibilities for eliminating the noxious effects of inflation are to be continued.
4. UNCTAD invites countries disposing of developed technologies to transfer them to developing countries, and recommends control over multinational enterprises operating in the developing countries.<sup>19</sup>

These compromise decisions reflect the firm endeavour of the developing countries to fight for a new international economic system determined in the 6th Extraordinary General Assembly of the UN in 1974, but at the same time, they indicate the ensuring protraction too.

<sup>18</sup> MEYER, SEUL and KLINGNER, p. 73.

<sup>19</sup> *VG*, 1st June, 1976, p. 1; Report of the UNCTAD Conference held at Nairobi, Kenya, 1976. TD/217.



According to a statement of the Soviet delegate at the fourth World Trade Conference of UNCTAD, the trade between the Soviet Union and the developing countries more than doubled in the four-year period since the last World Trade Conference of UNCTAD. This is rather remarkable.

There are not only two opposed socio-economic systems, socialist and capitalist, but also two different attitudes towards the developing countries. The Soviet Union sees the transformation in the structure of the markets as the reorganization of production of raw materials and a solution to the problem of access to raw materials.<sup>20</sup> This may not be consistent with the capitalist view.

A significant and fast change of the economic position of the developing countries—as experience shows—can only be achieved, if at all, with their own resources. In the past few years four or five developing countries were able to improve their economic conditions essentially—due to their oil resource. At the same time, disasters like drought, floods, earthquakes, and the resulting famines hit at least as many developing countries, thus causing a marked fall-back in their national economies since the adoption of the Strategy.

As the Secretary General of UNCTAD, MR. GAMANI COREA pointed out during the preparations for the fourth World Trade Conference of UNCTAD, the boosting and diversification of the exports of the developing countries, the application of relevant strategies are the most important tasks to solve.<sup>21</sup> Therefore, certain forecasts of trade development made by UNCTAD-experts<sup>22</sup> deserve special attention, particularly the prospects of the developing countries' participation in the growth of global exports. The position of the developing countries may be outlined as follows:

*Exports of developing countries*

	Value in billion dollars (1960)			Percentage of export structure		
	1969	1980		1969	1980	
		Variant 1	Variant 2		Variant 1	Variant 2
Foodstuffs	12.4	16.9	17.8	26	15	16
Agricultural raw materials	7.4	10.6	11.5	14	10	10
Non-fuel minerals and metals	3.8	6.0	6.4	10	7	6
Fuels	17.3	48.1	51.6	38	51	47
Manufactured goods	7.4	20.8	23.8	12	17	21
Total:	48.3	102.4	111.0	100	100	100

<sup>20</sup> From the introductory speech of N. PATOLICHEV, Soviet foreign trade minister, *VG*, 26 May, 1976, p. 1.

<sup>21</sup> *VG* 1975, 7 August, p. 1.

<sup>22</sup> Trade Prospects and Capital Needs of Developing Countries during the Second United Nations Development Decade (TD/118) Supp. 3 (Rev. 1) New York, 1972.



Thus, according to UNCTAD forecasts, a quadruplication of the exports of developing countries is to be expected. Of course, since this is a global forecast, this increase may be as high as tenfold, in respect of some countries, whereas for others it may fall back to the half, hence the forecast is only an estimate figure.

Just cause of alarm is the fact that the rate of growth of exports for developing countries persists in its relative pattern, while the exports of industrialized countries continue to increase at a higher rate than those of developing countries. Even now we find that the share of developing countries in world trade, i.e. export, was 21.3 per cent in 1960; and it declined to 17.6 per cent by 1970. According to the 1971 Lima declaration, the gap in standard of living between developed and the developing countries has widened.<sup>23</sup> According to an ECA (Economic Commission for Africa of the UN)-study, on the other hand, in 1975 the economic growth rate of non-oil producing African countries was equal to zero in real value.<sup>24</sup>

These circumstances must induce all well-meaning men to seek heretofore unexplored ways and means for increasing the trade of developing countries.

#### *d) Consequences of customs regulations in Europe and in America*

As earlier mentioned, the customs regulations prevailing on export markets may impede the export activities of developing countries.

Some examples are presented below to illustrate the approaches of the various socialist and capitalist countries in this activity.

After the first World Trade Conference of UNCTAD (1964), the Soviet Union cancelled any customs duties that might have formed obstacles in the way of the exports of developing countries. Consequently, in the period between 1964–70, Soviet imports from developing countries doubled.

Czechoslovakia and Hungary introduced a system of customs preference to facilitate exports of developing countries (1972); the EEC countries took the same step one year earlier (1971).

At the third World Trade Conference of UNCTAD the representative of the USA declared that his country could not afford granting preferential tariffs to developing countries.<sup>25</sup>

No further explanation is needed to realize that the system of preferential customs duties has a decisive part to play in assisting the foreign-trade activities of developing countries.

<sup>23</sup> UNCTAD, Santiago, Vol. I. p. 375.

<sup>24</sup> V/G 1st June 1976, p. 1. (Report on UNCTAD's meeting. In Hungarian.)

<sup>25</sup> LIPOVECZ, *Külgazdaság*, 1973, p. 375.



## 2. THE USE OF RESIDENT TRADEMARKS IN THE FOREIGN-TRADE ACTIVITY OF DEVELOPING COUNTRIES

As noted before, the main export goods of developing countries are primary materials. This situation is not likely to change within the foreseeable future. According to socialist literature, however, to step up the exports of traditional goods is a fast and relatively simple matter. The production and exports of coffee, cocoa, cotton, sisal, jute, certain mineral products as well as some other goods, has seen a rapid increase after the Second World War. As a consequence, international monopolies are in a position to impair the chances of developing countries for marketing their products.<sup>26</sup>

The spontaneous lapse of the world commodity price in a product degrades marketing possibilities and in some cases is so brutal as to cause national disasters.<sup>27</sup>

With this brief introduction, let us examine the use or lack of use of resident trademarks in developing countries according to product groups.

### *a) Tropical consumer goods*

*Coffee, tea, cocoa* are traditional exports of the developing countries. These are, however, characteristically exported in bulk, without using national trademarks. Thus, the trademarks known in European countries for coffee, tea or cocoa are those of the importer or the processing industry. Trademarks are only applied to these products during the packaging by retailers.

*Coffee* appears in European shops bearing the trademark NESTLÉ with a bird's figure, or JULIUS MEINL with a Negro's head, or similar European marks. In addition—mainly in socialist countries—several presentations are sold under the trademarks of Soviet, Hungarian or Polish foodstuff marketing enterprises with the denomination, or brand name suggesting the origin of the article, e.g. RIO, ARABIA or KOLUMBIA etc. (advertised on sky-signs in Budapest). The Brazilian device mark CACIQUE with an Indian's head is popular in Czechoslovakia and Poland; this is probably connected with the traditions of coffee production and exports. Apart from these only the Ivory Coast has made attempts to introduce a collective trademark with an elephant's figure,<sup>28</sup> but it is well-known only to wholesalers.

The situation is very similar with *cocoa*. The names of European firms like VAN HOUTEN or SUCHARD dominate the market. They do not even hint at the country of origin of the raw product. The collective mark of the Ivory Coast (the elephant) mentioned before is used for cocoa as well, yet it never appears in the retail trade.

<sup>26</sup> TJULPANOV, p. 150.

<sup>27</sup> DOUCY and BOUVIER, p. 213.

<sup>28</sup> HIANCE and PLASSERAUD, p. 254.



The same goes for *tea*. The European consumers appreciate the mark LIPTON, with the socialist countries purchase in India, and the capitalist countries in Great Britain. It is obvious that the mark to a certain extent guarantees a uniform quality, even though the tea itself has different properties in India and in Great Britain. In the socialist countries tea is packaged by national enterprises, so e.g. in the Soviet Union "Indian tea" is marketed under the design of an elephant, in Poland the package of MADRAS-tea is indicated as "Indian blend", whereas YUAN-tea gives no hints to its origin; the Polish dealers believe that it is actually of Indian origin. There is only one resident trademark from a developing country, the BLUE HILLS-brand from Kenya, which is popular among consumers in Czechoslovakia. This last example deserves attention.

*Tobacco*, as well as other products of the tobacco industry, form another group of consumer goods. Yet tobacco coming from Brasil, Indonesia, and other developing countries is mainly processed in industrial countries. The European tobacco industry does not go further than referring to the origin of the product on the package. The only exceptions are perhaps the trademarks on Cuban cigars, e.g. ROMEO Y JULIETA, which have a wide reputation that help them find a ready sale.

#### *b) Tropical foodstuffs*

Among the tropical foodstuffs *bananas* are marketed almost without exception bearing US or European marks, or else, without any marks of developing countries. This includes one of the best-known marks in the European capitalist countries, CHIQUITA owned by the American United Fruit Co., which found a competitor in the German Federal Republic in the trademark ONKEL TUCA with a farmer's head, owned by the German importers.

The Israeli trademark JAFFA, used for oranges is a good example. Its position is consolidated by the fact that the same mark is applied to tinned orange juice as well, which is also well-known in most European socialist and capitalist countries. In the seventies, this mark became an effective instrument of sales promotion, which is proved by the fact that the Egyptian ABU SURRA oranges of identical quality are hardly, if at all, known. The Israeli orange JAFFA, on the other hand, has become popular by its mark. This example seems to be stimulating other developing countries along similar courses. Moroccans were able to make known the WITAG-brand with the green cross in a red circle for oranges too, in some countries, for example France.

Other tropical fruits-trademarks are applied quite rarely, except for the Moroccan trademark SATCO applied to apricots, which is a guarantee of good quality, while at the same time, enhances the economic importance, i.e. the success of the mark. Also the Irakian mark LION OF BABYLON with the image of an antique lion applied to dates, has similar economic effects.

In a wide sense, *wine* is a foodstuff, too, which in the exports of developing countries holds first place. The greatest wine exporter is Algeria, but Morocco and Tunisia also export considerable quantities.



Wine is mostly exported in containers, or barrels. The share of exports of bottled wine—where trademarks might be involved—is relatively slight. Some of the wine marks are hardly, if at all, known, even in France, which was the traditional market for North-African wines up to the middle of the sixties. Spirits should be considered industrial products, yet it seems more proper to mention them here. Among marks of spirits more trademarks of residential origin are found than for other agricultural goods, for example the Cuban marks BACARDI OF HAVANA with the device of a statue, or the Jamaican rum marks MYER'S, OF APPLETON.

Tropical produce, like *sugar, rice, cereals, and meat* also figure on the export list, yet they are generally exported without trademarks. This is perhaps, to some extent, understandable, since they are exported in bulk. It is more difficult to understand why fats, oils, and dairy products (e.g. cheese) are exported without trademarks, since these are typically goods suited to consumer marketing and trademarks could indirectly contribute to the success of exports. This has been demonstrated by the popularity in the world-market place of the Brazilian mark SAMBA (for edible oil) or the Indian MILAK with an Indian woman's head as the trademark of peanuts and cashew nuts; similarly the MA LING-brand for peanuts from The People's Republic of China.

### *c) Industrial primary materials and products of home industry*

*Industrial primaries*, like rubber, jute, cotton, or wood fibres and *mineral resources*, like crude oil, or phosphate, as well as *ores* are important exports of the developing countries. Yet, they bear no marks as they do not lend themselves for being marketed under trademarks. Most of these goods are exported in large quantities, to highly developed industrial countries, where they are subsequently processed. So, for example, crude oil is processed in the oil refineries of industrial countries, and is then sold under the marks EXXON, ESSO, SHELL, MOBIL and others.

Summarizing, we can state that:

- industrial raw materials are less suitable for being sold under marks because they require converting,
- even when the possibility exists, the developing countries do not avail themselves of trademarks.

Oriental carpets are important export goods for developing countries. It is worth mentioning in this context, that the claim for registration of carpet-marks was not initiated by the exporters but by the customers, i.e. the European merchants demanded that names originating from and suggestive of developing countries should be protected, i.e. the practice of trade should be voluntarily unified. In 1970, the Association of Oriental Carpet Traders in Switzerland published a list of trade names to be applied in trade. At present in Switzerland, names like TABRIS, SERABENT, BOCHARA, may only be applied to hand-made carpets, produced in these towns; whereas BERBER applies to carpets made in North Africa only.<sup>29</sup>

<sup>29</sup> *Schweizerische Juristenzeitung*, 1970, p. 370. It must be noted, however, that these indications are not trademarks, but merely indications of origin.



#### *d) Industrial goods bearing domestic trademarks*

Let us now examine the application of domestic marks to industrial goods. In this respect, the situation is radically different: apart from the fact whether the goods were produced in a developing country, or in a country with a developed industry, the economic role of the trademarks on the world market is identical. It is, however, doubtful that industry of developing countries has recognized this.

Obviously, in examining the trademark practice of developing countries it is advisable to study it with regard to the food *industry*, this being their most developed industry. Among the products of the food industry, mainly those of the canning industry should be of greater interest.

In order to explore the situation in six European countries (Czechoslovakia, France, German Federal Republic, Hungary, Poland, Switzerland), we made random tests, which were then supplemented by further tests in some countries of the American continent, as well as in Australia. In the course of these tests, we studied products of the food industry, and canned goods imported from developing countries, and the residency of the marks under which they appeared.

A surprising fact was established, namely that whether the shops of socialist or capitalist countries, or the assessment of consumers are studied, one can hardly find really "great marks" or ones of high notority among the thousands of marks, including the marks of canned food produced in capitalist countries.

Of the canned food-marks of developing countries, only the trademark of the *orange juice* LA FRUTA (from Lebanon) is considered a really "great mark" in Czechoslovakia, as a result of good publicity, and the continuous supply of goods all over that country. Another orange juice brand JUCOOP with the image of two antilopes (from Algeria) is well-known in Hungary being imported for many years.

In addition, there are some trademarks for *canned food* produced in developing countries, which are considered "first class" marks, by which one or the other firm of a developing country has managed to step out of obscurity, and make a name on the world market. These include e.g. the trademarks for canned pineapples of the Ivory Coast, e.g. IVORIO, YAPO, COTIVANA, AFRICAN GLORY, some Moroccan sardine-marks, e.g. APOLLO, ANNY, TITUS, some Cuban cigar-marks, e.g. ROMEO Y JULIETA, H. UPMAN, some Brazilian trademarks for canned coco-nut, e.g. PALMITO STEIN, COEUR DE PALMIER, Chinese canned meat-marks, the GREAT WALL, with the design of the Great Wall, or Chinese guava juice, e.g. HEAVEN TEMPLE, with the figure of the celestial pagoda, etc. Here the resident trademarks definitely play an economic role, and sometimes even shape the pattern of pricing. These marks are of interest for other developing countries as examples of how trademarks increase consumer awareness of goods.

In some developing countries, the *textile industry* has reached a technical level high enough to render it world competitive both in quality and price. Typical of such is Hong Kong knitwear. It is all the more surprising that with such high technical-quality level there is hardly any use of trademarks for exports: the mark PLAYGIRL covers knitwear made in Hong Kong, but also products made in Italy.



Knitted goods under the mark *PLAYGIRL* are peacefully hanging side by side in the big European department stores. Only the salesgirls know which one comes from Hong Kong and which one from Italy. There appears to be no registration for *PLAYGIRL*.

Yet, this case is really remarkable exception. What is typical is that textile goods coming from developing countries are sold elsewhere in Europe as neutral goods. In Australia and the United States of America, the typical procedure is that the big department stores place their own trademarks (e.g. *MYERS*, *SEARS*) on the goods, adding the indication: Made in Taiwan, etc. This practice of source is the guarantee for quality; the consumer is confident that the store would not purchase and sell goods of poor quality.

The exports of underwear are different. There is a lack of interest in the use of trademarks which extends to children wear such as shirts, pyjamas, and pants. These are normally the cheapest goods in the European and American stores and are often offered in promotional sales. Here the rock bottom price suffices to promote the sale, thus no further instruments of sales promotion, e.g. trademarks, are normally required. Further, a mark—applied to unusually cheap articles—might have a negative effect on future sales.

Movements to change this practice, have been initiated by some Asian countries. Increasingly, more textile goods are exported by the People's Republic of China, India, Iran, Hong Kong, Taiwan, Israel bearing trademarks. It is especially, the textile industry of the People's Republic of China that is distinguished by attractive, esthetically sound marks, such as: *DIAMOND*, with a brilliant diamond figure, *RED HORSE* with the design of two red horses, *SOAR*, showing an eagle, all for shirts; *ROSE*, representing a rose for children's pants, *MIMI*, a mark with the figure of a cat for children's pyjamas. These Chinese trademarks have gained reputation among merchants and consumers in many countries.

The manufacture of *toys and music instruments* in several developing countries seems to be more advanced in trademark usage. This is perhaps due to the fact that Japan takes an eminent place in the manufacture of toys which induces the other countries to imitate it. As for the People's Republic of China, for instance, as a result of marketing experiences gained through Western European department stores—they now insist on their trademarks accompanying the goods and being stamped onto the goods so as to remain on the goods until purchased by the customer.

As a result of this policy, several Chinese marks, such as *BLESSING* (covering a mouth-organ), *KAPOK*, with a flower for guitarres, *PANDA*, showing the figure of a panda-bear for india-rubber, *HERO*, *WING SONG* for fountain-pens, *THE EAST IS RED*, for toy tractors, are coming more and more famous.

The trademark *BLUE BOX* for toy animals (Singapore) is different. Customers generally do not buy the articles on account of the trademark thus the trademark may be only the instrument of a long-term business policy.

The *pharmaceutical industry* is also interesting. Cardiac, and neurotonic materials are made from ginseng—a plant of the Far East. Pharmaceutical factories in developing countries are in spectacular competition with one another in West-



European markets using their trademarks, all incorporating the name of the ginseng plant. These include: KOREA GINSENG, with the figure of a coolie's head, TAI GINSENG, with a Negro's head looking out of a window, KUMSANGINSENG, showing the figure of a Bengal tiger. According to consumer market tests made in Italian chemists' shops, in Italy, the mark KOREA GINSENG seems to be best known. Articles carrying this mark—actually the plant itself—are sold in the original presentation packaged by a South-Korean pharmaceutical factory, whereas the concentrate made from the plant (a liquid) is marketed by the Italian licensee of the South-Korean licensor under the trademark of the South-Korean firm. This demonstrates fairly well how a firm in a developing country can become a licensor of his trademark in Europe, utilizing his trademark as his asset and property.

As to the products of the *engineering and building industry*, it is generally typical for the developing countries to consume materials in the domestic market (e.g. GIRON-buses in Cuba). There is seldom any export. Only higher developed countries present exceptions to this situation. For example in Brasil, where the trademarks DURATEX (for wood fibre plates), EUCATEX (wall and floor cladding elements), ROMI (machine tools), MUNDIAL, with 4 aces (scissors and knives), STERN (jewels) or in India NATEX (dry batteries), BLUE STAR, with the figure of a blue star (for water-cooling equipment), TIGER (latches and locks), REGENT (bicycle saddles), AHUJA (amplifiers, microphones), USHA (diesel-engines), are trademarks that have become well-known in other continents, due to the wide exports of these goods.

Another exception—though of different character—is the mark IDEAL covering refrigerators from Egypt. This latter one has become well-known, at least in Hungary, as a result of the active publicity developed by the Hungarian home trade in marketing IDEAL-refrigerators.

Summarizing, we might state that there are illuminating examples concerning the use of resident trademarks for industrial goods in developing countries. It is self-evident that, since industry in developing countries itself is underdeveloped, the use of marks by industry is also in the initial and developing stages. There are some exceptions worth noting. Thus, in some industries of certain countries one finds the use trademarking (e.g. in the Moroccan fish-canning industry, or in the Ivory Coast pineapple-processing industry). In other countries there are only certain enterprises, e.g. the owner of the mark LA FRUTA for orange juice in Lebanon, as well as several perfumery enterprises in India, that carry on a consistent trademark policy. A useful proposal to which I subscribe has been made by UNCTAD suggesting that developing countries should benefit from the reputation gained by certain names designating tourist sites or famous places in the promotion of their exports. On the other hand, UNCTAD advises developing countries to study their own trademarks as a means for promotion of their exports.<sup>30</sup>

<sup>30</sup> TM Impact, UNCTAD, p. 50.



## CHAPTER II

# INDUSTRIALIZATION AND FOREIGN TRADEMARKS IN THE DEVELOPING COUNTRIES

Trade development has greatly improved the economic situation of the developing countries; the transformation of infrastructure, however, can only be achieved by still more radical measures, such as the liquidation of the monoculture, and comprehensive industrialization. In the course of the transformation of infrastructure one of the difficulties—characteristic for the developing countries in general—is that they include heterogeneous elements that do not mutually stimulate on another.<sup>1</sup>

Developing countries with different economic structures should obviously choose different solutions of industrialization. Socialist literature, in this connection, emphasizes that only some countries, like India, Brasil, Egypt, are in the position to develop the complex, modern branches of heavy industry. In the other developing countries, for the moment all that can be done is to create the conditions necessary for solving these tasks. Industrialization should result in the transformation of the existing production structure, and in the first stage it is advisable to bring about a closed production cycle, that is, industries which are apt to raise the national economy of the developing country in question to a higher standard. In practice this means that it is advisable to establish industries processing agricultural and primary mineral materials, as well as certain branches of the engineering industry, and certain sectors of the chemical industry that are suited to utilize the home-produced primary materials and the agricultural products of the given developing country. This means, at the same time, the establishment of a consumer goods industry, and the development of an up-to-date infrastructure.<sup>2</sup> One can hardly find an answer of general validity as to which industries should be developed. This must be decided by each country independently. In addition to mineral resources, the pattern of prices of semi-finished and finished goods proposed to be manufactured therefrom should be considered.<sup>3</sup>

The industrialization trends of developing countries are reflected in the Declaration adopted at the Second General Conference of UNIDO (Lima, 1975) under the New International Economic Order. It is stated that developing countries constitute 70 per cent of the world population but generate less than 7 per cent of

<sup>1</sup> BOGNÁR, p. 273.

<sup>2</sup> TJULPANOV, p. 224.

<sup>3</sup> SZITA, quoted by FALKOWSKI, p. 139.



industrial production. Consequently, efforts should be made to increase this share to 25 per cent by the year 2000.

Interestingly, that document was adopted against a negative vote of the United States, and with the abstention of Belgium, Canada, German Federal Republic, Great Britain, Israel, Italy and Japan. During debate, however, the socialist states supported the developing countries, though their individual approaches were not identical in every detail.

Several other items of the Lima Declaration have been adopted on the basis of the joint proposals of developing and socialist countries, e.g. the formulation, i.e. declaration on the elaboration of national plans; on the increasing importance of State control and of economic management exercised by the State; on the right for the exploitation of natural resources, including nationalization.<sup>4</sup>

The Lima Declaration gives expression to the new concept of industrial development; raw materials available in developing countries should be processed locally, and in conjunction with this, heavy industries, such as steel, metallurgical and petro-chemical industries and mechanical engineering enterprises should be developed.

With these measures, the present condition of developing countries as raw material suppliers, could be gradually transformed into suppliers of processed industrial products.<sup>5</sup>

## 1. IMPORT OF TECHNOLOGIES AND TRADEMARKS

In support of importation of technologies, some American authors point to Brasil and South-Korea as models. In these countries, national authorities have a significant participation in the management of know-how imports. (Brazilian National Research Council, Korea's Institute of Science and Technology.) In this context, one has to bear in mind that these two countries receive particularly significant financial-economic assistance from the US. This, however, is not sufficient in itself. It is furthermore obvious, that in such cases governments more than once have to take considerable risks in developing their industry.<sup>6</sup>

The socialist CMEA group promotes technical improvement of the developing countries with organized projects. The so-called comprehensive Programme of the CMEA (Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Integration by the CMEA Member Countries) points out fundamental ways and applicable means, comprising

- the opportunity for countries with less developed industries to participate in the specialization of production and co-operation, and within this, in the field of

<sup>4</sup> SZITA, *Népszabadság*, 9 April, 1975, p. 10.

<sup>5</sup> UNIDO, Draft, Declaration and plan of action on industrial development and co-operation. Vienna, 1975, ID/CONF 3/30.

<sup>6</sup> POATS, p. 72.



international specialization and co-operation for the selection of new branches;

- scientific-technical co-operation, technical assistance, participation in the design, assembly, installation, putting into operation of the establishment, up to the training of the staff engaged in the manufacturer of the product, and to serial production;
- loans, as well as temporary preferences to be accorded countries with less developed industries.

In the past few years, good results have been achieved with the assistance of European socialist countries mainly in India, Iraq, and Algeria in geological explorations, and in the complex running-in of the oil industry. In addition, significant results have been achieved in the development of metallurgy and machine engineering, in the running-in of the textile and food industry, too. In order to promote these CMEA objectives, considerable funds have been allocated to provide specialists for the industries of developing countries, and to the training of specialists.<sup>7</sup>

Many developing countries are aware of the insufficiency of purchasing technology abroad, without the knowledge to apply it profitably. This latter point, however, entails a certain dependence on foreign countries over and above the undeniable advantages.<sup>8</sup>

In the process of importing foreign technologies, trademarks are also commonly involved. Thus the buyer wishes so acquire the trademark, together with the pertaining technology. In this respect, the imports of technology from socialist countries are particularly suitable for evaluating the economic value of trademarks. The economic and legal forms of technical-scientific assistance granted by enterprises of socialist CMEA countries admittedly differ from those afforded by capitalist countries. Still, more than once, technologies and documentation exported to developing countries are accompanied by the assignment of trademarks; Hungarian trademark owners, e.g. permitted the use of the trademark GANZ in India and Colombia, LAMPART in India, and TUNGSRAM in Sri-Lanka. The developing countries urged the acquisition of these Hungarian trademarks on the basis that the consideration of a trademark means effective help in the marketing of a new product manufactured in conjunction with the technology in question.

#### *a) Direct investments and foreign trademarks*

In capitalist countries with developed industries, many consider direct foreign investments as the most important instrument to promote the economic growth of developing countries. It is beyond doubt, however, that investment of foreign capital into developing countries, a characteristic activity of the multinational enterprises, often is more favourable to stabilize the economic position of the

<sup>7</sup> OROSZ, *Külgazdaság*, 1974, p. 568.

<sup>8</sup> KHALLAF, *J. P.* 1972, p. 80.



multinational in the host countries than to stabilize the economic power of the host countries themselves.<sup>9</sup>

An American study, investigating experiences made with joint ventures in America, Chile, Brasil, Indonesia and Hong Kong, has shown that the trademarks of the great multinational concerns, if used by affiliated companies or joint enterprises established in the developing countries, may be important tools for marketing goods made in developing countries. This is illustrated by the example of the trademarks PHILIPS, MERCK, etc.<sup>10</sup>

On the other hand, there is a growing aversion against multinational companies operating in developing countries; but there are many objections to multinational companies in developed industrial countries, too. The trademarks of multinational enterprises represent, normally, such a high economic value, that they are sufficient to any aversion existing against these enterprises entering developing countries.

*b) Rules of conduct to be followed in case  
of transfer of technology*

Industrialization has a decisive influence on the economic progress of developing countries. Industrialization is also a consideration when reviewing trademarks in developing countries. It is a matter of common knowledge that practically all industrial products are marketed under trademarks. Thus, industrialization engenders the need for trademarks, even though this need does not appear so clearly in the initial states of industrialization.

UNCTAD-experts seem to be aware of the need for trademarks, too. The draft Code of Conduct on Transfer of Technology, stipulates that trademarks, service marks, and commercial names come under the effect of the Code.

The Code concerning restrictive business practices, establishes several rules, relating to trademarks too, namely, the Code forbids, e.g.

— restrictions to prevent the acquiring party from adapting the imported technology without using the supplying party's trademarks, except to the extent that this adaptation unsuitably affects those products (Sec. 7)

— use by the supplying party of quality control methods, except when the product bears a trademark of the supplying party (Sec. 16)

— requirement to use a particular trademark when using the technology supplied, the supplying party, however, has the right to have its name mentioned on the product (Sec. 17)<sup>11</sup>

<sup>9</sup> Kunz and Nitsch, *Gewerblicher Rechtsschutz—Urheberrecht—Wirtschaftsrecht* (Industrial Property—Copyright—Economic Law), p. 549.

<sup>10</sup> FRIEDMAN and BÉGUIN, p. 9.

<sup>11</sup> UNCTAD: Draft International Code of Conduct on Transfer of Technology, Geneva 1979, TD/CODE TOT/14. These rules are analyzed by Fikentscher p. 93.



It is the same with the Draft of Model Law on restrictive business practices that also forbids "any act restricting the freedom of . . . licencees to purchase, resale or export". [Article B 1 (f)]<sup>11a</sup>

These rules of conduct largely correspond to the measures recently enforced by a number of Latin-American countries. One might almost say they reflect a general tendency toward a characteristic or industrial policy of fair trade but it appears there may be further changes in these characteristics.

Apart from that, the draft Code of Conduct on Transfer of Technology, compiled by UNCTAD-experts permits certain conclusions concerning the use of foreign trade in the transfer of technology.

Trademark licences are used in a much wider scope than patent licences. In addition to technical licence agreements, they appear in co-operation agreements, joint ventures, affiliated companies. Thus, in connection with the use of trademarks, it is more appropriate to speak of them as an attribute of international economic co-operation.

## 2. INTERNATIONAL CO-OPERATION AND FOREIGN TRADEMARKS

The American study earlier mentioned, establishes that the trademarks of the multinational economic organizations are widely used in developing countries, (e.g. IBM, NESTLÉ, PHILIPS, MERCK, MANNESMANN), and that these trademarks are sales-promoting instruments.

In socialist countries it is similar. For instance in Czechoslovakian or Hungarian shops one can come across BATA shoes from Ceylon, PHILIPS tape recorders, COLGATE-PALMOLIVE dental cream from India, LIPTON-tea from India, NESTLÉ chocolate powder and NESCAFÉ from Brasil, or the Ivory Coast. This proves that trademarks have an important economic role, provided they have acquired an adequate reputation.

In spite of these statements, one cannot be sure whether the managers and consumers in developing countries are aware of the real economic importance of trademarks. In the course of the survey made in this aspect we did not manage to get any answer at all, from enterprises as important as PHILIPS-Brasil, LIPTON-India, BERLIET-Morocco. In some other cases we were luckier, and were given replies from the affiliated companies of multinational concerns in developing countries (Part Two, Chapters I, II, III and IV). These answers were in the affirmative with regard to the use of trademarks. Yet, these answers necessarily expressed the views of the owners of the trademark, hence they failed to reflect the views of consumers and merchants in the developing countries. In addition, the situation may vary not only from enterprise to enterprise, but also from country to country. Accordingly, it

<sup>11a</sup> UNCTAD: First Draft of a Model Law or Laws on restrictive business practices to assist developing countries in devising appropriate legislation. New York. UN. 1979.



would be unfounded to take a stand on the question: how conscious is the use of trademarks in the marketing of products manufactured under international industrial co-operation?

*a) The economic role of trademark licences*

Considering the question without bias, it must be stated that the developing countries are not too keenly interested in acquiring foreign patent and trademark licences, for they do not regard it as a preponderant factor of co-operation, and of technical development in general. In their opinion, international co-operation is a complex legal relationship, and trademarks is only one—in their mind, unimportant—element of the relationship.<sup>12</sup>

According to experiences, many developing countries are not primarily interested in the application of foreign marks. They rather focus their attention on building new local industries. Licences, including trademark licences, are only interesting for them, if they serve these new industries. For example, when a country changes over from imports to domestic production, trademarks considerably facilitate the marketing of these new products. Furthermore, trademarks play important roles in the development of exports from developing countries. This relationship is a rather complex one, since the interest of some developing countries often conflict with those of other developing countries. It also happens that they are not in harmony with the interests of the European, or North-American trademark owners either. The conflicting interests between the licensor resident in a capitalist country with developed industry, and the licensee working in a developing country is getting more strained, since the latter one desires to expand and develop his own exports, and is usually not prepared to subject himself to the export restrictions imposed by the licensor.<sup>13</sup>

The question arises, whether capitalist countries can change the disinterestedness shown in trademarks, and stop the erosion of interest in trademarks in developing countries. One proposal is that “a trademark product, whether imported or locally manufactured in the developing country, must be a quality product of outstanding properties. No junk, no rubbish under trademarks!”—says STORKEBAUM.<sup>14</sup>

Such a commercial policy, i.e. linking trademarks used to good quality would be equivalent to giving up the psychology of neocolonialist spirit, which would tally with the trends of the developing countries: namely, to supply their population with quality goods. (Resolution No. 85 of the Andean Pact countries refers to the latter one; namely, it permits the cancellation of trademarks that cover goods of inadequate quality. Cf. Part Three, Chapter II.)

Since, however, developing countries consider foreign trademarks as concomitant of co-operation only, they are interested in trademarks associated with

<sup>12</sup> REGÖCZY, *AIPPI-Proc. (Hungary)*, No. 3, 1973, p. 21.

<sup>13</sup> MADAY, p. 13.

<sup>14</sup> STORKEBAUM, p. 14.



promising technical development for their industries—new products, new technologies—if at all. It also happens that the foreign trademarks, in the licence agreement, also refer to goods which do not further technical development. It is obvious that trademark licences of this kind are not appreciated by the developing countries. Consequently, it is not surprising that, for example, Indian authorities openly manifested their objection to a trademark licence agreement concerning toilet soaps. In particular, the standpoint of the Indian Central Government in connection with the trademark WILLIAMS was that “using foreign trademarks to cover Indian soaps, cosmetics and toilet articles for the moment should not be encouraged.”<sup>15</sup>

Normally, however, the foregoing objections do not weigh enough to cause a trademark licence agreement to be rejected.

The relationship between the imports (transfer) of technologies and trademark licences is analysed by the TM Study of UNCTAD. Yet, this survey represents a negative attitude concerning trademark licences. It concludes,—supported by Kenyan statistical data—that the efforts of developing countries to develop their industries are doomed to failure if they focus their advertising on foreign brand names. According to this view, business policy pursued by means of foreign trademarks, may be, in the longer term, of a much more serious effect for the developing countries, than that of the patent monopoly currently held by developed countries (Item 36).

With regard to the above, the TM Study of UNCTAD considers the quality control of the licensee in a developing country by means of the trademark licence as a disadvantage. It reports the measures taken by several Latin-American countries (Argentina, Brasil, Mexico, the Andean Pact countries) concerning the payment of royalties to foreigners, and the state control of trademark licence agreements. These measures aim at eliminating infringements as well as exploitation (Items 38–47).<sup>16</sup> They will be dealt with in detail in Parts Two and Three, Chapter II.

In the second study<sup>17</sup> UNCTAD is less negative. It states that in developing countries whose domestic markets have reproduced many of the traits of product differentiation, competition and where foreign-owned trademarks are so widespread, it is understandable that some local firms have been willing to obtain licences of foreign-owned marks to develop their business activities (Item 56).

As transnational enterprises have leading shares but not the whole market of the goods commercialized under the techniques of product differentiation, local firms are able not only to stay in business but also to have an acceptable performance while operating with a licence of foreign-owned trademarks. As long as they can transfer to the consumer of the product the burden of the licence—and this is possible with the degree of price inelasticity that the demand for these products is

<sup>15</sup> Sentence of the High Court of Calcutta of 20 February 1973. Cf. *GRUR-Int.* 1974, p. 228, furthermore, *TMR* Vol. 65, 1975, pp. 498–499.

<sup>16</sup> TM Study, UNCTAD, pp. 12–17.

<sup>17</sup> TM Impact, UNCTAD, pp. 45–47.



facing—they are willing to accept the direct and indirect costs of operating with them, thus becoming a sort of junior partner of foreign licensors. Although a licensee is in part dependent on the owner of the mark for the further development of goodwill, he finds this a valuable “return” of the agreement and one of the main reasons for its acceptance. These kinds of domestic enterprises, account for an important part of the trademark licences in the *consumer goods industries*. Their behaviour, despite their nationality, is not very different from that of the foreign subsidiaries (Item 157). But transfer of technology agreements including trademarks is also found in the capital and intermediate goods industries of developing countries. Here the problem has a different setting.

In the *capital and intermediate goods industries* competition, based on product differentiation, does not generally prevail despite the variety of goods being produced. As long as a well-organized system of quality standards prevails and the consumers are industrial enterprises, which generally employ skilled personnel for performing the purchasing function, there exists little room for subjective differences. The purchasing decision is basically made according to rather objective variables like efficiency, duration and easiness to run (convert). But an important variable is also the commercial prestige of the supplier and this is particularly applicable to developing countries (Item 162).

In countries whose industrialization process has basically been carried out by import substitution, traditional suppliers of industrial goods have enjoyed a goodwill first acquired through exports. When these industrial goods are manufactured domestically, the support of the trademark through a licence from an internationally recognized firm is usually required in order for a domestic enterprise to compete in the internal market with foreign importers of industrial goods. It appears that this is the main reason explaining the importance of foreign trademarks and trade names in the capital goods industries like electrical and non-electrical machinery, railway and naval equipment (Item 163).

In general, it is possible to say that in the capital goods industries, foreign trade names are a substitute for quality control for the purchasers, although a poor substitute as long as other ways to police or measure standards of quality are not followed. State companies and foreign subsidiaries, as the more important customers, have also played a role in favour of foreign marks. It is often found that public biddings have required that any firm submitting a bid must have a licence of a well-known company to be considered as a reliable supplier. Thus foreign subsidiaries have usually preferred status. Given this situation, to compete more effectively, domestic enterprises need to have a licence. The main consideration for entering into such a licencing agreement is the possibility of using the name of a well-known company, although there may well exist reasons for such an agreement, too (Item 164).

The present work draws an even more positive conclusion from the author's own experiences; namely, from what one can see in the streets, in the shop-windows of cities or on the television e.g. of Mexico or Morocco. In my view, trademark licences in a number of developing countries can be a very useful tool serving the



economy, in particular, the trade of these countries, provided it appears within the frames of business honesty and morals.

The concrete information disclosed hereinafter also illustrates that the establishment of a trademark licence, more exactly, the use of a foreign trademark reputed and established in the foreign market, provides a great advantage for the licensed enterprise operating in the developing country, and in particular if this enterprise wants to introduce a new product into the world market. In this respect, the use of the trademarks of multinational concerns is of benefit, as shown by the example of numerous marks of capitalist and of socialist enterprises: VW, IBM, ESAB, and others (cf. Part Two, Chapter II), GANZ (cf. Part Two, Chapter I) and LAMPART in India, or TUNGSRAM in Sri-Lanka.

#### *b) The use of pharmaceutical marks*

According to a generally accepted concept, pharmaceutical industry is one of the industries that a developing country can build up when it has reached medium level of general industrial development.

The pharmaceutical industry lends itself, particularly well, to the study of the specific problems of trademark law relating to this industrial sector.

The implications of the form of competition that has taken place in the pharmaceutical sector are of great importance, especially for developing countries. First, pharmaceutical products under trademarks are higher priced than those sold under pharmacological or generic names. In India, LIBRIUM was sold in 1972 at Rs. 16.00 (per 100 tablets of 10 mg. each) while generic name equivalents were available from small producers for prices as low as Rs. 1.5. In the case of Sri-Lanka, the private sector imported 23 brands of tetracycline at an average price of 16.92 per 1,000 capsules. By "shopping around" the State Pharmaceutical Corporation purchased tetracycline at 6.33 after considering 45 offers. Given the degree of price inelasticity prevailing in the demand for drugs through the use of the physician as an intermediary, manufacturers of branded products can charge whatever price the market will bear (Item 193).

Second, the distortion of information is a basic consequence of the brand proliferation. Doctors cannot remember the numerous brand names created by the companies to label the same drug and in this way prescriptions are biased toward those brands in which the promotion or advertising effort was most effective. A serious consequence of this problem can be appreciated in the following quotation: "TETROX, TETRACYN, TETRATCO, HOSTACYLCINE, UPCYCLINE, AMBRAMYCIN, PROBACYCLINE, ACHROMYCIN, HACYCLINE are all trade names under which the antibiotic tetracycline is available. A patient with a prescription for ACHROMYCIN will go from one chemist to another and be told that the drug is out of stock, whereas the chemist might well have the same drug under other brand names. One patient had a prescription for Pentazocine under one of its trade names—FORTRAL. Since Pentazocine is not sold in Sri-Lanka as FORTRAL, a special user's licence was obtained and the drug airlifted into the country. Subsequently, it was found that Pentazocine had been available all



the while under the trade name of SOSECON, *manufactured by the same company* which sells it under the name of FORTRAL in other countries" (Item 194).

On the other hand, brand advertising carried out by the drug manufacturers provides doctors with little objective scientific information on pharmaceutical products. As this is the basic source of information for the majority of the practitioners, in many instances doctors prescribe either too many drugs or many ineffective drugs (Item 195).

The above statements are quoted from a study of UNCTAD<sup>18</sup> and gives a partial explanation why certain developing countries are against trademarks in the pharmaceutical sector.

Pakistan has totally rejected trademark protection of pharmaceuticals. There, the Act of 27 September 1972 banned the use of trademarks on medicines in 1972. They were marked by generic names only. In other words, not only trademark licensing, but also the marketing of pharmaceutical products bearing foreign or domestic trademarks, was prohibited until 1976 when this Act was abolished.<sup>19</sup> The result was that the pharmaceutical industries of industrial capitalist countries refused to export anonymous (no brand name) products.

As a consequence, some pharmaceutical products completely vanished from Pakistan. As far as public health is concerned, the difficulties arising from this situation clearly demonstrated that it is risky to go so far.<sup>20</sup> This decree, prohibiting the use of trademarks, is very likely to be annulled. A similar decree is under preparation in India, although with conservative gradualness (cf. Part Two, Chapter I).

It can be assumed, however, due to its closer connections with the CMEA countries, that India can overcome the difficulties thus arising in the pharmaceutical provision relatively easier than Pakistan. Nevertheless, we have certain reservation as far as the envisaged measures are concerned. In our opinion, the answer to the existing problems should be found in another technique rather than in abrogating trademarks for pharmaceutical products.

The question emerges, what can have made these countries assume such an inimical attitude towards pharmaceutical marks?

One should start with a review of the social conditions;<sup>21</sup> namely, with the fact that in developing countries, where public health is at a low level, native population was looking with longing eyes at the abundance of coloured boxes that hide remedies for all sorts of diseases. These boxes bear marks, words that sound strange

<sup>18</sup> TM Impact, UNCTAD, pp. 53-54.

<sup>19</sup> *Business Asia*, 28 April, 1972. According to the statement of former President BHUTTO, thousands of trademarks of drugs formerly in use have been reduced to about 250 single-ingredient drugs, i.e. generic names. This action has been justified, among others, by the enormous profits achieved by pharmaceutical brand names.

<sup>20</sup> PLASSERAUD, *Conference on Significance of Protection of Industrial Property in International Industrial Cooperation*, p. 422.

<sup>21</sup> STORKEBAUM, p. 13. On the effect the great Western trademarks exercised on prices, cf. also PLASSERAUD, *Conference on Significance of Protection of Industrial Property in International Industrial Cooperation*, p. 420.



for them. Natives are desirous to buy these medicines, with their high prices though beyond their reach.

Thus the foreign trademarks become the symbol of all that is smart, luxurious, or necessary, yet inaccessible. The reaction to this effect is the tendency to ban these attractive trademarks to fight against the high prices of pharmaceutical products. It is also a fact that tablets, ampoules, pills are sold in snug containers, carefully wrapped, in folding packages, all to be thrown away. Another fact is that they have to be advertised and proffered by an army of well-paid representatives. It is a further fact that this leads to high extra costs.

Therefore, when the competent authorities were making efforts to reduce the prices, they found out that trademarks were the very source for all this expenditure. In other words that it is inherent to a trademark to be promoted and publicity and advertising only adds or brings extra costs. Moreover, numerous penicillin-products or antibiotics exist. The pharmaceutical factories launch a whole collection of these products, differing only in slight degrees.

STORKENBAUM further states that the difference often only lies in the trademarks used by the producing firm—the product is identical. This has a further consequence, that foreign companies tend to divide the markets of developing countries among one another, by means of well-known international trademarks—just the same as they do in their own highly industrial countries.

This analysis was crystallized by STORKENBAUM through his business experiences, having visited a great many developing countries and having lived in India for about four years. He attempts to establish some rules of conduct that might be able to stop this unwelcome psychological process, i.e. the adversion to allow usage of pharmaceutical marks in developing countries. He makes some proposals to capitalist enterprises, as follows:

“We must not try to sell the full range of all our products in each and every country. The governments of developing countries are right in discouraging the sale of an unnecessary range and a multitude of identical products. We must not try to sell our products at the highest prices. The governments of developing countries are right in demanding cheaper products for poor peoples” ... etc.<sup>22</sup>

If the industry of capitalist countries took these warnings seriously, then measures banning the use of pharmaceutical marks would be needless. Yet, the capitalist industries are not likely to adopt such attitudes deliberately.

The background of the developing countries and of the industrially developed countries are also different. The developing countries want to make profit out of their pharmaceutical products, the industrially developed ones, on the other hand, want to cover their high development costs by incomes gained from sales or from licence fees.

In the pharmaceutical industry, licence agreements are based on patents and know-how. Similarly to the other industries of other countries, trademarks are important elements of licence agreements. The reconciliation of the two colliding

<sup>22</sup> STORKEBAUM, pp. 13–14.



interests is however not easy. Developing countries want to raise the living standards of their own population; capitalist enterprises aim at recuperating their high research expenditures.<sup>23</sup>

The vice-president of the Union of the Hungarian Pharmaceutical Industry, MR. HORVÁTH, starts from the fact that medicine is an article of confidence. The doctor, who has prescribed and the patient who has been administered an efficient medicine, in case of a similar disease insist on having the same. If the medicines are marketed under generic names, without protected trademarks, this repeated choice becomes impossible; doctor and patient are not able to find the same drugs again. Thus marketing under generic name involves the risk that the doctor does not mark the manufacturer of the medicine he prescribes, and—the dispensing chemist has the liberty to dispense the same product of any other manufacturer.

It is well-known that the efficiency of the same agent is not identical. It is dependent upon the form and packaging, and the finish of pharmaco-technology. These processes of making medicines of effective agents are not of common knowledge. They are the treasured secrets of markers. The use of a trademark allows user section of the drug and its quality. A case in point is the tablet of aspirin registered under the Bayer-cross. Its agent can be pressed into a tablet, under lower pressure, due to its specially advantageous prismatic crystalline form, consequently, dialysis is faster, resorption is more favourable, thus, its efficiency is higher.

Due to the fact that medicines are articles of confidence, it is imperative that medicines be distinguished from other similar products. This purpose can be best achieved by pharmaceutical trademarks.

The use of generic names might be feasible in the application in clinics, hospitals, health centres. In fact, organizations of social insurance urge this practice, mainly to reduce their costs of medicines.

Yet, the right way to protect doctors and patients against being misled and deceived is not the cancellation of registered trademarks, but rather the wide-scale introduction of a state control system, under which

- the registration of pharmaceutical products is done on the basis of an appropriate, scientific analysis,
- the medicines in current use are subject to random quality testing,
- medicines, at least those applied within the scope of social insurance, are subject to price control, and price regulation.

The experiences gained by the Hungarian pharmaceutical industry with the use of trademarks, reveal the essence of the problem, at the same time, they point to the practical solutions. The aforementioned sociological problems that exist, however, not only in the domain of pharmaceutical trademarks—developing countries had to face really grave problems when the measures adopted were not felicitous (see the case of Pakistan). In other developing countries, e.g. in Brasil, attempts were also made to solve the problems concerning pharmaceutical marks. By enacting less drastic measures, than trademark abolition there was no interruption in the supply of medicines.

<sup>23</sup> MADAY, p. 16.



## CHAPTER III

### STATISTICS

Returning to trademarks generally, the filing of trademarks, as like patents, does not necessarily mean actual use, (in Japan, e.g., only about 25 per cent of the registered trademarks are in actual use); yet, they allow important conclusions to be drawn concerning the intention of use. Accordingly, it would be a mistake to leave out of consideration this most simple approach to understanding trademark usage in developing countries.

From a survey compiled by the WIPO reflecting the state of developing countries in 1978,<sup>1</sup> table 1 shows that for some important countries (Brasil, Morocco, Indonesia, Viet-Nam, etc.) data concerning the number of trademarks were not available at the end of 1979.

The foregoing statistical survey comprises both domestic and foreign trademarks, filed or registered in the countries listed therein.

As far as the number of registrations in force are concerned, the first two places are held by Argentina and Chile, countries that have reached a certain level of industrial development. This points to the fact that there is an interrelationship between economic progress and applications of trademarks.

The other extremity is formed by the OAPI-countries, that, although holding the last places, as to their level of economic development, they have 25,062 registrations in force. This figure refers to 12 countries since they have integrated their trademarks, i.e. they have a common Office of Industrial Property (cf. Part Three Chapter I.).

Against these seemingly obvious statistical data, it is surprising that, some relatively small countries (Costa Rica with 44,594 trademarks, Hong Kong with 33,695) passes a rather significant trademark inventory, whereas far bigger countries less (India 56,737, Ghana 12,538).

As mentioned before, the statistical figures quoted here include trademark registrations effected both by foreigners and residents, yet it would be improper not to mention that the WIPO-publication referred to, contains *differentiated statistics* in respect of trademark registrations for the year 1978. It is interesting to note, though it is not surprising, that the number of applications for registration filed by residents, e.g. in Argentina was 21,266 in 1978. Argentina is a country with

<sup>1</sup> Industrial Property Statistics 1979, I. P. 1980, No. 9. Appendix p. 22-30.



Table 1

Registrations in force at the end of 1977, 1978 and 1979			
COUNTRIES	Registrations in force at the end of 1977	Registrations in force at the end of 1978	Registrations in force at the end of 1979
Algeria	10988	12095	12127
Argentina	299832	314978	no data
Bahrain	—	686	473
Bangladesh	3003	4319	no data
Burundi	1397	1553	1643
Chile	182310	197494	no data
Costa Rica	42532	44594	no data
Cyprus	10294	10790	10985
El Salvador	17167	17593	no data
Egypt	no data	33345	34430
Ghana	11522	12186	12538
Haiti	11092	11870	21730*
Honduras	18315	20651	no data
Hong Kong	32801	33695	34275
India	54975	56737	no data
Iraq	13686	14167	14312
Israel	21523	22176	22668
Jamaica	13937	14521	15774
Kenya	15956	16987	18142
Malawi	11488	11285	no data
Malta	7328	7543	7629
Mexico	no data	no data	51110
Nepal	2720	2881	3037
OAPI	23908	25062	no data
Pakistan	29535	28991	28820
Panama	23035	22612	no data
Philippines	16790	17562	18824
Rep. of South Korea	49816	56410	63613*
Rwanda	1369	1453	1542
Samoa	—	1639	no data
Seychelles	1680	1697	1721
Sierra Leone	8673	8985	9016
Singapore	55829	57163	no data
Trinidad and Tobago	9566	9781	no data
Turkey	42939	47176	51244
Uganda	12132	12740	no data
Zaire	11469	11676	no data
Zambia	15049	15468	15887

\*Without registrations cancelled and expired in 1979



developed industry, and applications filed by residents greatly outnumber those filed by foreign applicants (4,198 applications in 1978).

Also it indicates that the instruments of economic and legal regulatory system are availed of to encourage resident applicants, while otherwise enacting defensive measures against foreign applicants (cf. also Brasil, Part Two, Chapter II).

On the whole, however, this ratio is not typical for the practice of developing countries. In 1978, e.g. OAPI had 65 filings by residents, and 1089 applications filed by foreigners (non-residents). In the same year, in Bolivia 128 residents, and 1443 foreigners, filed, while in Iraq 114 residents and 653 foreigners filed for registration.

Conforming to the TM Study of UNCTAD, averaging these figures according to continents, 83 per cent of the trademark inventory in Africa are of foreign origin; the same ratio for Asia is 62 per cent, for Latin America, however, it is a mere 38 per cent.

The TM Study of UNCTAD provides remarkable information in respect of Mexican and Argentine statistical data concerning trademark licences. Accordingly, the Mexican National Register for Transfer of Technology stated that 48.3 per cent of the licence agreements received for examination involved trademarks. In Argentina, a similar analysis made by the National Register of Contracts for the Licence and Transfer of Technology stated that 58 per cent of the 1454 licence agreements analysed in 1972 included trademarks. These licence agreements often concerned food and drink, pharmaceuticals, vehicles, electrical machinery, etc.<sup>2</sup>

The above statistical data on licences convincingly demonstrates the close economic interrelationship developed in practice between the transferors of technologies, and the transferring or licencing of trademarks.

True enough—as often in connection with statistics—there is a danger that due to generalization essential details might fall into the background, but to reject statistical figures as a device of analysis would be imprudent.

<sup>2</sup> TM Study, UNCTAD, p. 7.



## CHAPTER IV

### SOME CONCLUSIONS

When analysing the role of trademarks in the trade as well as in the industry of developing countries, three questions are particularly important.

The first question is whether there is a need in the developing countries for the use of trademarks. Upon this question, it must be stated unambiguously that such a need does exist. Latin-American authorities have realized it and have accommodated for it in numerous legislative measures. A great number of African countries, as well as Asian countries, however, have not yet fully recognized the need. Considering the rapid progress of world trade, it can be assumed, though, that our generation should see the time when this need is recognized in every developing country.

The second question is more delicate. Namely, are the view of developing countries on trademarks the same as on patents, i.e. as a tool for dominating the market? The often quoted TM Study of UNCTAD does not support it, but certain statements are open to such interpretations. In my opinion, the wrongful use of trademark rights does not justify the banning of the institution of trademarks, as such, nor of renouncing the economic benefits of trademark licencing.

The studies noted rather confirm that in those developing countries where the need of trademark use has by now become sufficiently conscious, the widespread use of foreign trademarks, and the exploitation of the economic advantages of trademarks all go to show that the position of these developing countries is positive and that they decided to use the trademarks to service their own national economic objectives.

The third question is, whether—taking into consideration the infrastructure of developing countries—trademarks can play any role at all. The answer is definitely “yes”. Concerning a further question, however, what this role might be, the above-cited examples demonstrate that trademarks have a more important economic role in the foreign trade, and in the exports of developing countries than in domestic trade.

The above analysis brings to mind three further questions. What in fact is the legal framework of trademark regulation in some developing countries and are the interests of developing countries common enough to influence world trade more with its law as by revisions to the Paris Convention? In the next part we will study the first question.







## PART TWO

# TRADEMARK ACTUAL CASE HISTORIES: IN INDIA\*

## TRADEMARK LAW AND PRACTICE IN SOME DEVELOPING COUNTRIES

With an area of 3.3 million km<sup>2</sup>, an enormous population of some 510 millions and an ancient culture, India is one of the largest countries in the world. At the same time India is an extremely poor country, rated by the UN among the 41 most indigent ones. A fundamentally agrarian country, with rich raw material resources and rapidly expanding industry, in recent years India has undertaken great efforts to develop its export activity.

India, a British colony for one hundred years before becoming independent, follows the British line in its commercial traditions and, consequently, in its trademarks legislation. India has not joined the Paris Convention, but has adhered to the WIPO Convention in 1973.

### 1. TRADEMARK LAW

"To be a good Indian lawyer in this branch of law, it is necessary to know the English law", said a judge of the Bombay High Court.<sup>1</sup>

The Indian Registrar has formulated his observations even more concisely, pronouncing in a number of decisions that Indian trademark law largely corresponds to English law. At the same time, a reference to the judicial decisions on the corresponding sections of the English law is positive and helpful.

These views show the impact of a long historical development.

#### *a) Evolution of trademark law in India*

When the British trademark law took effect in 1875, numerous persons in India advocated the enactment of an Indian national law, which was to take into account the English model. These undertakings were frustrated over the lifespan of several generations, even though this situation resulted in a legal uncertainty, and the absence of trademark protection for long years. Subsequently, the High Court

\* The author wishes to express his appreciation to Mr. R. G. de Frenay, Paris Attorney, for his review, commenting and simplifying this chapter.

<sup>1</sup> Quoted by Yano, in the last vol. of *Trademark's Year*.

<sup>2</sup> Quoted by *Trademark's Year*, p. 33.







## CHAPTER I

# TRADEMARK LAW AND PRACTICE IN INDIA\*

With an area of 3.2 millions km<sup>2</sup>, an enormous population of some 610 millions and an ancient culture, India is one of the largest countries in the world. At the same time India is an extremely poor country, rated by the UN among the 41 most indigent ones. A fundamentally agrarian country, with rich raw material resources and rapidly expanding industry, in recent years India has undertaken great efforts to develop its export activity.

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#### *a) Evolution of trademark law in India*

When the British trademark law took effect in 1875, interested persons in India advocated the enactment of an Indian national law, which was to follow closely the English mode. These endeavours were frustrated over the lifespan of several generations, even though this situation resulted in a legal uncertainty, and the absence of trademark protection for long years. Subsequently, the High Court

\* The author wishes to express his indebtedness to Mr. R. G. de Penning, Patent Attorney, Calcutta, for revising, commenting and supplementing this chapter.

<sup>1</sup> Foreword by VAIDYA to the 2nd ed. of Dadachanji's book.

<sup>2</sup> Quoted by SRINIVASA IYENGAR, p. 10.



stated that prior to 1940 the judicial practice was based on misbeliefs.<sup>3</sup> Even in the light of the contemporary absence of protection that could not be retroactively remedied.

The first independent Indian Trademarks Act was promulgated in 1940. It followed the pattern of the 1938 English law, adopting a great many of its provisions. As an example, let us mention definitions of terms like Trade Mark, Certification Mark, Defensive Trade Mark, Associated Trade Mark, all of which were followed almost verbatim by the first Indian Trademarks Act. At the same time the extremely complicated appeal system meant a heavy burden, which the owner of a trademark had to put up with in case of infringement or passing-off of his mark.

Such faithful adoption of the English trademark law followed the nearly hundred years of colonial influence and rule.

More interesting, some ten years after having gained independence, the Indian legislators not only stuck to the path laid out by the English trademark law, but even considered it necessary to adopt a more complete English law, thus the currently effective 1958 Trade and Merchandise Marks Act<sup>4</sup> introduced the division of the trademark register into Parts A and B. At the same time, taking into account the special Indian requirements, the legislators imposed fees for registration and the competence of the Indian Central Government to approve the registrability of Certification Marks or of the recording a registered user.

#### *b) Definition of a trademark, legal effect*

Under Section 2 of the Law, trademarks may be “registered or used”. This was introduced by an alternative mode of acquiring rights according to English law, under which registration is not mandatory. However, in case of infringement full protection is granted only to the proprietor of a *registered* mark. (Sec. 27.) Accordingly, in India—just like in the UK—use confers rights of lesser value in most respects; for instance the proprietor of an unregistered mark may only assert his rights by means of a “passing-off” action, in which the burden of proof is greater, the scope of protection narrower and the possibility of penalties or damages substantially less.

#### *c) Protection of an unregistered mark*

If one is trying to find a legal analogy in British and Continental law for the legal instruments to be resorted to for securing protection for an unregistered trademark in Indian law, the closest analogy in civil law seems to be found in an action for unfair competition as encountered on the European continent.

<sup>3</sup> SHAVAKSHA, p. XIX.

<sup>4</sup> French translation cf. *P. I.* 1959, p. 90.



Protection of an unregistered mark may be secured by a passing-off action. To satisfy the preconditions in substantive Indian law, the imitation of the unregistered mark must cause confusion, or at least the possibility of deception must exist. In a Bombay decision, it is not necessary to prove fraudulent intentions on the part of the defendant, though, if a fraudulent intention is proved, that usually assists the plaintiff's case.<sup>5</sup>

In a passing-off action the burden of proof is on the plaintiff. The plaintiff has to prove that his own mark was known to the public and associated with his business activity, according to the Madras decision.<sup>6</sup> Where, however, the plaintiff has initially proved passing off, the burden of proof now shifts to rest on the defendant – according to a decision of the Madras High Court, to deny passing off.<sup>7</sup>

Passing off is a pre-judicial form of protection which evolved in Great Britain at a time when the country had no trademark registration law. The survival in India (and in virtually all other former colonies of England) of the English legal practice is obvious. References to early 19th century English court decisions are not uncommon in Indian literature.

#### *d) Some special reasons for excluding a trademark from registration*

The requisites for registration are essentially identical with those common in other countries. The adoption of the English law has resulted in the introduction of requisites to registration as stipulated in the Paris Convention.

The Indian legislative has, however, introduced some special requisites to registration which take into account the national and religious interests of the country. These include

- words having a significance in Indian languages which preclude the registration of the mark. For example an injunction was granted restraining the defendant from using the word FAIXAR as a trademark, since in the Mahratti language the word means “fruit salt”.<sup>8</sup>
- words referring to an Indian sect, caste or tribe [Sec. 9 (1)(d)]. Such provisions are obviously not to be found in the UK Act, as is stressed by Indian commentaries. The Registrar (of Trade Marks) may, however, grant exceptions in practice, if the word in question has established a distinctive character. For example, the words ARYAN has been found registrable for toothbrushes and shaving brushes, the word MOGHUL for playing cards, AGRA (the name of a castle) for small agricultural implements;
- words which may have the effect of wounding the religious susceptibilities of any class or section of the Indian public (Sec. 11). For example, the word KABA, which is defined as the black stone located in the centre of the Great Mosque (Temple) of

<sup>5</sup> SRINIVASA IYENGAR, p. 200.

<sup>6</sup> SRINIVASA IYENGAR, p. 207.

<sup>7</sup> SRINIVASA IYENGAR, p. 207.

<sup>8</sup> SRINIVASA IYENGAR, p. 83.



Mecca was refused to be registered, it being considered to offend the religious feelings of Moslems. Experience has shown that there is a tendency to use pictorial representations or devices of Gods to designate very ordinary articles, such as beer. These are produced for the use of a group of people, whereas the same designation may offend the religious feelings of others.<sup>9</sup>

#### *e) Parts A and B of the Register*

The Register of Trademarks is divided into Parts A and B, similar to the Register according to English law.

Under the law trademarks "adapted to distinguish" may be registered in Part A, whereas marks "capable of distinguishing" are registered in Part B. Accordingly, a precondition to registration in Part A is to prove distinctive character. Part B contains trademarks having less distinctive character.

It is thought that a trademark registered in Part A is of slightly higher value than one entered into Part B. This appreciation of the difference is expressed also in the law by various provisions, of which two are referred to by way of illustration. (For example, no interim injunction will be granted, for a Part B registration where the allegedly infringed mark is registered; this restriction does not apply to Part A registrations.)

A mark registered in Part A cannot be removed from the Register after 7 years, except for certain particular cases enumerated in the law (Sec. 32).

In the case of a successful action brought against a mark registered in Part A, the court may order the mark to be transferred to Part B [Sec. 56 (6)]. According to British judicial practice, referred to by Indian authorities, this latter provision is subject to the condition of having used the mark for a period of sufficient length, and to its having an assumed distinctive character.

Finally, judicial practice shows that when a Part A trademark is being infringed, it is sufficient for the decision to establish the fact of infringement. On the other hand, in the case of a Part B trademark it is also required that the unlawful action result in actual or intended deception.

#### *f) Disclaimer*

If certain elements of a trademark are not capable of protection because they are designations common to the trade, they may be excluded from trademark protection (Sec. 17). In such cases, protection covers only the rest of the mark.

Here again we have adoption of an institution well-known in English Common Law.

The juridical character of the disclaimer is thoroughly analysed in a decision of the Calcutta High Court. According to this decision "the disclaimer is only for the

<sup>9</sup> SRINIVASA IYENGAR, p. 149.



purpose of the Act". It does not affect the rights of the proprietor except such as arise out of registration. That is to say the special advantages which the Act gives to the proprietor by virtue of registration do not extend to matter which he disclaims. In short, the disclaimed matter is not within the protection of the statute. However, that does not mean that the proprietor's rights, if any, with respect to such matter would not be protected otherwise than under the Act. If the proprietor has acquired any right by long use of such matter, he may, on proof of the necessary facts, prevent any infringement of his right by a passing-off action or by a prosecution under the Indian Penal Code. Disclaimer does not affect those rights in any way."<sup>10</sup>

#### g) *Obligation of use*

The rule for obligation of use known in English law has also been adopted by Indian legislation. (Sec. 46).

- a. if a mark was registered without *bona fide* intention of use,
- b. if the mark has not been used for more than 5 years and one month prior to the date of the application—Registrar may remove it from the register on the application of a third part.

User under the law means user in relation to goods. In addition, the use must be *bona fide*. The definition *bona fide* is very broadly interpreted in practice: the export of samples for marketing purposes, even without sales, is considered *bona fide* use.

Some remarkable decisions have been given by the Indian Registrar in connection with the absence of use being excused by reasons of war. The first action of this kind related to the trademark "4711" and other related marks of the famous perfumery and cosmetics factory in Muhlens, German Federal Republic. These trademarks were confiscated in Great Britain during the Second World War. Since, however, the effect of such confiscation did not extend to India, and the trademark was not used by its proprietor due to the war, and the proprietor did not intend to stop user of his mark in India (on the contrary, he had used his mark in India up to the outbreak of the war) accordingly, he was considered to be the real proprietor of the mark in India. Based on this reasoning, the identical trademarks of an English firm, who acquired their proprietary rights from the Custodian of Enemy Property in Great Britain, were removed from the register.<sup>11</sup>

In addition to these decisions, which are of historical interest now, the situation resulting from the stringent export restrictions which have been in existence in India since 1956 is important from the practical point of view. Under these provisions most foreign trademarks owners can only use their marks in India if they grant licences for use to third parties. Hence, the Bombay High Court declared that if the proprietor of a trademark has been unable to use his mark owing to reasons of import restrictions, this is considered a valid reason for failure to use.<sup>12</sup>

<sup>10</sup> SRINIVASA IYENGAR, p. 177.

<sup>11</sup> SHAVAKSHA, pp. 205–206. For identical and similar decisions cf. *I. P.* 1970, pp. 156–157.

<sup>12</sup> SHAH, *J. P.* 1973, p. 362.



The absence of *bona fide* intention to use was established by the Calcutta High Court in connection with the trademark DRISTAN of American origin. The mark was cancelled, because its proprietor did not have at the time of making the application any *bona fide* intention to use the mark except through a registered user and the Indian trademark law does not know any provision corresponding to Section 29 (1)(b) of the United Kingdom's Act.<sup>13</sup>

#### *h) Certification mark*

The certification mark substantially corresponds to the notion as used in Anglo-American law, with some differences reflecting unique Indian interests. The closest analogy in European continental law is the appellation of origin. One must stress, however, that the two institutions are far from being similar; the analogy being rather distant.

The definition in the law is in verbatim identical with the English law. It means a mark adapted, in relation to any goods, to distinguish in the course of trade, goods certified by any person in respect of origin, material, mode of manufacture, quality, accuracy or other characteristics from goods not so certified, and registrable as such [Sec. 2 (1)(c)].

Certification marks are registered only in Part A of the Register.

A regulation regarding the conditions of use of the certification mark, must be approved by the Indian Government (Sec. 63).

The role of the Central Government, however, does not end with the registration, since the Government may order amendment of the Register (Sec. 65). This naturally occurs only after a hearing where the proprietor may be heard. These provisions ensure Government supervision during the whole duration of a certification mark.

It seems that the Indian legislature gave particular attention to the further development of this certification mark. If we remember, that one of India's major export articles, jute, can only be exported under the certification mark of the Indian Standards Institution, we are entitled to assume, that the Indian legislature has considered the certification mark a legal instrument which may become an efficient means for promoting modern foreign trade.

#### *i) Trademark infringement*

Provisions relating to infringement correspond to the pertinent English legislation. The definition of infringement is in conformity with the legal principles more or less universally accepted, namely,

- regulations and penalties relating to infringements are only applicable to registered trademarks,
- the protection of a Part A trademark is stronger. Infringement of a Part B

<sup>13</sup> SHAH, I. P. 1971, pp. 136–137.



trademark is only established by the Court, if the infringing section results in deception or confusion of the two trademarks (Sec. 29).

In establishing an act of infringement, the Indian judicial practice—like in other countries—is not based on a comparison of the two marks but considers their similarity from the aspect of whether the defendant's mark as used is similar to the plaintiff's registered mark as it would be remembered by persons possessed of an average memory with its usual imperfections; this according to a decision of the Allahabad High Court.<sup>14</sup>

In so deciding infringement the Court has in mind the superficial customer and not the well-trained one. The judgement establishing deceit or infringement or its absence is based on an imaginary assessment made by said superficial customer. Thus, the Court examines whether the similarity of two trademarks is such as to permit the assumption of the probability of confusion, i.e. deceit. The fact of infringement is established from the viewpoint of the average customer.

On the basis of pertinent Indian literature, the number of infringement actions is not substantial in India; the references in commentaries are almost exclusively to English decisions. However, a few Court decisions passed in today's Pakistan area—prior to the partition—are also quoted as Indian precedents.

#### *j) Trademark licencing agreements*

In view of the institutionalized system of registering trademark licences (Sec. 48), which essentially corresponds to the English notion of "registered user", the control over trademark licencing agreements and hence over payment of licence fees to foreign countries presents no difficulty to the Indian Central Government.

In practice, however, foreign trademark proprietors have often granted licences for the use of trademarks not registered in India. Since such agreements were obviously not registrable, the transfer of licence fees to foreign countries was regulated in the Foreign Exchange Regulation Act, 1973, Para, 28, 1 (c), where a permit of the Reserve Bank of India was stipulated and prerequisite to payment of fees. In examining the application made by the owner of the foreign trademark, the Reserve Bank of India is entitled to investigate any case before granting permission.<sup>15</sup>

#### *k) One scenario of possible future perspectives: abolition of pharmaceutical trademarks?*

In the 1975 Report of the Pharmaceutical Commission appointed by the Central Government, the abolition of trademarks for drugs and their substitution by generic names is recommended to the Government. In view of the Pakistan experiences gained when similar abolition provisions for pharmaceutical trade-

<sup>14</sup> SRINIVASA IYENGAR, p. 231.

<sup>15</sup> In detail in: SHAH, I. P. 1974, pp. 202–203. Furthermore, Vederaman, I.P. 1977, p. 171.



marks were enacted in 1972, a more gradual procedure of abolition is recommended.

As a first step, the abolition of pharmaceutical marks is suggested in cases where the generic name is just as "elegant" as the trademark (Appendix II of the Report).

As a second step, it is suggested that state institutions be ordered to use generic names and not trademarks, thereby contributing to diluting or weakening the trend of using trademarks.

As a third phase, drugs not listed in Appendix II of the Report are to be traded under generic names, with the trademarks indicated in brackets only.

In the next phase, trademarks should not be permitted when importing *new* drugs.

Subsequently, the Indian Drugs Commission is invited to create simple, short, inalienable generic names for drugs having complicated names.

Finally, the new generic names should be publicized; various recommendations are made to this end.

It is remarkable that under the Recommendations the use of trademarks is to be continued for exported drugs.<sup>16</sup>

The recommendation of the Pharmaceutical Commission based on a preparatory work of several years, is cautiously formulated. The consistent suggestion of gradual introduction of the new system also indicates prudent restraint. It seems justified to assume that such well-balanced restraint is due to the hygienic problems which emerged in Pakistan as a result of the radical changes introduced there; problems which India apparently wishes to avoid. The sociological background of the quoted recommendations is probably similar to the Decree issued by the Pakistan Ministry of Health (cf. Part One, Chapter II. 2b).

If the recommendations are adopted by the Central Government and the Parliament, the results will ultimately be more or less similar to the Pakistan situation. In 5 to 10 years the drugs now in use will be replaced by new drugs, hence, the great majority of currently used trademarks will be eroded by attrition in the wake of industrial development.

One cannot, however, exclude the possibility of some unforeseen event putting a stop to the process of erosion. This is not too probable though. One can hardly imagine any capitalist country willing or able to exert continuous economic pressure on India to reverse the pharmaceutical trademarks. This did not succeed in the case of Pakistan, a much smaller country.

The question that presents itself in this connection is whether the Pakistan and Indian models will find followers in other developing countries? Will the pattern of price movements of drugs actually follow these provisions? Or will the provisions realized in Pakistan and planned in India have only social and not economic implications? Replies to these questions will only be found after 10 to 15 years of experience.

<sup>16</sup> TM Study, UNCTAD, p. 15.



## 2. TRADEMARK PRACTICE

This portion relating to the trademark practice in that vast country, India, is based primarily on random research conducted in Hungary, since in corresponding research made in France and the German Federal Republic ample amounts of Indian goods were found, but the products either did not carry any trademarks at all, or were labelled "Made in India for ...". That is, they carried the name or trademark of the importer.

### *a) Indian trademarks in the service of exports*

A look at Hungarian shop-windows will convince us that in the field of cosmetics, a highly publicity-oriented field, Indian face powder, lipsticks and facial creams LAKME have conquered the Hungarian market in a year's time solely by its quality and price.

To quote another example from the food industry: the trademark MILAK combined with the device of a woman's head is well-known in Hungary for canned peanuts and cashew nuts. Here again, no advertising or publicity was made. It is noted that peanuts are among the traditional and significant export articles of India.

Dry batteries carrying the trademark NATEX are also seen from time to time in Hungarian stores; no publicity is made on this mark either. According to the owner, dry batteries are supplied under this mark to the USSR, to Czechoslovakia, Bulgaria, the German Democratic Republic, Yugoslavia, Great Britain, Italy, Sweden, the Near East and to other countries.

The trademark BLUE STAR (with the device of a blue star) used for water-cooling installations is not known in Europe, due to the nature of the marked goods, since the product itself is marketed mainly in tropical countries. However, the owner of the trademark recalls proudly that he was able to establish the markets of Kuwait, Qatar, Zambia, Nigeria and Malaysia in only a few years' time<sup>17</sup> with his marked goods.

Judging from the Indian advertisements, well-known Indian marks in a number of countries are ALTA for pharmaceuticals, GATEWAY for textile goods (showing the figure of a gateway), the trademark TIGER for locks and padlocks, REGENT for bicycle seats, ARUJA for amplifiers and microphones, as well as USHA for diesel engines.<sup>18</sup>

Nevertheless, one should not be misled by these positive examples. The use of trademarks is not typical for most of Indian industry and trade. It is particularly surprising to note the lack of trademarks in the food industry which by its very

<sup>17</sup> Success Story of a Leading Exporter of Water Coolers. In: *Journal of Industry and Trade* (India) 1975, No 9, pp. 11-12.

<sup>18</sup> Directory of Exporters from India, advertisements: "Exporting all over the world", "A name that is favour the world over", etc. New Delhi, undated.



nature lends itself extremely well to the use of trademarks. Foodstuffs, while presented in pretty packaging, are sold simply as "Salted Snacks", "Cornflakes", "Cheese", "Food Drink", "Pineapples", etc. It seems that in this field international customs have not been accepted in the Indian market place.

In addition, another phenomenon is experienced. A number of Indian firms select their trademarks on the erroneous assumption that a descriptive mark will favourably promote the sale of the goods, and will gain a distinctive character after having been used for some years. This practice exists for domestic and export goods and is condemned in the literature.<sup>19</sup>

#### *b) Views of European businessmen*

Shopkeepers in Hungary find that the LAKME cosmetics (lipsticks, face powder and facial creams) have become popular with customers in Hungary due to their good quality and acceptable price, hence, the mark has become known without any advertising.

MILAK peanuts and cashew nuts are another import article which the dealers claim to be liked by customers. Since, however, import traditions have not yet been formed, the trademark is not sufficiently known. Few and far between are the customers who look for the product making reference to the trademark. Personally, the author believes that price reductions to one half in view of the approaching expiration of the date of warranty did not shore-up the goodwill of this trademark.

Other Indian goods, such as textiles or men's shirts on sale in the German Federal Republic and in France are generally marketed without trademarks or they carry the trademark of the importer. A French shopkeeper tried very hard to satisfy our curiosity by finding a trademark on his Indian goods. When this proved impossible, he kept assuring us that the goods were "original Indian products".

#### *c) Experiences of the Indian producer*

Based on the Export Quality Control and Inspection Act, in effect since 1963, the Indian Government introduced stringent measures of quality control. Thanks to these measures, the high reputation of a number of goods, among them textiles, tea, coffee, etc. could be maintained on the international market.

These quality control measures include the Certification Mark ISI introduced for jute products, which has become known as certifying the exportability of Indian jute products.<sup>20</sup>

Of the Indian export trademarks, the owner of the mark NATEX used for torches and dry batteries believes that the appearance of a trademark in the foreign

<sup>19</sup> DADACHANJI, p. 33.

<sup>20</sup> *Directory of Exporters from India*, p. 29.



commercial agreements makes it sufficiently known among importers, and accordingly no particular publicity is needed to advertise the mark among consumers. Apparently the goods are inexpensive mass products which could not be charged with additional or excess cost of advertising.

#### *d) Registration of Indian trademarks in other countries*

Examining the European trademark registers, Indian enterprises are lagging far behind other Asian countries, as far as the filing of trademarks is concerned. According to rough estimates, the enterprises of the Chinese People's Republic have filed three times as many trademarks in major European non-socialist countries as Indian firms have. It is interesting to note that the number of trademarks filed by smaller, strongly export-oriented Asian countries, like Taiwan or Singapore, exceed even that of Chinese registrations.

The ratio of Indian marks, as compared to other developing countries registered in the European socialist countries is even worse. The number of Indian trademarks filed in the Soviet Union has been infinitesimal in the past ten years, although trade between the two countries was substantial. In the smaller socialist countries, however, this number is practically nil: in Hungary, for example, only two Indian trademarks have been filed in the past ten years: NATEX—mentioned before, covering electric torches and dry batteries that has been used and in most cases is registered in more than 50 countries. (It is to be noted that the same trademark owner has used two other trademarks for the export of similar goods, EMMO and NATIONAL). The other Indian trademark registered in Hungary is ABTN, a trademark applied to dyestuffs and paints.

By way of a side note, let us examine the trademarks registration in Great Britain in 1975. In that year, 6 Indian trademarks were filed. These are:

- a trademark showing a dove and a crown, affixed on diamond drills, where the word GRAVESTOOL, as one element of the trademark is not protected under the prevailing trademark law, i.e. in respect of this word, hence the trademark owner is not entitled to exclusive rights (Part B of the Register)
- trademark MAYFAIR covering razors (Part A of the Register)
- trademark TOTEM, with the figure of an eagle, covering manual tools (Part A of the Register)
- the device mark ESKELA, applied to aromatic essences, and the figure of the box used for packaging (Part A of the Register)
- trademark MAAZA, for soft drinks (Part A of the Register).

Of these trademarks three are combined word and device marks, where the word and device are different and thus independent. The other three are word marks. These trademarks all show the influence of British trademark culture.

Reverting, however, to the extremely low number of Indian trademarks filed, even compared to other Asian countries, the question that emerges is, why?



Obviously, as is often the case, there are several reasons; the most important appear to be:

a. Indian export activity—like in other developing countries—is based on the traditional tropical products: tea, coffee, jute, etc. These goods are delivered in bulk, in crates or bags, without trademarks. Compared to the total exports of the whole national economy, the number of registrable export goods is very low.

b. Presumably many Indian trademarks are used without registration in India as well as abroad. This is probably due to a lingering survival of British trademark law and practice.

c. India has not joined the Paris Convention, and thus, the activity of other member countries does not encourage Indian enterprises to register their marks in foreign markets. As a matter of fact, this situation is likely to change as soon as Indian patent, and trademark law is updated. In the views of most experts, the situation is now ripe for India to join the Paris Convention.<sup>21</sup> Adherence will certainly not cause any dramatic changes overnight.

### 3. TRADEMARK LICENCING AND TRANSFER

#### *a) Cosmetics*

Indian toothpaste and shampoo bearing the trademark COLGATE-PALMOLIVE are available and popular in Hungary and in Czechoslovakia. Cream, shampoo and nail varnish produced in India under the licence of the firm Helene Curtis, are sold and marketed under the trademark TIARA. MAX FACTOR cosmetics produced in India are also available in Hungarian shops. The quality of the beauty preparations manufactured by the Indian licencees of these American companies is identical with that of the goods produced by the parent companies.

Some American parent companies organize yearly shows in Budapest. It follows, as a matter of course, that these publicity campaigns serve the interest of the Indian licensee, as only the goods manufactured from India are found on the Hungarian market. In the opinion of the Hungarian importers of cosmetics, trademarks play a critical role in placing orders, and for importing goods of Indian origin. As a matter of fact, the trademarks sell these goods in the Hungarian market.

#### *b) Tea*

The case of LIPTON-tea is particularly interesting for the LIPTON-brand products are common in the streets of Budapest. LIPTON-tea is available in Hungarian shops, of both English and Indian origin, and in Hungarian packaging too. It should be noted that in Czechoslovakia and Yugoslavia only Indian LIPTON-tea is found.

<sup>21</sup> DADACHANJI, p. 25.



The packaging of the various countries are different. Indian LIPTON appears in red packaging, English LIPTON-tea in blue packaging. Yet, the average consumer does not attribute particular importance to the differences in colour of the packaging. Since there is a slight difference in prices as well, it is supposed that the different colours indicate different prices.

Tea as a product is known to be grown in India. At the same time, LIPTON is a prominent and widely known English mark to designate tea. The passion of the English for brewing and drinking tea is similarly known all over the world. Thus, there seems to be competition between the goods of Indian origin, on the one hand, and the value of the trademark indicative of a choice quality, on the other. Yet it appears that it is the trademark which represents the highest value, since there are numerous brands of Indian tea besides the brand marketed as LIPTON. Presumably, the situation is assessed in a similar way by the Indian manufacturers of LIPTON. This is precisely why they lay great weight to and continue to use the trademark LIPTON of English origin. In India the trademark is in the ownership of the Indian company, while in Great Britain the trademark seems to be owned by the English company. (Unfortunately, we have no precise information, since no replies were received either from London or Calcutta.)

The value of the tea marketed under the trademark LIPTON is further enhanced by the fact that the designation "Indian Tea"—sometimes combined with the device of an elephant—is widely used in Hungary, in the Soviet Union, a country where the preference for tea is deeply rooted—and in some other countries. For these teas, however, such indication of origin does not so clearly indicate quality as does the word LIPTON for that particular brand.

### *c) Electrical articles*

Radio receiver sets, manufactured by the Indian affiliated company of PHILIPS find a ready sale in Hungarian and other European shops. These radios and tape recorders are also sold in the Near East, South Asia, in the Far East, and in Africa. The use of the trademark PHILIPS together with the goodwill inherent to it, considerably promotes sales and exports. The exported commodities all indicate their Indian origin. The trademark licence agreement concluded with the Dutch parent company, contains the stipulation, usual in international practice, that goods bearing the PHILIPS mark, must meet the requirements laid down in the relevant quality standards, specifications and technical regulations.

The average customer generally wishes to buy products produced by the famous PHILIPS works, which they know to be reliable. The trademark PHILIPS itself is so efficient as a sales promotion that PHILIPS-India does not deem it necessary to promote the goods, since they find a ready sale without any advertising. It appears that trademarks, in this case too, increase the competitiveness of the product. The trademark PHILIPS is considered both by trade and customers to guarantee the excellent quality of the products. This reputation is further increased by the competent repair servicing that PHILIPS offers in several countries.



The use of trademarks originating from socialist countries (e.g. the Hungarian trademark GANZ for electrical measuring equipment) was acquired under licence by an Indian company by purchasing the complete equipment of the factory. This relationship is based on a different legal structure.<sup>22</sup>

The high economic and market value of the above licence is best shown by the fact that the Indian licensee—based on a few years' business experience—took steps to register the trademark GANZ under his own name. The Hungarian owner was only able to prevent this after lengthy negotiations.

#### *d) Glass-ware*

The Indian affiliated company of the American firm CORNING has been using the trademark CORNING since 1973. The special quality of the glass-ware produced under the licence, and exports under the trademark CORNING, greatly contributed to the reputation of the trademark in the Near East, in South-East Asia and Africa, where the licensee has been supplying for the last several years. It should be noted that the Indian company does not pursue any promotion activity in these countries even though in their opinion, the use of the trademark CORNING is the main factor in marketing their products both in India and abroad.

### 4. SOME COMMENTS

India is one of the largest countries of the world. Obviously, the larger a country is, the harder is the task of the legislature either in preparing a new legal provision, or in effecting a partial amendment of earlier rules. This is to be understood.

#### *a) Reception of British law*

In principle, it is understandable that the legislature of such a huge country does not venture any hazardous attempts, but proceeds on the beaten track of English law, while setting aside with respectable impartiality the unfavourable memories of the colonial era, which are likely to persist for several generations to come. The preservation of the British system, on the other hand, results in the following advantages:

— the Indian lawyer or attorney in most cases does not even have to go to the trouble of looking for analogies, all he has to do is to draw on the treasury of precedents in English law to find the appropriate solution to his problem;

<sup>22</sup> Conditions and terms of the trademark licence agreement described by VIDA: *Les contrats de licence dans les pays socialistes* (Licence Agreements in the Socialist Countries), p. 38.



— since in a considerable part of Asia or Africa, as well as in the USA and Canada the legal systems show considerable resemblance, considering the commerce with the countries governed by the Anglo-American legal system the preservation of British law seems to have definite advantage.

#### *b) Reflection of socio-economic peculiarities in trademark law*

The socio-economic problems of independent India have received the due attention of the Indian Legislature in framing the provisions of the new Patents Act of 1970 and The Trade and Merchandise Marks Act of 1958. Some revolutionary changes from the traditional pattern have been introduced into the new Patents Act which have been the subject of bitter criticism in free enterprise countries. The new Trade Marks Law, although framed within the traditional pattern, has made quite a substantial departure therefrom in at least one respect; namely, the registration of a licensee as *registered user*. This departure has been made to provide a measure ancillary to the implementation of the Government's policy concerning the development of existing trade and industry in India and the promotion of export trade. The final decision on registered user registration is *not* by the Registrar but by the *Government of India*; no appeal lies from such decision. If the Government is of the opinion that the use of a trademark by a licensee in relation to particular goods is likely to affect adversely the interests of already existing units in industry manufacturing similar goods, the Government usually refuses to grant the registered user registration applied for, unless the parties agree that the registered user's goods under the trademark are intended only for export to countries outside India. The official authorities are also empowered by the law to investigate into the actual working of any approved licence agreement.

The law regulating the conservation and utilization of foreign-exchange resources of the country for serving the needs of the developing economy has been recently amended. In this process, the foreign proprietor of a trademark has been prohibited from licencing the use of the mark to any person in India without obtaining prior permission of the Reserve Bank of India. Failure to obtain such permission would render the licence void.

#### *c) Some shortcomings of trademark practice*

Not only the inactivity of the Indian enterprises in Europe in respect of trademark use, but also the personal conversations with Indian economic leaders suggests that a considerable part of Indian managers are not fully aware of the benefits that trademarks can have in increasing the volume of exports.

This lack of understanding is enhanced by the fact that in India, a number of inappropriate descriptive marks have been introduced into the market and is a bad practice (cf. 2a of this chapter). This criticism voiced by Indian specialists blames



trademark owners for still not choosing appropriate trademarks. We believe this practice to be to a certain extent, due to the division of the register into Parts A and B. The registrability of so-called weaker trademarks in Part B of the Register by implication encourages this practice. This, of course, is the personal view of the author.

Indian experts recommend adherence of India to the Paris Convention. It would bring about a concrete gain—witnessed in other countries as well—namely that the industrial and commercial sectors would be included in the international stream of the protection of industrial property, would be compelled to revise, and where necessary, re-assess and reform their earlier practice concerning the choice and use of trademarks.



## CHAPTER II

# TRADEMARK LAW AND PRACTICE IN BRASIL\*

Brasil is the fifth largest country of the world with an area of 8.5 million km<sup>2</sup> and with its population of 109 million, it takes the eighth place in the world. The per capita gross national product exceeds 500 US dollars. In this context, however, it should be noted that, in view of the large area of the country, considerable differences exist between the different regions, i.e. federal states.<sup>1</sup> Brasil has been a founding member of the Paris Convention (as revised in Stockholm, as far as Arts 13 through 30 are concerned, Arts 1 to 12 are in force according to the Hague text), as well as the Pan-American Conventions of Buenos Aires (1910) and of Santiago (1923).

The study of the Brazilian trademark legislation and practice is of particular interest, as Brasil is one of the large Latin-American countries that enacts more radical measures in connection with the protection of industrial property. In addition, Brazilian goods and trademarks are much more common in the markets of European socialist and non-socialist countries, than, for example, Mexican or Argentine products.

## 1. TRADEMARK LEGISLATION

Brasil is one of the few countries where all the problems concerning the protection of industrial property are governed by a single Code (Codigo de propriedade industrial: CPI) which has been in effect since December 31, 1971.<sup>2</sup>

The second Title of the Code (Arts 59–103) contains provisions relating to trademarks, service marks and publicity slogans and signs, which means that practically half of the provisions of the Title concern this subject matter.

In what follows, only some provisions will be mentioned which, due to their peculiar features, merit particular attention. Reviewing trademark registration practice, and relying largely upon concrete experiences, it might be stated that

\* The author desires to express his sincere thanks to Mr. C. H. FRÖES, Barrister, Rio de Janeiro, for the assistance rendered by personal consultations, by making available judicial decisions and literature, and finally for revising this chapter.

<sup>1</sup> In the State of São Paulo the annual *per capita* income reached \$600.00 several years ago whereas in the State of Piauí (North-East) only one tenth of this figure was reached. In: *Brasilien*. Embassy of Brasil, London, p. 36.

<sup>2</sup> Act No 5772. English translation: *J.P.* 1972, p. 175.



registration procedure in Brasil is lengthier than it is in most European countries. In addition, the formal characteristics of the procedure differ essentially from those prevailing in Europe. Decisions in matters of opposition are scanty, if at all. There are problems in respect of record keeping that make trademark searching rather difficult.

#### *a) Foreign trademarks*

The Code differentiates between foreign and national trademarks (Arts 68–69). Accordingly, a foreign mark means a mark which has been regularly filed in a country party to an international agreement, e.g. the Paris Convention, which forms the basis for the application filed in Brasil (Art. 68, Para, 1).

Thus, the trademark is considered foreign or national, depending, on the one hand, on the owner's person, and on the other hand, on the claim of foreign priority. Accordingly, the criteria for the foreign character of a trademark are not seen in the conditions of registration, but in the subject of the trademark right and its enforcement. This provision of the law, distinguishing between foreign and national trademarks, introduces a new solution as against the earlier Code (1969) that is not reflected in the subsequent statutory or procedural provisions of the Code. Therefore, Brazilian experts have held that the practical significance of this rule lies in the selection and qualification of trademark royalties. These can only be remitted abroad if they relate to a "foreign" trademark, whereas royalties for "national" trademarks are not to be remitted at all, even though the owner be domiciled abroad.<sup>3</sup> For example: if the foreign applicant has first had the trademark registered in Brasil, the trademark becomes national; thus, royalties are not liable to be remitted.

This complicated provision presumably aims at goals of national economy; namely, at restricting the scope of persons authorized to remit royalties to their countries.

Brasilian practice differentiates between foreign and national trademarks and applications in other respects as well. Under the law affidavits given by foreigners to substantiate the fact and nature of their industrial or commercial activities are honoured, whereas Brazilian applicants are compelled to prove the same circumstances by official certificates. In Brazilian literature this practice is criticized as creating inequality before the law.<sup>4</sup>

#### *b) Publicity slogans or signs*

Art. 73 of the Code contains an interesting provision that exists in several Latin-American countries. Any original or characteristic captions, advertisements, words, word combinations, drawings or engravings intended for use as a means of

<sup>3</sup> FRÖES: *R.I.P.I.A.* 1972, p. 208.

<sup>4</sup> TINOCO-SOARES, p. 130.



recommending any lawful activity or of emphasizing the quality of goods or of attracting users or consumers, is considered a "publicity slogan" or sign.

Under the implementing decree of the Code, a publicity sign should consist of the combination of words, designs or symbols. Brazilian experts<sup>5</sup> challenge the lawfulness of making the word "combination", a requisite since the Code itself only stipulates that words, patterns or designs may be registered.

A publicity sign shall consist of a trademark with words or designs registered in favour of the same owner, or a third person as the sign of publicity itself, provided that its exploitation has been duly licenced and recorded.

The protection of the publicity sign is restricted to the class of goods wherein the trademark, forming part of the sign of publicity, is registered. The protection of the commercial sign of publicity is limited to the combination, design and arrangement of the different elements, and does not cover isolated words and designs. Detailed provisions relating to the protection of publicity slogans and signs of publicity are included in the Ordinance No. 9 of January 10, 1974.<sup>6</sup>

The provision permitting the registration of publicity signs is a remarkable legislative measure. It is a special extension of trademark protection to certain tools of promotion. The protection of the means and the results of sales promotion is characteristic for Latin-American countries.

#### *c) Pharmaceutical marks*

Arts 80-81 of the Code contain also unusual provisions concerning the protection of trademarks relating to pharmaceutical or veterinary products. Accordingly, denominations similar to marks may be registered only when they are intended to distinguish these products with identical therapeutic characteristics, except where there is a clear likelihood of error, doubt or confusion in the mind of the consumer. In addition, marks intended to distinguish pharmaceutical or veterinary products may only be used together with a house mark of the manufacturer. Under Art. 95 of the Code an infringement of this provision (Art. 81) shall not prevent a declaration of forfeiture.

Brasilian literature, in this connection points out—quoting numerous examples by way of illustration (trademarks with prefixes, like TRANS, ENDO, PEPTO, GLUC, etc., and suffices like INA, TEX, ASE, etc.)—that in case of pharmaceutical marks, the risk of confusion is higher than with other marks.<sup>7</sup>

#### *d) Well-known marks*

Article 67 of the Code also includes a peculiar provision stipulating that if a trademark is considered well-known in Brasil, and the fact has been established by the Office, such notorious mark shall enjoy special protection in all classes of goods.

<sup>5</sup> DANNEMANN, SIEMSEN, BIGLER and IPANEMA MOREIRA, cf. Transpatent, 545-4010-506.

<sup>6</sup> English translation: *Patent and Trademark Review*, 1974, p. 195.

<sup>7</sup> TINOCO-SOARES, p. 173.



Well-known marks are registered as such and reputation is reviewed upon each renewal.

The implementing Ordinance of January 10, 1974 of the Code developed these provisions. Under these rules a well-known mark should have a "magnetic appeal" in order to be considered as such. In addition, it should be well-known in the market for the particular quality of the goods or services it concerns.<sup>8</sup>

More than ten years ago the Supreme Court of Brasil passed an important decision concerning the notorious mark DAUM. The judgement declared that if a trademark regularly published in a foreign periodical of wide circulation (e.g. *Life*, as this magazine was prior to its demise) if its owner is resident in one of the member states of the Paris Convention, the mark is considered well-known in Brasil too, and is protected according to Art. 6<sup>bis</sup> of the Paris Convention.<sup>9</sup> During the first five years following the promulgation of the present Code, however, practice relating to the registration of notorious marks did not develop; hence, Brazilian experts are maintaining an attitude of reserve as to the positive or negative effect of this new provision.<sup>10</sup>

The establishment of the registration system of notorious marks probably aims at consumer protection. Several notorious marks, like LEE, LEVI'S or ARPEGE, etc. have been filed in Brasil for goods other than those covered by the original mark.<sup>11</sup> It is obvious that such applications were misleading. On the other hand, the mark KADIK was cancelled as being confusing with the mark KODAK<sup>12</sup>; the mark PHILIPS registered by its owner for several classes of goods had to protect its mark by an action for infringement.<sup>13</sup>

#### e) Obligation of use

Brasilian legislation is very strict in respect of the obligation to use, allowing a very short term of tolerance, i.e. two years. In agreement with the provisions of the earlier Code, Art. 94 of the Code in force provides—except for the case of force majeure—that a trademark registration shall *ex officio*, or on the petition of any interested party, be held forfeited where its use has not been started in Brasil within two years from the date of the registration grant or has been discontinued for more than two successive years.

A registered mark is considered as being in use if it represents some goods or services in the market; if it is used directly on the products, containers, packaging,

<sup>8</sup> TMR 1974, p. 158.

<sup>9</sup> GRUR-Int. Ber. Nr. 1919/64.

<sup>10</sup> SIEMSEN, GRUR-Int. 1976, p. 61.—MR. C. H. FRÖES in his opinion stresses that the protection afforded by the Brazilian Code for notorious marks has nothing to do with the one provided for in Art. 6<sup>bis</sup> of the Paris Convention, in as much as the latter aims at extending the protection of marks to other countries with no exception to the rule of speciality, whereas the former represents precisely an exception to that rule.

<sup>11</sup> TINOCO-SOARES, p. 151.

<sup>12</sup> *Diário Oficial*—Seção 111 of 24 August, 1953, p. 2065.

<sup>13</sup> Judgment of 16 February, 1962 of the São Paulo Court of Appeal, *Revista dos Tribunais*. Vol. 328. 1963, pp. 176–180.



stickers or labels. In case of service marks, its use in commercial correspondence, leaflets and other documents, provided these requisites are in the sphere of activity of the owner of the mark.

The fact that a trademark has been used during the last two years shall be proved upon application for renewal,<sup>14</sup> but there have been decisions handed down by the Patent and Trademark Commissioner to the contrary as in the case of registration for the trademark BASF (No. 269,805). An appeal against the decision of cancellation due to absence of use is decided by the President of the Office of Industrial Property.

The provisions concerning the obligation of use theoretically afford a certain amount of protection to Brazilian national industry and trade against the proliferation of foreign marks. The Office of Industrial Property, however, does not pursue *ex officio* cancellation, a situation which has caused understandable criticism by Brazilian experts.<sup>15</sup>

#### *f) Provisions concerning licence agreements*

Articles 90-92 of the Code contain particularly strict provisions concerning trademark licences which suggest a purposeful industrial policy, that has been in the cross-fire of criticism from abroad.

The requisites established by para 4 of Art. 90 of the Code, making the payment of royalties dependent upon Convention priority, are subjected to particularly sharp criticism in West-Europe. They claim that the provision is contrary to the original aim of the institution of priority, as provided in the Paris Convention.<sup>16</sup>

We do not agree with this position: the mentioned provision may be seen as aiming at encouraging trademark owners to avail themselves of the Convention priority; to benefit from the opportunities offered by it, since in Brasil foreign applicants do not often resort to claiming priority. The assumption that due to that measure the number of applications would considerably increase, seems to be correct, since a good many marks are filed for the sake of safety only to be subsequently abandoned.

In maintaining the obligation of use, the Brazilian legislators must have taken this attitude into account. This is stressed also with the extremely short period of tolerance, after which in the absence of use, a trademark is liable to be forfeited. Since trademarks are the cheapest tool of publicity, such unintended increase of the number of applications should not mean an excessive burden for foreign applicants, especially comparing the costs of a trademark application to advertising costs.

On the other hand, it is true that a hundred years ago, when the Paris Convention was established and the system of Convention priority was developed, nobody

<sup>14</sup> Ordinance No. 10/1974 of 10 January, 1974.

<sup>15</sup> TINOCO-SOARES, p. 202.

<sup>16</sup> THRIERR, *R.I.P.I.A.* 1973, p. 62.



foresaw that Convention priority would ever be used for purposes as is now done in Brasil.

In the past fifty years, however, it has often been experienced in Europe and in other continents—in the first place in countries with socialist systems—that old-established legal forms and instruments are given an entirely new, socialist meaning, and trademark law is no exception. The situation is similar to one brought about by technical development when available technological knowledge is transferred to and exploited in other fields. Yet, the use of existing legal instruments for new purposes can by no means be a privilege only of the socialist countries.

The provision of Para 4.d. of Art. 90 of the Code provokes extremely sharp criticism from foreign specialists since under this passage royalties may only be paid during the first ten years of trademark protection. This provision allows Brazilian licences free use of valuable foreign trademarks, provided they are older than ten years. Paragraph 4.b. of Art. 90 even provides that foreign trademarks can be used free of charge even if they have been registered in Brasil without claiming Convention priority. Interventions have been made on behalf of French and West German industries in order to have this latter provision repealed; their efforts, however, have been frustrated.

In the author's opinion, this provision was not based on considerations of trademark law, but of economic policy. Thus, going down to the root of the question, we have a "silent" nationalization of trademarks, more particularly the most valuable ones in the market. This fact accounts for the bitter resentment of West-European industries. Even though the procedure is not termed "silent nationalization", yet, the provision is commented as a legislative measure resulting from systematic studies aiming at securing to Brazilian national economy as much advantage as possible, including the free use of the most important foreign marks.<sup>17</sup>

If one goes one step further and attempts to reveal the reasons underlying these provisions, then—relying on scanty data—two points should be mentioned:

a. Prior to the introduction of this provision, it occurred that a foreign mark, having become well-known on the Brazilian market, had to be purchased by the Brazilian assignee. Thus "Brazilianizing" it—at a presumably high price. I think, therefore, that this provision aimed at saving such high purchase prices of trademarks.

b. Prior to this Code, there were cases when the foreign trademark owner simply cancelled the agreement, putting the Brazilian licensee and national economy in a precarious position. Therefore, I believe, that this rule was created in response to retaliatory feelings.

In calling the above-mentioned provisions, a "silent" nationalization, at the same time it becomes necessary, in order to avoid misunderstandings, to point out the important legal differences, as carried out in traditional nationalizations, e.g. in the socialist countries, and the measures taken by the Brazilian legislators. The measure of the Brazilian legislators do not affect the ownership, only the payment of

<sup>17</sup> THIERR, *R.I.P.I.A.*, 1973, p. 63.



royalties. Licence agreements do not expire automatically, after the lapse of ten years. The legal relations of licensor and licensee remain in force, irrespective the termination of the obligation to pay royalties.

Hence, this compromise provision of the Brazilian legislators leaves a number of open questions, namely:

- is the foreign trademark owner entitled to stop the free use of the trademark, temporarily or permanently for other reasons (e.g. poor quality of the product manufactured under the licence)?
- is there no way of claiming royalties, if the mark is applied to export products, or used abroad?
- what are the impacts of this provision on the transfer of technology, in particular, on exports based on such transfer?

To conclude, two permits are required for the remittance of royalties to a foreign country; they are:

a. registration of the licence agreement at the Office of Industrial Property (Art. 90, para. 4), which includes certain elements of approval. Hence, the registration of a licence agreement might also be called a process of quasi approval;

b. permit of the National Bank of Brasil to remit royalties.

The Normative Act No. 15 of September 11, 1975, on the amendment of the contracts of the transfer of technology and of licence agreements contains a number of other rules of fiscal, administrative, and civil law.<sup>18</sup> Four cases are defined, when, although the trademark licence agreement has been registered, no payment can be effected. These are:

a. the owner is resident or domiciled abroad, and, whether directly or indirectly, has control over, or a majority participation in the capital of the licensee or purchaser;

b. the filing has been effected in Brasil, without proof of priority in the country of origin;

c. the relevant registration is the result of renewal;

d. in the case of a transfer, the previous owner was not entitled to remuneration in terms of the preceding paragraphs (Point 3.2.4).

In addition, the same Decree stipulates in detail what a trademark licence agreement should cover (e.g. guarantees for a quality identical with that of the licensor's product) and an even more detailed description of the prohibited contractual restrictions (e.g. banning of stipulations restricting the market).

This latter regulation, as well as the overall legislative concept concerning trademark licences, clearly reflects the intention to induce the Brazilian industry to develop national trademarks, and to use them both in domestic, and international markets, in order to consolidate the position of Brazilian industry.<sup>19</sup>

The same trend of economic policy is reflected by Point 3.5.1. c of the quoted Decree, under which all trademark licence agreements shall stipulate that the

<sup>18</sup> *I.P.* 1976, No 9, Text 6-001, p. 004.

<sup>19</sup> *SIEMSEN, GRUR-Int.* 1976, p. 63.



licensee has an option, to use his own trademark together with the trademark licensed to him; or to use it separately in respect of goods or services other than those covered by the licensed trademark. The philosophy of this provision—in the Brazilian view—is that the position in the market of the licensee's trademark should be secured for the period following the termination of the licence agreement.<sup>20</sup> Furthermore that the business results of the Brazilian licensee be exploited by him and not by the foreign licensor.<sup>21</sup>

Yet, this clearly correct objective can only be achieved successfully if the developing country in question has the economic power to cope with the tasks and problems in the first place establishing a national trademark policy. It would be hardly right to be absolute with this endeavour, since the enterprises of the developed countries also avail themselves of the opportunity of acquiring foreign trademark licences, if that be profitable.

#### *g) Infringement, cancellation of trademarks*

The Code for the Protection of Industrial Property in effect described in the foregoing only contains provisions on nullity (Art. 98), but no provisions as to the penalties against infringement. In this respect, certain provisions (Arts 169 through 189) of the old Code for the Protection of Industrial Property from 1945 are still in effect, as stated by Art. 128 of the Industrial Property Code (until the new Penal Code comes into effect).

Under the Civil Procedural Code, two kinds of proceedings may be introduced against an infringer:

- so-called indirect proceedings, where the aim of the lawsuit is to oblige the infringer—by imposing a fine of a certain amount which may be mitigated by the Court—to discontinue the illicit act;
- direct, so-called ownership claim, directed to the discontinuation of the illicit act, in certain cases by interim order.

As far as penalties are concerned, the most important difference as compared to other countries is that any compensation is only liable to be awarded in case of a material damage. In Brazilian litigation practice, however, there are only a few decisions on the subject, although judges are rather reluctant to award damages in trademark infringement cases.

With a view to understand infringement and cancellation processes in practice, it should be mentioned here that judicial practice generally corresponds to that common in other countries.<sup>22</sup> In infringement cases, however, the Court is naturally bound to the above-described limit on penalties, which, from the European viewpoint is not satisfactory.<sup>23, 24</sup>

<sup>20</sup> FRÖES, Conference on Significance of Protection of Industrial Property in International Industrial Cooperation, p. 446.

<sup>21</sup> FREITAG, *GRUR-Int.* 1976, p. 322.

<sup>22</sup> Action for cancellation introduced by the Hungarian owner of the trademark TUNGSRAM against the owner of the Brazilian TUNGSRAM-company. Federal Court of Appeal, cf. *Court's Gazette*, 26



## 2. DOMESTIC TRADEMARKS—TRADEMARK PRACTICE

A "domestic" mark, in conformity with the aforementioned provisions of Brazilian legislation is a trademark owned by a domestic firm, or a trademark owned by a foreign firm or person, who, according to the law, is considered domestic.

To give a detailed account of the "domestic" trademark practice for a huge country, like Brasil, would be a bold venture. This following summary reflects the view of a few Brazilian trademark owners who were willing to give information. While others, may be more important, their owners were not willing to disclose. Hence, the following survey, far from claiming completeness merely intends to illustrate the situation with some examples.

### *a) Brazilian trademarks in the service of exports*

The identification of Brazilian products that appear occasionally or regularly in shops of European countries, bearing trademarks, present no particular problem.

*Ground coffee*, packed in Brasil in small boxes, covered by the word device CACIQUE, and the figure of an Indian's head, is well-known all over Czechoslovakia. This trademark is, however, the exception that proves the rule. Coffee is generally exported in bulk and not prepacked. Therefore, the trademark DINAMO, one of the biggest coffee producers, is known to the general customers in but a few countries only, i.e. in those countries, to which the producers supply coffee in their own packing. The passionate dispute on coffee between Brasil and the USA, and their customs regulations, however, points to the fact that trademarks used for exports are only one of the weapons in the fight for the market, and are concomitant rather than dominant factors of this competition.

*Tinned coconut* bearing the trademarks PALMITO STEIN as well as COEUR DE PALMIER, are frequently seen in the shops and department stores of Switzerland, France and the Netherlands.<sup>25</sup> *Special Brazilian vegetable oil* is exported under the trademark SANBRA, which has gained a reputation in a number of countries as a result of good publicity.

*Tinned meat*, under the trademark EXETER is common in Swiss trade. Tinned sardines under the mark SUMMIT are popular in USA department stores.

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November, 1963; Action for cancellation of the owner of the trademark LILLY against an identical trademark. Supreme Court, 1953, cf. *R.I.P.I.A.* 1974, p. 58; also action introduced by the owner of the trademark LINHARTE, *ib.* 1962, p. 216; action for cancellation of the owner of the trademark WEMBLEY against an identical trademark. Federal Court of Appeal, 1975, *DJ* 1975, p. 7667.

<sup>23</sup> Judgement in the action for infringement introduced by the French firm CRISTOFOLI against the Brazilian firm CRISTOFOLI. *R.I.P.I.A.* 1971, p. 136; also in the infringement process BACCARAT, *ib.* 1970, p. 118. The Court has, however, not stated confusibility between the trademark GIBBS and GIBI, 1971, *DJ* 1971, p. 6216.

<sup>24</sup> Leonardos p. 220.

<sup>25</sup> *Brasil the New Alternative*, São Paulo 1973, p. 37.



The position of the *tobacco industry* is similar to that of coffee; tobacco is exported in raw condition, cigars from Brazilian tobacco-leaves are manufactured in West German or in Dutch tobacco factories, and marketed in Western Europe. On the cigar boxes it is marked, almost without exception, that the product is made of Brazilian tobacco. Obviously, this reference is an important aspect in promotion. On the other hand, in big Western European cities, the most important tobacco-shops sell cigars bearing the trademarks BRASILIA, SUERDIECK. These are, however, only appreciated by a small number of connoisseurs, who are particular about smoking original Brazilian cigars.

From *textile goods*, terry towels are sold in the great department stores of the German Federal Republic, under the word device BRASILIA, with a sea-horse, or bearing the word mark SCHLOSSER showing a spinner. These trademarks, however, are but two of the many thousands of unknown textile marks. They do not influence the choice of customers. On the other hand, the practice of marketing Brazilian textile goods without trademarks is characteristic. In the "Exhibition of South America" staged by a leading West German department store, Hertie, in 1974, folk art, textiles and *leather goods* were only marked: "Made in Brasil". No trademarks were applied to them.

The trademark STERN for *jewels* is world-famous. There are STERN-stores in 14 countries, subsidiaries of the STERN-chain. Most of them are in South America. In Europe most STERN-subsidiaries are to be found in the German Federal Republic, France and Portugal. The jewels are sold in smart cases, naturally bearing the trademark STERN; exports of the firm embrace the whole world.

*Knives and scissors* bearing the word device MUNDIAL, as well as the trademark 4 Aces are marketed in 77 countries on all the continents. Exceptions are some West-European countries, such as the German Federal Republic, where the goods are exported under the trademark of the German general agent. Similarly, *turning lathes* from Brasil are marketed under the trademark of the importer in the German Federal Republic, Denmark, France and Nigeria.<sup>26</sup>

Wood fibre plates under the trademark DURATEX are well-known and established in the world market. The processing industry sets high value on these products, and purchases them for the trademark. This is the practice in Belgium, Canada, Bolivia, the German Federal Republic, France, Great Britain, Holland, Ireland and the USA.

A further example is the trademark EUCATEX applied for wall, and ceiling cladding elements. They are exported to the USA, South Africa and Europe.

#### *b) Views of European businessmen*

Concerning *coffee*, the conventional export good of Brasil, the attitude of European traders is definitely negative. According to the greatest English importers, Brazilian coffee is marketed either under the trademark of the importer,

<sup>26</sup> Trademark MÜNCHMEYER. *Brasil the New Alternative*. São Paulo, 1973, p. 38.



or under the label of the processing firm, or else, under a third trademark. The mark of the Brazilian exporter is, however, never affixed.

The positive stand taken by the French importer of *tinned coconut* from Brasil,<sup>27</sup> though not mentioning the relevant trademark likewise points to the fact that the Brazilian trademark (PALMITO STEIN, COEUR DE PALMIER) plays an important role in increasing exports. The opinion of the Swiss wholesale trade is contrary. In their view the trademark PALMITO STEIN has no particular importance for purchases, since the goods are purchased relying on quality—price—appearance basis.

In the opinion of the West German importer of CIBIE-headlights, MANGELS steering wheels and rubber articles for motor cars, they are well-accepted, in particular CIBIE headlights, since they meet all the requirements of the West German technical tests for motor-car use. Such goods are also re-exported to Scandinavia, Holland, Lebanon, Indonesia.<sup>28</sup>

In most West-European tobacco-shops Brazilian cigar marks are unknown. They are known merely to certain dealers of the big metropolis.

### *c) Experiences of Brazilian producers*

The greatest Brazilian coffee-producer believes that the trademark DINAMO, established and well-known all over the world, is a valuable instrument of sales promotion, even though this trademark is only known by the food industry of the other countries. The mark DINAMO is referred to in all agreements, used in advertisements, and in some countries, it has also been registered. As a result of these measures (when the owner of the trademark emphasized that the introduction of a trademark involved heavy expenses), importers of other countries buy Brazilian coffee under the trademark DINAMO. To consumers, however, as mentioned before—this trademark is far less known.

The manufacturer of special oil products, like oiticica or cashew nuts, who is owner of the trademark SANBRA, stated that for an article, like his vegetable oil where special care is given to quality, the trademark is an important factor in winning the confidence of consumers, as a pledge of quality. This factor obtains increasing importance, and therefore the trademark is now well-known both among merchants and among customers. The trademark appears in contracts, dispositions of distribution; it has become popular, and is a significant factor in marketing.

The management of the EUCATEX company, manufacturing wall claddings, whose trade name is identical with their trademark, has gained reputation both in Brasil and abroad. They feel that this mark has greatly contributed to the competitiveness of their products. The owner of the trademark, therefore, does not attribute much importance to advertising, except for special occasions, such as in connection with exhibitions in Brasil or abroad. In price competition the decisive factor is the

<sup>27</sup> *Brasil the New Alternative*, São Paulo, 1973, p. 36.

<sup>28</sup> *Brasil the New Alternative*, São Paulo, 1973, p. 36.



outstanding quality of the products. Hence the reputation of the trademark and of the company exerts a positive influence on price formation.

The view of the above-mentioned Brazilian export companies are remarkable and thought-provoking, as to the economic function of "domestic" trademarks. The former President of the Office (of Industrial Property), MR. THEDIM-LOBO, sums up the experiences of Brazilian producers:

- trademarks are useful tools in controlling the distribution of goods;
- advertisements with trademarks have a special importance, since it helps the identification of the trademark.<sup>29</sup>

#### *d) Registration of Brazilian trademarks abroad*

As far as the registration abroad of Brazilian trademarks is concerned, registration in European socialist countries (including the Soviet Union) is a rare occurrence. Perhaps the turning of exports orientation towards the socialist countries<sup>30</sup> may result in a breakthrough in this respect. For the time being, there are no indications pointing to it.

Therefore, if one considers the practice of foreign registration of Brazilian trademarks, it is more appropriate to choose a West-European country having a greater turnover of business with Brasil, e.g. the German Federal Republic to which some 10 per cent of Brazilian exports is directed.

Under these circumstances, it is surprising that only 21 trademarks of Brazilian enterprises have been registered at the Patent Office of the German Federal Republic as of 1974. These include 2 marks covering foodstuffs (coffee and oil), 2 for textiles, 6 for tobacco goods, 1 for jewels and 10 for products of the engineering and electrical industry.

It seems that only some 1/3 of the registered trademarks are established in the market; a part of these are known not only in the German Federal Republic, but in other European countries as well. These include SUERDIECK, BRASILIA, CACIQUE, SANBRA, STERN, MUNDIAL, ROMI—yet their marketing penetration is very different.

About half of the registered trademarks are at the same time, trade names. The rest are product marks, such as JUNE WATCH, CINESPACIAL while BRASILIA indicates the origin of the goods. The legal and economic value of these trademarks is questionable.

In the opinion of European trade, Brazilian trademark owners are keen on protecting their export trademarks, and take energetic and consistent actions against infringers. Three rare studies of Brazilian trademark usage would be helpful.

<sup>29</sup> Lecture by T. THEDIM-LOBO, at the National Symposium on "Industrial Technology". *Idort-S.P.* 1973, p. 10.

<sup>30</sup> Based on the statement of the former minister for trade and industry SEVERO-GOMES. *Frankfurter Allgemeine Zeitung*, 30 December, 1974; *VG* January 9, 1975, p. 3.



1. The ZIVI company has registered its trademarks in almost every European country, and although deliveries take place under the trademarks of the West-German importer of the goods, the firm seeks to assert its right over the long run in this respect, too. Therefore, the introduction of the obligatory use of trademarks in the German Federal Republic induced ZIVI to have the device mark of a Solingen firm 4 ACES cancelled, which had not been used since 1936, and to register in its place their own trademarks.

2. The firm STERN, which had its trademarks registered in 48 countries (1977), also managed to overcome the difficulties emerging from the Trademarks Act in the USA (where there are two prior registrations, one of them as a service mark) and other difficulties in Japan, where there was a prior registration of the name STERN owned by a German citizen. Thus the Brazilian firm was obliged to file applications for the trademarks H. STERN JEWELLERS KING OF BRASILIAN GEMS, H. STERN JEWELLERS KING OF COLOURED GEMS. The Brazilian firm adopted also efficient protective measures against infringers in Panama and in Italy.

3. The trademark SANBRA of the firm BRASIL OITICICA has also been registered all over the world. Accordingly, as far as using trademark protection is concerned, one can note some positive examples. Yet, it appears that as a rule, only a few Brazilian companies seem to have realized the importance of the protection of trademarks abroad, in order to support an export activity.

### 3. TRADEMARK LICENCE AND ASSIGNMENT

Concerning the transfer of foreign technology, Brasil holds an eminent place among developing countries. The country created a favourable climate for foreign investments, and the stimulation of the acquisition of the foreign technology has greatly contributed to the economic growth of the country. Points to be investigated will be:

- the relation between the transfer and utilization of foreign technology, and trademarks—if any;
- the economic effects of the use of the trademarks of multinational companies.

#### *a) The trademark vw*

Between the Brazilian enterprises where foreign interests are involved, one of the greatest is the Volkswagen do Brasil, which is, at the same time, the largest foreign subsidiary company of the West German Volkswagenwerk. This subsidiary supplies almost all the South-American countries, but sends cars to some African countries, like Zaire or Nigeria, too, as well as to several countries of the Near East, always under the brand vw. Over 20,000 taxis exist in São Paulo with vw emblems.<sup>31</sup>

<sup>31</sup> VW in Brasilien, Leaflet of the company, p. 7.



Clever short publicity films presented in the movies (the Portuguese language is generally understood all over South America), where the emblem vw is a recurring figure familiarizes the trademark. There are also advertising leaflets, and advertisements in Brazilian weeklies, like Visão and Veja, and in technical reviews (Dirigente Constructor).

According to the licence agreement concluded with the parent company, the motor cars and spare parts may bear the trademark vw only if they comply with the technical specifications of the parent company. As far as protection against trademark infringement is concerned, the conditions are similar to those prevailing in other countries: lawsuits of this character are commenced for unauthorized use of the vw-emblem against merchants of cars, and litigation is generally directed at discontinuation of the illicit use.

#### b) IBM

The greatest exporter of Brazilian industry is IBM do Brasil. Just like in the German Federal Republic, France, or Great Britain, the same technical specifications are observed. The extremely stringent technical standards concerning quality control are also identical. In the opinion of IBM do Brasil, this fact is the pledge of the world fame of IBM quality. The trademark IBM is a symbol of highest quality and reliability for customers. The direct result of this confidence is that product appearing under IBM-marks, achieve higher prices. The emblem IBM is used in advertising both in Brasil and abroad, mainly in selected reviews and other publications intended for specialist.

#### c) ESAB

The Brazilian subsidiary company of the Swedish manufacturer of electric welding equipment finds it important to distinguish their products from those of other companies by means of trademarks. In their view, it is advantageous for a firm to belong to the sphere of interest of a multinational company: the customers extend the benefit of their favourable experiences gained with ESAB-firms operating in other countries to the Brazilian ESAB-company, even though they have had no knowledge yet of their products. In view of this, the trademark ESAB is utilized also in commercial advertising: foreign customers insist on its use. This fact naturally has a considerable impact on the economic evaluation of the trademark.

#### d) VIGORELLI

The example of the trademark VIGORELLI applied to sewing machines is a remarkable one. The Brazilian firm purchased the trademark for use in Brasil only, without ensuring to the original owner, who continues to be owner of the trademark in other countries, the right to quality control of the Brazilian products. The



Brasilian factory which previously imported VIGORELLI products, opened the Brazilian market to these goods, and considers it a logical consequence of their investment and their business activity that their position in the Brazilian market be strengthened by purchasing the trademark. In the light of this business policy, it seems to be obvious that the firm uses the trademark in their advertising, to increase their profits. At the same time, the acquisition of a trademark confined to the Brazilian market imposes certain restrictions to exports: a considerable part of the exports to Latin America, USA, Europe, and Africa are almost exclusively done under the trademark of the foreign buyer, and not under the Brazilian company.

e) MERCEDES-BENZ

Buses bearing the trademark MERCEDES-BENZ are exported by the Brazilian subsidiary company to all the Latin-American countries. As to the economic significance of the West German trademark MERCEDES-BENZ do Brasil emphasize that in the motor-car industry trademarks have a fundamentally different economic function as when applied to consumer goods of lower value. In the motor-car industry, almost all manufacturers are exporters, and as such, use well-known consumer oriented trademarks.

f) NESTLÉ

The example of the affiliated company of the Swiss food company NESTLÉ illustrates well the conditions of trademark licencing. The Brazilian affiliated company has ensured the uniform quality of products in the first place by construction of a factory as well as the purchase of machinery under the supervision of the parent company.

Continual consultation and transfer of technology (know-how and patents) also contributed to the level of products. Any further development or expansion of the works is also under the control of the parent company.

The parent company controls the operation of all the affiliated firms, and performs regular quality control. Minor differences are allowed in the quality of the products, according to local taste. So, for example, in Brasil, instant coffee is stronger than in some European countries, e.g. Great Britain.

Brasilian-made chocolate-powder and COCOA NESTLÉ QUIK is widely known and popular, e.g. in Hungary. This is mainly due to the popularity of the trademark NESTLÉ QUIK. From this and other similar experiences gained in other countries the parent company draws the correct conclusion that trademarks are valuable aids for exports. The trademark NESTLÉ-NESCAFÉ combined with the generic designation SOLUVEL, applied for products made in Brasil, is known and liked all over Poland.

In any case the Brazilian company is primarily established for satisfying consumers in Brasil. While the multinational concern has divided the world market for the Brazilian subsidiary company, there is no absolute export ban. Hence, it is



able to make sales, e.g. supplies to the European socialist countries where the parent company hardly exports at all.

To generalize the experiences of Brazilian licensees, we quote the former president of the Office of Industrial Property Mr. THEDIM-LOBO, who said that licensees in the developing countries are in a favourable position to be able to sell a product bearing a trademark already known in the market. This is especially so if the licensee had earlier exported under the same trademark. These economic assets increase if the licensee exports a part of his production.

Agreements of transfer of technology, patent licences or transfers of know-how quite often stipulate that the licensee is obliged to use licensor's marks. The Brazilian licensee is often granted the use of the trademark without royalties. The aim of such a stipulation is to assure to the licensor domination in the licence relation.

Yet the Brazilian experiences suggest that licence agreements are abused. This has been the case when the business turnover of the licensee has reached certain volumes whereupon the owner cancelled the agreement and entered the market. The Brazilian licensee either lost his share in the market, or else, was obliged to develop and establish a trademark of his own, competing with his former licensed trademark.<sup>32</sup>

#### 4. SOME COMMENTS

##### *a) Registration of Brazilian trademarks abroad*

Experiences concerning the registration of Brazilian trademarks abroad have been dealt with in some detail in connection with only one country, the German Federal Republic, yet, since 10 per cent of Brazilian exports are directed to this country, it shows the general trends of Brazilian trademark policy fairly well.

As far as the protection of trademarks abroad is concerned, apparently a great many Brazilian enterprises are not aware of the significance of the use and protection of trademarks in foreign countries. The number of Brazilian trademarks registered in the German Federal Republic is far below the trademarks registered from smaller and less developed countries (e.g. Ivory Coast, Morocco), considered in proportion, of course. This situation may perhaps be explained by the fact that Brazil's commercial culture and traditions follow the Portuguese pattern, and in this respect Portugal is also lagging behind, for example, English or French trade habits.

This conclusion could, of course, be refuted, by saying that the "Brazilian economic miracle" was achieved even without trademarks, and that the measures supporting exports proved to be efficient even without recourse to trademarks.

<sup>32</sup> Lecture of T. Thedim-Lobot at the National Symposium on "Industrial Technology", Idort-S.P. 1973, p. 10.



Yet, the question against this imaginary objection emerges: Would not a purposeful and systematic trademark policy (the protection of trademarks abroad) be a useful completion of the otherwise really efficient Brazilian foreign trade policy, and be thus a model for other developing countries?

#### *b) Trademark licencing*

Brasil might serve as an example to other developing countries in showing what economic advantages a licence combined with the transfer of technology may achieve under appropriate State control.

The experience of the Brazilian subsidiaries of multinational concerns, as well as the statements of the former President of the Office of Industrial Property illustrate the positive economic impact of trademark licencing. Presumably this evaluation is not confined to those Brazilian subsidiaries and licensees which were ready to give information. There are numerous other significant foreign subsidiaries in Brasil (e.g. SINGER do Brasil) a few of whom in a courteous letter declined to answer our questions. The great number of foreign trademarks used in Brasil, however, permits the conclusion that trademark licences, must result in major economic benefits.

#### *c) Trademark law*

It is interesting to note that the sharpest terms were used in French comments on the Brazilian trademark legislation; for instance some Brazilian measures are qualified as "anti-alien", or "robbery",<sup>33</sup> whereas in American literature they commented on them as being "unusual".<sup>34</sup> On the contrary, a Czechoslovakian commentary says only that these measures are worthy of study.<sup>35</sup>

Of the different tones of foreign comments on Brazilian legislation (e.g. relating to nationalization) Brazilians say that the particular problems of the developing countries are better comprehended in Texas than in the Ruhr-district,<sup>36</sup> which presumably stands for the whole of Western Europe in this context.

We must do justice to the aforementioned French comments, though, harsh as they may be in some places, their final conclusions are fundamentally right, and acceptable when they claim that:

<sup>33</sup> THIERR, *R.I.P.I.A.* 1973, p. 62; Enders, *R.I.P.I.A.* 1973, p. 286.

<sup>34</sup> MOROSKY, *TMR* 1972, p. 82.

<sup>35</sup> KYJOVSKY, *Warenzeichenrechtliche Fragen in den RGW Ländern (Questions relating to Trademarks in the CMEA Countries)*, p. 7.

<sup>36</sup> *Estado de São Paulo* (one of the leading daily papers) December 9, 1965, p. 23. In connection with the nationalization of the shares of the West German firm Mannesmann A.G. of the Companhia Siderurgica Mannesman. The article analyses the difference between the mentality of the USA and developing countries and that it is not so great, since the American development was completed much later than that in Germany. Cf. HOFFSCHULTE, p. 259.



- the tendency of Brazilian legislation corresponds to the general Latin-American tendency,
- trademarks are impounded to the overall Brazilian interests; in other words, in the legislation in respect of trademarks the general pattern of economic and social development is taken into consideration.

Such valuation of Brazilian trademark law might suggest that Brazilian legislation appears even more attractive for developing countries.

It should be pointed out that with regard to historical, economic and social reasons, the measures (in particular what has been called “silent nationalization”) mean protection of the interests of the Brazilian national economy that deserves protection. It cannot be recommended, however, to any developing countries to copy them, unless their economic benefits will have been unambiguously enhanced in the long run. The question of nationalization is rather similar. In this respect, Soviet economists warned the developing countries from resorting to premature nationalization.<sup>37</sup> The “silent nationalization” of trademarks in the Brazilian way risks interference with the export of precisely those goods that have been produced for export by applying foreign technologies; further there is the unfavourable legal and economic impact of “frittering away” the right to the same trademark between several countries.

On the other hand, Brazilian trademark law shows some remarkably positive elements, such as the preference of Brazilians for economic and legal experimentation. This is expressed in the substantive provisions of the trademark law as well. These measures might be worth examination not only by developing countries, but also by industrialized countries. Further to extend legal protection to the results of sales promotion (publicity signs) has now become a typical Latin-American practice.

<sup>37</sup> So particularly TJULPANOV, p. 156. Opposition views in the Chinese People's Republic, cf. TJULPANOV, *ib.*



## CHAPTER III

# TRADEMARK LAW AND PRACTICE IN MOROCCO

Morocco, one of the 20 member states of the Arab League, is one of the countries with the highest rate of population increase in the world (3.5 per cent per year). It has 18 million inhabitants.

The living standard in the country is higher than in many countries of Asia or Africa. Moreover, Morocco has managed to popularize certain goods, as well as the trademarks they bear, in several other countries. Hence, trademark law and practice in Morocco seems worth to study.

Morocco is a member of the Paris Convention as revised in Stockholm, and it has adhered to several complementary agreements, including the Madrid Arrangement concerning the international registration of trademarks, as revised in Stockholm.

## 1. TRADEMARK LAW

The law still reflects the different colonial systems that Morocco had to endure in the course of time. The country has not considered improved legislation in the field of the protection of industrial property as its main task. In other fields reform is complete.

Owing to the long periods of colonial rule and trusteeship, three different trademark law situations exist in the three different geographic parts of the country. There are two Patent Offices: one in Casablanca, the other in Tangers. The situation is most lamentable in the former Spanish trusteeship territory, where there is no protection at all.

### *a) The former French zone*

In the former French zone which now includes the Spanish Sahara region annexed by Morocco, the Act of 23 June, 1916, on the Protection of Industrial Property is still in force.<sup>1</sup> It has been repeatedly amended since its promulgation.

The Act corresponds broadly to French trademark law.<sup>2</sup> Articles 72-87 of the Act contains the fundamental provisions concerning trademarks (according to French

<sup>1</sup> French text cf.: *P.I.* 1917, p. 3, completion (regalia, etc.) *ib.* 1958, p. 43.

<sup>2</sup> For a detailed analysis see the book of HAROUN.



terminology: "marques de fabrique et de commerce"). Since 1972 service marks can also be registered. The most important provisions of statutory law may be summarized as follows:

i. protection commences with recordal in the trademark register, (Art. 80), the preconditions of protection are, however, not examined.<sup>3</sup>

ii. protection can be obtained without registration, provided use can be evidenced by documents (Art. 81).

iii. obligation of use is regulated in a somewhat summary way (Art. 84), since statutory law does not prescribe a period of grace. The Act only provides that "if a trademark is not used without any cogent reason, it can be removed from the register upon an application presented by the Ministry of State".

iv. infringement can be prosecuted both by means of the penal and the civil law (Arts 120-123; 128-132). From the point of view of practice, it is remarkable that the number of trademark infringements—mainly for consumer goods—shows a considerable increase. Though the infringers are as a rule small, practically insignificant firms, still the proprietor of the trademark is quite often "deprived" from 40-50 per cent of the market due to infringement.<sup>4</sup> In infringement cases legal practice is not quite firm. In some cases it is too strict, e.g. confusing similarity is established, if only certain elements of the original trademark have been imitated.<sup>5</sup> In other cases, judgement is more lenient; thus, litigation is usually in favour of Moroccan manufacturers and businessmen, and the Court is often inclined to ignore the letter of the law.<sup>6</sup>

On the whole, however, one might say that in questions of infringement and confusing similarity (as is the case of the collision of two foreign trademarks) the laws follow the pattern of French jurisdiction.<sup>7</sup>

<sup>3</sup> BAUMER, *Bericht über das Marokko-Seminar* (Report on the Morocco Seminar), p. 3.; HAROUN, p. 107.

<sup>4</sup> Based on the comments of Mr. Y. PLASSERAUD, Paris, patent attorney, concerning the present study.

<sup>5</sup> Infringement of the trademark SAPTOL by the later mark SAPOL of R.I.P.I.A. 1961, p. 204.

<sup>6</sup> Based on the comments of Mr. J. P. RAZON, Casablanca, Barrister, concerning the present study.—In my view, this comment is supported by the judgement passed in the infringement case of the trademark AU PAPILLON by the trademark BUTTERFLY. It convicted only the manufacturing enterprise, in the People's Republic of China, of infringement, whereas the Moroccan businessman, who placed it on the market and the shopkeeper remained unpunished, R.I.P.I.A. 1972, p. 129.

<sup>7</sup> Use of designs having the same objects (e.g. cow's head, cross, etc.) in a different combination, or together, with the verbal elements of the combined trademark, constitute infringement. Cf. R.I.P.I.A. 1957, p. 28, *ib.* 1958, p. 85. Similarly, the use of the later trademarks REINE D'OR and ERREVE D'OR, were held to infringe the trademark REVE D'OR, *ib.* 1970, p. 121, *ib.* 1969, p. 121, *ib.* 1967, p. 138.; for other examples see HAROUN, p. 190, 194, etc.



### *b) Tangiers, former international zone*

In this part of the country (actually in the town of Tangiers) the international status of which has so often changed during the past 50 years<sup>8</sup> the Act of October 4, 1938, prevails.<sup>9</sup> The provisions concerning trademarks are contained in Arts 65–110 of the Act. They follow French law quite closely. Yet, there are some peculiar legal structures which must not be omitted from consideration in this review. The most important provisions of the Act are as follows:

i. *The first user* is entitled to the right to the trademark (Art. 73). Registration, however, provides exclusive rights for the proprietor of the trademark (Art. 74). There is no examination as to the conditions of registration. The mark is open to opposition.

ii. The *novelty* of the trademark is a precondition of protection (Art. 65). The notion of novelty of a trademark is defined by the law as follows: (Art. 66)

“The trademark is considered to be new, if upon application

- it has not been widely used,
- it is not known as a distinguishing mark of similar goods marketed by third persons.

Earlier use of the trademark by the applicant or his assignee does not prevent registration.”

There are still more interesting provision, i.e. the rule of procedure (Art. 77, item c). It stipulates that the application shall contain a *statement* to the effect that the trademark is new, and that it is the property of the applicant. This rule of procedure is sanctioned by the provision (Art. 97, Sec. 3) stipulating that the untruth of this statement makes the trademark invalid.

iii. *The obligation of use* is properly regulated by the law, stipulating that the protection of the trademark ceases “due to lack of actual use over a period of five years, if, the proprietor of the trademark fails to justify the causes of this failure”.

iv. In case of *infringement* of the trademark penalties may be imposed both under penal (Arts 209, 210) and civil law (Arts 217–220).

In the Tangiers zone, which accounts for a relatively small part of the country, few trademarks are registered; infringement cases are rare; judicial practice continues to follow the French school.

### *c) Codification*

According to information obtained from the Director of the Office of Industrial Property (Casablanca Office), MR. S. ABDERRAZIK, a new Industrial Property Bill was completed as early as in 1973. Since, however, at the end of 1975, the IDCAS issued an Arab Model Law on Trademarks (cf. Part Three Chapter IV), the Morocco Bill of 1973 had to be radically redrafted, on the lines of said Model Law.

<sup>8</sup> 1923–1940 international administration, 1940–45 Spanish occupation followed by annexation, 1945–56 international administration, from 1956 on Morocco State.

<sup>9</sup> Cf. French text: *P.I.* 1939, pp. 104–108.



## 2. TRADEMARK PRACTICE<sup>10</sup>

Whether one takes the European socialist or non-socialist countries, Moroccan *canned fish* bearing trademarks appear in the stores of all these countries. The amount of Moroccan sardine trademarks applied is impressive at first sight but it is in the meantime depressing. The quantity of internationally registered Moroccan trademarks also appears to be rather high.

### *a) Trademarks in the service of exports*

Moroccan tinned sardines under trademarks, as mentioned above, are sold in the shops of most countries of Europe. In the USA and in Australia, however, random tests did not reveal these products.

In Czechoslovakian shops there are tinned sardines bearing the marks CHELLAH, ASCOT, EPOPE, or LUCKY FISH. There were also present cans showing misleading resemblances between different Moroccan factories (colours, print, etc.).

In Hungarian shops the most frequently met sardines carry the trademarks CAPRICORNE (representing a unicorn), GUEDRA, with the design of a Negro and a palm-tree, MADRIGAL with the design of a Spaniard as well as the marks L'ESPADON or POLLO. At the same time, it should be noted that consumers attribute hardly any importance to these trademarks.

In the shops of the German Federal Republic, one can find Moroccan sardines bearing the trademarks ATOLL, ANNY and TITUS, the latter with the device of a man's head. In addition, 13 more or less well-known sardine-marks are the property of some ten Moroccan manufacturers.

In the shops of France, tinned fish fillets under the trademark DJINN, as well as sardines MER DU SUD, are sold.

Swiss store offer sardines under the trademark TITUS with the device of a man's head, as well as that of CONSTELLATION.

This buoyant activity in connection with canned fish trademarks at first sight is impressive, compared to the lack of trademark use in other developing countries. O.C.E. (National Foreign Trade Company), advises that Moroccan tinned fish is exported under more than 200 different trademarks.

To give an example other than fish, French shops sell Moroccan *fruit conserves* (e.g. stewed apricots) under the trademark MONIKA.

There is a third product where attempts are made for exportation; it is a mineral water branded SIDI HARAZEM or OULMES where much advertising takes place (press, TV) in Morocco itself. Exportation of these products is just only beginning. Unlike

<sup>10</sup> This section was compiled with the help of the author's son MR. G. VIDA, who during his 6 month service in Morocco (1977) researched the background material—For general information and statistics related to trademarks in Morocco cf. *Situation of Industrial Property in the Arab States*, Geneva, WIPO, 1978, pp. 79–83.



the above, trademarks concerning Moroccan textile industry are non-existent notwithstanding vigorous export activity. What can the reason be? According to the former Minister for Industry and Trade, MR. BEN SLIMANE, the widespread consolidation in the European textile industry, is responsible for it. He says that many Europeans wear shirts bearing the trademarks of the best Western European manufacturers, though, in reality, they were produced in Morocco.<sup>11</sup> Thus as long as European consumers accept these goods, the present practice of trademarks will prevail in Morocco.

A study carried out by the *Max Planck Institut für ausländisches und internationales Patent-, Wettbewerbs- und Urheberrecht*, in Munich concerning oriental carpets has led to similar results.<sup>12</sup> Morocco, with its different types of Berber carpets (MARRAKESH, MEKNES, KERIM) as well as pouffes, is one of the important carpet-exporters of developing countries.<sup>13</sup> Trademarks are not used in this industry for the export of home-produced carpets. This is likely due to the fact that weavers are generally illiterate.

Thus, this study has come to the conclusion that if oriental carpets were supplied with trademarks, then the distributing functions that are at present carried out by the agents, wholesale and retail firms of Western European countries, might be taken over by the producers, or by their trade federations. A consequence would be that the incomes of the exporting country would be increased while assuming the risks involved in marketing.

In the author's opinion, the advantages for using producer trademarks would prove useful even if the carpet industry were also to be mechanized. This is a situation which might well ensue in the course of industrialization, due to a regrouping of markets.

#### *b) Views of European businessmen*

In the opinion of the importer: the commercial representative of the National Foreign Trade Company of Morocco, in the German Federal Republic, some sardine trademarks have become well-known in that country as a result of a consistent, import activity carried out over several years. Such is the case with the most frequently used sardine trademarks in the German Federal Republic: ANNY, QUEEN MARY, ATOLL, BALCADOR, ARMORIAL, TITUS, MER DU SUD, NONO, JOSIANE, NORMANDIE, OCEANO, ATLANTA, ELBE. Another thing is, the extent those trademarks are known to customers and shopkeepers. From statements of these representatives, it is clear that merchants know but a small number of these trademarks. It can be assumed that the rate of notoriety among customers is even lower.

<sup>11</sup> BEN SLIMANE, *Remarques Africaines*, No 429, 1973, p. 41.

<sup>12</sup> BAUMER and NITSCH, *Orientteppiche* (Oriental Carpets). (Between 1971-73, carpet exports from Morocco have doubled.)

<sup>13</sup> Other developing countries exporting carpets are: Afghanistan, India, Iran, Pakistan, People's Republic of China and Tunisia.



At the same time, it is interesting to note that these trademarks include some that are frequently encountered in the shops of other European countries (TITUS, MER DU SUD, NONO).

French wholesale dealers take into consideration on the one hand, the quality of the goods, and on the other, their origin. It must be noted that DJINN is the trademark of the French importer. The goods are packed and supplied with his trademark upon his commission. This is customary in relations between European countries, too. It appears, however, that in respect of developing countries this practice is much more frequent. As to the textile and footwear industry, it might even be considered typical.

According to Swiss wholesalers, the imports of canned fish with trademarks have no value. Orders are placed on the basis of quality, price and presentation. It is also emphasized that for a long time France was the general importer of Moroccan fish. At present, however, as Morocco pursues an independent foreign-trade policy, the Moroccan state insists on the diversification of exports. It has thus established quotas for different European countries.

### *c) Experiences of Moroccan manufacturers*

In respect of the economic functions of trademarks, all Moroccan manufacturers of canned fish who have been interviewed unanimously stated that trademarks have economic usefulness. A proprietor of the trademarks (SABRI, TIP-TOP) considers trademarks as a tool for promoting sales in a foreign country. Another (ANNY, ATOLL, QUEEN MARY) has similar views, while emphasizing the role trademarks play in presenting the goods to the market. He says that since tins are not transparent, the consumers, merchants, or importers make their choice relying upon their confidence in the trademark.

In addition, Moroccan companies consider trademarks to be good means for individualization, that gains importance in dealings with foreign importers, or in preliminary negotiations. According to the interviewed manufacturers, trademarks of their tinned fish appear without exception in their orders, contracts, and in some cases, in circulars as well.

Relating to goods marketed after processing of raw materials the Moroccan view is negative. There is one exception, i.e. *fruit exports* where the owner of a trademark (SATCO) pointed out that since its application to apricots where the trademark ensures quality the trademark has achieved an economic function as well.

Fish exports are sufficiently diversified. Most producers export to 20 or 30 countries, but some send their goods to as many as 80 countries, invariably under trademarks. As a result of such extensive export trade, some of the Moroccan canned fish trademarks have become well-known in a number of countries. According to manufacturers, tinned fish consumers know and take into account the following trademarks: SABRI, TIP-TOP, ANNY, QUEEN MARY, ATOLL, NONO, NATACHA, MARYSE, etc. This particularly in connection with the member states of the European



Common Market, the Arab League, Austria and the German Democratic Republic.

Four manufacturers were interviewed. Two claimed that these goods cannot afford any advertising costs; the third referred to the fact that some of the customers (importers) advertise themselves. The fourth drew attention that in 1970 the National Foreign Trade Company (Morocco) conducted an advertising campaign covering the trademarks in France. They envisaged to repeat the campaign and to extend it to the whole area of the European Common Market.

On the other hand, the Association of Moroccan Textile Manufacturers said, that (Association Marocaine des Industries de Vêtement et autres Industries d'Aiguille), the textile industry in Morocco which exports shirts, jeans, men's and women's clothing, mainly to countries of the European Common Market—does not apply trademarks.

#### *d) International registration of trademarks*

Morocco is a member of the Madrid Arrangement for the international registration of trademarks. Thus, it seem useful to examine the results of the international registration of Moroccan trademarks, since the effect of international registration covers several countries.

According to the records of WIPO, 294 trademarks of Moroccan origin have been internationally registered as of 15th of July 1974; the applications were forwarded to Geneva either by the Casablanca or the Tangiers Office for the Protection of Industrial Property.

About one third of the trademarks of tinned fish used in the European market, are internationally registered (e.g. NONO, ANNY, NATACHA, CONSTELLATION, etc.), or else, their registration is underway. This points to prudent trademark policy on behalf of the applicants.

Regarding the tinned fish trademarks, the main subject of our study, we wish to emphasize, in order to avoid misunderstandings, that only about one quarter of the total of all Moroccan trademarks concern canned fish; three quarters cover mainly cosmetics, and other products (surprisingly enough, there are quite a number of textile trademarks, too). About 5 per cent are trademarks covering a whole range of commodities. Notwithstanding the Moroccan register, we have been unable to obtain comments on the use of these marks in Europe from European business.

Finally, examining the international trademark register, we stated with surprise that the trademark ATLANTA, known to cover a Moroccan sardine in several European countries, has now been entered into the international register in favour of the Spanish firm Carranza.

When questioned, the Moroccan user of the trademark stated that he was using the Spanish trademark under an agreement concluded with its proprietor. This agreement entitled him to use the trademark all over the world. It seems, however, that in this case, we have trademark use controlled by a commercial agreement, and not with a trademark licence agreement in the usual sense of the term.



A visit to Rabat airport or a glance at advertisements on Moroccan TV suffices to note that certain consumer goods, e.g. soft drinks, are being produced in considerable amounts under foreign licences. Normally a technological licence is coupled with the trademark licence. This is true for COCA-COLA, as well as for other soft drinks bearing the trademark FANTA, "7-UP". These drinks are produced in Morocco, and the use of the trademarks facilitates marketing.

Another example is the dairy product known under the brand DANON. It is produced by the Moroccan subsidiary company. It uses the French parent advertisements on Moroccan TV. Generally, a big percentage of consumer goods made in Morocco are produced under foreign licences (manufacturing licence); or via joint ventures, etc. At the same time, French experts note, that in Moroccan practice, trademark licencing is usually implicit. It is considered as a logical concomitant of a licence of technology. Agreements regulating the rights and duties concerning the use and protection of trademarks, current in Europe and in North America, are relatively rare in Morocco.<sup>14</sup>

Trademark licencing has an important role for the Moroccan subsidiaries of General Tyre and Rubber Co. They use the trademark G-GENERAL, completed with Arab script, and according to the Moroccan subsidiary, this trademark considerably promotes the sale of rubber tyres both in Africa and in the Near East. The mark also facilitates trade to Europe, particularly to Holland. Advertising by the Moroccan subsidiary makes use of the trademark G-GENERAL, and is planned to enhance the market share.

Beside the use of trademark licence for these consumer goods—and mass produced products—there are other Moroccan manufacturers who also use foreign trademark: an important one is the motor-car factory BERLIET MAROC. It supplies the Moroccan market, and also is engaged in exports. Twenty per cent of its production is oriented to the Chinese People's Republic, but cars are also supplied to Lybia, Mosambique, Senegal and Algeria. The trademark BERLIET MAROC is used on the cars in Arab script, while the design of the cars is adapted to desert conditions. The use of the trademark relies, as a matter of course, on the technical assistance rendered by the French parent company, which takes care of professional training, thus permitting the continuous replacement of specialists.

VOLVO also has a truck factory in Morocco. It is hard to recognize whether the trucks are made in Sweden or Morocco. Export of VOLVO trucks from Morocco to other African countries is beginning. Finally, the RENAULT and FIAT companies also operate assembly workshops in Morocco.<sup>15</sup> The marketing of cars produced in Morocco is greatly facilitated by the use of these well-known marks.

<sup>14</sup> Based on the comments made by Mr. Y. PLASSERAUD, Paris, patent attorney, relating to the present study.

<sup>15</sup> *Le Maroc en chiffres*, 1973. Rabat. Direction de la Statistique, p. 76.



### 3. SOME COMMENTS

#### *a) Concentration of trademark practice*

In view of the more than 200 trademarks used in the export activity of the fish-canning industry, the question emerges whether this is advisable for a relatively small country. The situation is somewhat simplified by the fact that most producers turn out their export goods in cans of identical presentation: in red colour on natural finish tins. Nevertheless, would it not be more economical to export canned fish under fewer trademarks, and to make these more effective by means of appropriate advertising programs?

This solution might be more economical. But even with such consolidation, it would be advisable to avoid extremes. Hence:

- it would not be a good idea if the concentration of trademarks were restricted to the indication of the origin, i.e. MAROC (which is anyway pressed onto the back side of all tins);
- it would be advisable to make allowances for the interests of some producers, and for the goodwill they have won in the market: accordingly, concentration to a smaller number of trademarks should be carried out gradually. For example, this could be done by applying both the “old” and the “new” trademark in the first stage, with the “new” trademark typographically enlarged in the second stage. The “old” mark could then be omitted in the third and final stage.

The suggested technique of concentration is, of course, not only applicable in a developing country, but in developed countries, too for fragmental industry. Thus, the concentration of trademarks use into fewer marks is a logical step in this centralization. Such a structure offers advantages in foreign trade.

#### *b) Commercial publicity (advertising)*

Tinned fish is one of the cheapest foodstuffs. It cannot be burdened with the excessive costs of advertising. A large number of trademarks lessens the chance of efficient publicity, hence a concentration of trademarks to a few would improve promotion.

#### *c) Registration*

International registration apparently continues to be the most advisable procedure for the protection of Moroccan trademarks.

If the trademark concentration program suggested were implemented, considerable sums could be saved in registration costs too, since applications for each and every trademark involves extra costs.

At the same time it might be advisable to maintain the registration of some internationally known trademarks that could be put into use, with formal working,



so that in case of need they might be used as reserve marks. (The difficulty with this is that some countries require "use" in order to sustain a valid registration, hence care must be exercised.)

#### *d) Statute-law*

The existence of three different legal systems in one and the same country (and more precisely the total lack of protection in the former Spanish trusteeship territory), does not contribute to the prestige of the country nor to the development of international economic relations.

The Moroccan government obviously realizes this, since the codification tasks implied by the protection of industrial property—including trademark law—is in process of revision. We feel that speeding up the process would better serve the political and economic interests of the country. Applicants foreign to Morocco should be able to obtain protection anywhere on the basis of the Madrid Arrangement while at the same time Morocco Industry should not be prejudiced by poor domestic laws.

#### *e) Infringement*

The methods of penalizing infringers of trademarks is fundamentally different in developing countries and in Europe. In Europe, the criminal penalties, which is on the decrease, may be instituted or the instruments of civil law employed; the latter is more common.

In Morocco, there is criminal sanction. Thus in Morocco, and in other Arab countries, evidence in the criminal matter is often called; all the goods bearing the incriminated trademark, and any other goods evidencing the mark tend to immediately disappear from the market. This is due to inconsistencies in Civil Procedures and the delays involved in getting a civil case to court; thus, it is more expeditious to instigate criminal sanctions. When this is done it is very difficult to get effective evidence before the court as to the actual act or acts of infringement complained of, because infringing product will have been removed from the market place.



## CHAPTER IV

# TRADEMARK LAW AND PRACTICE IN THE IVORY COAST

Ivory Coast is a typical developing country: on a relatively small territory (322,000 km<sup>2</sup>), it has a low population of only 5 million people. Ivory Coast has joined the Paris Convention as revised in Stockholm.

Having no mineral resources, the country's economy is based on agriculture. Despite this, she has managed to make some of her products well-known in several European countries, mainly by means of trademarks. Hence, the trademark law and trademark practice of this country seems to be worth studying.

### 1. TRADEMARK LAW

In the Ivory Coast, up to 1964, the French Act of 27 February, 1891, governing trademark matters, in French colonies, was in effect.<sup>1</sup> It was replaced by the uniform industrial property legislation of the African Union for the Protection of Industrial Property (Part Three, Chapter I). As a result of this regional unification—which took place relying on basic French law, and with the contribution of French experts—the member states of the African Union for the Protection of Industrial Property, including the Ivory Coast, established an up-to-date trademark law reform.<sup>2</sup>

Ivory Coast applicants are free to choose to file trademarks at the Commercial Court in Abidjan (Tribunal de Commerce) or at the African Office for the Protection of Industrial Property. The outcome is the same: registration takes place in Yaounde. However, integration of legislation which followed African Union does not mean unification of legal practice. Thus, the enforcement of rights ensuing from trademarks takes place in each country separately. By way of illustration, in a judgement passed in a case of infringement the Court obliged a merchant to pay a considerable sum by way of indemnity (1 m. Fr. C.F.A.), due to the similarity of his trademark MAMMY to the well-known prior trademark MAGGI for soup concentrates. MAMMY was applied to boxes of identical colour and size. The reasons adduced applied a legal principle adopted all over the world, namely: even if the infringer

<sup>1</sup> *Juris Classeur de la France d'Outre Mer* (Laws on French Overseas Territories).

<sup>2</sup> Manual for the Handling of Applications for Patents, Designs and Trademarks throughout the World; as well as the review 'Transpatent'.



acts *bona fide*, and has no intention to infringe the rights of the other manufacturer, infringement is constituted by the identity, or close similarity of two trademarks. Thus, the appearance of the latter trademark on the market, owned by the infringer, necessarily caused damage to the earlier one. Therefore, when marketing a new article, attention must be paid to the trade, if a name not resembling any other existing trademark, is to be avoided. The Court's standards as to resemblance are rather strict.<sup>3</sup>

Commenting this decision of the Court, Mr. CAZENAVE, president of the African Regional Group of A.I.P.P.I., points out that the judgement is based on the legal consideration that consumers generally do not pay much attention to the origin of the purchased goods. So, if at a (sometimes much later) date, they are offered a product bearing a name that shows a certain resemblance either in its spelling or pronunciation to another mark covering the same kind of goods, consumers might mistake it for the previously purchased product. Therefore, if the earlier product has gained their satisfaction (and reputation) then the article marketed later under a similar trademark will actually profit on the goodwill and confidence obtained by the earlier product.<sup>4</sup> In connection with this legal case—as a matter of fact, the only one found—the question justly arises: why are cases of trademark infringement so rare? The head of the legal department of the Union des Fabricants pour la Protection de la Propriété Industrielle, M. DÉMARET, having considerable international practice, attributes this to the fact that in the Ivory Coast, just as in other African countries, legal actions are rather lengthy and costly. Hence, the owner of an infringed trademark seldom institutes an action for infringement, unless very serious economic interests are involved.

## 2. TRADEMARK PRACTICE

It is remarkable how successfully this relatively small country with its predominantly, agriculturally based economy has been in generating distinctive trademarks that are known in the world markets.

### *a) Trademarks of the Ivory Coast in foreign trade*

Tinned pineapples are present in the shops of both the socialist and capitalist countries of Europe, the trademarks that distinguish them have become fairly well-known.

In the commercial network of Hungary and Czechoslovakia, pineapples bearing the trademark YAPO are common. In the German Federal Republic, YAPO as well as

<sup>3</sup> Judgement of the Lower Court of Abidjan, of 23. November, 1972. Bulletin d'Information A.P.P.I.A.M., December 1974, p. 3; I.P. 1975, p. 320; R.I.P.I.A. 1975, p. 78.

<sup>4</sup> Bulletin d'Information A.P.P.I.A.M. December 1974, p. 3.



COTIVANA, GOLDEN SMILE and AFRICAN GLORY are on sale. The above-mentioned trademarks are owned by three large pineapple canning factories. These factories, and their trademarks are in competition in the world market with one another and as well as with pineapple canners operating in other tropical countries, or in the USA.

Another group of goods, where the Ivory Coast may serve as an example for putting domestic trademarks into foreign trade, are coffee and cocoa. A collective trademark with the figure of an elephant, covering these goods was filed by a central body, which, at the same time watches over quality standards, and takes care of publicity<sup>5</sup> and marketing. These collective marks are applied on sacks and bales. Thus, they are not known to the European and American consumer, but among importers the trademarks have become well-known.

#### *b) Opinions of business circles in Europe*

As to the tinned pineapple trade, according to wholesalers in Hungary, the trademark YAPO covering tinned pineapples is well-known to Hungarian consumers. The product is popular, thus, wholesale dealers endeavour to provide a continuous supply of pineapples bearing this mark.

Importers in the German Federal Republic state that the Moroccan trademarks have greatly contributed to purchases and orders placed there. The trademark YAPO is the symbol of a certain quality. The trademark AFRICAN PRIDE, on the other hand, guarantees a standard, commercial quality. The two marks representing different products with well-defined, yet dissimilar characteristics.

In France, wholesale dealers emphasized that purchases are selected by quality, on the one hand, and by the origin of the article, on the other. In certain cases, trademarks guarantee a steady quality. This fact exists with the tinned pineapples COTIVANA.

#### *c) Opinions of Ivory Coast manufacturers*

The SIACA Company, the second largest pineapple canning factory of the country is owner of the trademarks IVORIO, IVORY and ELFEN. It pursues a deliberate trademark policy. The trademarks IVORIO and ELFEN are only applied to quality goods, while they have gradually cut down the use of the mark ELFEN (this may be due to a desire to consolidate the commercial position of IVORIO). As to quality, the goods, they are subjected to strict control concerning homogeneity of colour, as well as the size of the slices.

Such conditions are, however, not imposed on the mark IVORY, which is applied for standard, commercial goods. This latter trademark is especially well-known in France, where it is competing well against the trademark YOUPI.

<sup>5</sup> HIANCE and PLASSERAUD, p. 254.



#### *d) Registration of trademarks abroad, in the German Federal Republic*

The most important export partner of Ivory Coast is the German Federal Republic. The Patent Office of GFR, has registered 16 trademarks originating from the Ivory Coast (state of affairs in 1974). These refer, without exception, to tinned pineapples in the name of the three largest canning factories of the country.

Minute care is taken by Ivory Coast enterprises to protect all aspects of the mark. The trademark COTIVANA was registered by its proprietor five times, once as a world mark, and four times in the form of emblems; the trademark YAPO three times in different emblem forms. IVORIA was registered four times, with some difference in colour of the letters and of the frame too.

Measures taken in the cause of protection are exemplary. Even European or North-American enterprises could not be expected to act with more care. As far as the trademark selection is concerned, their choice is not so fortunate. The trademarks COTIVANA and IVORIA suggest the place of origin of the goods, too much. They thus may be challengeable.

#### *e) Trademark licences*

The relationship between transfer of technology and foreign trade may be demonstrated particularly expressively by the example of the Ivory Coast subsidiary of the multinational Swiss concern NESTLÉ.

The independence of the Ivory Coast subsidiary is limited; it produces mainly for exports, under directions from Switzerland. In the field of exports, however, the trademark NESTLÉ is a valuable commercial device for the subsidiary too.

The Ivory Coast subsidiary supplies the West-African and Asian market, as well as some European countries, but exports are controlled by the Swiss concern. Thus, if the Swiss parent company fails to meet the demand in a market that was in principle reserved for it, then the subsidiary supplies. It is thus understandable that the subsidiary company does not expound an independent marketing activity, since marketing is taken care of by the parent.

To ensure continuous production conforming to the pattern of the Swiss parent company, the construction of the subsidiary factory, and its equipment was carried out under the consultation and supervision of the Swiss concern. The parent company transferred the technology, i.e. the special production process to the subsidiary, and any development (purchase of new machinery, etc.) is done under the control of the Swiss concern.

The parent company exercises general control over the subsidiary, whose products are subjected to the same strict quality control as if the company were operating in a developed industrial country. Due to these measures the goods

<sup>6</sup> PRETNAR, *Rapport d'expert des Nations Unies en mission spéciale* (UN Expert's Report on a Special Mission), p. 47.



produced under the licence NESTLÉ, the instant coffee NESCAFÉ, and the powdered chocolate QUIK correspond strictly to the usual quality standard of the NESTLÉ products, even though sometimes it is adapted to the local taste, taking into consideration local market demands and the eating habits of the local customers.

According to experiences, e.g. in Hungary, powdered chocolate marketed under the trademark NESTLÉ-QUIK, which is produced by the Ivory Coast subsidiary, is popular, and sought for by customers, who as a rule believe they have bought a Swiss product. Retail and wholesale dealers consider the trademark NESTLÉ-QUIK to be a guarantee of quality. They place their orders mainly relying on the trademark. Other ledgers of exploration though in the language of the country where the product is sold, are not looked at.

*f) The use of trademarks covering other agricultural and industrial products*

Interesting as the experiences in connection with the use of trademarks covering these goods (tinned coffee) may be the influence of the success of Ivory Coast trade marks covering tinned pineapples, powdered chocolate, coffee is not strong enough to spread over into other sectors of industry or agriculture. In this connection, we refer to the statements, of Dr. PRETNAR, who was commissioned by the UNO to study the protection of industrial property on the Ivory Coast on two occasions, in 1971 and in 1973. He went deeply into the question of trademarks. His report drafted for the General Secretariat of the UN includes two recommendations that seem to be convincing and noteworthy. They apply, naturally, not only relating to the Ivory Coast but to other African countries as well.

Accordingly,

- the individualization of products meeting quality requirements would not only create more favourable conditions but at the same time, a more propitious position in world market, and this, expressed in the goodwill gained by a product, would develop a non-negligible asset for the state;
- the individual definition of products by means of national trademarks is of urgent necessity.<sup>6</sup>

These statements are worthy of attention of the agriculture and industry of the Ivory Coast, since the remaining exports of goods of the country are marketed within the pattern of regional foreign trade, and in the world market, as neutral or anonymous goods bearing no trademarks.

### 3. SOME COMMENTS

The Ivory Coast is one of the Black Africa countries where the use of trademarks, as well as trademark protection presents the most positive picture. It is not accidental that the country has a consolidated foreign trade, taking into account that trademark culture is an important concomitant of highly developed foreign



trade. This is a lesson that deserves the attention of other African countries as well. The pineapple canning industry of Ivory Coast serves as a leading example illustrating that a high trademark profile contributes to an active foreign trade.

This appreciation, however, certainly does not mean that nothing further is to be done. The author believes that measures including a better selection of trademarks, more intensive advertising and the gradual extension of the range of collective trademarks towards consumers would bring about more economic advantages, and an improvement in foreign trade.

Other studies of trademark law in the Ivory Coast are not looked at.

North American countries are not mentioned in the study.

It is interesting as the experience in connection with the use of trademarks in the Ivory Coast trade.

These goods (tinned coffee) may be the indicator of the success of Ivory Coast trade.

marks covering tinned pineapples, powdered chocolate coffee is not strong enough.

to spread over into other sectors of industry or agriculture. In this connection, we

refer to the statement of Dr. P. K. S. who was commissioned by the UNO to

study the trademark law in the Ivory Coast and the question of trademarks. His report

dated for the General Secretariat of the UNO in 1964, two years after the study

was completed and published. The study was actually the only study

published in the Ivory Coast. It was a study of the trademark law in the Ivory Coast

and the study was published in 1964. It was a study of the trademark law in the Ivory Coast

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## TRADEMARK LAW AND PRACTICE IN CUBA\*

With its 10 million inhabitants, Cuba is a developing country. Following the Revolution in January 1959, the whole national economy was nationalized. Two land reforms were also carried out, a socialist system was built up and the country became a member of CMEA. Cuba is a member of the Paris Convention as revised in Stockholm.

## 1. TRADEMARK LEGISLATION

Under the prevailing historic and economic conditions one can hardly object to Cuban Trademark Law. It is obvious that in a period when the main problems were to lift the country from its industrial backwardness and to build up its national economy, in the sixties it was impossible to devote full attention to trademark legislation.<sup>1</sup> A modest reform step was taken. The Industrial Property Code, enacted in 1936<sup>2</sup> and first revised in 1957, was once more revised and promulgated in a modernized form in 1968. The recent revision was, however, directed to make the patent law up-to-date and was less concerned with trademarks. This followed a corresponding trend in the European socialist countries during the corresponding period.

Accordingly, the Cuban Trademarks legislation is still based along Spanish lines.<sup>3</sup> This is formally evident as it forms part of a general Industrial Property Code. This also accounts for an overall similarity with the trademark legislation of a number of Latin-American countries. The law concerning trademarks<sup>4</sup> is contained in Arts 93–143 of the Industrial Property Code.

\* The author gratefully acknowledges the help of a number of persons whose advice and consultation assisted in compiling this chapter. First of all the CUBAN CHAMBER OF COMMERCE and also the foreign trade enterprises CUBAEXPORT and CUBATABACO.

<sup>1</sup> Account in "*Der Neuerer*", 1972, p. 155; cf. also ECKNER, *Staat und Recht*, 1973, pp. 123–124.

<sup>2</sup> *P.I.* 1937, pp. 37, 58, 73 and 89; amendment *P.I.* 1956, p. 89.

<sup>3</sup> Up to 1898 Cuba was a Spanish colony.

<sup>4</sup> Further discussion of trademark law is based on the report of Dr. M. A. CARILLO DE ALBORNOZ, Director of the Cuban Chamber of Commerce, published in *Katzarov's Manual on Industrial Property All Over the World*, 8th edition, Geneva 1976.



### *a) Filing of trademarks*

Applicants of a trademark may be Cuban or foreigners, manufacturers or sellers, either natural or juristic persons. Foreigners must appoint an Official Industrial Property agent, upon filing the application. Foreigners enjoy the same rights as Cubans.

As to the different kinds of trademarks, provision is made for trademarks and collective trademarks, but the existing Industrial Property Code does not provide for service marks.

Cuban legislation does not recognize the use of a mark as a basis for any trademark rights.

The following are not registrable:

a. trademarks which are identical with or similar to another already registered mark; b. coats of arms, flags, insignia and decorations whether national or foreign; c. surnames, except those of deceased persons consecrated by history, unless this would infringe the rights of living persons; d. portraits of living persons, unless they give consent in writing; e. generic names or their graphical representation, also words that have become generic through use; f. reproductions of bank notes and bonds, whether national or foreign; g. the symbol or sign of the Red Cross or any other official corporation of the Republic of Cuba; h. geographical or regional names; i. designs of cheques, policies and mercantile documents; j. designs or expressions contrary to morality or disparaging to persons, or entities of the State or of any foreign state; k. emblems containing legends that may deceive or mislead the public as to the origin, credit or industrial reputation of the goods; l. colours *per se*, unless they are combined in a peculiar form; m. designations already registered, with the addition or suppression of any word.

### *b) Registration of trademarks (prosecution)*

An application may only be amended with regard to clerical errors or errors of form which are not likely to affect the subject of the application.

Examination extends to formalities, and to full examination for similarity with earlier registered marks, or those applied for.

Applications are published in the Official Bulletin; opposition may be entered within two months from publication.

Disputes about property and ownership arising from identical registrations must be settled in the Courts of Justice.

Several ways of appeal are possible. Where a decision has obviously been made with disregard to facts, administrative proceedings are to be taken, within 60 days from the date of notification.

Against a final decision issued by the Office for Inventions, Technical Information and Trademarks (Oficina Nacional de Invenciones, Informacion Technica y Marcas) an administrative Appeal can be logged before the higher



corresponding organization. Against this decision administrative appeals may be logged before the corresponding courts.

If the trademark application complies with requirements, it is published in the Official Bulletin of Industrial Property.

If the documents filed with the application are insufficient or incomplete, applicant is invited to amend within a term of 180 days.

#### *c) Effect of registration*

Registration is granted for 15 years, and may be renewed indefinitely. Registration is not compulsory.

Cuban trademark legislation is based on the obligation to use: use is a fundamental condition for maintaining the validity of a trademark. If a mark has not been used for three consecutive years, it is likely to be cancelled by a third party. In practice, however, such procedures are extremely rare.

This provision serves the protection of national interests. Even if this obligation for use is a "weak" one only, it likely reduces the number of registered trademarks.

Renewal of a mark must be applied for one year before expiration of protection. No term of grace nor restitution is provided for.

Licences of trademarks are possible. Assignment is possible without transfer of the goodwill of the business.

#### *d) Cessation of protection; infringement*

Cancellation of a mark may be applied for within four years after registration, provided that the registration of a mark was contrary to same provision of the Law.

Registration of invalidated marks is possible.

When a mark has lapsed through the expiration of the term of fifteen years, the last owner of the mark or his successor has a preferential right over any application for two years.

Infringement of a trademark is an offence which may lead to the payment of compensation and, in certain cases, to imprisonment.

#### *e) Dependence on home registration*

For the renewal of a trademark which was first registered on the basis of registration in the country of origin a certificate of renewal in the home country is required (Art. 103, Para. 2). This provision creates dependence between the registration of a foreign mark and the Cuban trademark. It appears that in view of the peculiar points of view of a developing country, aiming at the increased safety of consumer interests, such provisions are justified, even if they seem to be superseded in the legislation of highly developed industrial countries (cf. Part Three, Chapter V, Point 6).



#### *f) Protection of commercial slogans*

Under Art. 169 of the Industrial Property Code commercial slogans (legends, phrases, arbitrary combinations of words, symbols or designs) are registerable as they are designated to catch public attention or as a means for popularizing industrial, cultural, recreative, beneficial or commercial activities. If a trademark forms part of a commercial slogan, the owner of the trademark is to be identical with the registrant of the commercial slogan (Art. 170). The obligation of use of a commercial slogan is stronger than for trademarks; and cannot be interrupted for more than one year. Under this provision trademark protection is extended to a specific group of commercial activity. This aspect of Cuban legislation follows Brazilian Law (Part Two, Chapter II) and Mexican Law.

#### *g) Protection of signs for establishments*

A further object of protection are signs for establishments which act as advertising. Signs are granted protection only if they serve an industrial or commercial purpose (Art. 219). Applicants for registration of words or devices forming part of a sign must be able to prove that they either own the sign or that they hold a licence for using the sign for at least as long a time as its legal term of protection (Art. 221).

As far as we know this is a rather unique provision.

## 2. TRADEMARK PRACTICE

It is known that as a result of the embargo against trade with Cuba, that country has had to introduce a system of central distribution, i.e. rationing, for most consumer goods. Accordingly, one may wonder whether trademarks have any significance under such conditions.

Personal experience has, however, taught the author that as far as e.g. pharmaceutical products are concerned, trademarks have a certain value but of much less importance than in other countries. The trademark RIDOL designating a Hungarian spasmolytic medicine or, for that matter, many other Hungarian pharmaceutical marks are almost as well-known to and appreciated by the people of Havana as they are in Budapest. Generally, however, pharmaceutical products made in Cuba, bear generic names.

Obviously the system of rationing will sooner or later come to an end, and Cuba will adopt the distribution of goods through trade channels as practised in European socialist countries. With this in mind, the registration of trademarks other than for pharmaceutical is in the long run, a reasonable thing.

In the following, Cuban trademark practice is examined primarily from the point of view of the Cuban national economy. From this aspect there is no doubt that trademarks have mainly foreign commercial significance.



### *a) Cuban trademarks in foreign trade*

If we consider Cuban products on sale, in amounts worth mentioning, including those bearing trademarks, we find they mostly appear in trade with the CMEA countries.

In Czechoslovakia, TROPICAL pineapple juice is well-known to a wide range of customers. Orange juice marked TREASURE ISLAND is also found in the food stores. Mention should be made of Cuba cigars as well, bearing the trademarks ROMEO Y JULIETA, PARTAGAS, MONTECRISTO, H. UPMANN. These are known to smokers. They enjoy popularity and are sought after. HAVANA CLUB rum is likewise well-known.

In Poland rum and liqueurs and cordials marked HAVANA CLUB are on sale, among them, pineapple, cocoa and coffee-flavoured liqueurs.

Cigars of the above-mentioned trademarks are popular in all CMEA countries and even in Spain, Switzerland, France and other non-socialist countries.

### *b) Registration of Cuban trademarks abroad*

Since the foreign trade of Cuba is mainly with the CMEA countries, the registration situation should obviously be examined first of all in the Soviet Union.

The trademark register of the USSR shows that despite their intensive foreign commercial ties, Cuban enterprises had only 38 trademarks registered in the Soviet Union as of January 1, 1981. These include twenty-four trademarks of the tobacco industry, five for fruit juices and canned goods, six for rum and alcoholic beverages, one for fish and two for other products.

The fact that the great brands of cigars known both in socialist and capitalist European countries, such as PARTAGAS, H. UPMANN and ROMEO Y JULIETA, MONTECRISTO are registered in the Soviet Union too, indicates a highly oriented trademark policy regarding tobacco products.

It is interesting to find 40 Cuban trademarks registered in Czechoslovakia as of January 1, 1981. Of these 23 are word marks covering tobacco products, 15 are registered for beverages, mainly for rum, and include word marks as well as device marks. It was noted that the nationalized trademark BACARDI for rum was registered in eight different versions. After the SCOTCH WHISKY brand, BACARDI is the most important trademark of the world for alcoholic beverages; its use is being continued also by the former owners who are now producing BACARDI rum in the Bahamas and in Puerto Rico, their commercial seat being in Lichtenstein. The BACARDI marks were registered in Czechoslovakia in 1962 by the State enterprise, after nationalization of the industry.

In Hungary, 44 trademarks of Cuban origin stand in the register as of January 1, 1981, including 21 for tobacco. The 10 BACARDI rum trademarks were registered in 1960, that is, prior to nationalization. In Hungary, where a great many well-known trademarks, such as GANZ OT TUNGSRAM, etc. were subject to nationalization after the Second World War, the problem of recognizing the effect of nationalization in Cuba did not, of course, emerge at all, as it did in Great Britain.



We shall now examine Cuban trademark-application policy with regard to a capitalist country.

Although it is well-known that the international trade between Cuba and the German Federal Republic is small compared with that of Cuba and the USSR, the number of trademarks of Cuban origin is almost the same in the Soviet Union and in the German Federal Republic. The thirty-three trademarks (as of January 1, 1981) cover the following goods: nineteen are registered for tobacco products, seven for rum and alcohol, two for fish, one for juices, one for tinned mushrooms, one for powdered milk, one for candies and one for nickel.

Considering the cigar trademarks registered in the German Federal Republic, we surprisingly find only one identical with the Soviet registrations, i.e. POR LARRANAGA. Also surprising, is that most of the registered trademarks are not known in the trade.

Among the rum and alcohol trademarks registered in the GFR we find CANEY which is protected in the Soviet Union, too. The trademark TREASURE ISLAND, registered in the German Federal Republic for fruit juices, was also found in the Czechoslovakian register as well as in the stores.

There is an obvious disproportion in Cuban trademark registration with regard to large trade volumes with the European socialist countries on the one hand, and the smaller trade volumes with the German Federal Republic on the other. It appears that this disproportion is rooted in the divergence of the commercial structure between the European countries of different socio-economic patterns. In the Socialist markets, trademarks are substantially less important than in the German Federal Republic where the risk of infringement is much more significant. This is because in a market economy based on competition, the role played by trademarks as a tool of economic competition, and of distinguishing them is significantly more intensive than in the markets of the CMEA countries.<sup>5</sup> In these latter countries, operating as a planned economy, the role played by trademarks is less significant from the economic point of view. The impact connected with the obligations trademark is more significant. This latter function of trademarks is primarily directed against the local socialist enterprises to not emulate, and not so much felt by foreign applicants, i.e. exporters.

### *c) Cuban foreign-trade policy*

Considering both the European socialist and non-socialist countries, the majority of trademarks registered and used in them cover tobacco products, primarily cigars.

The foreign trade enterprise CUBATABACO arranged significant marketing campaigns, primarily in Spain, but also in Great Britain, Sweden, France and

<sup>5</sup> If we consider that this picture is even influenced by the fact that for about 15 years there were no diplomatic relations between Cuba and the German Federal Republic, the disproportion seems even more important.



Belgium. It succeeded in popularizing Cuban cigars such as MONTECRISTO, PARTAGAS, ROMEO Y JULIETA, DAVIDOFF, etc. This is achieved by media including television, radio, signs, and short movies or commercials (20 seconds).

In addition, unique cigar-storage containers are distributed in restaurants in Spain and to some extent in other European countries. These containers called HUMIDOR ensure the temperature and moisture content required for the proper flavour of these valuable and famous cigars. Newspaper advertisements inform the public as to which restaurants are equipped with these container-chests for cigars.

In other countries manufacturing displays take place at international exhibitions, and illustrate how the famous Cuban cigars are produced. Exhibitions combined with such displays have taken place in Mexico City, Barcelona, Cologne, Bucharest, Plovdiv, Brno and other cities. In all these shows trademarks were conspicuously displayed. They are considered important tools in these campaigns.

It should be pointed out that in the case of Cuban cigars there is a remarkable connection between quality and the trademark. The particular quality, unique to Cuban cigars, is ensured by the special climatic conditions in which Cuban tobacco is produced and the Cuban cigars are manufactured. This quality—expressed also in term of prices—is symbolized or individualized by trademarks and by appellations of origin.<sup>6</sup>

A trademark of major importance used by the foreign trade company CUBAEXPORT is the trademark HAVANA CLUB with a device representing a woman ("La Giralduilla") and a cross, i.e. the emblem of the City of Havana; the design of the first bronze statue of the New World. In most countries throughout the world, this trademark has become amalgamated with the notion of Cuban rum. The people of Cuba point out with a certain pride that the world's most exquisite rum is produced from Cuban sugar cane, so that here quality and trademark are once more blended. This trademark is relatively recent; it was introduced after nationalization. It soon gained remarkable popularity because of effective advertising.

Significant advertising activity is conducted in order to popularize the goods and the trademark HAVANA CLUB, in a number of countries considered prospective customers. Advertisements include the media, and the movies; posters, shopping bags bearing the mark and also huge lighted pictures along motorways. A peculiar form of publicity is the vast HAVANA CLUB advertisement in the Prague Sports Stadium, and its somewhat smaller copies in the Prague and Brno airport halls. Another special method of publicity is a promotional tour, a term unknown in Europe, where a well-known jazz band popularizes the trademark HAVANA CLUB within its tour programme.

Another important trademark of the enterprise CUBAFRUTAS is TAORO for mango juice. This is another mark of high prestige, due to the outstanding quality of the product. TAORO is mainly exported to Asia and the Middle East; its value is illustrated by attempts to imitate it, or by the passing off of trademark TARIO in the South Indies, and TAORO in Taiwan.

<sup>6</sup> Some well-known Cuban appellations of origin for cigars registered under the Lisbon Agreement are VUELTAJO, HOYO DE MONTERREY, HOYO DE MANICUARAGUA.



The third important foreign commercial trademark of the enterprise CUBAFRUTAS is CONCHITA for *pies* (paté). In the Canaries, for example, the products marketed under this trademark dominate 80 per cent of the market.

Also to be mentioned is a third foreign trade enterprise, EXPORTADORA DEL CARIBE. Its tinned fish products branded CARIBBEAN QUEEN are available and known in a great many European countries.

According to the opinion of the Cuban Chamber of Commerce, trademark registration safeguards protection of the mark against possible imitations and protects consumers against misleading practices. Likewise it grants exclusive rights to the owner of the trademark. As to exportations, it is a guarantee of quality. Foreign registration prevents the use of the trademarks in other countries to the detriment of the Cuban commercial interests.

### 3. PROTECTION OF TRADEMARKS RELATING TO EXPORTS

The active and purposeful trademarks policy of the CUBATABACO foreign trade company described above, demonstrates how a good trademark, registered both locally and abroad, can become an important tool in foreign trade, if handled with a dynamical approach.<sup>7</sup>

The Cubans are intent on enforcing judicial assistance for the protection and maintenance of their trademarks, even before the Courts of a country where the prospects of such actions are small, i.e. in the United States of America.

The antecedent of some twelve passive trademark infringement processes was the seizure, on September 15, 1960, and nationalization of the largest tobacco plants in Cuba. They produced cigars of superior quality and world-wide reputation; the trademarks were registered and known in the USA.

Following nationalization, the intervened corporations controlled manufacturers continued for some time exports to the USA. The earlier owners of the controlled corporations who fled to the USA, brought actions against the American importers, among others for trademark infringements; the controlled corporations entered as intervenors in these actions.

The US Courts combined these actions both at trial and on appeal, and denied legal effect of the seizure of the plants and of the associated trademarks, concluding that such seizure did not extend to the trademarks registered in the USA, and that the intervention was not effective to deprive the owners of their trademark rights. This is because these trademarks were registered in the USA and USA courts had "situs". The Court considered the trademarks to be in force, in spite of non-use, since it concluded that extraordinary circumstances cannot be considered abandonment of use. Accordingly, the interruption of use by the (previous) owners for a "short time" (for twelve years!) was not considered as resulting in extinction of the marks. The Court then concluded that the trademarks were infringed by the

<sup>7</sup> HIANCE and PLASSERAUD, p. 254.



intervenor (the nationalized company). Injunctive relief was, however denied on the grounds that future violations were unlikely, in view of the trade embargo with Cuba. The Court, however, implicitly left the door open for the possibility of applying the sanctions of infringement, if the nationalized company were to export goods to the USA under the trademarks in question. It is of interest that the ruling of first instance (Trial) gives a detailed analysis of the Judge's statement in an American process relating to the nationalization of the Hungarian ZWACK trademark. The judgement is in part based on the state doctrine of non-recognition of the extraterritorial effect of foreign nationalization.<sup>8</sup> The judgement after appeal makes reference to a US judgement in the case of the Carl Zeiss Stiftung trademarks, now owned by a State enterprise in the German Democratic Republic.<sup>9</sup> We add that reference could have been made to a number of court judgements in connection with Soviet or Czechoslovak nationalized trademarks, where reasoning ran along similar lines. Obviously that judgement was also influenced by political considerations, just like the other judgements relating to nationalization of trademarks in other socialist countries at the time.

The author has devoted a number of papers to the varying evaluation of the Courts in European and American capitalist countries regarding the measures taken by European socialist countries in seizing trademarks, and to the non-uniform legal practice in this respect;<sup>10</sup> accordingly, this paper only sums up some earlier observations.

As a result of their economic function, trademarks are considered an accessory of the enterprise in most legal systems. This involves considering trademarks as a collateral and theoretically inseparable part of the assets of an enterprise, like goodwill. Since trademarks constitute an accessory of the enterprise, in the event of the transfer of a trademark it is in our view irrelevant whether the transfer or assignment of the enterprise itself took place spontaneously or under pressure. In any case, the principle *accessorium sequitur principale* should obtain.

The fact that in actions relating to nationalization of trademarks in general, hence, also in the case of Cuban trademark nationalization as well, the US Court applied the *lex fori* principle of international private law, and refrained from applying the *collision norm siège social* indicates that the US Judge was aware of his obligation to apply the rule of conflict *siège social*, and, consequently, he ought to have recognized the effect of nationalization of trademarks by the Cuban Government. The Judge disregards this obligation merely for reasons of discrimination, supported by a circumstantial explanation, making reference to reported precedent cases.

<sup>8</sup> District Court, S.D. New York, Judgement dated July 27, 1976, 150 USPQ 611.

<sup>9</sup> Judgement dated Sept. 24, 1973, of the Court of Appeals, Second Circuit, New York, 179 USPQ 513.

<sup>10</sup> VIDA, *Nemzetközi magánjogi problémák a védjegyállamosítás köréből* (Problems of International Private Law relating to the Nationalization of Trademarks), p. 379;

VIDA, *Az iparjogvédelem egyes fontosabb nemzetközi vonatkozású kérdései* (Questions of International Protection of Industrial Property), p. 164.



Discrimination is, however, an exceptional measure in international private law which can only be justified by hostile ungracious relation between the governments in question and only for a certain length of time. Discrimination therefore cannot and should not be raised to become a rule, under normal economic relations, nor of the civil law regulating them. Accordingly, we feel that the American judgements passed in the actions for Cuban trademark nationalizations are expressions of a period, presumably nearing to its end, which gave birth to "irregular" court judgements of a provisional nature. Later generations will probably read these judgements in astonishment and perhaps amazement since they are in contrast to the century-old principles of trademark law, and international private law.

In conclusion, we should comment briefly on the same question when affecting *friendly countries having similar socio-economic structures*. The trademark BACARDI for rum, is registered in the European socialist countries for the nationalized company (Compania Ron BACARDI, S.A., nacionalizada). A shipment of BACARDI rum appeared on the Hungarian market, produced outside of Cuba by the former Cuban owners of the company. The nationalized Cuban company would have been fully justified to bring action for infringement against the former owners who used this trademark unlawfully in Hungary, but did not do so. The action would presumably have been successful.

In such infringement action, it would have been hardly possible to avoid including the Hungarian importer as defendant. To eliminate this, the CUBAEXPORT chose an elegant solution; namely to bring up this matter, before the Cuban-Hungarian Economic Committee, with a view to stopping the import of the infringing product into Hungary. This procedure probably caused greater losses to the unlawful competitor than the damages which would have been adjudicated by a Hungarian Court in an action for infringement if one had been commenced. On the other hand, the procedure was terminated considerably sooner than could be expected from litigation, which may have taken years.

We believe this example is illustrative of the advantages gained by Cuba as a party to the socialist CMEA group with regard to trademark protection.

Obviously the protection of Cuban trademarks abroad can be discussed from other aspects too; different from the actions involving nationalization or seizure of trademarks. We are referring to routine actions for infringement, such as the recent one regarding the unlawful use in France and the Benelux countries of the trademark HAVANA CLUB for rum. The very existence of these actions introduced by the Cuban party indicates a consistent policy to protect their trademarks.

#### 4. SOME COMMENTS

Cuba is a developing country of socialist socio-economic structure, which joined the socialist economic integration of the CMEA countries. These circumstances explain why some aspects of trademark law and practice are handled under an approach different from other developing countries which did not choose the socialist way.



#### *a) Use of trademarks*

In Cuba, like in other developing countries, the use of trademarks is not very intensive. It is difficult to find a field worth mentioning in addition to tobacco products and rum. In the CMEA markets which consume most of its products, the competitive role of a trademark is less important than in capitalist markets. Accordingly, it would be wrong to say that the low intensity in using trademarks is unfavourable for Cuba's economic situation at present. This situation will, however, change substantially as soon as the embargo against trade with Cuba is stopped or at least reduced.

#### *b) Control of licence agreements*

In contrast to the other developing Latin-American countries (cf. Part Two, Chapter II and Part Three, Chapter II) and to European socialist countries,<sup>11</sup> Cuban legislation contains no provisions for the control and approval of licence agreements with foreigners. The lack of such provisions can be explained by Cuba's isolation from the capitalist world. One of the advantages of this situation, beside the numerous disadvantages, is in the comparatively shielded economic situation from the strong collisions of interest which are daily occurrences in other Latin-American countries who use licence agreements that may incorporate trademark licences. These have been unknown in Cuba for the last sixteen years. However, as soon as the trade embargo is removed or relaxed, Cuba will also have to consider these licences. We would add that even now the view is being voiced with increasing frequency in Cuba that there is no need for waiting until the trade embargo is lifted; on the contrary, the control of licence agreements should be included in the steps directed at developing the jurisdiction.

#### *c) Statute-law on trademarks*

Statute-law on trademarks in Cuba does not considerably differ from the law of other, either industrially developed or developing countries. It is remarkable that the pre-revolutionary traditional trademark legislation was not reformed upon revision of the Industrial Property Code. Attention is to be given, however, to the fact that the formal trademark law of European socialist countries is also rather similar—from a formal point of view—to that of capitalist countries. The difference is rooted, both in Cuba and in other socialist countries in the dissimilar conditions of ownership. Whether we consider the Cuban trademarks registered in European socialist countries or in the German Federal Republic, they are all owned by a

<sup>11</sup> VIDA, *Les contrats de licence en droit socialiste* (Licence Agreements under Socialist Law), pp. 27-42.



national company. The economic function of a trademark owned by a capitalist owner is, however, often different from that owned by a socialist company. This is a result of the different economic philosophies.

In my research report, writing on the modernization of statue-law on trademarks,<sup>12</sup> it is reported that Cuba had a choice between two alternatives:

i. In the framework of the unification or adaptation of the trademark laws of CMEA countries, Cuban law should be modified so as to be in line with them. The CMEA's Model Law on Trademarks (Havana, 1976) could constitute a basic for this alternative. This variant is basically justified by the close economic links with the CMEA countries.

ii. Another variant is to adapt Cuban trademark law to the trademark legislation of Latin-American countries, in the framework of the unification of law in Latin-America. This solution could be justified and explained by the similarity of the level of the economies of Cuba and other Latin-American countries. The precondition to these solutions, however, lies in closer economic co-operation with Latin-American countries following the lifting of the trade embargo.

<sup>12</sup> VIDA, *Warenzeichen in Entwicklungsländern* (Trademarks in Developing Countries), p. 131.



### PART THREE

## INTEGRATION, UNIFICATION AND REFORM TENDENCIES IN TRADEMARK LAW

A considerable part of the new African states have relatively few industries, and are of underdeveloped economy. Most of them are agricultural countries, in most cases with monocultures, hence their economies are most vulnerable to the tendencies of the market.

Developing countries, including the new African states, soon recognized that severally they are not strong enough, either politically, or economically. This impelled them to form political and economic groups. In some of the latter groups "common markets" were formed; processes of regional integration commenced. No doubt, regional integration, with a uniform, co-ordinated commercial policy may be most suitable to improve the economic condition of the developing countries. Yet, realist literature has drawn attention to the fact that if integration policy is adopted in the interest of foreign and developed economies, no improvement can be expected in the economic position of developing countries.<sup>1</sup> Western European experts have represented similar views. In consultation with multinational companies, they have taken stand for the partial disengagement of multinationals in developing countries.<sup>2</sup>

### 1. ECONOMIC INTEGRATION AND THE PROTECTION OF INDUSTRIAL PROPERTY

The peoples of French Equatorial Africa achieved their independence in 1960. The new states out of the former French African colonies decided in the same year to co-operate in the economic, cultural and political fields. The six states out of the former English colonies established the East African Common Market (EACM). These countries will, however, be left out of consideration in the present chapter.

Following attempts with the different organizational forms, nine states (seven French colonies), in 1964 established the African and Malagasy Union for

<sup>1</sup> Another writer is explicit for this in his "The Economic Condition of the African Union for the Protection of Industrial Property, for making uniform, suitable measures possible and for standardization and revision in this chapter."

<sup>2</sup> Korten, p. 131.

<sup>3</sup> Korten and Norten, in: *Greenhouse Integration* (Groningen—Netherlands: Individuele Property—Copyright, p. 341).







## CHAPTER I

# EXPERIENCES OF INTEGRATION RELATING TO THE TRADEMARK LAW OF EQUATORIAL AFRICA\*

A considerable part of the new African states have relatively few inhabitants, and are of underdeveloped economy. Most of them are agricultural countries, in most cases with monocultures, hence their economics are most vulnerable to the tendencies of the market.

Developing countries, including the new African states, soon recognized that severally they are not strong enough, either politically, or economically. This impelled them to form political and economic groups. In terms of the latter groups "common markets" were formed; processes of regional integration commenced. No doubt, regional integration, and a uniform, co-ordinated commercial policy may be most suitable to improve the economic conditions of the developing countries. Yet, socialist literature has drawn attention to the fact that if integration policy is adopted in the interest of foreign and domestic monopolies, no improvement can be expected in the economic position of developing countries.<sup>1</sup> Western European experts have represented similar views, in connection with multinational companies: they have taken stand for the partial disintegration of multinationals in developing countries.<sup>2</sup>

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\* Author wishes to express his thanks to MR. D. EKANI, Director General of the African Office for the Protection of Industrial Property, for making available valuable resource materials and for suggestions and revisions in this chapter.

<sup>1</sup> TIJULPANOV, p. 151.

<sup>2</sup> KUNZ and NITSCH, in: *Gewerblicher Rechtsschutz—Urheberrecht—Wirtschaftsrecht* (Industrial Property—Copyright), p. 563.



Economic Cooperation (Union Africaine et Malgache de Cooperation Economique). The thus established Common Market has taken some important industrial and commercial measures; some of which are: co-ordination of the production and trade of meat, the Sugar Convention, as well as the creation of a joint Coffee Union; establishment of an inter-state Organization of Tourism, of Air Afrique, of the African Union of Post (U.A.M.P.T.).

These countries out of Equatorial French colonies, in 1962 established a common authority for the protection of industrial property, and adopted unified regulations. An appropriate remark was made by a Soviet expert; that the concept of a unified patent (and trademark) system initiated in Europe, first materialized in Africa.<sup>3</sup> It is a fact that the African and Malagasy Convention for the Protection of Industrial Property was the first to create such a regional organization.

The following countries have joined the African and Malagasy Convention for the Protection of Industrial Property: *Benin, Cameroon, Central African Republic, Congo, Gabon, Ivory Coast, Malagasy, Mauritania, Niger, Senegal, Tchad Republic, Togo, Upper Volta* (1967, but in 1974 *Malagasy* announced its withdrawal). These countries are, without exception, agricultural countries, mostly with monocultures; the number of their inhabitants is low (the population of Gabon and Mauritania is less than one million). The 12 countries together number about 45 million inhabitants. It should be added finally that the multi year-long droughts have been disastrous for some of the countries.

The unification of legislation on industrial property for African countries, as well as the establishment of a common Industrial Property Office was achieved in an effort of spirit within the scope of the African movement of unity—says PUCHEU, the Cameroonian chronicler of the Convention.<sup>4</sup>

The African Office of Industrial Property (Office Africaine de la Propriété Industrielle) is one of the most consistent and logical manifestations of economic co-operation. It stands to reason that the establishment of this common authority for the protection of industrial property is beneficial for the participants. These benefits are ascribable, among others, to the fact that this office, being a technical and specialized agency, is an African international organization, involving no emotions or politics. This does not mean, as a matter of course, that important African intellectual trends and current thoughts would not influence the common authority of industrial property. It is only natural that the concepts elaborated by the less specialized, Central African organizations are taken into account by the African Office.

The General Director of the African Office of Industrial Property, Mr. EKANI<sup>5</sup> renders an account of the legal provisions, and of the development of integration. In his opinion, integration is connected here with the aspirations of independence of the African countries. Its primary aim is to develop trade and industries, in order to build up national economies, and thus create prosperity for their peoples.

<sup>3</sup> CHERVIAKOV, p. 66.

<sup>4</sup> PUCHEU, R.I.P.I.A. 1964, p. 327.

<sup>5</sup> EKANI, J. P. 1966, p. 220.



If there had been any provisions for the protection of industrial property in that continent, prior to the achievement of the independence of African countries, they were merely extensions of European legislation, without actually having roots in Africa, where at that time there was practically no trade or industry.

In the first years of independence, African men of state were instinctively and fundamentally opposed to the protection of industrial property, which they considered as a tool for the consolidation of the technical and economic superiority of former times.

The protection of industrial property, in their view, was equivalent with the acceptance of neo-colonialism. The African leaders had the acquisition of foreign investments and foreign capital in mind, and the protection of industrial property seemed to be very distantly related to these benefits.

This view, however, has gradually changed, as wider and wider quarters came to realise the significance patents can have in the introduction of foreign technology. It became obvious that trademarks could also be utilized in the protection of the interests of the people. The new attitude adopted by the European socialist countries was similarly decisive: the fact that these countries had seen fit to elaborate national legislations relating to industrial property and to adhere to established international Convention, contributed largely towards removing the fear which overhung the protection of industrial property.

In this respect, however, EKANI pointed out that it was hard to say which of these two considerations (economic or political) played a greater part in changing the attitudes of African leaders.

It is easy to understand that the unification of the laws of the protection of industrial property in Africa roused world-wide interest.<sup>6</sup> The author of the present work wrote<sup>7</sup> at the time describing this as dialectical and was subsequently criticized by DR. VILÁGHY who pointed out that this process of juristic development should not be called dialectical. In reality, the fact is that for less developed countries, having no provisions at all related to the protection of industrial property, it is simpler to adopt the most up-to-date achievements of the sciences of law and legislation from countries bound by long traditions.<sup>8</sup>

The African and Malagasy Convention for the Protection of Industrial Property was established actually upon French initiation, and the project itself was submitted to the African heads of state by the Malagasy president of the day MR. TSIRANANA. In the light of this historical background, it is of particular interest that 12 years later it was Malagasy that announced its withdrawal from the African and Malagasy Convention. It should be noted that the withdrawal was not motivated by reasons of legal protection, it was much rather the simple (one might

<sup>6</sup> For example, SCHADE, *Mitteilungen der deutschen Patentanwälte* (Communication of the German Patent-Layers), 1964, p. 61; MIOSGA, same place, p. 63. The most important work was written by COMTE, *Revue juridique industrielle*, 1971, pp. 277-408.

<sup>7</sup> VIDA, *Az iparjogvédelem egyes fontosabb nemzetközi vonatkozású kérdései* (Questions of International Protection of Industrial Property), p. 74.

<sup>8</sup> VILÁGHY, *Opponent's opinion on Vida's thesis*, p. 4.



say: administrative) consequence of the withdrawal of Malagasy from the Common African and Malagasy Organization (OCAM),<sup>9</sup> in response to changes in Malagasy internal policy.

At the same time, other African countries, such as Mali, Burundi, Rwanda and Mauritius have been considering joining this Convention.<sup>10</sup>

## 2. UNIFIED TRADEMARK LAW

The trademark law provisions of the African Convention for the Protection of Industrial Property bear the marks of the French school. This is easily understood if we consider that prior to the establishment of this Convention, these countries had no trademark law of their own; French law was in force.

In what follows—without aiming at completeness—some provisions of the African Convention for the Protection of Industrial Property<sup>11</sup> will be reported.

### *a) Foreign applicants*

For foreign applicants, residing outside the territories of the member states, it is important that they file their applications (for patents, trademarks, designs) with the African Office of Industrial Property only; it is stipulated furthermore that they must appoint an agent in one of the member states of the African Convention (Convention, Art. 3, Para. 2).

Since, according to statistical data, the majority of trademarks are filed by foreign applicants for foreign commercial considerations, this Convention has the notable advantage that appropriate handling can be better ensured by one central organisation than if each member state of the Convention developed a special practice. Naturally, the legal consistency thus provided creates a favourable atmosphere for the development of international trade.

African applicants, when they are domiciled in the territory of one of the member states, may file their applications at choice, either with the competent national Department, or with the African Office of Industrial Property, according to the legal measures in force in such state (Convention, Art. 3, Para. 1; Annex IV. Art. 2). It should be noted that the national office of the member states are simple extensions of the filing<sup>12</sup> procedure.

<sup>9</sup> Information given by the competent Director General of the Malagasy Ministry of Economy and Finances, G. RAJAONARY. The withdrawal took place as of December 31, 1976. Cf. *I.P.* 1974, p. 405.

<sup>10</sup> *I.P.* 1975, p. 318.

<sup>11</sup> English version, cf. *I.P.* 1963, p. 67. Regulations Concerning Trademarks, cf. *I.P.* 1966, p. 186.

<sup>12</sup> EKANI, *I.P.* 1970, p. 99.



#### *b) Direct acquisition of rights in all member states*

The most significant provision of the African Convention, is that every application made to the competent Department of one of the member states (in the Ivory Coast, e.g. through the Abidjan Trade Court), or made to the African Office of Industrial Property, has the value of a national application in each member state (Convention, Art. 4). This provision is thus similar to the wording of the Madrid Arrangement prior to the Nice Revision (1957), with the important difference that the member states have no right of rejecting the registrability of a filed trademark. Thus only the African Office of Industrial Property is entitled to decide. On the basis of this structure, a bundle of trademark rights comes to existence, as many trademarks as the number of member states. These trademarks are centrally registered by the African Office. This central registration, however, does not change the independence of one and the same trademark in each of the member states. An "African trademark" is, therefore, not as unified as the concept which some European countries, either in the CMEA, or in the EEC, have in mind as a more appropriate solution.

#### *c) Registrability*

The conditions of registrability have been drawn up by the African Convention with a wider scope than have most European laws. The relevant provision (Annex II, Art. 2) ends as follows: „... *shall be considered to be trademarks...*” (emphasis added). This wording shows that the list of registrable trademarks, in spite of the wide scope of registrable signs defined by the Convention, and part of its Annex, is only an illustrative one and far from being complete. In addition, this provision goes much beyond what is stipulated by the majority of European legislation as a bar to registrability. To define registrability with such a wide scope took into account consumers, for whom the visual and symbolical meaning of a denomination as well as the colour, graphical finish and form of the surface and wrapping all play an important role. The regulation referred to furthermore provides that the trademark serves to distinguish, this being one of the crucial preconditions of registrability. Since this motion is a relative one, this question presumably gains in importance. This can be the case, e.g. if the goods or their appearance, are adapted to influence the consumers, in this case, members of a primitive people.

#### *d) Acquisition of rights*

The trademark is due to the first user or first applicant (Annex II, Art. 5, Para. 1). By this provision, the legislators have on the one hand, decided the question that the registration of an African trademark has only a declarative, but not a constitutive



effect;<sup>13</sup> on the other hand, ensured that the first user may also result in the acquisition of the right to the trademark.

This provision is reflective of the relevant statute of the earlier French Trade Mark Act (1857).

#### *e) Conditions of protection*

Although the right to a trademark can be procured both by use and by registration, if it was acquired by use only, the acquisition of the right is imperfect: the exclusive property in a trademark may be claimed only by the registered owner (Annex II, Art. 5, Para. 2). Thus registration and use are—as far as their legal effects are concerned—not equivalent. Only a registered trademark provides full protection.<sup>14</sup> This provision reflects the English trademark concept, where the legal position, i.e. the means of protection of the owner of a registered trademark is stronger than that of an unregistered trademark. This provision practically compels the trademark owners to file trademark applications.

Another provision goes even further: the first user, if he has not taken legal action to establish his claim, shall cease exploitation of the trademark at the latest five years after formal notice by way of extra-judicial act made at the request of the depositor (Annex II, Art. 5, Para. 4). This rule obviously serves the purpose of legal security, and is to induce trademark owners to clarify legal positions among themselves, which can be of special importance under the conditions of developing countries, in order to prevent the misleading confusion of the predominantly illiterate population.

#### *f) Absence of the obligation of use*

The Convention ignores the institution of the obligation of use.

One can take it for granted that the passivity of the legislators is accounted for by the fact that the new African states established after the former French colonies became independent, used the French Act as a model. At the time of signing the African Convention (1962), neither the then prevailing French law, nor, the laws of the Andean countries, or of Mexico, recognized the obligation of use in its present advanced form.

#### *g) Nullity*

Trademarks, lacking distinctive character or misleading the public or which cannot be registered shall be null and void, and can exert no legal effect of any kind, (Annex II, Art. 15). This substantive regulation is supplemented by a provision of

<sup>13</sup> EKANI, p. 76.

<sup>14</sup> Moreover, registration creates a presumption of property and a situation that may become incontestable. Cf. EKANI, p. 77.



procedural law, under which the annulment of a trademark shall be pronounced by the Civil Tribunals, at the request either of the District Attorney, or of any person or trade association interested (Annex II, Art. 6).

These provisions, appearing somewhat unusual to a European applicant, are fully understood merely from the particular aspect of developing countries: the increased demands for consistency of law for the local inhabitants, illiterate in their bulk, has induced developing countries to take measures which allow a much wider scope for state intervention than is usual in capitalist industrial countries.

#### *h) Appeal*

Appeal<sup>15</sup> against the rejection of the African Office of Industrial Property shall be made within 3 months of the receipt of notification (Convention, Art. 11; Regulations, Art. 9).

The High Commission of Appeals renders decisions as a council of three members (Regulations, Art. 16). The Commission is composed of judges or qualified lawyers (Regulations, Art. 2) who are representatives of the member states designated for a term of 2 years. The nomination is renewable (Convention, Art. 10, Para. 3). The Commission of Appeals holds one session each year (Convention, Art. 10, Para. 2). The applicant or his representative is entitled to state the grounds of appeal orally, if he so requests at least one month before the opening of session of the Commission (Regulations, Art. 18); otherwise, sessions are not in public (Regulations, Art. 17). Decisions of the Commission are not subject to appeal (Regulations, Art. 22).

### 3. COMMON OFFICE OF INDUSTRIAL PROPERTY

The Common Office is advantageous and remarkable not only organizationally, but involves considerable practical benefits: it assures unified practice, the unified mode of applying the law.

Reporting of the role of the African Office of Industrial Property, General Director EKANI stated that the French-speaking countries of Equatorial Africa felt that to establish a common system of the protection of industrial property is an important factor of the economic-technical progress of their countries. They were aware of the fact that to set up separate national organizations for the protection of industrial property in each member state, would entail enormous legal, administrative, financial and personnel encumbrances. What is more, the establishment of separate national offices might have impeded the acquisition of foreign technologies, for these could best be procured quite often, through the channels of industrial property. These considerations weighed substantially in the establishment of the African Office of Industrial Property. It is a positive fact that the

<sup>15</sup> Regulations relating to the Organization and Functioning of the High Commission of Appeals, cf. *I.P.* 1966, p. 212.



Common Office covers its expenses from its own income, without charging member states.

The General Director and the Board of Directors are responsible for the functioning of the African Office of Industrial Property; the Board includes representatives of all the member states. The member states are presented by the Ministers responsible for the protection of industrial property. The Board of Directors appoints the officials of the Common Office of Industrial Property; it approves of the regulations relating to the enforcement of the stipulations, as well as the budget of the Common Office. The annual meeting of the Board elects the President. In the period between two meetings, the President passes resolutions on behalf of the Board. The President has comprehensive rights in the supervision of the African Office of Industrial Property.

The Common Office of Industrial Property resides in Yaoundé, capital of Cameroon. As to its staff, there are 21 Heads of various Sections (as per 1970), selected by international competition from citizens of the member states; the clerks are Cameroonians.

Relying on the experiences of the first few years, plans aimed at the extension of the authority of the African Office of Industrial Property have been completed.

#### 4. REVISION TRENDS

Relying upon experiences gained concerning the unified trademark law of Equatorial Africa, the thought of revisions have come up already after the first years of operation. As far as trademarks are concerned, following issues are to be revised:

- preference of trademarks to designate characteristic goods produced in the member states, including those produced with foreign investments;– official approval of licence agreements, in particular, supervision of royalties;<sup>16</sup>
- compulsory registration of trademarks.

Later, one decade after the establishment of the African Convention for the Protection of Industrial Property, the Director General of the African Office could already rely on his own experiences when drawing up a detailed analysis of matters for further revision.<sup>17</sup> Here we mention only some:

- a. establishment of a common authority to rule on cases of nullification and cancellation, by expanding the competence of the present High Commission of Appeals, at the same time, maintenance of the competence of national courts for infringement cases;
- b. providing protection of service marks, by expanding the scope of protection;
- c. introduction of the obligation of use, sanctioned by removal of non-used trademarks.

<sup>16</sup> These passages were expounded by H. RONDON DE SANZO, as quoted by EKANI, *I.P.*, 1970, pp. 101–102.

<sup>17</sup> EKANI, pp. 167–185.



A number of reform ideas exist in a proposed revised Convention draft bill drawn up in Bangui, on March 2, 1977 by the Director General.<sup>18</sup> This document now bears the impressive title of "Convention on Intellectual Property", and its size is treble the volume of the present Convention. The draft includes 9 annexes, as compared to the 4 annexes of the original text of the Convention.

The revised Convention Draft reflects changing world thought. It consequently refers to, and takes into account the international conventions signed since 1962; their new wordings, including the last text of the Madrid Arrangement on the international registration of trademarks, as well as the Trademark Registration Treaty (TRT). It assumes sooner or later, that they will be adhered to by the states of Equatorial Africa, too.

Annex III of the revised Convention Draft is entitled "Product and Service Marks", and purports some remarkable provisions of substantial and procedural law. Some of the headings include:

- term for appeal is 30 days (Art. 14), as against 3 months, prescribed in the present Convention;
- opposition can be lodged against the registration of the trademark, within 6 months (Art. 15);
- the protection period is 10 years (Art. 16), whereas the same in the present Convention is 20 years;
- certification of the use of the trademark, as a condition of renewal (Art. 19);
- in the absence of use, removal of the trademark from the register can be requested by any persons interested (Art. 22);
- if the owner of the trademark failed to apply for renewal through no fault of his own, re-establishment of the trademark may be requested within 6 months, but not later than 2 years reckoned from the removal of the mark (Art. 24);
- trademark licence (Art. 28);
- prohibited and allowed clauses in trademark licence agreements (Art. 29);
- official approval of trademark licence agreements, their conditions (Art. 30);
- collective marks (Arts 31-36).

Some of the new provisions take into consideration the latest results in legislation. Notably, it utilizes the experiences of other developing countries. In some respects, even those of European socialist countries (in the first place, the measures concerning the official approval of licence agreements might be referred to)<sup>19</sup> and last but not least, the WIPO Model Law (cf. Part Three, Chapter IV).

The revised Convention Draft of Bangui was ratified by six countries until August 1st, 1980, and will probably enter in force in 1982.

<sup>18</sup> *Accord relatif à la création d'une Organisation africaine de la propriété intellectuelle constituant révision de l'Accord relatif à la création d'un Office africain et malgache de la propriété industrielle* (Agreement on the Creation of an African Organization of Industrial Property relating to the Revision of the Agreement on the Creation of an African-Malagasy Office of Industrial Property), Yaounde, 1977. cf. English version, *I.P.* 1979, No. 3 and 4.

<sup>19</sup> VIDA, *Les contrats de licence en droit socialiste* (Licence Agreements under Socialist Law), pp. 27-42.



## 5. TRADEMARK PRACTICE

The African system of trademark application is attractive for the foreign applicant. Soviet experts correctly suggest that foreigners enjoy the same benefits as domestic applicants, i.e. they are treated the same.<sup>20</sup> This is in complete conformity with the Paris Convention, as all members of the African Convention for the Protection of Industrial Property are also members of the Paris Convention.

### *a) Breakdown of registered trademarks*

It is interesting to see how foreign applicants availed themselves of this possibility: the average number of trademarks filed at the African Office of Industrial Property was 1168 in 1966–70, including only 51 from the member states, the rest, i.e. 93.5 per cent of the total, was filed by foreign applicants.

If we consider more specifically the breakdown of applications made by the member states of the African Convention for the Protection of Industrial Property in the period 1964 to 71 (in number 482), the data obtained is even more surprising. From the 13 member states no more than four displayed a filing activity proper in the period under survey. In these 8 years trademarks—although low in number—were continuously filed, the share of Cameroon being 196, that of the Ivory Coast 91, of Senegal 73, and of Malagasy 72. Trademarks filed by the other 9 member states were fluctuating between 0 and 13.<sup>21</sup> Such a small quantity can hardly give rise to what may be termed “trademark practice”.

Dealing with this rather backward trademark practice of Equatorial Africa, DR. PRETNAR has made comparisons with the applications filed in other developing countries. This comparison is, as a matter of course, based on such developing countries that have, by now, recognized the economic importance of trademarks. By way of illustration, he refers to domestic trademark filings of the countries listed below, relying on statistical data for the year 1971: Iran 1681, Iraq 1064, Kenya 207, Lebanon 414, Pakistan 1039, Sri Lanka 366. Three years later, in 1974, the situation is practically unchanged in connection with Iran and Sri Lanka. Iraq, however, shows a pronounced decline to 392; while there are 672 applications came from Kenya and 1301 from Lebanon. A comparison of these figures with the number of national applications filed with the African Office reveals their backwardness. In this connection, DR. PRETNAR is right to point out that the developing countries, even though of a low level of industrialization, have a number of outstanding agricultural products, mostly exported, which should be individualized by trademarks, to meet the demands of the present market.

<sup>20</sup> CHERVIAKOV, p. 69.

<sup>21</sup> PRETNAR, Rapport d'expert des Nations Unies en mission spéciale (UN Expert's Report on a Special Mission), Appendix 5.



In his view, enlightened work among the competent African leaders would be needed to point out the economic advantages to such a program.

In the author's view, this is part of the greater question of business or enterprise management.

#### *b) Trademark registration practice*

The President of the African Regional Group of the A.I.P.P.I., Mr. CAZENAVE, reports on a circumstance detrimental for applicants; the trademark search. The African Office for the Protection of Industrial Property keeps only a summary trademark register, yet there is no register whatsoever on pending trademarks application, which greatly impeded an effective search. However, in 1977 it started to build an up-to-date register.

In the early years after establishing the African Office the process of registration and of publication of trademarks filed was very deficient<sup>22</sup> but by the 1st of July, 1977 there were already 14,049 registered marks, and 2,184 marks provided for publication. The number of trademark applications under process of registration was insignificant, only 166.<sup>23</sup>

#### *c) Judicial practice*

Actions instituted for the enforcement of rights arising from trademarks, fall, as stated above, to the authority of the member states.

In the countries of Equatorial Africa, the first ruling of the independent court reflected the attempts of the new legislation. This is easy to understand, since decision making in cases of industrial property was not only new in Africa, but the facts to be decided upon were rather complex.

There were cases when under identical state of affairs, two contradictory judgements were passed in two countries. This was the case of the processes instituted in connection with the use of the "accompanying marks" (or associated marks) TERGAL to identify dresses made from TERGAL.<sup>24</sup>

It is therefore not surprising that it took nearly one decade until a better knowledge of trademark law appeared in and was established by litigation. The state of affairs of the following cases is relatively simple. The court assumed that the consumer generally does not give much attention to the marking of the goods purchased. If he is later offered goods resembling the first known product in denomination, spelling or pronunciation, the consumer rightly thinks that it has to do with the same article. If he has had favourable experiences with the original product, the imitative goods exploit the economic benefits from the favourable impressions which the customer associated with the original goods.

<sup>22</sup> CAZENAVE, *I.P.* 1975, p. 319.

<sup>23</sup> Statement of Mr. EKANI written for the present study.

<sup>24</sup> *I.P.* 1975, p. 319.



On this basis in Cameroon, the owners of the trademark NEDELIA and CREME NEDELIA LIQUIDE were fined on account of their confusing resemblance with the trademarks NIVEA and CREME NIVEA LIQUIDE. It should be noted; however, that the judgement of the court did not only take into consideration the resemblance of the word elements of the two trademarks, but their similar wrappings as well.<sup>25</sup>

French literature refers to a judgement brought in Senegal, where the infringer was imposed with a significant fine in both instances for the unlawful use of a non-registered trademark. The thorough reasoning of the judgement leads us to believe that the judge was versed with French law. The judgement relies on the basis of the concept of unfair competition, since the foreign applicant had only just filed his trademark with the African Office for the Protection of Industrial Property, whereas registration had not yet taken place at the time of the unlawful act.<sup>26</sup>

The Senegal Court convicted the owner of the trademark EAU D'AIX LES BAINS for infringing the trademark EAU LUBIN, in a sentence relying on considerations of trademark law, on account of the auditive similarity of the two names. It is worth mentioning that in a process under identical state of facts between the same parties, the French court likewise condemned the infringer.<sup>27</sup>

Mention has been made earlier of the Court decisions in trademark cases in the Ivory Coast (Part Two, Chapter IV).

It is remarkable that in Africa, the necessity was also felt for a unified administration (a common industrial property office) to be followed by the establishment of a common African industrial property Court. The president of the African regional group of A.I.P.P.I., Mr. CAZENAVE, believes that in view of African conditions (in particular, the exceedingly low number of judges and experts having appropriate experience in matters of industrial property) the centralization of professional judges would have much greater importance than e.g. in France, where the Patent Act (1968) stipulated a certain centralization of judicial competence.

This idea seems to be of particular importance for the regional unification of law. The African concept is particularly impressive. Five years ago, when the same idea was brought before the above-named African expert, such plans seemed to be utopia even in Europe, both in the CMEA and EEC countries. The sporadic domestic filing practice as well as the poor economic expectations attached to domestic trademarks are hardly encouraged by this progressive idea. Nevertheless, it appears that the need for concentrating specialists, with a view of rationalizing application of the law can be best met in Africa.

<sup>25</sup> Judgment of the Court of Appeal of Douala. A.P.P.I.A.M., December 1974, p. 3; *I.P.* 1975, p. 320.

<sup>26</sup> Infringement of the trademark AMBRE; judgement of the Court of Appeal of Dakar, dated from 6. May, 1967, *R.I.P.I.A.* 1969, p. 109.

<sup>27</sup> Judgement of the Court of Appeal of Dakar, 14 January, 1970. *I.P.* 1975, p. 320 = *R.I.P.I.A.* 1975, p. 118.



## 6. SOME COMMENTS

It should be stated as a preamble that the regional integration of patent and trademark law, as described here, preceded by 10 to 15 years the Latin-American and European integration processes. According to CAZENAVE, the Africans "founded a school" for the unification of law in industrial property.<sup>28</sup>

The historical merit of Africans; therefore, is that they were the first to attempt integration. The impact accomplished it successfully. Some of the fundamental solutions applied by them include a practically unified trademark and a Common Office of Industrial Property. If, by now, some countries in Europe or in Latin America have made greater advances in the integration of trademark law compared to the alternative solution chosen by the Africans, this does not, in any way, lessen their historical merit.

### *a) Unified trademark law—common court*

The concept of a package of trademark rights which seemed to be progressive in 1962 as compared to the Nice wording of the Madrid Agreement on the international filing of trademarks, appears now to be somewhat outdated in the light of the latest trends of integration developments which are particularly problematic for the African countries. Under the prevailing system, the courts of the member states administer justice in cases relating to the nullity and infringement of trademarks. The concept of a unified trademark and trademark law, and a common court—as initiated by some leading African personalities—presumably fits the conditions of the most indigent developing countries much better than the adaptation of the basic concept of the Madrid Arrangement to acquire through a single application a package of trademark rights extending to member states. Of course, the African idea of a common court is common in federated systems such as the USA, Canada, German Federal Republic or Switzerland.

### *b) Obligation of use*

As mentioned before, the Convention ignores the obligation of use of a trademark, but the Project of Convention Draft, as revised at Bangui, provides it (Art. 22). Taking into consideration the wording of the Draft, the open question seems to be whether the practice will follow the French one, where advertisement is not accepted as a form of use, or that of the European socialist countries where it is. For reasons of equity, we think the latter practice would be more desirable. This is advantageous to countries who have import restrictions as in Equatorial Africa. Accordingly in such cases the recognition of advertisement as a form of use could save the mark automatically, without legal proceedings, assuring security for everybody.

<sup>28</sup> CAZENAVE, *Revue Camerounaise de Droit*, 1973, No 3. p. 16.



## CHAPTER II

# INTEGRATION OF TRADEMARK LAW IN SOUTH AMERICA

In the framework of economic integration of certain Andean countries, in May 1969 five South-American countries: Bolivia, Chile, Ecuador, Colombia and Peru, wishing to diminish or even put an end to their dependence on foreign capital, decided after several years' preparatory work to develop economic integration. As a result the Andean Common Market was formed. At the beginning of 1973 Venezuela also joined the Andean Common Market but in 1976 Chile withdrew from it. The five countries have some 66 million inhabitants, and cover an area of 4.8 million km<sup>2</sup>; hence, this integration group is important, because of its size in population and land mass.

### 1. THE CARTAGENA AGREEMENT

The fundamental objectives of this economic integration are laid down in the Charter that came into force as of July 1, 1971, outlining comprehensive economic and financial co-operation. The Charter took into consideration the fundamentally different levels of development of the member states, and assured a preferential deal for the less developed, Bolivia and Ecuador (Arts 91-104).

Even the assassinated Chilean President, S. ALLENDE, considered the Andean Pact a model of the regional integration of the developing countries; he said that it is a living example of the immense possibilities that exist for co-operation, when there is a firm political will to take action. The countries of the Andean Pact trebled the volume of their reciprocal trade in the first three years, and applied various instruments for co-ordinating the economic strategies of the member states. To this end, they agreed upon a Common Treatment for Foreign Investment, which puts an end to their competition to tap these external resources. S. ALLENDE also insisted that integration among countries like those of the Andean Group cannot survive solely from the mechanical interplay of market forces; joint planning must be undertaken for the key sectors of economy, with a view to determining the lines of production that each country will be called upon to undertake. The Andean Pact is of vital interest not only because of the technical pragmatism with which these countries are tackling problems as they arise, but also because they are conducting an indigenous experiment of integration, based on the most absolute respect for the



ideological pluralism and for each country's legitimate right to adopt whatever internal structures it may deem most appropriate.<sup>1</sup>

The member states of the Andean Pact decided to establish by 1983 a free-trade zone with common customs borders. Art. 27 of the Charter is of particular importance from the aspect of trademarks, since it is planned to formulate common rules relating to foreign capital, trademarks, patents, licences and royalties.

On the basis of the pertinent provisions of the Charter, the executive body of the Andean Common Market: the Commission, after repeated discussions adopted, with Decision No. 24 of December 31, 1970, on "Common Treatment of Foreign Capital, Trade Marks, Patents, Licensing Agreements and Royalties", a number of remarkable and progressive provisions.

It is pointed out that the focal point of the carefully elaborated resolution is to control the influx of foreign capital, foreign technologies; the provisions of foreign licence agreements relating to technological subjects, whereas the trademark provisions have a relatively modest share. Since, however, the present paper has the goal of studying legal provisions relating to trademarks, in what follows, only rules relating to trademarks will be discussed.

The trademark provisions of the Resolution may be divided into two groups: defensive and integrating measures.

The "defensive" measures aim at preventing disadvantageous licencing terms for licences by prohibitive means, and by repealing such contractual stipulations, if they exist, by state intervention.

The other, integrating includes administrative rules with a view to integrate further objectives of economic integration, the protection of industrial property, and this includes trademark law.

## 2. DEFENSIVE MEASURES

The role of the defensive measures is to safeguard the interests of the national economies of the member states, thus consolidating the position of all the member states in an indirect way. These terms affect licence agreements, by stimulating the use of domestic marks, and contain financial regulations in this field. From the wide range of such regulations, only some provisions relating to trademark law are quoted here.

### *a) Licence agreements*

The defensive rules concerning licence agreements aim at preventing unfair contractual stipulations on disadvantageous domestic recipients. In the case of earlier licence agreements of such character, the terms deemed detrimental are to be repealed by means of state supervision.

<sup>1</sup> Excerpt from the opening speech delivered to the *Third World Trade Conference of UNCTAD*, Santiago, Vol. I. p. 352.



Para. 25 of Decision No. 24 dated December 31, 1970, provides an illustrative list of the main restrictive clauses that are to be excluded from licence agreements relating to the use of foreign trademarks. They are:

a. clauses prohibiting or restricting the exportation or sale, in specific countries, of products prepared under the trademark concerned, or similar products;

b. clauses requiring the use of raw materials, intermediate goods or equipment supplied by the trademark owner or subsidiaries thereof. In exceptional cases the importing country may accept clauses of this nature provided that the price corresponds to the price levels current on the international market;

c. clauses fixing the sale or resale price of the products manufactured under the trademark;

d. clauses requiring the payment of royalties to the trademark owner for unused marks;

e. clauses requiring the permanent use of staff supplied by the trademark owner, and

f. clauses with equivalent effects.<sup>2</sup>

Presumably the necessity of such defensive measures is due to social and economic conditions fundamentally different from those prevailing in Europe.

The same tendency is continued in point E of the transitional provisions of the Decision, stipulating the obligation to register trademark licence agreements already concluded. Failure to register causes the licence agreement to become null and void.

Government approval of trademark licence agreements is stipulated in Point 81 of said Decision, as compulsory. The obligation of registering licence agreements is commented in French literature as "controlled liberty" ("liberté surveillée").<sup>3</sup> In respect of the use of trademarks, any subsequent supervision of licence agreements is obviously aimed at more than just obtaining information. Its real aim, i.e. permitting to do away with licence agreements coming under prohibitive headings, is more penetrating; thus, its character is not only defensive. In this respect, let us point out that it is the incontestable right of every state exercising her sovereignty to establish or control relationships in the realm of civil law if this be appropriate.

A Colombian commentator of these provisions has stated that the aim sought to be achieved was preventing the establishment of contractual terms favouring an abuse of the monopolistic situation; of stipulations resulting in prohibitions, and obligations which are not direct consequences of measures connected with the protection of industrial property.<sup>4</sup> A Czechoslovakian commentator stresses the same points.<sup>5</sup>

<sup>2</sup> Extract of English version: *I.P.* 1974, p. 436.

<sup>3</sup> ENDERS, *R.I.P.I.A.* 1973, p. 284.

<sup>4</sup> PACHON, p. 54.

<sup>5</sup> KYJOVSKY, *Warenzeichenrechtliche Fragen in den RGW Ländern* (Questions relating to Trademarks in the C.M.E.A. Countries), p. 6.



### *b) Foreign trademarks*

A trademark does not ensure a monopolistic position and exclusive right as complete as does a patent. A trademark only permits the marketing of a certain product or use of a service, with the application of the distinctive mark.

The economic role of trademarks in Latin America is a particularly controversial point, and trademarks are, therefore, often considered a symbol of economic domination.<sup>6</sup>

It is claimed that this view compelled Chile and Colombia during the preparation of Decision No. 24 of December 31, 1970, to initiate banning of foreign trademarks on products manufactured by the member states. This move was, however, not adopted by the other member states of the Andean Pact.<sup>7</sup>

For the European reader this move might seem incomprehensible at first sight. In Europe, we generally start out with the assumption that the economic advantages inherent in a trademark introduced in the world market, are considerable in promoting the marketing of the goods in question and these marks provide an advantageous position for developing countries as well. On the other hand, these advantages are apparent with exports. Since, however, exports of the Andean Pact countries are in an initial stage, these advantages do not carry much weight, and thus cannot counteract the local resistance to foreign trademarks based on sociological grounds.<sup>8</sup> Even though this resistance be a sociological nature<sup>9</sup> it is not always quite justified. Any explanation of the economic advantages to be expected from foreign marks appears to promise little, if any, success in Latin America, at this point in time.

### *c) Financial measures*

A provision of Decision No. 24 of December 31, 1970, concerning the remittance of royalties also encompasses the sphere of defensive marks (Art. 21). Accordingly, royalties only in connection with trademarks, patents can be remitted abroad but they may not be registered as capital contributions.

The provision makes an exception for cases where the right of use has been granted by a foreign parent company or its subsidiary. To these, no royalties at all may be remitted. Companies considered foreign are ones where domestic residents control or own less than fifty-one per cent, of the shares, per Art. 1 of the Decision No. 24 of December 31, 1970.

<sup>6</sup> ARACAMA-ZORRAQUIN, *R.I.P.I.A.* 1972, p. 201.

<sup>7</sup> THIERR, *R.I.P.I.A.* 1973, p. 61.

<sup>8</sup> ILLICH, p. 130. Renders account of the aversion at the sight of a COCA-COLA plant in a slum of a Latin-American city. It should be added that in the absence of adequate information the inhabitants of a developing country can hardly realize that the factory also adds to the national income and offers employment.

<sup>9</sup> ARACAMA-ZORRAQUIN, *I.P.* 1973, p. 39.



The provision actually seems to create a situation where royalties should be booked as capital imports, thus preventing outflow of capital. Taking account of this circumstance, this provision may be considered defensive as well.

### 3. PROVISIONS DIRECTED AT INTEGRATION

Provisions relating to integration of trademarks in the Andean Pact countries are rather cautious; the establishment of a common industrial property office to replace the existing national offices is not envisaged. A common harmonized trademark law has only been partially realized.

#### *a) Regional Office for Industrial Property*

Art. 54 of Decision No. 24 of December 31, 1970 contains a fundamental provision regarding integration. In addition to maintaining national industrial property offices, it is envisaged to establish a regional Office for Industrial Property. Its main tasks will be:

- to serve as a liaison agency among the national industrial property offices;
- to collect and circulate information regarding industrial property among the national offices;
- to prepare model licence agreements for the use of trademarks or exploitation of patents;
- to advise national offices regarding the application of the common rules of industrial property of the member countries.

The proposed regional Office for Industrial Property would therefore have an essentially co-ordinate role; it would also have to prepare plans. There is no question, however, of assuming the traditional tasks of the national patent offices.

The plan seems to be a compromise, and it has presumably been chosen in a view of the divergent economic and political conditions of the Andean Pact countries. Even the Cartagena Agreement envisages a set of preferences for the less developed member countries. At the time of the Decision, the internal political systems of some member states had a more or less socialist orientation, others, were pursuing a capitalist economic system. Differences in the trademark laws must also be added thereto. The trademark laws of Chile, Ecuador, Colombia and Venezuela rely upon the Anglo-American system. The trademark law of Peru follows the German model, that of Bolivia is closer to the French system. For the present total harmonization of the law, which might result in dissolving the national offices of industrial property, would not be advisable, and certainly is not yet the most urgent task for solution.



### *b) Harmonization of trademark law*

The establishment of a unified law usually takes place step by step. As a rule, the first step is a co-ordination of the legislation of the different countries. The Andean Pact countries seem to have reached this stage. At all events, Decision No. 85, on the harmonization of the provisions of industrial property was issued on June 5, 1974 under the title "Regulations for the Application of Rules concerning Industrial Property".<sup>10</sup> Although the Decision was approved by plenary representatives of the member states, it has not been ratified by corresponding domestic legislation only in Colombia.<sup>11</sup>

As far as the character of this Decision is concerned it is a unique way to harmonize law, since the governments of the member countries are to incorporate the Decision in their own national laws.<sup>12</sup> As a result of this provision (Art. 86), the trademark laws of the Andean Pact countries will become unified in respect of the fundamental provisions, with differences existing only in respect of some provisions of secondary importance (Art. 84). This is not only pragmatic but an attractive method of harmonization, and worthy of study not only by other developing countries but even by industrialized European socialist and non-socialist countries.

The third part of this Decision (Arts 56–81) includes detailed provisions on trademarks, in the following main groups:

- requirements for registration (Part One, Chapter I)
- registration procedure (Part Two, Chapter I)
- rights conferred by registration (Part Two, Chapter II)
- assignment and transfer of registration (Part Two, Chapter III).

The detailed introduction of the provisions does not seem to be necessary, since, in principle, they follow the general lines of trademark law, both concerning substantive law and procedural law. Therefore, in what follows only some particular provisions will be dealt with, which reflect the conditions of developing countries, or have been inspired by integration trends.

In defining the notion of trademarks (Art. 56), it is a requisite that a trademark must be new (*novedoso*), visible and sufficiently distinctive. From these legal requisites, novelty and visibility are unusual elements. At first glance they make the acquisition of a trademark difficult both for domestic and foreign applicants. As a matter of course, the critical point is whether these two requisites will be interpreted in practice strictly or liberally. The author is inclined to interpret these unusual provisions as a defensive measure against a great number of foreign applications. This latter objective may be motivated by the intention of counteracting the country's backwardness, which, persuades the economic conditions of the Andean Pact countries and its trademark rights as well.

<sup>10</sup> Reglamento para la aplicación de las normas sobre propiedad industrial. English version. cf. *I.P.* 1974, p. 437.

<sup>11</sup> Decree No. 1190 of 26th June 1978. Cf. *Legal Bulletin of Cavellier, Perdomo and Cavellier*, Bogota, 1978.

<sup>12</sup> In Peru, e.g. according to J. A. FERNANDEZ, lawyer of Lima, this Decision replaced Act No. 18,350.



The concern of the legislators *for eliminating the deceit of customers* by using foreign words or geographical names as trademarks, is also of interest. In such cases, the place of manufacture of the product should be indicated in a visible and clearly legible form (claramente legible) below the mark (Art. 59). It is matter of common knowledge that for a long time developing countries were treated as no-man's-land even from the point of industrial property. "Pirate" trademarks are also a Latin-American phenomenon. Wholly or nearly, illiterate consumers are relatively easily deceived by trademarks, a procedure yielding considerable profits. It is evidently much more difficult to confuse and pirate in industrialized countries, where the literacy level of the customers is much higher, and consequently, such abuses are less likely to occur.<sup>13</sup>

The ban to use of trademarks establishes that a trademark may be cancelled if the owner or licensee has speculated in the mark, or has made an improper use of it with respect to the price or quality of a product covered by it to the detriment, of the public or of the national economy of the member country (Art. 77). In this provision, the aspect of protecting the interests of the national economies or the consumers are peculiarly expressed, both resulting in a common penalty, i.e. in the cancellation of the trademark. Here, the expansion of the scope of authority in control over trademark use is worthy of attention. This regulation aims at penalizing socially and economically discriminatory attitudes employed by trademarks. This occurs in cases where the conduct endangering the public does not infringe trademark law, except for the relatively rare case where unlawful traffic or abuses are made possible on acknowledged by the trademark itself. This provision gives the impression that earlier trademark experiences must have been harsh. Regarding its character, this measure is partly defensive, partly stimulating, since by virtue of its deterring effect, it aims at inspiring a positive attitude of the trademark owner.

All licence agreements must contain terms guaranteeing *the quality of the goods or services supplied by the licensee* (Art. 82). This provision refers to agreements of technical subjects, as well as to trademark licence agreements. This provision has a dual function; on the one hand, it serves the interests of the national economy, by influencing positively the attitude of licensees; on the other hand, it also serves the interests of consumers. This provision of positive character dealing with licence agreements is actually a continuation of Art. 25 of the Decision No. 24 of December 31, 1970. Since this latter negative rule enumerated a number of prohibited clauses of agreement, the positive rule considers quality guarantee and is to be regarded a complementary "opposite number" of the earlier prohibitive stipulation.

The *smooth running of trade* is envisaged by the rule under which the owner of a trademark may not oppose the importation, or the introduction of goods originating in other member countries of the Andean Common Market bearing a trademark identical with his own mark. In order to avoid confusion, the country of origin should be indicated clearly (Art. 75). This rule has become necessary since, in

<sup>13</sup> VIDA, *Külgazdaság*, Law Supplement, 1973, p. 164.



consequence of the harmonization of the legislation of the five Spanish-speaking member states, formerly applied, independently from one another, trademarks that may collide in the Andean Common Market. Processes of this kind have already been tried in the EEC Court (European Economic Community). It is likely that the experiences of the EEC induced the Andean Pact countries to introduce similar provisions. This rule is the logical consequence of the principle of territoriality, and at the same time a manifestation of the readiness of South-American states to arrive at compromise solutions.

The adoption of the International Classification of Goods (Art. 68) is a logical consequence of the trend to foster international trade relations. The harmonization of technical classification systems (patents, trademarks, industrial models) is in the interest of all countries, irrespective of their geographical situations, economic, or political systems. The registration of trademarks may in this way be conducted so as to respond to unified aspects all over the world. As a result, trademark searches will be facilitated, and advantageous for legal safety.

The introduction of Andean Convention priority, with a 6 month priority period (Art. 73), is similar to provisions the Central American Convention of Industrial Protection (Part Three, Chapter III). This is of great importance, because, like the Central-American countries, the countries of the Andean Pact are not members of the Paris Convention. In addition, the introduction of the Andean Convention priority becomes a tool of integration, facilitating the registration of trademarks in other member states.

The *obligation to use trademarks* and its combination with a five-year protection period, and requirement to prove use (Arts 69, 70) not only corresponds to international trends but, it is exemplary. This provision shows much resemblance to the pertinent requirements of the USA. This rule recognizes that the State is forced to be on the defensive and to view the saturation of trademark register by removing unused marks in the interest of its own national industry. This provision seems to have more practical importance in Venezuela, a country where the number of trademark applications is highest among the countries of the Andean Common Market and less in Ecuador and Bolivia where they are lowest. In any event, the number of domestic trademark registrations in any country does not exceed that of foreign marks. In Bolivia, where 203 applications are domestic applicants, 1,216 foreign applications were submitted in 1975.<sup>14</sup> This ratio shows a significant improvement over the corresponding figures of the previous year.

<sup>14</sup> Statistics for 1975, by WIPO, Geneva, 1976.



#### 4. SOME COMMENTS

##### *a) Partial harmonization of trademark law*

As noted above the Andean Pact went only one step farther than the Central American countries (Part Three, Chapter III), toward integration of the protection of industrial property. They envisaged only to establish a regional Office for Industrial Property, while maintaining their own national offices.

Beside this relatively cautious and reserved approach *harmonization of trademark law* did establish a common law in respect of fundamental provisions. Yet, as to issues of secondary importance, the trademark laws of the member countries were not changed. As to their development in this field the countries of the Andean Pact are midway between the African and European countries.

At the same time, hypothetically, the peculiar Andean method of harmonization trademark law is likely to travel harder times in the *application of the common market law* than it did in Africa. It is highly probable that the simultaneous application of the two types of law—common market and national law—will result in even *greater differences* in the application of law than it would, if trademark law had been totally unified.

##### *b) The impact of economic conditions on trademarks*

As far as the solutions embracing regional integration of trademarks are concerned (Part Three, Chapter II and Part Three, Chapter III), the member countries of the Andean Pact are in the vanguard among developing countries. They have consistently taken into consideration that the requirements of the national economy of industrialized capitalist countries are totally different from those of the national economies of developing countries. Trademark regulation, under such concept is, of course, facilitated by the experiences of the big Latin-American countries (Mexico, Brasil, Argentina). In addition, the Model Law on Trade Marks of WIPO has had influence (Part Three, Chapter IV).

It is believed that precisely on account of their smaller size and less developed economies that the Andean Pact countries find it more important, than the bigger Latin-American countries, to take appropriate measures in the field of trademark law to safeguard their national economies.

On the other hand, it is easy to understand that the trends relating to trademark integration in the Andean Pact are fundamentally different from those manifested in socialist or non-socialist European countries. Within Andean Pact trademark integration is subordinated to economic autonomy and economic growth. Therefore, objectives and patterns of unification of trademark law in the Andean Pact, as compared to similar objectives in European trademark law, reflect very different levels of development and of economic structures. These considerations should be kept in mind in studying the development of trademark law and the trends in integration within the Andean Pact.



### CHAPTER III

## ECONOMIC INTEGRATION AND TRADEMARK LAW IN CENTRAL AMERICA

Among Latin-American countries generally only the trademark law of territorially and economically important ones (Argentina, Brasil and Mexico) commands the interest in other continents. The faraway and exotic small Central-American countries with their tropical climate are little known in other parts of the world. And yet it appears that economic integration and noteworthy trademark law changes takes place in these countries as well.

### 1. ECONOMIC INTEGRATION

Integration efforts in Central America have a long, historical tradition. During the centuries of Spanish colonial rule lasting until 1840, the actual five states of Central America formed one integral colony, with Guatemala as residence. Shortly after the termination of colonial domination, which gave birth to the five independent Central-American states, the desire to restore unity emerged. During the subsequent hundred years, some twenty-five more or less serious but abortive attempts to re-unification were made.

Economic integration of the Central-American countries was, however, launched not by historical traditions, but by economic necessity. After the Second World War and the boom of the following years, a slump set in during the fifties. The price of coffee fell in the international market. (This was due to the coffee crisis which followed favourable world-market prices of coffee and subsequent high planting yields.) Under such circumstances, the reduced export incomes of Central-American countries hampered the rate of their economic growth. This, however, again and again focused on fundamental problems of Central-American economies and common with the developing world; namely, insufficiency of foreign currency; high unemployment; monoculture; an export economy; credit difficulties.<sup>1</sup>

Beside the negative conditions engendering economic integration, there are a number of positive factors. The relatively small territory of the Central-American countries (441,500 km<sup>2</sup>); the low number of inhabitants (18 million); the common problems of the countries of Central America; and, last but not least, the absence of substantial economic-political-military differences between these countries.

<sup>1</sup> INOTAI, p. 22.



These factors encouraged economic integration. Thus the Central-American Common Market came into existence in the 1960's. After nearly ten years of preparatory work four Central-American states: El Salvador, Guatemala, Honduras and Nicaragua signed the Treaty on Central-American economic integration.<sup>2</sup>

According to the preamble of this Treaty, economic integration has a dual purpose:

- to promote common development,
- to improve the living conditions of the population.

The Treaty seeks to fulfill these objectives by different measures, the most important of which is the establishment of the Central-American Common Market (Mercado Comun Centroamericano, Chapter I). Other important provisions of the Treaty are: trade regulations (Chapter II), export subsidies; ban of illicit commercial speculations and transactions (Chapter III), industrial integration (Chapter VI), establishment of a common bank (Chapter VII), financial incentives for industrial development (Chapter VIII).

Two years later, Costa Rica, which is at a higher industrial and economic level, also signed the Treaty. It is interesting to note that this country initially feared that the economic integration with its more backward neighbours might adversely affect its wage levels, and thus, the living standard of its population. That was the main reason given for Costa Rica's initial reluctance to join the Treaty.

The Central-American Common Market aims at developing trade within the integration area, and at building up industry. This latter objective was in a way facilitated by the fact that, apart from some branches of the textile and food processing industry, Central America had practically no industry. This made it possible for these countries to establish industrial co-operation without prejudicing the interests of any of them. At the same time, they were entitled to develop industry as was most convenient for them. Geographic conditions, mineral resources, power sources, and competence, were taken into consideration. Parallelism and overlapping activities could thus be avoided. In this manner, they managed to take into account natural potentials, and could forecast a more balanced, and synchronized economic growth for the member countries. An organization to promote co-ordinated industrial development was established; the Central-American Integration and Technical Research Institute (Istituto Centroamericano de Investigacion y de Tecnologia [ICAITI]).<sup>3</sup>

This promising economic integration was slowed by the outbreak of war between Honduras and Salvador in summer 1969. In 1970 came a recession; thereafter, several years of stagnation.

The recession, that caused stagnation of integration, was, primarily rooted in economic, not political conditions. Central-American economists studying them pointed out the great divergencies of human and material resources, technological

<sup>2</sup> The text of the Central-American Agreement is published in German and analysed by SCHULZ.

<sup>3</sup> INOTAI, p. 30.



levels and the scope of the economy. Under the initial effect of integration, the initial disproportions between countries became even more marked. Economic units were not evenly distributed within the integration area, but were situated around foci of development. The greater the disproportion among the member countries, the greater the pressure weighing heavily upon them to make allowances in favour of lagging member countries. As a result of the great differences, crisis and hostilities were frequent.

Industrialization as a substitute for imports brings new problems. Initially imports of semi-finished products and primary materials increase. With integration, import restrictions to restore the balance of payments is not possible. Import-substitution production obstructs export-oriented production, and encumbers the expansion of the production pattern.<sup>4</sup>

## 2. CENTRAL-AMERICAN AGREEMENT FOR THE PROTECTION OF INDUSTRIAL PROPERTY

At a certain level of economic integration, the demand to integrate their institutions of industrial property was raised. In 1968, the member states signed the Central-American Agreement on Industrial Property (*Convenio Centroamericano para la Proteccion de la Propriedad Industrial*).<sup>5</sup> Contrary to its title, the Agreement only deals with trademarks, trade names, advertising slogans, signs, unfair competition, indications of source and appellations of origin. It stands to reason that for the non-industrialized American countries the establishment and harmonization of commercial provisions of industrial property is the primary tool to service economic development. This accounts for the stress laid upon the harmonization of trademark law. Moreover, within the framework of economic integration, the industrial development of the member countries was envisaged to be co-ordinated so that the industrial plants to be established should be complementary to each other. Under such a concept, trademark protection, and the protection against unfair competition were intended to cover the entire Central-American Common Market.

Hence, the Agreement is unlike those of others in reforming industrial property laws but is confined to harmonizing trademark law. The harmonization of laws relating to patents and inventions was envisaged to be introduced at a later date.

The Agreement has been ratified by the more developed countries of the area, i.e. Costa Rica, Guatemala and Nicaragua, and has only come into force in these three countries. The other two are less developed countries and have not yet joined, although there were certain initiatives mainly from Guatemala, for their adherence, yet it seems still rather unlikely.<sup>6</sup> The Agreement, in principle, would permit

<sup>4</sup> LIZANO, *Külgazdaság*, 1974, p. 743.

<sup>5</sup> English version: *I.P.* 1976, No 3.; Comments: RANGEL-MEDINA, *R.M.P.I.A.* No 11, 1958, p. 9; furthermore, KEGAN, *TMR* 1969, p. 481.

<sup>6</sup> Based on information given for this work by R. ROMERO, San Salvador, *Lawyer*, May 12, 1976.



Panama to join (Art.236), whereas no mention has been made of the Caribbean area countries (Dominica, Haiti, Jamaica). This may be presumably due to the fact that the later do not form part of "historical" Central America (former Spanish possessions). The Central-American Agreement for the Protection of Industrial Property is a particularly typical example of the interrelation between economic integration and trademark law. As to its character, the Agreement consists of 238 Articles as a uniform law of the member states, maintaining the national registration system of each member state. This system of harmonization thus corresponds closely to that of the Scandinavian countries in Europe.

#### *a) Obligation of registration in respect of certain goods*

The registration of trademarks of chemical, pharmaceutical, medicinal and veterinary products as well as foods containing medicinal substances is compulsory (Art. 8).

There is perhaps no need for further explanation of this provision. It seems to be highly expedient, especially under the conditions in developing countries and in particular (in the case of products where trademarks have a *function of orientation*, and where the consumers' error might involve particularly grave consequences).

Perhaps these provisions are influenced by USA commercial practice for it is well-known that in the USA even the simplest drug can be obtained only on medical prescription.

It is a fact; however, that most developing countries attribute particular importance to the registration and use of pharmaceutical marks; either by abolishing it or bringing their registration under administrative control, as in Brasil. Compared to these systems, the Central-American way seems to be an attractive alternative for developing countries.

#### *b) Indication of the data of origin and of registration*

If a product carries a trademark, then, irrespective of the fact whether it has been registered or not, the origin of the product should be indicated, marking: "hecho en..." (Made in...) or "producto centroamericano hecho en..." (Central-American product, made in...) plus the name of the registrant or user of the mark.

If a registered mark is used on the product, the indication of "marca registrada" (Registered Mark), or the letter "R" in a circle is compulsory. Non-observance of this rules is liable to fine, but does not affect the protection of the trademark (Art. 16).

These provisions obviously serve the interests of the consumers. In the developing Central-American countries, the cultural level of the consumers is considerably lower than in Mexico, or in Brasil; hence, the function of these provisions is to safeguard the consumer. The obligation to indicate the above specified data is likely to have a deterring effect on the unlawful use of the trademark. At the same time, it compels the owners, or lawful users of the



trademarks to indicate these qualities. The legislators probably intended thereby to establish responsibility in the trademark owner for the goods produced or marketed by him, at least in an indirect manner.

*c) Central-American Convention Priority, equal treatment,  
international classification*

Registration effected in any of the member states founds a claim of priority in the other member states. The priority period is six months (Art. 19).

One of the Salvadorian commentators attributes particular importance to this provision, for, in those member states of the Central-American Industrial Property Agreement who have not joined the Paris Convention, this provision paves the way for the institution of convention priority. Although the institution of priority has little appeal for the average Central-American entrepreneur, such a system is of greatest interest to larger exporters and manufacturers.<sup>7</sup>

The extension of the principle of national treatment (regime national) to the countries of Central America, as well as the introduction of International Classification of Goods and Services to which the trademark shall be applied (Arts 154-157) are significant steps, bringing the Central-American states two important steps closer to the system of the Paris Convention.

These provisions, illustrate the general world trend of voluntary international harmonization of law.

*d) Publication and opposition*

If there is no bar to the registration of a trademark, the trademark is published (Art. 96). Publication is open to opposition within 2 months (Art. 97). The applicant is entitled to reply to the opposition (Arts 102-103). A decision is rendered by the Patent Office of the member states as to the success of the opposition.

The legal consequences of trademarks follows essentially the WIPO Model Law for developing countries (Part Three, Chapter IV and Appendix). It is likely that representative of Nicaragua who took part in the development of the WIPO Model Law was an influence in its adoption.

It must be noted, however, that the reception of this solution of the WIPO Model Law has given rise to rather sharp criticism in Central America.

*e) Revision of licence agreements*

Trademark licence agreements must be registered with the registry at the national industrial property Offices of the member states (Art. 34). Although the Agreement does not stipulate control of licence agreements, the stipulation or obligation of

<sup>7</sup> ROMERO, *TMR* 1969, p. 476.



registration in member states provides a *de facto* possibility for state review and intervention.

It appears that in these small Central-American states, where one can hardly speak of industry at all, the impact of a possible revision of licence agreements is not as important as in the larger Latin-American countries of Argentina, Brasil or Mexico, where industrial development has attained a significant level.

#### *f) Publicity slogans and signs*

Publicity slogans and signs, applied in commercial advertising, may be registered for an indefinite period (Art. 63).

This specifically Latin-American institution, traceable also in the law of Brasil, Mexico, Cuba and other Latin-American countries, is meant to ensure protection to the successful advertisements of enterprises.

Obviously this provision is primarily aimed at furthering commercial development, since in Central America, trade development is easier to achieve than industrialization, which is a considerably slower process, and is realized only with great cost and effort.

#### *g) Enforcement of judgements*

Judgements pronounced by courts of a member state which affect a registration; that is, declare it invalid or settle the ownership of the trademark, trade name or publicity slogan or sign or a licence to use a mark are enforceable in member states (Art. 221).

This provision is the logical consequence of the Agreement, yet it is still rather usual. It is of particularly great importance, as, on the one hand, it assures economies in litigation; and on the other hand, it considerably increases legal predictability by allowing enforcement of a decision brought in one country in the other member states.

#### *h) Conflict of interests*

The Agreement does not affect existing rights. Therefore in the event of identical trademarks, previously registered parallelly in member countries in favour of different owners, when these different owners apply for renewal of the trademark simultaneously, the ownership lies with the registrant who has a "better title", i.e. the first applicant. An exception to this rule occurs when the owner, a person who applied for registration subsequently, can give satisfactory proof that he is the holder of the trademark in a greater number of states than the first applicant and that he has produced and sold on a larger scale products, goods or services covered by the trademark and that his rights were recognised in those states before the coming into force of the Agreement (Art. 224).



Some Latin-American commentaries observe that this provision restricts the national rights of member states in favour of uniform law.<sup>8</sup> While this is true, it should be added that it holds true for most uniform laws, and represents a major problem inherent in integration. With all unification comes some sort of "hierarchy" ("priority") that affects earlier rights acquired. This problem arises primarily in connection with the trademarks, and to a lesser degree with design marks because the latter have a relatively short life cycle before they become outmoded while, theoretically trademarks survive for ever and become more valuable precisely on account of their age and the resulting high reputation.

#### *i) Obligation of use in respect of certain goods*

The institution of the obligation of use of trademarks has also been introduced by the Agreement, but only in the case of chemical, pharmaceutical, veterinary or medicinal products or of food containing medicinal substances (Art. 8); for other goods the use of trademarks is optional.

### 3. EVALUATION OF THE AGREEMENT

Similarly to Central-American economic integration, which was one of the most mature integrating groupings, the provisions of the Central-American Agreement for the Protection of Industrial Property has met with approval both in Europe and in America. According to French observers, the Agreement is "an important step towards the harmonization of law",<sup>9</sup> and in Mexico it was commented as follows: "The Agreement is an important milestone in the process of the harmonization of law underway all over the world, and a useful instrument in the service of the Central-American Common Market."<sup>10</sup> It is also stated that harmonization of the law in Central America was carried out with great care. All international agreements which lent themselves to conclusions, i.e. the Panamerican Agreement, the Paris Convention, the Nice Agreement on Classification of Goods and Services (1957) and the WIPO Model Law on trademarks were considered. In addition, the Agreement shows traces of the reception of certain provisions of the trademark law of Mexico.<sup>11</sup>

Beside the voices of approval from abroad, a feeling shared by the author, attention must be paid to critical comments from Central America, among them to ROMERO, who, analyzing the Agreement, points to some of its negative features, such as:

<sup>8</sup> ARACAMA-ZORRAQUIN, *GRUR-Int.* 1976, p. 57.

<sup>9</sup> ENDERS, *R.I.P.I.A.* 1973, p. 285.

<sup>10</sup> RANGEL-MEDINA, *R.M.P.I.A.* No 17. 1971, p. 24.

<sup>11</sup> RANGEL-MEDINA, *R.M.P.I.A.* No 11. 1968, p. 33.



– To deal with oppositions means excessive extra work for small Trademark Offices of the member states. The Agreement only harmonizes the requisites of acquiring rights, without, however, proposing a unified Central-American trademark, i.e. a method effecting a single registration so as to cover all of the five countries automatically, so that trademark rights therein will be uniform and so that trademarks will aid, not impede, the international flow of goods and services.

– A long overdue drastic code of punishment of infringers is not included in the Agreement. Both Costa Rica and Nicaragua have stronger national provisions with regard to infringement.

– The Agreement merely sets up a priority system, without, however, contributing to the juridical integration in terms of trademark rights. Plurality of rights in the same trademark as registered in a number of countries within the Central-American Common Market creates divisions along national lines and does not “integrate”.

– The Agreement does not weaken the Principle of Territoriality and as such conflicts will continue to result in a lessening of the free flow of goods within the Central-American Common Market. Such territorial restrictions are completely inconsistent with the concept of a common market and strike at its very being.

Under such similar considerations, ROMERO recommends the Agreement be revised.<sup>12</sup> Such revision; however, has not taken place, and the ROMERO influence has only resulted in his country, El Salvador, not joining the union.

As far as the present study is concerned, it is concluded that this Agreement appears to be a successful harmonization of law based on appropriate economic considerations, which, even though not being a major achievement is a useful trend toward economic integration.

At the same time, it must be emphasized that the Agreement is different from the trends common in Latin America: it confines itself to a conventional (statical) harmonization of trademark law, and leaves state intervention out of consideration. So, for example, there is no provision for the control of trademark licences, as it is known in Brasil (Part Two, Chapter II), and in the Andean Pact (Part Three, Chapter II). Mexico and in Argentina.

<sup>12</sup> ROMERO, *TMR* 1969, p. 478.



## CHAPTER IV

# MODEL LAWS FOR DEVELOPING COUNTRIES ON TRADEMARKS

Socialist literature has not yet elaborated theoretical questions as to the function of model laws, nor to their relations to provisions of national laws actually in force.

This work does not undertake that task either. It should be stated in the title of this part that the author had in mind model laws as set up by international organizations for adoption by national legislatures. Model laws of this type can be best compared to recommending statutes known in national law. While, however, the addressees of model laws are the legislatures of the different countries, the addressees of recommending statutes are natural and legal entities. Thus, model law is a particular type of normative phenomena, a "*norma potencia*" that becomes a statute according to the decision of each legislature in different countries, and is valid to the extent determined by that decision.

In what follows, will be discussed, the WIPO Model Law "trademarks, commercial names and unfair competition",<sup>1</sup> to be followed by the Model Law for the Arab states on trademarks.

The development and publication of the WIPO Model Law has not been long. Rapid change in living conditions; however, permits useful examination of its effect. The Model Law has had practically no response in socialist literature. Nor has the literature of the non-socialist countries given sufficient attention to it either. It is thus expedient to consider selected passages of the Model Law itself before going into an investigation of its usefulness and effects.

### 1. HISTORICAL BACKGROUND

In respect of infrastructure economic development and the degree of available material resources, the differences among the countries of the Third World are enormous. The 1973/74 oil crisis was only a representative manifestation of these differences. The same differences are reflected in trademark practice as well. In Chile (population about 10 million), Chilean nationals filed 2,060 trademark applications in 1972, whereas in Tchad (with about 4 million inhabitants), during 8 years (1964-71) not a single application was filed.

<sup>1</sup> The wording of the Model Law, including its comments has been published in three languages: English, French, and Spanish by BIRPI, Geneva 1967. See: *Appendix*.



The enormous differences existing between the developing countries manifest themselves also in the field of trademark practice, which is reconciled very slowly, if at all, due to the very different degrees of available natural resources.

It is therefore understandable that it is claimed that it is neither possible, nor even advisable to develop identical laws, i.e. a Model Law for countries of the Third World with such different economic patterns.

It appears, however, that some of the developing countries are of a different opinion. The Deputy Director of BIRPI at that time, MR. MAGNIN says that the Model Law in question was developed at the expressed request, and in the interest of the developing countries.<sup>2</sup> Representatives of French industry also advise of the active participation of the developing countries, and of their positive and active contribution to the development of the Model Law.<sup>3</sup>

The justification, in principle, of the WIPO Model Law, has been approached with reservation because it lacks recognition of a difference between the countries of the Third World with different infrastructures and degrees of development. Sudan or the Central-American Agreement (Part Three, Chapter III) have been brought up as a counter-examples. Sudan went far in adopting the WIPO Model Law, while the Central-American Agreement shows only definite resemblance in some of its provisions. The practical advantage of all kinds of model laws, thus of Model Law on trademarks, is that anybody, national legislation as well as regional legislation, may take over as much as is deemed necessary or advantageous.

Finally, historical review of Model Laws would not be complete without remembering Resolution 1713 (XVI) of the UN General Assembly of 5 December 1959. This Resolution set itself the aim of clarifying the role of patents in the transfer of technology to developing countries. It can hardly be doubted that BIRPI, the predecessor of WIPO, was inspired by this task to develop three different Model Laws for developing countries: one each for inventions, trademarks and industrial models, irrespective of the fact that in the UN Resolution only technical knowledge is referred to directly.

Paragraph D of the questionnaire of the General Secretary of the UN dated October 8, 1962, on the role of patents, included a series of questions on matters of restrictions on competition that might be of importance both for patent licence agreements and trademark licence agreements.

## 2. TRADEMARK PROTECTION UNDER WIPO MODEL LAW

According to the guiding principles of the WIPO Model Law, "a well-regulated protection of marks, etc., will encourage the establishment and development of commercial enterprises within the country, and will facilitate trade relations, unimpeded by unfair competition, and will protect the public against confusion

<sup>2</sup> *R.I.P.I.A.* 1967, p. 242.

<sup>3</sup> SAINT-GAL, *R.I.P.I.A.* 1967, p. 240.



between goods, services, and enterprises, and against deception which results from such confusion. Within this field, modernization of domestic legislation is not only useful to each of the countries concerned separately; it can also lead to a certain unification of law, which is useful in itself and which should enable countries interested in doing so to merge the Offices administering their laws on the subject. Thus, to the great advantage of trade in general, the number of independent offices dealing with marks could possibly be reduced." The main objective of the Model Law on trademarks (similarly to the Model on inventions) is:

- i. to establish adequate protection for certain forms of industrial property; a protection which is in the interest of the industrial and commercial development of the country, and

- ii. to take account of the special interests of developing countries.

The provisions of protection as stated in the Model Law, which fall within the framework of traditional trademark law, are included in Articles 1 through 20, and 29 through 46. In what follows, only some of the more important provisions will be dealt with.

#### *a) Priority*

Section 8 of the WIPO Model Law proposes the right of Convention Priority, without, however, fixing a period of priority.

The provision on the right of priority is of great importance particularly in view of international economic relations. It is greatly valued by all the developing countries, primarily because a substantial number of the developing countries have not adhered to the Paris Convention.

The lack of duration of priority is a deficiency which the Commentary on the Model Law provides, some sort of explanation. It states that these provisions shall be applied for such countries only that have adhered to at least one multilateral or bilateral international agreement, which assures them the right of priority. If the country has not adhered to such agreements, then it may either omit the foregoing provision, or maintain it, in view of a possible adherence.

This explanation appears to be convincing. Since the Convention priority rules are usually regulated by international agreements, the main function of national legislation in this respect is to assure the acknowledgement of a foreign priority by whatever means it is actually established.

#### *b) Registration*

Under Sec. 11 of the WIPO Model Law, the Trademark Office shall examine applications as to its conformity with formal requirements. If the application is not formal the office shall refuse to register the mark.

The Commentary to this provision states that whatever the system of examination of applications for registration of marks is adopted by a country, its



Trademark Office must examine each application as to its compliance with formal requirements of the Law. Section 12 regulates two alternatives of the recommended trademark registration system:

- registration of mark without examination of the application as to substance (Alternative A),
- registration of mark after examination of application as to substance and the opportunity for opposition (Alternative B).

According to the Commentary, the Model Law Committee expressed the opinion that Alternatives A and B were not the only possibilities which might satisfy the needs and preferences of developing countries and that other possibilities should be indicated in the Commentary. It concludes with proposed subvariants of the examination as to substance.

The complete examination as to substance is certainly the most expensive of all alternatives—in spite of all its advantages.<sup>4</sup>

The suggestion of examination variants by the WIPO Model Law is proper. The question emerges; however, whether the enumeration of the different alternatives embraces the most important points.

Regrettably, the pondering of the different viewpoints has not been given the same emphasis. Too much significance has been attributed to the opposition system, while at the same time, no sub-variant concerning the practice of examination as to substance—without opposition is proposed. Comments voiced by Central-American experts lead one to believe that the process of opposition would impose too onerous obligations on many developing countries.<sup>5</sup> (A considerable number of European socialist countries have accepted the method to examine without opposition.) Developing countries when adopting a certain type of trademark registration system should consider whether the opposition process is in fact desirable or not in view of their national interests. Whether it does not serve more the interests of foreign applicants, and whether it would not be more advisable for them to be satisfied with the right to expunge the register as a means of legal remedy, with the right to an appeal procedure.

### *c) Invalidity of the assignment of trademark rights*

In the course of the preparation of the WIPO Model Law, representatives of various African and Latin-American countries have repeatedly pointed out that in connection with the assignment of trademark rights, the interests of the consumers should be satisfactorily protected.<sup>6</sup> Paragraph 2 of Section 21 of the Model Law is designed to meet these demands. It states that the “assignment of transfer shall; however, be null and void if its purpose or effect is liable to mislead the public,

<sup>4</sup> SAINT-GAL, *R.I.P.I.A.* 1967, p. 229.

<sup>5</sup> ROMERO, *TMR* 1969, p. 477.

<sup>6</sup> SAINT-GAL, *R.I.P.I.A.* 1967, p. 230.



particularly as regards the nature, source, manufacturing process, characteristics, or suitability, for their purpose, of the goods or services to which the mark is applied”.

In our opinion, the importance and role of this provision which is known also in socialist law, is far greater for developing countries than for other countries of the world. In the developing countries, this provision serves the protection of an often illiterate native population. It is obvious that safeguarding consumers' interests in developing countries must be much more intensive than in highly industrialized countries, since there is a much greater risk of deceiving customers.

As for the Commentary it states that according to the Model Law Committee, the sanction of nullity of assignments or transfers that are liable to mislead the public would not be sufficient to preserve the quality of goods and services covered by the mark and that the Model Law would not interfere with any steps which governments might wish to take concerning the control of quality.

#### *d) Obligation of use*

Cancellation due to lack of use, is provided for by Section 30 of the WIPO Model Law. Here the period of tolerance is 5 years; and the obligation of use is rather generous. Thus, to avoid removal of a mark it is enough to use the trademark covering one or more products belonging to the same class of goods. The Commentary states that “use” of the mark within the meaning of this Section is the selling of goods in the country, or the rendering of services in the country. Mere use of the mark in advertising would not be sufficient as a use liable to avoid removal of the mark from the register.

In this latter connection, further consideration is required, whether, in view of the potentials of the developing countries, it is a proper course or not to exclude advertisement from the notion of use, as recommended in the Commentary. Developing countries are often obliged to set up import restrictions, thus it does not seem to be practical to draw the line of use as narrow as does the Commentary. The pertinent solutions of the Soviet or Hungarian trademark Acts may be worth studying by the developing countries.

The way of regulation selected by the WIPO Model Law corresponds to the “mild” obligation of use, as used earlier in Europe; this compromise solution; however, is hardly apt to serve the interests of developing countries. Experiences gained in both European socialist and capitalist countries show that a “mild” obligation of use is not capable of relieving the overcrowded trademark register. The pertinent solutions applied by the Andean Pact Countries (Part Three, Chapter II, Point 2) as well as the provisions of the Mexican Act of 1976 (e.g. the possibility of cancellation *ex officio* in the absence of use, and the compulsory proof of use of the trademark in case of renewal) reckon with the socio-economic potentials of developing countries, and may be better than the Model Law.



### *e) Notorious marks*

The WIPO Model Law has no provisions on notorious marks.

Socialist experts pointed out as early as 25 years ago that notorious marks reinforce the privileged position of industrial monopolies as opposed to the developing countries, and, in case of notorious marks, this power position is bolstered by the case law.<sup>7</sup>

Developing countries that have joined the Paris Convention are obliged to provide protection for notorious marks. Therefore, it might best suit the interests of developing countries to set up special rules of a restrictive character relating to notorious marks if they are not to be recognized. Such course of action was followed by the Brazilian legislation (Part Two, Chapter II) and on the occasion of the revision of the Paris Convention, the developing countries presented similar claims (Part Three, Chapter V, Point 4). Notorious marks being one of the characteristic concepts of the Paris Convention, it is understandable that the WIPO Model Law did not alter it. In 1967, diplomatic pressures appeared to be the most appropriate objection to prolongation of notorious marks.

## 3. TRADEMARK LICENCES UNDER WIPO MODEL LAW

The authors of the WIPO Model Law have confined themselves to the general Commentary thereof. It may be summarized in this respect; namely, that the special interests of the developing countries are mainly served by detailed provisions on licence contracts. Several controls are envisaged for this purpose: in the first place, in the public interest, a compulsory control, by the registered owner of the mark, as regards the quality of goods or services supplied under licence; in the second place, in order to protect the national interest against excessive foreign influence and to preserve the national balance of payments, a possible government control of all licence contracts involving payment of royalties abroad. The registered owner of a mark is also prohibited from imposing upon any licensee restrictions which do not derive from the exclusive rights conferred by the registration of the mark, or which are not necessary for the safeguarding of these rights. Since enterprises in developing countries are frequently licensees of foreign licensors, for the more developed countries, the Model Law provides effective safeguards for the interests of licensees against possible infringements of the right to the mark by third parties, even if the licensor neglects to protect the right.

<sup>7</sup> PRETNAR, *P.I.* 1953, p. 221.



#### *a) Quality control of goods produced under a licence*

Section 23 of the WIPO Model Law includes a rather unusual provision. Under it a licence agreement shall be null and void in the absence of relations or stipulations between the registered owner of the mark and the licensee, ensuring effective control by the registered owner of the quality of the goods or services of the licensee in connection with which the mark is used.

According to one alternative of Section 23, Paragraph 2 of the WIPO Model Law (as contained in a footnote), the Trademark Office shall refuse to record licence agreements which fail to provide the above-stated stipulations.

This latter version seems to safeguard *prima facie* the interests of the licensor. In reality; however, it safeguards functionally the interests of the economies of the developing countries, by providing a quasi-obligation both for the licensor and the licensee to maintain the appropriate quality level. This provision is believed to have special importance for developing countries. In respect to these countries not only is the technology, but the whole process of industrialization is new. Strict technological rules appear to be less obvious than in Europe where generations have been conditioned to it.

In this question, the Model Law Committee agreed that this provision might not always ensure effective control of quality, particularly if there was collusion or collusion between the licensor and the licensee. It is therefore understood that this provision did not detract from the right of the public authorities to initiate actions, by virtue of other provisions of their legal system, to ensure the quality of goods or services, and to prevent deception of the public.

The author considers this WIPO Model Law provision rather positive. Reflect on the CMEA Model Agreement on the licence of trademarks,<sup>8</sup> which provides the trademark owner with the right to control the quality of his products.

#### *b) Illicit contractual stipulations*

In connection with trademark licences, Paragraph 1 of Section 24 of the WIPO Model Law includes the general ban and sanction of the misuse of law, according to which, clauses in licence agreements are null and void in so far as they impose upon the licensee, in the industrial or commercial field, restrictions not derived from the rights conferred by the registration of the mark or that may be unnecessary to safeguard these rights.

This ban formulated in general terms, as a general clause, is substantially more generous than similar bans which are carefully listed in the laws of a number of developing countries. On the other hand, their inclusion in a general clause has the drawback that it may be interpreted and applied differently. In respect of sanctions,

<sup>8</sup> (Models of Licence Agreements.) Its French version, cf. VIDA: *Les contrats de licence dans les pays socialistes* (Licence Agreements under Socialist Law), pp. 188–193.



this provision is adequately moderate: only the pertinent clause of the contract is invalid, the whole licence agreement is not otherwise invalidated.

Paragraph 2, Section 24 restricts the general ban formulated by including a list of permitted restrictions. It thus prevents extensive interpretation.

The latter solution is perhaps more appropriate, for developing countries who are less experienced with licence agreements and anti-trust law and might interpret, too extensively, the ban included in the general clause.

The WIPO Model Law has triggered off considerable opposition among the different corporate systems of the Western world in the course of its preparatory work.<sup>9</sup> It was asserted that the subject of the regulation did not belong to the scope of trademark law but to anti-trust law. Hence, it was argued that it should be regulated in connection with the codification of anti-trust law.

While this objection is theoretically well-founded; however, in view of the role of trademarks in international trade, it should be welcomed if the developing countries considered the complex of restrictions in trademark law rather than to expect them to develop special provisions of anti-trust law. This view is believed to be justified, especially in respect of legal rules regarding which, as a matter of common knowledge in a country of immense anti-trust legislation, in the USA for example, legal practice is still uncertain after 100 years of anti-trust law.

It is certainly apparent that the authors of the WIPO Model Law were not impressed by these objections. The Commentary in this connection states that for those developing countries, where anti-trust or carter law exists, these provisions are unnecessary, whereas for other countries, where this is not the case, it is advisable to keep or adapt them.

### *c) Approval of licence agreements*

Section 28 of the WIPO Model Law stipulates the obligation of approval of a licence agreement which involves the payment of royalties abroad. Similar provisions have long been known in every European socialist country<sup>10</sup> and in the past 10 to 15 years, in practically all Latin-American countries, too.

The Western-European corporate systems also objected to this provision,<sup>11</sup> hence in this respect the Comment states that on the strength of this provision the competent authorities of industrial property of the developing countries in question would be able to impede the dominance of excessive foreign influence, while counter-balancing the foreign exchange payments of the country. In this respect, the official comment states that for developing countries, where the investment laws and foreign currency laws provide total control over all contracts that involve

<sup>9</sup> International Chamber of Commerce, International League Against Unfair Competition, *A.I.P.P.I.* cf. SAINT-GAL, *R.I.P.I.A.* 1967, p. 232.

<sup>10</sup> VIDA, *Les contrats de licence en droit socialiste* (Licence Agreements under Socialist Law), pp. 27-42.

<sup>11</sup> International League Against Unfair Competition. Cf. SAINT-GAL, *R.I.P.I.A.* 1967, p. 232.



payments to foreign countries, this provision is superfluous. For countries without such provisions; however, the inclusion of the provision in the Model Law might be presumably advantageous.

#### *d) Litigation-right of the licensee*

It is advisable to assure a strong position for the licensee against third persons, especially in developing countries, where the development of industry and trade depends to a great extent, on the smooth functioning of licence agreements. Thus Section 38 details rules in the WIPO Model Law to enable the licensee to introduce legal actions in case the trademark owner refuses or neglects to initiate legal actions against infringers, within three months of the request of the licensee.

This provision, which corresponds to general international contract practice, is commonly found in the Acts of some European countries<sup>12</sup> and serves as an example for balancing the interests of licensee and licensor.

#### *e) Licencing Guide*

Ten years after the publication of the Model Law, WIPO with the contribution of experts of 47 countries drafted a *Licencing Guide for Developing Countries*. In the preface the Director General of WIPO Dr. A. BOGSCH says, that facilitating the access by developing countries under fair and reasonable terms and conditions to technology selected by them as appropriate to their requirements constitutes one of the key elements in accelerating the pace of their economic and social development. Such access is generally the result of licences and technology transfer agreements in the field of industrial property and related fields, particularly as for patents, trademarks and technical know-how are concerned.<sup>13</sup>

The Chapter on the Special Aspects Concerning Trademarks is reproduced in the *Appendix*.

### 4. NATIONAL AND REGIONAL RECEPTION OF THE WIPO MODEL LAW

#### *a) Sudan*

Sudan exemplifies the reception of the WIPO Model Law. Its Trade Mark Acts of 1969<sup>14</sup> adopted the most essential provisions of the Model Law.

One must certainly not infer that this country simply copied the Model Law. The Sudanese legislature carefully pondered each provision of the Model Law, and assumed only about one third, though not literally, and incorporating them into special national provisions.

<sup>12</sup> E.g. Sec. 14 of the Hungarian Trade Marks Act, English version, cf. *I.P.* 1970, p. 181.

<sup>13</sup> *Licencing Guide for Developing Countries*, Geneva, WIPO, 1977.

<sup>14</sup> *I.P.* 1970, p. 392.



On the whole, one might say that the Sudanese Trade Mark Act is a concise and in many respects a happily simplified acceptance of Sections 1 through 38 of the Model Law. At the same time; however, there is no adoption of the provisions concerning collective marks, trade names, indications of source, etc. In other words, only traditional trademark provisions have been adopted.

The Sudanese Trade Mark Act follows the structure of the Model Law. Among its concrete provisions are a good many rules reflecting the spirit of the Model Law, such as inadmissible marks to registration (see Sec. 5 and 6 of the Model Law; Art. 8 of the Sudanese Trade Mark Act), opposition (Sec. 12 of the Model Law, version B; Art. 18 of the Sudanese Trade Mark Act).

It is interesting to note that those issues which were violently debated when creating the Model Law, such as assignment of the trademark, or prohibited restrictions in the licence agreements, do not appear in the Sudanese Act. There is one exception; namely, regulating payments abroad (see Sec. 28 of the Model Law; Para. 3 item b of Art. 22 of the Sudanese Trade Mark Act). This, too, is an indirect rule, for it only stipulates that in this respect currency regulations apply.

On the other hand, two articles of the Sudanese Trade Mark Act that regulate representation (Arts 14 and 15), are not found in the Model Law. For the developing countries articles dealing with the professional qualification of representatives, seem to be important. It is well-known how useful it is for African countries to define the regulations governing representation in such a way as to assure the balance of the interests of applicants as well as the public. In other African countries, significant problems have arisen precisely in this respect.<sup>15</sup>

Relating to the obligation of use the Sudanese Trade Mark Act is also ahead of the WIPO Model Law. Application for removal of a trademark from the register may be submitted by the Head of the Trademark Office, i.e. the Registrar (Art. 24, item c). This provision is similar to that of the African Union of Industrial Property (Part Three, Chapter I).

A brief comparison of the Sudanese Trade Mark Act with the provisions of the WIPO Model Law enables us to demonstrate that the Model Law is applicable for developing countries, provided, of course, they utilize the Model Law critically, and adopt it to their own national interests.

#### *b) Kenya*

The WIPO Model Law was given serious consideration in Kenya, too, yet it resulted in a relatively few further changes in the Trade Mark Law.<sup>16</sup>

Changes worth mentioning are:

- armorial bearings, flags or other emblems (see Sec. 5 of the Model Law, Para. 1 item f, and Para. 16 of the Kenyan Decree of Amendment),
- Institutionalizing refusal of formally incomplete applications (Section 12 of the Model Law, alternative B, Kenyan Decree of Amendment, Para. 52/A).

<sup>15</sup> CAZENAVE, *I.P.* 1970, p. 242.



### *c) Common rules of the Andean Pact Countries*

The provisions of the WIPO Model Law were carefully studied during the preparation of the resolution concerning unified rules of industrial property for the Andean Pact Countries. It is noteworthy that the provisions of the Model Law stipulating as invalid, clauses imposing restrictions (Sec. 24) have been developed to a much broader extent. They are more sophisticated (cf. Part Three, Chapter II) in the Andean Pact Countries particularly as to foreign capital, trademarks, patents, licence agreements, and royalties than in the Model Law.

This latter circumstance is accounted for, on the one hand, by the fact that the rules of the WIPO Model Law are valid for all developing countries, and by the very nature of things, they cannot be individual. On the other hand, within the framework of regional regulations like the one set up by the Andean Pact Countries, norms meeting concrete local demand can be established, taking into consideration the particular needs of the countries in question. This difference can be ascribed to the evolution process, due to which the developing countries are able to assess their needs more correctly year by year. Hence, the regional regulation, though identical in its concept, yet more substantial as to its scope, is also influenced by few years elapsed between the promulgation of the WIPO Model Law (1967) and the enactment of the provisions by Andean Pact Countries (1971).

Our study of the impact of the WIPO Model Law in the Andean Pact Countries would not be complete if we ignored human factors. The fact that the vice chairman of the Drafting Committee of the Model Law was one of the leading experts of Peru,<sup>17</sup> and that Bolivia and Chile were also represented by specialists of similar levels,<sup>18</sup> appears to have had its effect when the trademark integration provisions of the Andean Pact Countries were developed.

### *d) Central-American Agreement*

As Mexican experts pointed out, the Central-American Agreement (Part Three, Chapter III) shows much resemblance with the WIPO Model Law<sup>19</sup> both as to its basic principles, and to some provisions.

The Central-American Agreement is similar to the Model Law in its very structure. The scope of both go beyond traditional trademark law. They both embrace collective marks, the protection of trade names, and acts of unfair competition.

<sup>16</sup> Cf. *Patent and Trademark Review (USA)*, Vol. 70, (1971-72), p. 33.

<sup>17</sup> O. HOLGUIN NUÑEZ DEL PRADO, Ministry for Public Organizations, Head of the Chief Department for Intellectual Property.

<sup>18</sup> From Bolivia, R. ASCARRUNZ DURÁN, Ministry of National Economy, Chief Director for Intellectual Property; from Chile, G. ILLANES, legal adviser of the Central Bank.

<sup>19</sup> RANGEL-MEDINA, *R.M.P.I.A.* No 11. 1968, p. 34.



The introduction of the Central-American priority is an example of adopting priority according to the WIPO Model Law. There are also various traditional provisions of trademark law (registrability, registration, opposition) which reflect the influence of the WIPO Model Law.

The Drafting Committee of the WIPO Model Law had only one Central-American delegate, that of Nicaragua.<sup>20</sup>

On the other hand, the new Trademark Act of Honduras is an example of indirect reception of the WIPO Model Law. With the intermediary of the Central-American Agreement, several provisions of the Model Law have become part of the National Law in that country. In the course of the preparatory work, the Honduras legislators had consultations with the WIPO.

#### *e) Other trends of reception*

Sri-Lanka and Zaire have also commenced to enact new provisions on industrial property. The legislative organizations of both countries carry on consultations with WIPO, and consider WIPO's Model Law. According to information obtained from WIPO, the Model Law has been adopted in principal. As a further contribution to progress an update to the Model Law be in order.

### 5. MODEL LAW FOR ARAB STATES ON TRADEMARKS

The Arab Model Law of IDCAS<sup>21</sup> was developed under a different influence not found in other developing countries. Here the legislators had the advantage of working out a Model Law on Trademarks for a group of monoglot states of identical cultures, with more or less identical levels of economic development and also forming a geographical unit.

The Acting Director General of IDCAS, Mr. AZZABI, states in the preamble of the Model Law that an aim is to achieve co-ordination of the existing laws of Arab states on marks. Hence, it will eventually lead to the removal of the various barriers and obstacles which exist by reason of the differences between the national legislations of Arab states, and will help to facilitate the export of industrial products and trade in general between the Arab states. This in turn will promote the development of Arab industry.

The IDCAS Model Law, as the Acting Director General pointed out, was developed after the analysis and comparison of the current legislation on trademarks in Arab states, and also draws on the WIPO Model Law. The model law for Arab states, according to the Acting Director General introduces some new

<sup>20</sup> J. BENDAÑA, Ministry of Economy, Bureau for the Co-ordination of Technical Co-operation.

<sup>21</sup> Model Law for Arab States on Trademarks, Trade Names, Commercial Indications and Acts of Unfair Competition, WIPO, Geneva 1975.



elements regarding, in particular, collective marks, licence agreements, and state control in this field.

Before dealing with these new elements, it would not be amiss to point out the large number of features common between the WIPO Model Law, and that of the Arab states.

#### *a) Concepts similar to the WIPO Model Law*

In respect of the terms used and other *general provisions* (IDCAS Model Law, Arts 1 through 3; WIPO Model Law, Sections 1 through 3) there are hardly any differences between the two model laws.

Regarding the right to register a trademark, both model laws are based upon the *principle of registration*. The IDCAS Model Law is more up-to-date, stipulating that the ownership of a mark cannot be contested if the person in whose name the mark is registered has made uninterrupted use of it for a period of five years after the date of registration (IDCAS Model Law, Art. 6).

As to marks *not accepted for registration*, the two model laws equally correspond to each other (see IDCAS Model Law; Art. 8; WIPO Model Law, Sections 5 and 6).

In connection with the regulation of the right to priority, the IDCAS Model Law is at a higher level of development, since it also stipulates the period of the claim to priority of an earlier application filed in another state, to be six months, conforming to international practice (IDCAS Model Law, Art. 11; the WIPO Model Law, Sec. 8).

The IDCAS Model Law suggests two alternatives in respect of the *examination of applications*:

- registration on the basis of examining formal requirements (alternative A),
- registration on the basis of the examination as to the substance of the application (alternative B). (IDCAS Model Law, Art. 12, WIPO Model Law, Sec. 11.)

In respect of the *invalidity of the assignment* of ownership of a trademark, the IDCAS Model Law also stipulates that assignment shall be considered null and void, if its purpose or effect is to mislead the public particularly as regards the nature, source, manufacturing process, characteristics or suitability for their purpose of the goods or services for which the mark is registered (IDCAS Model Law, Art. 23; alternative B, WIPO Model Law, Sec. 21, Para. 2).

In respect of the *obligation to use*, the Arab Model Law also stipulates a period of five years for the use of the trademark, after which a mark may be removed from the register for non-use. Thus the rule of “mild” obligation of use is adopted, i.e. *ex officio* cancellation is not provided for (IDCAS Model Law, Art. 27; WIPO Model Law, Sec. 30).

In connection with *notorious trademarks*, the Arab Model Law, like the WIPO Model Law, is silent. This is interesting, since generally developing countries have demanded revision of the Paris Convention (Part Three, Chapter V), among others to eliminate notorious marks.



#### *b) Cancellation of the trademark for administrative reasons*

The possibility of removing the trademark from the register *ex officio*, by administrative means, is an entirely new measure. It may be applied against marks belonging to natural persons or legal entities or to states under an order by virtue of a decision to that effect on the part of the competent authority (IDCAS Model Law, Art. 28, Para. 1).

This provision demonstrates how much the world is changing. Countries which two decades ago were still living on colonial status, today are not only equivalent partners, but in certain cases they even may have the upper hand owing to their economic supremacy by applying trademark sanctions, presumably in exceptional cases, whenever deemed necessary.

If we remember how, following the Second World War, the Courts of more than one capitalist countries made significant efforts to find legal arguments for refuting recognition of socialist nationalization concerning trademarks, we are not far from the assumption that this weapon may easily backfire; for example, the Arab states might resort to cancellation of trademarks *ex officio* as retaliation against some capitalist enterprises if the country in which the enterprise resides refuses to recognize the effect of the nationalization effected.

#### *c) Trademark licences*

Provisions in the IDCAS Model Law on the state control of licences and assignments are especially progressive (Art. 25).

Under these provisions, if the licence agreement involves payments abroad, they shall, on pain of invalidity, be controlled and approved by the competent state authority before they are recorded in the Register.

Such control shall consist in verifying that the licence agreements do not contain clauses imposing on the licensee limitations not resulting from the rights conferred by the registration of the mark or not necessary from the maintenance of such rights. They include clauses:

a. obliging the licensee or the assignee to pay royalties for a mark that is not used to pay a substantial part of the royalties before beginning to use a mark;

b. obliging the licensee or the assignee to import raw materials, intermediate goods and equipment furnished by the licensor or the assignor, except where it is otherwise impossible to ensure the quality of the goods to be produced;

c. whose effect is to prevent the export of goods manufactured under a trademark to certain Arab states or to all these states, or which limit the licensee's or the assignee's possibilities of competing in the markets of those states.

In addition, the control referred to above shall, in the case of a licence agreement, consist in verifying that there exist between the owner of the mark and the licensee relations or provisions ensuring the effective control by the owner of the quality of the goods to which the licence applies.



These latter provisions are essentially extensions of the relevant provisions of the WIPO Model Law, and are in co-ordination with the trends encountered in Latin America, in Argentina, Brasil, Mexico and in the Andean Block. At the same time, these provisions show many common features with the practice of European socialist countries in similar matters. These circumstances lead to the inference that the legislators of the IDCAS Model Law must have carried out comparative law studies and analysis on an even larger scale than referred to in the preface of their Model Law.

It is too early to speak about the reception of IDCAS Model Law by Arab governments. Moreover, as a revision of the WIPO Model Law is planned some Arab states are looking first for the results of this, especially those that yet have no trademark acts at all.<sup>22</sup>

## 6. PROJECT OF MODEL LAW ON TRADEMARKS FOR COUNTRIES OF ENGLISH-SPEAKING AFRICA

At the end of 1976, at the Diplomatic Conference of Lusaka, five countries of English-speaking Africa founded the Organization of Industrial Property of English-speaking Africa. The Convention came into force in 1978 by ratification on behalf of Gambia, Ghana, Kenya, Malawi and Zambia.

a. A common Regional Office of Industrial Property, called ESAPIRO is planned to be opened in the near future.

b. The members of the organization decided to draft a model law concerning patents and trademarks, with the aid of WIPO.

The guidelines of the Model Law on trademarks were elaborated a few years earlier. Namely, they should be essentially based on the principles of trademark law already established in the states of English-speaking Africa and the WIPO Model Law, including, for example:

- provision should be made for examination as to substance of trademark applications,
- the distinction between Part A and B of the register (British system) should be abandoned in favour of a single register,
- ten-year term of registration and renewal should be provided for,
- renewal should be subject to proof of use of the mark,
- licencing provisions should be based upon the relevant sections in the WIPO Model Law.<sup>23</sup>

In the preparation of this Model Law, an outline of their possible contents was prepared by WIPO for the Lusaka Diplomatic Conference of 1976. This outline was intended to give directions for the preparation of the Model Law. The model provisions are in conformity with the quoted guidelines. Only four interesting

<sup>22</sup> N. MANGALO, Personal information given for this work (1978).

<sup>23</sup> *I.P.*, 1975, pp. 335-337.



characteristics will be discussed. The definition of a trademark, the most important term used in the proposed model provisions would be defined and would in particular include an expanded definition of what may constitute a mark. The term "mark" would mean any visible sign (two-dimensional or three-dimensional) used or proposed to be used upon, or in connection with or in relation to goods or services of an enterprise for the purpose of distinguishing the said goods or services from those of another enterprise. Examples of such signs would be words, arbitrary or fanciful designations, slogans, labels, emblems and even the shape of goods or containers (although the latter is commonly known in English law as "distinguishing guise").

As to the effect of registration, it would be provided that the exclusive right to a mark is acquired through registration. A *bona fide* user of a mark belonging to an enterprise which later is registered for another enterprise would have the right to continue to use the mark. Registration would be required in at least one particular class of goods or services. Since the application of a uniform classification together with a uniform law on marks appears desirable, existing registrations would have to be re-classified to that of the International Classification.

Concerning non-use, it is proposed to remove marks from the register at the instance of third persons or any competent authority on the ground that up to the date of one month before the date of request for removal a continuous period of five years or longer had elapsed during which the mark was registered and during which there was no *bona fide* use by the owner or a registered user, unless such non-use is excusable due to special circumstances in the trade, for the goods or services concerned.

The section of licence agreements would be developed in the light of experience of the registered user system and of the relevant provisions of the WIPO Model Law for developing countries. In particular, the licensor would have to ensure that the quality of the licensee's products or services has the same standard as his own products or services.

## 7. SOME COMMENTS

### a) *Quality of industrial products*

The foregoing provisions of the trademark model laws, in particular the provisions concerning the nullity of trademark assignment, the prohibited contractual stipulations, as well as those on quality control, reveal that important interests of the developing countries are directed to ensuring a technical level apt to meet not only domestic requirements, but those of the world market too, thus aiding in establishing and developing their national industries.

These provisions of trademark law may greatly contribute to fulfilling this aim, although their significance must not be over-estimated.

Hence, in the various developing countries a number of other provisions are needed (administrative measures, provisions of administrative and of civil law, and



perhaps penal law, too) which stimulate acquisition of technological knowledge. Important tasks include the training of new workers, especially those formerly working in the agriculture trade of the country, in mechanization. It must be added that these problems are to be solved by appropriate management controls rather than by means of statutory provisions.

Accordingly, one should not expect miracles from trademark provisions. They only render valuable assistance in the domestication of industry and in developing technological disciplines. They promote the marketing of industrial products. They are incapable of achieving these goals alone.

#### *b) Field of application of trademark licence agreements*

The provisions of the model law concerning licence agreements are meant to serve the interests of the developing countries. Their formulation shows that the authors were aware of the economic importance of trademark licence agreements.

It is a fact of common knowledge that licence agreements of technology play a decisive part in the economic-technical development of certain countries. Japan's example is the most suggestive one. In the exploitation of economic achievements using technical licence agreements, trademark licences also play an important role.

The provisions of model laws concerning trademark licencing, are related to similar provisions of model laws on inventions. Yet, it is this very relationship that seems to be somewhat alarming.

The field of application of trademark licences is substantially broader than that of licences on the transfer of technology. Trademark licences are applied when complete equipment is purchased, when subsidiaries or joint enterprises are established, or under different forms of industrial co-operation, as when products are manufactured in the developing countries under such legal relations and are often marketed under foreign trademarks. In such cases, however, the relevant provisions concerning trademark licencing are either contained in the contracts of sale, or in the incorporation agreement, or in the co-operation (licence) agreement. Trademarks may be completely omitted if inappropriate to the contract formulation. This usually evolves when trademarks are of relatively minor importance in the contract terms when compared to the whole complex contractual relation. Hence, the precise wording of the provisions concerning trademark use are often incomplete on the execution of the contract. Illicit actions may occur even when appropriate contracts are available. This was the case of the GANZ trademark in India, concerning delivery of a complete factory and equipment where the right relating to the trademark could only be assured by the Hungarian owner through a lengthy out of court settlement.

Therefore, it is of primary interest for developing countries to utilize trademark licences in a broader way than as only licences with the transfer of technology. (It would be certainly useful to include a reference to this aspect in the model laws, or at least in their commentaries.)



## CHAPTER V

# REVISION OF THE TRADEMARK PROVISIONS OF THE PARIS CONVENTION

On the initiative of some developing countries, the UN General Assembly decided as early as December 5, 1959, in its Resolution No. 1713/XVI, to explore the role of patents in connection with the transfer of technology to developing countries. Yet, the investigation effected by the UN in this subject was only the first step. This topic appears unremittingly in the legislation and legal practice of the developing countries; on the agenda of international rostrums, and in literature.

A relatively long time has elapsed since the offensive was launched by developing countries to reach the edifice of reform to the Paris Convention. At the 1967 Stockholm Diplomatic Conference for Revision, the developing countries only urged modification to some provisions on copyright. On the other hand, there is a crisis of the Paris Convention which is a manifest expression of the general world crisis arising in conflicts between highly industrialized and developing countries.<sup>1</sup>

The first study on the revision of the Paris Convention taking into account the aims of developing countries was prepared by WIPO.<sup>2</sup> That paper included as starting material, formulating and evaluating the claim of the developing countries to revise international trademark law too. Six out of the fourteen points analyse the suggestions of the developing countries for revision and relate to trademark questions. It seems that the offensive launched by the developing countries on patents would inevitably extend to the field of trademark law as well. No doubt, it has now become time in response to the "New Economic Order" proclaimed by the UN General Assembly on May 1, 1974<sup>3</sup> that developing countries endeavour to restructure the international conventions in a way which reckons the different levels of economic development of all parties to the conventions.

One of the most important issues in the Paris Convention was, therefore, *the principle of equal treatment* (Art. 2), since, according to the views of developing countries, this can only work among partners of equal standing. They claim that if the partners are of disparate development, this principle may entitle the stronger party to subdue his weaker partner, and to ensure him unequal advantages.

<sup>1</sup> PRETNAR, in: *Problemi attuali di diritto industriale* (Actual Problems of Industrial Property), pp. 888, 906.

<sup>2</sup> The fourteen questions in the first session of the government experts, WIPO Doc., PR(GE/II)2. Geneva 1975.

<sup>3</sup> UN 3201 (S-IV) Resolution of the General Assembly, basic principle (4/n).



In the GATT, the developing countries managed to push through the principle of "preferential or special treatment" instead of the concept of equal treatment, which undoubtedly is a great achievement.

The transposition of this concept to the Paris Convention is reflected in the motion entitled "preferential treatment for the subjects of developing countries" put forward at the preparatory session for the Diplomatic Conference held by the WIPO on 25-30 November, 1976. This concept includes some solutions favourable to developing countries concerning the reduction of taxes, and the prolongation of the convention priority and also affects trademarks.<sup>4</sup>

Examination of the special trademark issues put forward by developing countries at WIPO in regard to the Paris Convention are now noted.

## 1. CANCELLATION OF TRADEMARKS DUE TO LACK OF USE

Under Article 5C (1) of the Paris Convention, "if, in any country use of the registered mark is compulsory, the registration may be cancelled only after a reasonable period, and then only if the person concerned does not justify his inaction".

The developing countries propose to define the reasonable term. This term is fixed as five years in a number of countries (Soviet Union, France, England, Japan, etc); 3 years in Mexico; two years in Brasil, and one year in Algeria, etc.

The developing countries, however, pursue another purpose by bringing up this question. Their aim goes beyond the fixing of the period of use as they only consider it as an instrument to assure the use of the mark and to provide for the sanction of forfeiture in the event of non-use.

At the Third Session of Governmental Experts convened by WIPO (Lausanne, 8 to 15 June, 1976) the Delegation of Cuba, speaking on behalf of the group of developing countries, considered that the convention should itself oblige member states to provide that the registration of a mark which was not used within a certain period should be liable to cancellation at the instance of an interested person. In the view of that delegation, an unused mark had no significance for commerce and thus lost its *raison d'être*; moreover, the absence of such a provision in national legislations was harmful to developing countries which wished to market their products abroad and had difficulties in finding a suitable mark. On the question whether the expression "reasonable period" in Article 5C (1) of the Paris Convention should be replaced by a specific period, opinions were divided. Support for fixing a time limit was expressed by the delegations of India, Cuba, Mexico, Yugoslavia and Tansania. An advantage of such an amendment, in view of the delegation of Cuba, was that third parties would know when they would be able to take action for the cancellation of the registration of a mark.<sup>5</sup>

<sup>4</sup> WIPO Doc., PR(PIC/I)10, Annex No. VIII.

<sup>5</sup> WIPO Doc., PR(GE/III)14, Geneva 1976, p. 4.



It is interesting to note how this dispute illustrates the fact that in certain respects developing countries are more interested in the international unification of substantive trademark law than are industrialized countries.

This question, highly discussed in the preparatory work, was no more provided on the agenda of the Diplomatic Conference for the revision of the Paris Convention (Geneva 1980, Nairobi 1981).

## 2. GEOGRAPHICAL DESIGNATIONS USED AS TRADEMARKS

Developing countries have raised the claim that the use of geographical designations as trademarks should be prohibited internationally.

At the above-mentioned session of the Experts Commission, the delegation of Cuba, speaking on behalf of the group of developing countries, stated that in international relationships the decisive question was not whether a geographical designation was used as a mark but whether the geographical designation which was used as a mark referred to a place in the country of the owner of the mark. The Paris Convention should oblige its member states to prohibit use of geographical designations as marks if the place of reference was not in the country of the owner of the mark; the problem should be covered by Article 10<sup>bis</sup>. The problem was particularly important for exporting developing countries. The delegations of the Philippines, India and the Representative of OAPI shared this view. The delegations of the German Democratic Republic, Czechoslovakia, Romania, Yugoslavia, Norway, Denmark and Sweden were in favour of including in the Paris Convention a reference to false and misleading indications of origin. General specific recommendations are being considered to implement these claims.<sup>6</sup>

<sup>6</sup> Relating to this question an interesting study was prepared for WIPO by DR. OPPENHOFF, on behalf of the West German Institute for the Protection of Geographical Indication of Source (DIGH). German version: cf. *GRUR-Int.* 1977, p. 235.

The main conclusions of this study are as follows: For the repression of *the use and registration of geographically misleading marks*, he proposes;

(i) against the use of geographically misleading marks, the insertion in Article 10 bis (3), third paragraph, of the Paris Convention of the words "the origin" after the words "the suitability for their purpose";

(ii) against the registration of geographically misleading marks, the insertion in Article 6 of the Paris Convention of the following new paragraph (4):

"The countries of the Union undertake to refuse registration of trademarks that contain a geographical designation and are liable, by reason of the overall impression they convey, to mislead the public as to the geographical source of the goods on which they are used."

(iii) As an alternative to proposal (ii) above, the Group of Experts should consider the following wording of the new Article 6(4) of the Paris Convention, which covers all misleading indications:

"The countries of the Union undertake to refuse registration of trademarks that consist of indications or allegations prohibited under Article 10<sup>bis</sup> (3), third paragraph, and are liable, by reason of the overall impression they convey, to mislead the public in the manner described therein."

For the repression of "monopolistic" registration of geographical designations as trademarks, he proposes;



During the preparatory work for the revision of the Paris Convention, i.e. the Diplomatic Conference (Geneva 1980, Nairobi 1981) this question was practically incorporated in the question "Conflict between an appellation of origin and a trademark".

### 3. CONFLICT BETWEEN AN APPELLATION OF ORIGIN AND A TRADEMARK

The developing countries suggested that, in the event of a conflict between an appellation of origin and a trademark, the former should prevail.

In a Memorandum prepared in 1977 WIPO suggested an amendment of Article 10<sup>bis</sup> of the Paris Convention,<sup>7</sup> dealing with unfair competition, by inserting in it the words which are italicized:

"(3) The following in particular shall be prohibited: . . .

3. indications, *including trademarks and service marks*, or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, *the geographical origin*, the suitability for their purpose or the quantity, of the goods *or services*."

In the Third Session of the Preparatory Intergovernmental Committee the proposed amendment was discussed.<sup>8</sup>

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(i) against the registration of the name of a State as a trademark, the insertion of the following new paragraph in Article 6<sup>ter</sup> of the Paris Convention:

"The countries of the Union undertake to refuse registration of names of States as trademarks or, where names of States have been registered after the entry into force (of this Act) (in the respective country of the Union) to declare such registrations invalid."

(ii) against the registration of geographical indications of source as trademarks for only one of the lawful users, insertion in Article 6(4) of the Paris Convention of the following second sentence:

The Member States further undertake to refuse registration as a trademark of an indication (geographical name) also where the indication (name) has the effect in the respective country of an indication of the geographical origin of the goods that it identifies, and if the goods of the applicants come from the place or area indicated, in so far as the applicant does not state that he has the sole right to use the indication."

For the improvement of the *use of collective marks for the protection of geographical indications of source*, he proposes that the following new second sentence be inserted in Article 7<sup>bis</sup> (2) of the Paris Convention:

Any country may make the registration of a geographical indication of source as a collective mark in the country of the Union (country of origin) in which the place or area indicated is located, in so far as the country of origin has not regulated entitlement to the use of such indications by means of other measures."

<sup>7</sup> WIPO Doc., PR(PIC/III)6, Geneva 1977, p. 2.

<sup>8</sup> The delegations of Senegal, Algeria, Yugoslavia, Venezuela, Colombia, Brasil, Argentina and Zambia welcomed the proposals of WIPO as an effective contribution to the solution of a problem of particular importance for developing countries. The existing provisions of the Paris Convention were unsatisfactory for the developing countries, which, in their majority, depended on natural products and on the protection of their appellations of origin against abuse in foreign marks. A better protection against the abuse of geographical names in marks would contribute to a more effective counterbalance



This question seemed to be the most crucial for developing countries. After discussions of years even a few months before the Diplomatic Conference for the revision of the Paris Convention (Geneva 1980, Nairobi 1981) there had been no agreement reached between developing and developed countries.

Finally, the developed countries proposed for the Diplomatic Conference an important amendment relating to the solution of the conflict between geographical names and trade names.

The essence of the proposed new paragraph of Art. 10<sup>ter</sup> is that any developing country which is party of the new Act of the Paris Convention may reserve for itself the use of geographical indications connected with it for certain conditions.

Namely

- allowing such developing countries to notify the WIPO of geographical names,
- obliging WIPO to notify the other countries of the geographical names that were notified to it and to publish them in a gazette,
- obliges the notified countries not to register the notified geographical names as a trademark and not to allow its use as a trademark,
- provides for the duration (20 or 40 years, depending on certain factors) of the obligation created supra.

The draft text relating to the conflict between a geographical name and a trademark of subparagraph (7)(c) is formulated as follows:

(7)(c) Any country having received the notification by the International Bureau under subparagraph (b) of any geographical name (hereinafter referred to as “the notified name”) shall,

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to the historical disadvantage inherent in the present system of the Paris Convention for developing countries.

The delegation of Algeria expressed the opinion that the proposed amendment to Article 10<sup>bis</sup> was excellent but the lack of retroactive effect was regrettable. The sins of the past which had frequently been made to the detriment of developing countries had to be remedied in an equitable manner. It was also difficult to accept the limitation to well-known geographical names since most of the appellations of origin of developing countries were at present, and would for some time in the future continue to be, not sufficiently well-known to obtain protection under the proposed provision.

The delegation of Venezuela raised the question who would interpret what was “liable to mislead the public”: an administrative authority or a court.

The delegation of Colombia said that the solution contained in the text proposed should not be limited to the use of misleading geographical names in marks, but should be extended to any incorrect use of geographical names, providing for the possibility of corrective action by judicial means.

The delegations of Mexico and Egypt expressed their agreement with the proposals of WIPO and underlined the importance of achieving a solution along the lines of those proposals for developing countries which, as producers of commodities, and in view of the structure of their economies, depended very much on a reinforcement of the protection of their geographical names.

The delegation of Brasil, speaking for the group of Developing Countries, underlined the particular importance of the problem under discussion for developing countries. As the discussion had shown, the question was, however, also of considerable interest to a number of other countries and the examples of misleading use of geographical names referred to in the discussion showed that very clearly. Further consideration within the group of Developing Countries was therefore needed, especially in view of the fact that the question now under discussion was of concern not only to developing countries. (WIPO Doc., PR(PIC/III)14, Geneva 1977, pp. 7–12.)



(i) not allow the registration, in its national register of marks, as a mark or part of a mark, of the notified name, as from the date of the publication of that name in the gazette referred to in subparagraph (b) (hereinafter referred to as "the international publication"),

(ii) if, notwithstanding the provisions contained in item (i), a notified name has been registered in its national register of marks after its international publication, invalidate such registration,

(iii) give no effect on its territory to any registration, as a mark or part of a mark, of the notified name, in a regional or international register of marks otherwise having effect on its territory, where such registration was effected after the international publication of the said name,

(iv) not allow the use of the notified name, as a mark or part of a mark, on its territory, if the use has not started before the international publication, of the notified name; if the use started before the international publication, such use may not be extended to products other than those already covered by the mark.<sup>9</sup>

#### 4. THE WELL-KNOWN MARK

Under Article 6<sup>bis</sup> of the Paris Convention, member states have bound themselves to refuse or cancel registration and to prohibit 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 the Paris Convention and used for identical or similar goods.

In this connection, the developing countries had first raised the suggestion that to give absolute priority to well-known trademarks, against earlier registered national trademarks, is risky from the point of developing countries. At the above-mentioned Session of Governmental Experts the Delegation of Turkey stated that the definition of a well-known mark raised problems and that protectionist methods should be abolished.

International public opinion has concerned this question for two decades.<sup>10</sup> At the said Session of the Group of Experts, however, the delegation of Cuba, speaking on behalf of the group of developing countries, expressed the view that Article 6<sup>bis</sup> of the Paris Convention should be maintained without amendment. As a result, the Group of Experts decided not to pursue further the study of this question.

There must be some common ground in the requests of the developing countries on this issue since it may provide them a more advantageous bargaining position for some other more important issue.

<sup>9</sup> Basic Proposals, Diplomatic Conference on the Revision of the Paris Convention. Geneva, 1979, WIPO. Doc. PR(DC)4.

<sup>10</sup> The memorable debate between PRETNAR, Ljubljana (Yugoslavia) and LADAS, New York. *P.I.* 1953, p. 221; *P.I.* 1954, p. 97; *P.I.* 1955, p. 13.



## 5. COMPULSORY LICENCES

At the afore-mentioned Session of the Group of Experts speaking on behalf of the group of developing countries, the delegation of Cuba said that developing countries should seek to substitute the use of national marks for that of foreign marks. Compulsory licences for marks were not required in general but they were at least in one case; namely, where the use of a foreign mark was part of a contract relating to the transfer of new technology or to the manufacture of a new product; and if the conditions laid down for such use were abusive, a compulsory licence might be necessary so that the developing country concerned could, during a transitional period, demonstrate the reliability of the product by the use of the licensor's mark. In this connection, the delegation of Cuba referred to paragraph 3(ix) of the Declaration on the Objectives of the Revision of the Paris Convention, which states as an objective, ensuring "that all forms of industrial property, including trademarks, be designed to facilitate economic development". Supporting the statement of Cuba, the delegation of Mexico said that compulsory licences were justified where exclusive trademark rights were abused and that the Patent and Trademark Act of Mexico (1976) provided for compulsory licences.<sup>11</sup> Moreover, the delegation of the Philippines pointed out that compulsory licences seemed a less drastic measure than the cancellation of trademarks, of the refusal to renew them, on the ground of non-use.

This very question was also debated before the Executive Committee of A.I.P.P.I. in 1976, as it was proposed there, to introduce a particular rule into the Paris Convention excluding compulsory licences of trademarks. The author explained his disagreement with this proposal, identifying himself with developing countries as expounded before WIPO. However, a majority of the Executive Committee took the opposite position refusing the concept of compulsory licences of trademarks.<sup>12</sup>

In Western Europe and in the USA there is also violent criticism for the idea of compulsory licences of trademarks.<sup>13</sup>

Compulsory licencing is only a reality in Mexican law and thus has only domestic economic impact. It could be possible, however, that the economic effects of compulsory licences of trademarks will, in the course of time, be accepted internationally. Compulsory trademark licence might then allow exports of products covered by trademarks under compulsory licence to countries, where the position of the trademark owner is ensured by a registered trademark.

Finally, this question proposed for study during the preparatory work, was no longer provided in the agenda of the Diplomatic Conference for the revision of the Paris Convention (Geneva 1980, Nairobi 1981).

<sup>11</sup> English version: *I.P.* 1976, No 4. 1-001, p. 001.

<sup>12</sup> A.I.P.P.I., *Annuaire* 1977/I, p. 101, 149.

<sup>13</sup> FERNANDEZ-NOVOA, *GRUR-Int.* 1977, p. 403.



## 6. INDEPENDENCE OR DEPENDENCE BETWEEN THE REGISTRATION OF THE SAME MARK IN SEVERAL COUNTRIES

Under Article 6(3) of the Paris Convention, "a mark duly registered is independent of marks registered in the other countries of the Union, including the country of origin". The developing countries suggested that the rule providing the principle of independence of marks should be deleted.

In the afore-mentioned Session of the Group of Experts the delegation of Cuba, speaking on behalf of the group of developing countries, expressed opposition to the principle of independence of marks, considering that a mark should only be registered in a foreign country if the product concerned was the subject of a registration in its country of origin. In the view expressed by that delegation, the principle contributed to the inflow of a large number of marks which had no national basis; it also resulted in the export of second-class goods to developing countries since the fact that the same mark was not used, or no longer used, in the home country for the product concerned was often due to the fact that the product had become outdated or, in the case of pharmaceutical products, food, fertilizers or pesticides, that the sale of the product had not been authorized for reasons of health and that therefore the registration of the mark had not been maintained.

The delegations of Brasil and Yugoslavia pointed out that a possible deletion of Article 6(2) and (3) of the Paris Convention would not oblige contracting states to provide for the refusal to register, or for the cancellation of registration, where the mark concerned was not, or was no longer registered in the home country, but would allow contracting states to do so. This was a useful measure, from the point of view of these delegations.

The delegation of Venezuela stated that the possibility of deleting Article 6(2) and (3) or, at least, of requiring that the Paris Convention impose an obligation to give detailed information on the progress of a corresponding application for the registration of the mark in the country of origin be studied. A solution of this kind would tend to prevent unfair situations whereby certain unpatentable products which could not be given the necessary examination in developing countries were protected by means of a trademark registration. The acceptance of a mark in a highly industrialized country was a guarantee of the product concerned. A refusal in such a country to register the mark, and the reasons therefore, should be made known to the developing country where protection was sought.

Presumably developing countries brought this question up under economic considerations. The fewer foreign trademarks that are registered in a developing country, the more favourable is the atmosphere for domestic commercial activity, and for the introduction of national trademarks. To consider the termination of the right to the trademark in the country of origin to be a reason for termination in the other country as well, is a simple and inexpensive way of decreasing the number of foreign trademarks.



The fact that developing countries launched this issue is all the more impressive, as it brings us nearer to the goal that the member states of the Paris Convention have not been able to achieve for almost a 100 years, i.e. to the "supranational trademark", one that surpasses the limits of the territoriality of protection. The stipulation of the principle of dependence of trademarks, while reversing the present international trend of development tending to territoriality, would nevertheless reduce the possibility of one and the same trademark being protected in a number of countries, whereas the value of the remaining trademarks would, on the other hand, probably increase.

Lastly, this question discussed during the preparatory work, was no longer provided on the agenda of the Diplomatic Conference for the revision of the Paris Convention (Geneva, 1980, Nairobi 1981).

## 7. ON THE WAY TO THE REVISION

The Group of Experts established for the revision of the Paris Convention, has been holding two annual sessions since 1975. The sessions of the Group of Experts were prepared by WIPO, which produced impressive documents for each meeting.

It is obvious that not only have developing countries expounded their views at the sessions of the Group of Experts, but industrialized countries, too. These positions are not reported here, because the goal of this work is not the exploration of their position.

In parallel other international organizations are studying questions relating to trademarks in connection with the revision of the Paris Convention. As it was already mentioned, UNCTAD prepared two interesting studies (Cf. Part One, Chapter I); the second one was discussed in 1977 at the Session of Governmental Experts on the Role of the Industrial Property System in the Transfer of Technology.<sup>14</sup>

The report of UNCTAD reads as follows: The process of revision of the Paris Convention should be guided by the Declaration of Objectives of the Revision of the Paris Convention (December 1975), giving "full recognition to the need for economic and social development of countries" to redress the present imbalance between rights and obligations of trademarks owners, and by the following considerations: The Convention should explicitly recognize

(a) member countries' rights for revocation or forfeiture of trademarks for reasons of public interest;

(b) The Convention should explicitly recognize member countries' rights for revocation or forfeiture of trademarks when the owner or licensee of the mark has speculated or misused price-wise or quality-wise a product protected by the trademark to the detriment of the public or the national economy of a member country;

<sup>14</sup> UNCTAD Doc., TD/B/C. 6/AC. 3/4/Add. pp. 11-12.



(c) Article 7 of the Convention should be deleted because it may be used against national policies on trademarks in particular sectors of the economy;

(d) In spite of the validity of the principle of national treatment, such principle should not constitute an obstacle to the adoption of policies aimed at reducing the harmful effects of foreign-owned trademarks in developing countries;

(e) Non-reciprocal preferential treatment should be granted to nationals residing in developing countries, particularly in the matter of fees;

(f) Article 6(2) should contain the possibility for developing countries to refuse the registration or to invalidate a registered trademark when it has not been effected or it has been revoked in the country of origin, whenever the reasons for this revocation are acceptable to the national authorities of developing countries;

(g) Any industrial property office will be obliged to provide, on request, information concerning trademarks directly to the industrial property office of the country requiring the information;

(h) Trademarks may be revoked within a concrete and definite term because of non-use (article 5C (1) of the Convention);

(i) Articles 5 *quinquies* and 6 *sexies* should be deleted;

(j) The period of five years for the cancellation of well-known marks should be reduced to three years (article 6<sup>bis</sup> (2) of the Convention);

(k) Article 6 *quinquies* should be clarified and redrafted according to the present needs developing countries;

(l) Appellations of origin are the sole and non-transferable property of the country or state where they exist and they should prevail over trademarks;

(m) Trademarks containing geographical indications could be registered by member countries only when such marks are their own appellations of origin or can be interpreted as an indication of source;

(n) Industrial property offices should be the competent authorities on all questions related to appellations of origin and indications of source.

It is obvious that these propositions of UNCTAD would require a fundamental change in the system of the Paris Convention.

It is well-known that the Paris Convention represents the system of industrial protection for the highly industrialized countries, in force since 1883, which does not, and never has paid much attention to the "preferential" interests of the developing countries. The Paris Convention is still dominated by capitalist industrial countries. The socialist countries, with the Soviet Union, which adhered to the Paris Convention as late as 1965, assiduously endeavours to get their own legal institutions internationally recognised, and they are, in view of their higher industrial levels, in a more favourable position than the developing countries.

After these preliminary remarks on the general background, it should be stated that the developing countries must not have very great expectations as to revisions of the Paris Convention. On the other hand, they might achieve better results outside the Paris Convention in the protection of their own national economies by appropriate national legislation perhaps following socialist lines. To do this study



and adaption of socialist trademark law, its legal environment, socialist civil law, as well as some relevant provisions of foreign trade, fiscal and administrative law, is required so as to adopt them to their own conditions.

## 8. SHOULD DEVELOPING COUNTRIES STAY MEMBERS OF THE PARIS CONVENTION?

As explained above developing countries must not have great expectations as to the revision of the Paris Convention, therefore the question may be raised, whether these countries might still be interested to stay (or become) members of the Convention.

This question has been considered as a result of a request of an Organization of UN in 1976. The substance of the authors views are unchanged and may be expressed in answering the following question: whether the price is not too high for developing countries to obtain their membership in the Paris Convention. (I do not speak about fees, but the economical consequences.)

The two most obvious arguments, against and for, are as follows.

Against: In most of developing countries, there are only a few national trademarks, that are really worthwhile to be registered abroad. On the contrary, the number of foreign trademarks registered in developing countries is sometimes enormous, this last circumstance is disadvantageous for these countries.

For: As the aim of developing countries is to build up their trade, i.e. the industrialisation to do so in the longer term it seems advantageous to stay or to be a member of the Paris Convention, because membership in it stimulates an updating of national trademark policy and goals.

Further the Paris Convention also assures facilities to the developing countries for the registration of their national trademarks abroad. On the other hand, it is obvious that developing countries have to try to include provisions in the Paris Convention assuring them the maximum liberty related to their own national regulations; otherwise, the price of membership might well be too high. Under such conditions the arguments favouring the Paris Convention are more important than those arguments against.



## CONCLUSIONS

Let us attempt to draw some further general conclusions.

### *A. Statements of economic character*

1. The development of a world economy can only be reassuring and harmonical, if in future it will provide a larger share than hitherto to the developing countries. Failing this, the gap between highly industrialized and developing countries will go on widening. This could be ultimately detrimental for the industrialized countries as well. It would particularly hurt the developing countries, and would bias then against the development of a world economy, and through it, influence the political climate as well. Therefore, any instrument that might be apt to *serve the economic growth of developing countries* should be sought for.

2. An important point of contact between law and economy is the *trademark*. It has the crucial function of distinguishing the goods produced by developing countries for export, to popularize them, to promote the volume of their world trade.

3. The question, whether the developing countries do or not use trademarks, whether they should use trademarks, calls for *economic decisions*; hence, the considerations underlying such decisions are of economic character. Therefore, economic considerations, and the ensuing economic decisions supersede legal considerations and legal decisions, both as to their importance, and their order at least in the context of trademark conditions of the developing countries, and their pattern of economic development.

4. National trademarks, especially those applied to export articles of developing countries (agricultural produce, products of handicraft, as well as manufactured industrial goods) are important economic tools, and apt to be used to bolster the *export activity* of developing countries. A number of developing countries, however, fail to recognise the possibilities that are inherent in trademarks and to develop their economies, particularly their exports around them. If they fail to exploit trademarks, they renounce an important tool of foreign trade.

5. If the developing countries finally decide to use trademarks, then it is expedient for them to try to achieve to some extent *concentration*. This is a developing practice of several developing countries.



By concentration, is meant the activity to select and concentrate on certain selected trademarks for export trade and not to use a larger number of trademarks.

6. The function of trademarks to *certify quality* cannot be sufficiently stressed. In the majority of developing countries, it is especially advisable to keep this condition in mind, and to make industry aware of it. If a trademark covers a product of inferior or varying quality, the trademark loses its economic value. To put it more drastically; if the trademark owner is not able to supply a constant quality of the product, he gives up the economic benefits that the trademark might provide, for, good reputation once lost, is almost impossible to regain.

7. In developing countries, apart from their socio-political system, the state has a far more important role in directing both trade and industry than for example in the European capitalist countries. It may be advisable to extend this more *intensive state control* into the protection of industrial property too. It would be highly advantageous to support the creation and development of a trademark culture for main exports, at least until the trademark practice of domestic export industries becomes more solid and to systematically and purposefully put trademarks into the service of the foreign-trade activity.

#### B. Legal statements

8. While recognising the priority of economic considerations, it would be a mistake to depreciate the importance of *legal instruments*, of trademark law. Trademarks have a function of servicing and supporting, the economic-political objectives of developing countries. At the same time, appreciating that the law and the economy interrelate, trademark law cannot be opposed to the social and economic factors which determine law in the developing countries (or any other country).

9. Trademark law, however, has important relations with the economic and social realities of each country, and beyond that; with other legal institutions as well. In other words, the *harmony with the legal environment* is of great importance. Developing countries might therefore approach the sphere of issues wanting regulation in a broader sense, i.e. not reduce them to norms related to the registration and protection of trademarks, but to include and co-ordinate therewith all kinds of issues; i.e. legal and illicit use of trademarks; of unfair competition; their administration; currency control, etc. Such a comprehensive approach is perhaps more important for developing countries than for highly industrialized countries, since their higher level of legal culture is available for solving these problems as they arise.

10. Abuses of rights (especially the failure to use registered trademarks) should be prevented in developing countries as well. Some developing countries have already recognised its importance, and in case of lack of use, provided for the possibility of cancellation of the trademark *ex officio*. Such cancellation would be of far greater importance for developing countries than for the leading countries of the socialist



or capitalist world, since, if the foreign trademarks invade the registers of a developing country, they cause a much greater problem than in an industrialized country. The selection of appropriate legal instruments is of particular consequence in case of the strict *obligation of use* (removal from the register due to lack of use), combined with a more liberal interpretation of the concept of use, e.g. recognition of use by advertisement.

11. *Trademark licences* mean significant economic benefits for developing countries, particularly if combined with the importation of technology, since it considerably furthers the potential marketing of the products of the young industries of these countries into the world market. At the same time, misuses have occurred, and will occur in respect of trademark licences, as with every other institution. Developing countries should take a strong stand against such abuses.

Based on experiences gained in socialist countries, trademark licences are extremely useful instruments. They can be of service to the economic growth in developing countries too. It is, however, necessary according to socialist theory to police trademark licences with a strict state control, so as to prevent misuses.

12. An important tool of economic growth in the developing countries can be the constant economic partnership with other developing countries (in particular, if they can mutually supplement one another), e.g. economic integration. In such cases, the *harmonization or unification of the trademark laws* of the member countries of an economic grouping, as well as the harmonization of the work of industrial property offices, and possibly the establishment of a Common Office of industrial property, might serve the interests of economic co-operation, or even economic integration.

13. Most Asian and African developing countries will sooner or later have to decide whether they choose the development or revision of the *trademark law inherited from colonial rule*, or if they will seek entirely new roads. Experience has shown that, at least in the initial phase following the achievement of independence, developing countries do not attribute great importance to the elimination or termination of the trademark law of the colonizers. The situation is presumably similar in other branches of the legal system as well. They can only be transformed gradually. In addition, in trademark law, the regulation of the traditional legal norms, thus the acquisition of rights, and protection are highly uniform, at the international level. Thus, it would be hardly advisable for the developing countries to deviate too much from the legislative practice developed at the international level.

Such deviations would entail difficulties in their international economic and trade relations.

14. As far as the so-called non-traditional norms of trademark law; its dynamical rules such as trademark licences, misuse of trademark licences, the situation is changing. It is different in those developing countries that achieved their independence over a century ago, such as the Latin-American countries. They tend to use the traditional trademark instruments for *lessening their economic dependence on other countries*, and, they seek to develop a new system of norms in



connection with the use of trademarks that practically excludes restrictions imposed by trademark owners. Legal developments will probably cause surprises in these fields, since, following their fight in the political and economic planes, it will appear in the sphere of trademark law both in its legislation, and the application of the legal rules.

15. In the selection by the developing countries or groups of countries of the legal instruments to regulate the protection and use of trademarks, the economic weight of *national legal instruments* is much greater than that of the international rules. Based on its sovereignty, each country may develop the legal instruments and institutions most suited to its economic and social potentialities, i.e. the system of norms regulating the use of trademarks, and their legal environments.

In view of these considerations, the Model Law on Trade Marks for developing countries developed by WIPO is a useful beginning. It has been utilized by many developing countries, even though it needs updating. WIPO is in the process of releasing a revision to this Model Law.

16. Developing countries can hardly expect any important advantages from international regulation, or amendment of trademark law; either of the Paris Convention, or its special agreements on trademarks. Not even an international regulation giving most attention to the interests of the developing countries can be expected to be as advantageous as medium-level national regulation. Recalling that international agreements on industrial property include the industrialized capitalist and socialist countries and a considerable number of the developing countries, the heterogeneity of the participants determines the content of an agreement, which is bound to be a complex of compromises. It seems to be logical that the most favourable compromises for developing countries can be achieved if they adhere to the international agreements of industrial property in the greatest possible numbers.



# WIPO'S MODEL LAW FOR DEVELOPING COUNTRIES ON MARKS, TRADE NAMES, AND ACTS OF UNFAIR COMPETITION

## PART I. GENERAL PROVISIONS

### Section 1: Definitions

(1) For the purposes of this Law:

- (a) "trademark" means any visible sign serving to distinguish the goods of one enterprise from those of other enterprises;
  - (b) "service mark" means any visible sign serving to distinguish the services of one enterprise from those of other enterprises;
  - (c) "collective mark" means any visible sign designated as such and serving to distinguish the goods or any other characteristics of goods or services of different enterprises which use the mark under the authorization of the registered owner;
  - (d) "trade name" means the name or designation identifying the enterprise of a natural or legal person;
  - (e) "indication of source" means any expression or symbol which indicates a product or service originates in a given country, locality, or territory;
  - (f) "appellation of origin" means the geographical name of a country, place, or locality, which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or principally to the geographical environment, including natural and human factors.
- (2) Provided they are not prohibited under Sections 1 and 2, the following are, in particular, of a nature to constitute indications, service marks, geographical names, trade names, slogans, devices, labels, letters, numbers, words, symbols, figures, signs, designs, emblems, marks and designs, trademarks and emblems of origin, and shapes of goods or packaging:

### Section 2: Applicability of International Law Conventions

The provisions of international treaties to which the State is a party, in which the country is or will become a party, or in which the country has an interest, of States parties to such treaties, and of provisions referred to in such treaties, shall be applicable by virtue of this Law.







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- (d) "trade name" means the name or designation identifying the enterprise of a natural or legal person;
- (e) "indication of source" means any expression or sign used to indicate that a product or service originates in a given country or group of countries, region, or locality;
- (f) "appellation of origin" means the geographical name of a country, region, or locality, which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors.

(2) Provided they are not inadmissible under Sections 5 and 6, marks may consist, in particular, of arbitrary or fanciful designations, names, pseudonyms, geographical names, slogans, devices, reliefs, letters, numbers, labels, envelopes, emblems, prints, stamps, vignettes, selvedges, borders and edgings, combinations or arrangements of colors, and shapes of goods or containers.

### *Section 2: Applicability of International Conventions*

The relevant provisions of international bilateral or multilateral conventions to which [the country] is or will become a party, which regulate the rights of nationals of States parties to such conventions and of persons assimilated to such nationals, shall be applicable by virtue of this Law.



### *Section 3: Rights of Foreigners*

Foreigners who do not fall within the scope of the preceding Section shall have the same rights under this Law as nationals.

## PART II: TRADEMARKS AND SERVICE MARKS

### CHAPTER I: RIGHT TO A MARK

#### *Section 4: Registration of Mark*

(1) The exclusive right to a mark, conferred by this Law, shall be acquired, subject to the following provisions, by registration.

(2) Registration of a mark can validly be granted only to the person who has first fulfilled the conditions for valid application or who is the first validly to claim the earliest priority for his application

#### *Section 5: Marks Inadmissible on Objective Grounds*

(1) Marks cannot be validly registered:

- (a) which consist of shapes or forms imposed by the inherent nature of the goods or services or by their industrial function;
- (b) which consist exclusively of a sign or indication which may serve, in the course of trade, to designate the kind, quality, quantity, intended purpose, value, place of origin, or time of production or of supply, of the goods or services concerned;
- (c) which consist exclusively of a sign or indication which has become, in the current language or in the bona fide and established practices of the trade of the country, a customary designation of the goods or services concerned;
- (d) which, for other reasons, are incapable of distinguishing the goods or services of one enterprise from those of other enterprises;
- (e) which are contrary to morality or public order and which, in particular, are liable to deceive trade circles or the public as to the nature, the source, the manufacturing process, the characteristics, or the suitability for their purpose, of the goods or services concerned;
- (f) which reproduce or imitate the armorial bearings, flags and other emblems, initials, names or abbreviations of names, of any State or of any intergovernmental international organization or any organizer, created by an international convention, unless authorized by the competent authority of that State or international organization;
- (g) which reproduce or imitate official signs or hall-marks adopted by a State, unless authorized by the competent authority of that State;
- (h) which resemble, in such a way as to be likely to mislead the public, a collective mark whose registration has expired and has not been renewed, or



in whose case the renunciation, removal, or nullity, has been recorded in the Register, in the course of the three-year period prior to the filing of the mark in question.

(2) To determine whether the mark can be validly registered, in the light of provisions (b) to (d) of the preceding subsection, account shall be taken of all the factual circumstances, particularly the length of time the mark has been in use in the country itself or in other countries, and the fact that the mark is held to be distinctive in other countries or in trade circles.

#### *Section 6: Marks Inadmissible by Reason of Third-Party Rights*

(1) Marks cannot be validly registered:

- (a) which resemble, in such a way as to be likely to mislead the public, a mark already validly filed or registered by a third party, or subsequently filed by a person validly claiming priority, in respect of the same goods or services, or of other goods or services in connection with which use of such marks might be likely to mislead the public;
- (b) which resemble, in such a way as to be likely to mislead the public, an unregistered mark used earlier in the country by a third party in connection with identical or similar goods or services, if the applicant is aware, or could not have been unaware, of such use;
- (c) which resemble, in such a way as to be likely to mislead the public, a trade name already used in the country by a third party, if the applicant is aware, or could not have been unaware, of such use;
- (d) which constitute a reproduction, in whole or in part, an imitation, a translation, or a transcription, likely to mislead the public, of a mark or trade name which is well known in the country and belongs to a third party;
- (e) which infringe other third-party rights or are contrary to the rules for the prevention of unfair competition;
- (f) which are filed by the agent or the representative of a third person who is the proprietor of these marks in another country, without the authorization of such proprietor, unless the agent or representative justifies his action.

(2) The consent of third parties mentioned under (a) to (e) of the preceding subsection may be taken into account in determining the admissibility of the mark.

### CHAPTER II: PROCEDURE FOR REGISTRATION

#### *Section 7: Requirements of Application*

(1) The application for registration of a mark shall be made to the Trademark Office and shall contain:

- (a) a request for the registration of the mark;
- (b) the complete name and address of the applicant and, if the applicant's address is outside the country, an address for service within the country;



- (c) four copies of a representation of the mark;
  - (d) a clear and complete list of the particular goods or services in respect of which registration of the mark is requested, with an indication of the corresponding class or classes according to the classification referred to in the Nice Agreement, of June 15, 1957, concerning the International Classification of Goods and Services to which trademarks are applied.
- (2) If the application for registration of a mark is filed through an agent, it shall be accompanied by a power of attorney signed by the applicant; legalization or certification of the signature shall not be necessary.
- (3) The details of the above requirements with which the application for registration of a mark must comply shall be fixed by the Rules.

#### *Section 8: Right of Priority*

The applicant for registration of a mark who wishes to avail himself of the priority of an earlier application filed in another country, is required to append to his application a written declaration, indicating the date and number of the earlier application, the country in which he or his predecessor in title filed such application, and the name of the applicant, as well as, within a period of three months from the date of the later application, to furnish a copy of the earlier application, certified as correct by the Industrial Property or Trademark Office of the country where it was filed.

#### *Section 9: Temporary Protection of Mark Exhibited at International Exhibition*

- (1) The applicant for registration of a mark who has exhibited goods bearing the mark or services rendered under the mark at an official or officially recognized international exhibition and who applies for registration of that mark, within six months from the day on which the goods bearing the mark or the services rendered under the mark were first exhibited in the exhibition, shall, on his request, be deemed to have applied for registration on that day.
- (2) Evidence of the exhibition of goods bearing the mark or services rendered under the mark must be given by a certificate issued by the competent authorities of the exhibition, stating the date on which the mark was first used in connection with goods or services included in the exhibition.
- (3) The provisions of this Section shall not extend any other period of priority claimed by the applicant.

#### *Section 10: Payment of Fees*

An application for registration of a mark shall not be accepted unless the fee prescribed by the Rules has been paid.



*Section 11: Examination of Application as to Form*

- (1) The Trademark Office shall examine the application as to its conformity with Sections 7, 8, 9, and 10.
- (2) If the provisions of Section 7 or 10 have not been complied with, the Office shall refuse to register the mark; if the requirements of Section 8 or 9 are not fulfilled, the Office shall not mention, in respect of the registration of the mark, the priority claimed or the certified use of the mark at an international exhibition.

ALTERNATIVE A

*Section 12: Registration of Mark without Examination  
of Application as to Substance*

- (1) When the examination referred to in Section 11 shows that the application satisfies the requirements of Section 7 and 10, the mark shall be registered, as applied for, without further examination, and particularly without examination of the question whether registration is contrary to Section 5 and 6.
- (2) When the examination referred to in Section 11 shows that the provisions of Sections 8 or 9 have been complied with, the Office shall record, in respect of the registration, the priority claimed or the date of certified use of the mark at an international exhibition.

ALTERNATIVE B

*Section 12: Registration of Mark after Examination  
of Application as to Substance and Opportunity  
for Opposition*

- (1) When the examination referred to in Section 11 shows that the application satisfies the requirements of Section 7 and 10, the Trademark Office shall proceed to the examination of the question whether or not the registration of the mark is precluded on one or more of the grounds referred to in Sections 5 and 6.
- (2) When the Office finds that the answer to the question in the preceding subsection is in the affirmative, it shall notify the applicant accordingly, stating the grounds on which the mark cannot be registered; it shall invite the applicant to withdraw his application or to communicate his observations on the grounds for refusal, within a period of two months. If the applicant does not withdraw his application and does not communicate his observations within the stated period, or if, despite the fact that he has communicated his observations within the prescribed period, the Office continues to consider that the mark is precluded from registration, registration shall be refused. If, on the other hand, the Office considers that the mark may be registered, subsection (4) shall apply.



(3) When the Office finds that the answer to the question in subsection (1) is in the affirmative for only part of the goods or services indicated in the application, it shall apply the preceding subsection in respect of that part and suspend application of the following subsection until such time as a decision under the preceding subsection has been taken.

(4) When the Office finds, possibly after proceeding under subsections (2) or (3), that the answer to the question in subsection (1) is in the negative it shall invite the application to pay, within a period of two months, the fee for publication of the application fixed by the Rules.

(5) If the fee for publication of the application is not paid within the prescribed period, registration of the mark shall be refused.

(6) If the fee for publication is paid within the prescribed period, the Office shall proceed to publish the application, mentioning: the date of application; the goods or services in respect of which registration of the mark is requested, with the indication of the corresponding class or classes; the name, address and, where appropriate, the address for service, of the applicant; the priority claimed or the date of certified use of the mark at an international exhibition.

(7) Any person who considers that registration of the mark is precluded on one or more of the grounds referred to in Sections 5 and 6 may give notice opposition to such registration within a period of three months from the date of publication of the application, stating his grounds for opposition. Opposition shall not be deemed to have been lodged until the relevant fee fixed by the Rules has been paid.

(8) If no opposition has been lodged within the prescribed period, the mark shall be registered.

(9) In the event of opposition, the Office shall communicate the grounds of opposition to the applicant and shall invite him to present his observation on these grounds within a period of three months. After this period, the Office shall decide on the opposition as rapidly as possible and shall register the mark or refuse registration.

(10) In the event of registration, the Office shall, if the examination referred to in Section 11 has shown that the provisions of Sections 8 or 9 have been complied with, record, in respect of the registration, the priority claimed or the date of certified use of the mark at an international exhibition.

(11) The Office may, on request, grant a reasonable extension of any of the periods referred to in this Section, particularly if the applicant is residing abroad, or if the Office is informed that the opposing party and the applicant are negotiating with each other.

(12) The details of the application of this Section shall be fixed by the Rules.

### *Section 13: Registration of Mark and Issuance of a Certificate*

(1) The Trademark Office shall maintain a Register in which shall be registered marks, numbered in the order of their registration, and in which shall be recorded, in respect of each mark, all transaction to be recorded by virtue of this Law.



(2) The registration of a mark shall include a reproduction of the mark and shall mention: its number; the name and address of the registered owner and, if the registered owner's address is outside the country, his address for service within the country; the dates of application and registration; if priority is claimed, an indication of this fact, and the number, date and country of the application, basis of the priority claimed; if a certificate concerning exhibition of the mark at an international exhibition has been filed, the contents of this certificate; the list of goods or services in respect of which registration has been granted, with the indication of the corresponding class or classes.

(3) The Office shall establish and send by registered mail a certificate of the registration to the registered owner at his address or, if his address is outside the country, at his address for service.

(4) The Office shall record any change of address, or address for service, which shall be notified to it by the registered owner.

(5) In the absence of any provision to the contrary in this Law, communications to be made to the registered owner by virtue of this Law shall be sent to him at his last recorded address and, at the same time, at his last recorded address for service.

#### *Section 14: Publication of Registered Marks; Consultation of Register*

(1) The Trademark Office shall publish, in the form and within the period fixed by the Rules, marks registered, in the order of their registration, reproducing all the particulars referred to in Section 13(2).

(2) Marks registered at the Trademark Office may be consulted free of charge at that Office, and any person may obtain copies thereof at his own expense. This provision shall also be applicable to transactions recorded in respect of any registered mark.

#### *Section 15: Appeals*

Any person aggrieved by a final decision of the Trademark Office, taken by virtue of the provisions of this Chapter, shall have the right to appeal to the Court of the place where the Office is located, under the conditions prescribed in Section 54.

### CHAPTER III: DURATION AND RENEWAL OF REGISTRATIONS OF MARKS

#### *Section 16: Duration of Registration*

Subject to earlier termination as provided for in Section 29 to 35, registration of a mark shall be for a period of ten years from the date of registration.



## *Section 17: Renewal*

- (1) Registration of a mark may be renewed for further consecutive periods of ten years merely by paying the fee for renewal fixed by the Rules.
- (2) At the time of renewal, no change may be made in the mark or in the list of goods or services in respect of which the mark is registered, except that goods or services may be eliminated from the list.
- (3) Renewal of the registration of a mark shall not be subject to renewed examination of the mark by the Trademark Office or to opposition.
- (4) The renewal fee must be paid within the twelve months preceding the expiration of the period of registration. However, a period of grace of six months shall be granted for the payment of the fee after such expiration, upon payment of a surcharge fixed by the Rules.
- (5) The Trademark Office shall record in the Register and publish, in the form and within the period fixed by the Rules, renewals of registrations, mentioning any elimination from the lists of goods or services.

## CHAPTER IV: RIGHTS CONFERRED BY REGISTRATION OF MARK

### *Section 18: Rights Conferred by Registration*

Registration of the mark shall confer upon its registered owner the right to preclude third parties from the following acts:

- (a) any use of the mark, or of a sign resembling it in such a way as to be likely to mislead the public, for goods or services in respect of which the mark is registered, or for other goods or services in connection with which the use of the mark or sign is likely to mislead the public;
- (b) any other use of the mark, or of a sign or trade name resembling it, without just cause and in conditions likely to be prejudicial to the interests of the registered owner of the mark.

### *Section 19: Use of Indications by Third Parties for Purposes Other than Those for which the Mark is Used*

Registration of the mark shall not confer on its registered owner the right to preclude third parties from using bona fide their names, addresses, pseudonyms, a geographical name, or exact indications concerning the kind, quality, quantity, destination, value, place of origin, or time of production or of supply, of their goods and services, in so far as such use is confined to the purposes of mere identification or information and cannot mislead the public as to the source of the goods or services.



## *Section 20: Limitation of Rights Conferred by Registration*

Registration of the mark shall not confer upon the registered owner the right to preclude third parties from using the mark in relation to the goods lawfully sold in the country under that mark, provided that these goods have not undergone any change.

## CHAPTER V: ASSIGNMENT AND TRANSFER OF APPLICATIONS AND REGISTRATIONS

### *Section 21: Assignment and Transfer of Applications and Registrations*

- (1) An application for registration of a mark, or its registration, may be assigned or transferred, independently of the transfer of all or part of the enterprise using the mark, in respect of all or part of the goods or services for which the application was filed or the mark registered.
- (2) Such assignment or transfer shall, however, be null and void if its purpose or effect is liable to mislead the public, particularly as regards the nature, source, manufacturing process, characteristics, or suitability for their purpose, of the goods or services to which the mark is applied.
- (3) The assignment of the application for registration of a mark, or of its registration, shall be made in writing and shall require the signatures of the contracting parties. Transfers by mergers or other forms of succession may be made by any document supporting such transfer.
- (4) Assignments and transfers of registrations of marks shall be recorded in the Trademark Office, on payment of a fee fixed by the Rules; assignments and transfers of applications for registration shall, on payment of the same fee, be provisionally recorded, and the mark, when registered, shall be registered in the name of the assignee or transferee.
- (5) Assignments and transfers shall have no effect against third parties until they have been recorded.

## CHAPTER VI: LICENSE CONTRACTS

### *Section 22: License Contracts*

- (1) The registered owner of a mark may, by contract, grant to any other person or enterprise a license to use the mark for all or part of the goods or services in respect of which the mark is registered. Use of the mark by the licensee shall be deemed to be use by the registered owner of the mark.
- (2) The license contract must be in writing and shall require the signatures of the contracting parties.



(3) The license contract or an appropriate extract thereof shall be recorded in the Trademark Office, on payment of a fee fixed by the Rules; the license shall have no effect against third parties until so recorded.

(4) The recording of a license shall be cancelled on request of the registered owner of the mark or the licensee, upon evidence of termination of the license.

#### *Section 23: Nullity of License Contracts\**

The license contract shall be null and void in the absence of relations or stipulations between the registered owner of the mark and the licensee, ensuring effective control by the registered owner of the quality of the goods or services of the licensee in connection with which the mark is used.

#### *Section 24: Invalid Clauses in License Contracts*

(1) Clauses in license contracts or relating to such contracts are null and void in so far as they impose upon the licensee, in the industrial or commercial field, restrictions not deriving from the rights conferred by the registration of the mark or unnecessary for the safeguarding of these rights.

(2) The following in particular shall be deemed not to constitute such restrictions:

(a) limitations concerning the scope, extent, territory, or duration of use, of the mark, or the quality or quantity of the goods or services in connection with which the mark may be used;

(b) limitations justified by the requirements of the effective control provided for under Section 23;

(c) the obligation imposed upon the licensee to abstain from all acts capable of prejudicing the validity of the registration of the mark.

#### *Section 25: Right of Licensor to Grant Further Licenses*

(1) In the absence of any provision to the contrary in the license contract, the grant of a license shall not prevent the licensor from granting further licenses to third persons or from using the mark himself.

(2) The grant of an exclusive license shall prevent the licensor from granting further licenses to third persons and, in the absence of any provision to the contrary in the license contract, from using the mark himself.

\* Countries wishing to enable the Trademark Office to control the application of this Section should add, as subsection (2), the following provision:

(2) The Trademark Office shall refuse to record licence contracts which fail to reveal the relations or fail to provide for the stipulations referred to in the preceding subsection.



### *Section 26: Rights of Licensee*

In the absence of any provision to the contrary in the license contract, the licensee shall be entitled to use the mark during the whole duration of the registration, including renewals, in the entire territory of the country, and in respect of all the goods or services for which the mark is registered.

### *Section 27: Non-Assignability of Licenses*

(1) In the absence of any provision to the contrary in the license contract, a license shall not be assignable to third parties and the licensee shall not be entitled to grant sub-licenses.

(2) If the licensee is entitled by contract to assign his license or to grant sub-licenses, Sections 22 to 26 and 28 shall apply.

### *Section 28: License Contracts Involving Payments Abroad*

The responsible Minister or other competent authority may, by order, provide that, on pain of invalidity, license contracts or certain categories of them, and amendments or renewals of such contracts, which involve the payment of royalties abroad, shall require the approval of... taking into account the needs of the country and its economic development.

## CHAPTER VIII: RENUNCIATION, REMOVAL, NULLITY

### *Section 29: Renunciation of Registration*

(1) The registered owner of a mark may renounce the registration either wholly or in respect of part of the goods or services for which the mark is registered.

(2) Renunciation must be notified in the form of a written declaration to the Trademark Office, which shall record it in the Register and publish it as soon as possible. Renunciation shall be effective only after it has been recorded.

(3) If a license to use the mark is recorded at the Trademark Office, renunciation of the registration shall be recorded only upon submission of a declaration by which the recorded licensee consents to the renunciation, unless the licensee shall have expressly waived this right in the license contract.

### *Section 30: Removal of Mark for Non-Use*

(1) Subject to subsections (3) and (4), a mark shall be removed from the Register if its registered owner has, without legitimate reason, failed to use the mark within the country, or to cause it to be used in the country by virtue of a license, after registration, during five consecutive years preceding the allegation of non-use.



(2) Only circumstances beyond the control of the registered owner of the mark may be deemed a legitimate reason for non-use. Lack of funds shall not be considered a legitimate reason. The burden of proof regarding the allegation of non-use of the mark or the use of it shall be decided by the Court according to the circumstances of the case.

(3) The use of a mark in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered shall not be ground for removal of the mark and shall not diminish the protection granted to the mark.

(4) The use of a mark in connection with one or more of the goods or services belonging to any given class in respect of which the mark is registered shall suffice to prevent its removal in respect of all the other goods or services of the same class.

### *Section 31: Removal of Mark which Becomes a Generic Name*

A mark shall be removed from the Register if the registered owner has provoked or tolerated its transformation into a generic name for one or more of the goods or services in respect of which the mark is registered, so that, in trade circles and the eyes of the public, its significance as a mark has been lost.

### *Section 32: Procedure and Effect of Removal*

(1) The removal of a mark from the Register, as provided for in Sections 30 and 31, shall be ordered by the Court on the request of any person showing a legitimate interest, or of any competent authority, after having given the registered owner an opportunity to be heard.

(2) When the decision declaring total or partial removal of a mark becomes final, the registration shall be deemed, within the limits of the decision, to have ceased to have any legal effect from the completion of the event which gave rise to the removal.

### *Section 33: Nullity of Registration\**

(1) On the request of any person showing a legitimate interest, or of any competent authority, the Court, after having given the registered owner an opportunity to be heard, shall declare the registration of a mark null and void if the mark should not have been registered in view of Sections 5 or 6, provided however that grounds

\* Countries which provide for an examination of applications for registration of marks as to substance, for example according to Alternative B of Section 12, may wish to add as subsection (3), the following provision:

(3) Any action for a declaration of nullity based on one or more of the grounds under Section 6, subsection (1), shall be commenced within five years from the date of registration.



which no longer exist at the time of the decision shall not be taken into account.  
(2) If the grounds for nullity of the registration of the mark exist in respect of only part of the goods or services for which the mark is registered, nullity of the registration shall be declared for that part only of the goods or services.

#### *Section 34: Effects of Declaration of Nullity*

- (1) When the decision declaring total or partial nullity of a registration becomes final, the registration shall be deemed, within the limits of the decision, to have been null and void from the date of such registration.
- (2) Nevertheless, where licenses have been granted, the Court may decide that nullity of the registration shall not entail the repayment of royalties paid by any licensee in so far as he has effectively profited from the license.

#### *Section 35: Notification, Recording, and Publication, of Decisions of Removal and Nullity*

When the decision ordering total or partial removal of a mark or declaring nullity of a registration becomes final, the Registrar of the Court shall notify it to the Trademark Office, which shall record it in the Register and publish it as soon as possible.

### CHAPTER VIII: INFRINGEMENT OF RIGHTS UNDER THE MARK

#### *Section 36: Civil Sanctions*

- (1) The registered owner of a mark whose rights under Section 18 are threatened with infringement, or are infringed, may institute legal proceedings designed to prevent the infringement or to prohibit its continuation.
- (2) In case of infringement of these rights, the registered owner of the mark may also claim damages and the application of any other sanction provided for in the civil law.

#### *Section 37: Penal Sanctions*

- (1) Any intentional infringement of the rights of the registered owner of the mark under Section 18(a) shall constitute an offense.
- (2) Such offense shall be punishable by a fine not exceeding . . . or by imprisonment not exceeding . . . , or both.
- (3) In the event of recidivism, the maximum penalties shall be doubled.
- (4) Recidivism shall be deemed to have occurred when, in the course of the five preceding years, the offender has been convicted of another infringement of rights conferred by Section 18(a).



### *Section 38: Legal Proceedings by Licensee*

(1) Any licensee may, by registered mail, require the registered owner of the mark to introduce the legal actions necessary to obtain civil or penal sanctions in respect of any infringement of the mark indicated by the licensee.

(2) In the absence of any provisions to the contrary in the license contract, the licensee under a recorded license may, if the registered owner refuses or neglects to introduce the said legal actions within three months of the request, either obtain damages from the registered owner if the Court finds that the infringement of the mark was obvious or, after having given notice to the registered owner, introduce such actions in his own name, without prejudice to the right of the registered owner to intervene in such action. The licensee shall be responsible to the registered owner for any damage which the latter may suffer by unwarranted actions of the former.

## **PART III: COLLECTIVE MARKS**

### *Section 39: Applicability of Other Provisions*

Sections 4 to 20, 29, 31, 32, and 34 to 37, of this Law shall also apply to collective marks, subject to the exceptions and additions in the following Sections.

### *Section 40: Application for Registration of Collective Mark*

(1) An application for registration of a collective mark shall not be valid unless, in the application for registration, the mark is designated as a collective mark, and unless the application is accompanied by a copy of the regulations governing the use of the mark, duly certified by the applicant. No legalization of such certification shall be required.

(2) The regulations referred to in subsection (1) shall define the common characteristics or quality of the goods or services which the collective mark shall designate and the conditions in which and the persons by whom it may be used; shall provide for the exercise of effective control of the use of the mark in compliance with the regulations; and shall determine adequate sanctions for any use contrary to the said regulations.

### *Section 41: Examination of Application for Registration of Collective Mark*

The examination of the application provided for under Section 11 shall also extend to examination as to compliance with Section 40.



#### *Section 42: Registration and Publication of Collective Marks*

- (1) Collective marks shall be registered in a special section of the Register referred to in Section 13, and a copy of the regulations governing the use of the mark shall be appended to the registration.
- (2) Publication of the mark in accordance with Section 14 shall include, in the case of collective marks, a summary of the regulations appended to the registration.
- (3) The provision in subsection (2) of Section 14 shall also apply to the regulations appended to the registration.

#### *Section 43: Changes in Regulations Governing Use of Collective Mark*

- (1) The registered owner of a collective mark shall notify the Trademark Office of any changes effected in the regulations governing the use of the mark.
- (2) All notifications of such changes shall be recorded in the Register on payment of a fee fixed by the Rules. Changes in the regulations shall have no effect until such recording. A summary of the recorded changes shall be published in accordance with Section 42(2).

#### *Section 44: Use of Collective Mark*

The registered owner of a collective mark may use the mark himself provided it is also used by other authorized persons in accordance with the regulations governing such use; use by such persons shall be deemed to be use by the registered owner.

#### *Section 45: Transfer of Registration of Collective Mark*

- (1) The responsible Minister or other competent authority may, by order, approve the transfer of the registration of a collective mark, if the transferee undertakes to exert effective control over the use of the mark in compliance with the regulations.
- (2) The transfer shall be recorded in the Register on payment of a fee fixed by the Rules; it shall have no effect until such recording.

#### *Section 46: Nullity of Registration of Collective Mark\**

- (1) On the request of any person showing a legitimate interest, or of any competent authority, the Court, after having given the registered owner an opportunity to be heard, shall declare the registration of a collective mark null and void:

\* Cf. footnote to Section 33.



- (a) if the mark should not have been registered in view of Sections 5, 6, or 40, provided, however that grounds which no longer exist at the time of the decision shall not be taken into account;
  - (b) if the regulations governing the use of the mark are contrary to morality or public order;
  - (c) if only the registered owner himself uses the mark or if he uses or permits use of the mark in contravention of the regulations governing such use, or uses or permits use of the mark in a manner liable to deceive trade circles or the public as to the origin or any other common characteristics of the goods or services in connection with which the mark is used, such conditions being equally applicable when the registered owner tolerates such use, while being aware of it, or is ignorant of it through lack of adequate control.
- (2) If the grounds for nullity of the registration of the collective mark provided in paragraph (a) of subsection (1) exist in respect of only part of the goods or services for which the mark is registered, nullity of the registration shall be declared for that part only of the goods or services.

#### **PART IV: TRADE NAMES, ACTS OF UNFAIR COMPETITION, INDICATIONS OF SOURCE, APPELLATIONS OF ORIGIN**

##### *Section 47: Prohibited Trade Names*

A name or designation shall not be admissible as a trade name if, by reason of its nature or the use to which it may be put, it is contrary to morality or public order and if, in particular, it is liable to deceive trade circles or the public as to the nature of the enterprise identified by that name.

##### *Section 48: Protection of Trade Names*

- (1) Notwithstanding any laws or regulations providing for any obligation to register trade names, such names shall be protected, even prior to or without registration, against any unlawful act committed by third parties.
- (2) In particular, any subsequent use of the trade name by a third party, whether as a trade name or as a trademark, service mark, or collective mark, and any such use of a similar trade name or mark, likely to mislead the public, shall be deemed unlawful.
- (3) Section 19 of this Law shall be applicable by analogy to trade names.

##### *Section 49: Assignment and Transfer of Trade Names*

- (1) A trade name may be assigned or transferred, but only together with the transfer of the enterprise or part of the enterprise identified by that name:



(2) The assignment of a trade name shall be made in writing and shall require the signatures of the contracting parties. Transfers by mergers or other forms of succession may be made by any document supporting such transfer.

### *Section 50: Acts of Unfair Competition*

Any act of competition contrary to honest practices in industrial or commercial matters shall be unlawful.

### *Section 51: Misuse of Indications of Source and Appellations of Origin*

- (1) It shall, in particular, be unlawful:
  - (a) to make direct or indirect use of a false or deceptive indication of the source of goods or services or of the identity of their producer, manufacturer, or supplier;
  - (b) to make direct or indirect use of a false or deceptive appellation of origin, or to imitate an appellation of origin, even if the true origin of the product is indicated or if the appellation is used in translated form or accompanied by terms such as "kind", "type", "make", "imitation", or the like.
- (2) Action to prevent or repress the unlawful acts referred to in the preceding subsection may be initiated by any competent authority or by any interested person, association, or syndicate, in particular, by producers, manufacturers, or traders, who may correctly identify their goods or services with the indication or appellation in question, or by the syndicates or associations representing them for that purpose.

### *Section 52: Other Acts of Unfair Competition*

The following acts shall also be deemed to constitute acts of unfair competition:

- (a) all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
- (b) false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
- (c) indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.



### *Section 53: Legal Proceedings*

- (1) The civil sanctions provided for in Section 36 shall be applicable also to the unlawful acts referred to in Sections 48(1) and (2), 50, 51, and 52.
- (2) Any intentional committal of any of the unlawful acts referred to in Sections 51 and 52 shall constitute an offense and be punishable according to Section 37(2).

## **PART V: PROCEDURAL PROVISIONS AND RULES**

### *Section 54: Competence of Courts*

- (1) The ordinary Courts shall be competent to deal with all litigation concerning the application of this Law, particularly as regards appeals against decisions of the Trademark Office, license contracts, removal and nullity of marks, infringement of rights under the mark, and the unlawful acts referred to in Sections 48, 50, 51, and 52.
- (2) Subject to Section 15, the Court of the domicile of the defendant, or, if he is domiciled abroad, the Court of the place where the Trademark Office is located, shall have jurisdiction.
- (3) The decisions of the Court shall be subject to appeal, annulment, or revision, according to the general rules of procedure.

### *Section 55: Rules*

The Rules shall prescribe the details of application of this Law, particularly in regard to Sections 7(3), 10, 12 (Alternative B)(4), (7) and (12), 14(1), 17(1), (4) and (5), 21(4), 22(3), 43(2), and 45(2).



# WIPO'S LICENCING GUIDE FOR DEVELOPING COUNTRIES

## Extract

### K. SPECIAL ASPECTS CONCERNING TRADEMARKS

(Problems analogous to those considered in connection with patents: identification of the trademark, refusal of grant and invalidation of registration, field of use or activity, specification and exclusivity of the territory, standard of quality, marketing measures; devices for conferring rights to use the trademark; form and method of use of the trademark; associated and combined trademarks)

#### *1. In General*

345. The legal aspects of trademarks may be viewed from different perspectives. However, in the context of the technology transfer transaction the role of the trademark in the marketing phase of the product will be the principal concern of the licensee or technology recipient. It is from this standpoint that the parties will wish to consider a number of problems in the course of the regulation and preparation of the appropriate industrial property licenses and technology transfer agreements.

#### *2. Problems Similar to Those Arising in Connection with Patents*

346. Some of these problems are analogous to those arising in connection with the license of patent rights and which have been treated at some length in other explanatory notes. Thus it goes without saying that just as in the case of the patent or patents or applications therefor, which are to serve as the subject of the patent license (see Section D.1, paragraphs 133 to 142), the trademark or trademarks to be used will need to be identified clearly in the trademark license (180), any registration in the country in which the license applies will be indicated, and an investigation undertaken to determine whether the trademark has already been anticipated by prior similar trademarks. The implications of a refusal to grant or the invalidation of the registration of the trademark will need to be considered and appropriate solutions adopted, perhaps along the lines suggested in the case of the refusal or invalidation of the grant of the patent (see Section E.1, paragraphs 190 to 206).

(180) See notes (16) and (29), *supra*.



347. Similarly, other matters which are not peculiar to trademarks have been considered already in the explanatory notes. These include the field of use or activity (Section D.3, paragraphs 147 to 160) (181), the specification of the territory (Section D.4, paragraphs 161 to 164) and the exclusivity and non-exclusivity of the territory (Section D.5, paragraphs 165 to 185) with respect to which the product bearing the trademark may be used or sold (182).

348. So also, the question of the standard of quality of a product which is to bear the trademark of the licensor is examined in the context of the general problem of the standard of quality of the product (Section J.3, 4, 5, 6, paragraphs 335 to 344). Special difficulties arising from measures to assist the licensee or technology recipient in marketing the product, including the case where it bears the trademark of the licensor, are treated in Section L, paragraphs 360 to 387. The calculation of royalties is discussed in Section N, paragraphs 390 to 496.

349. There remain, however, some legal aspects of trademarks which are different from those concerning patents and which merit being singled out for special treatment in this section of the explanatory notes.

### *3. Devices for Conferring Rights to Use the Trademark*

350. The devices or mechanics for conferring rights to use the trademark will need to be examined with some care. In some countries the law recognizes the licensing of trademarks and it may provide for the registration of the license with, or without, an examination of the necessary documents, and an approval in light of specified requirements.

351. Where there is no provision for licensing, the parties may have to resort to such expedients as the registration of the trademark locally by its owner, an assignment of that registration to the user and a reassignment to the owner which is executed

#### *(181) Permission to Use Trademark*

The Licensor hereby grants to the Licensee on the terms and conditions of this Agreement the permission to use as a trademark [but not as part of the trade name or corporate title of the Licensee or of any of its Associates] the Trademark upon or in relation to the Product which is put on the market for use or consumption in (specified territory).

#### *(182) Exclusive Use of Trademark*

The Licensee shall be the sole licensee of the Trademark and the Licensor agrees that it will not itself market the Product in (specified territory).

#### *(183) Registration in the User's Territory*

Where it is or becomes advisable for an application to be made for the registration of the Trademark in (specified territory), the (User) will render all reasonable assistance to the (Owner) in connection therewith. Should it be desirable that any such application should be made in the name of the (User), such application shall be made by the (User) at the expense of the (Owner). Any registration so obtained shall be promptly assigned to the (Owner).



but undated or, alternatively, the registration of the trademark by the user and the assignment of that registration to the owner (183). Under the laws in certain countries on industrial property, even an assignment is not permitted unless accompanied by a transfer of all or part of the enterprise using the trademark. Alternatively, the owner may be able to appoint the user as a sub-contractor of the owner and at the same time as the sole sales agent for the owner.

352. In this connection, attention is directed to the laws in certain countries governing the use of foreign trademarks, the provisions of which sometimes appear as part of the laws in such countries governing the transfer of technology. These laws require that legal agreements for the exclusive acquisition of rights or licenses to use or work trademarks be submitted for government approval. Such agreements will not be approved unless they contain certain undertakings on the part of the licensor or the licensee, as, for example, that the licensee must develop a substitute local trademark, that the licensor allows the free use of the foreign trademark in the national market, or that the licensor grants licenses for the export of the product bearing the trademark to other countries and agrees that the royalties to be paid for the use of the trademark will be a percentage of the foreign currency earnings resulting from the product bearing the trademark in export operations. (As to combined or associated trademarks, see paragraph 357.)

#### *4. Form and Method of Use of the Trademark*

353. Where a trademark is registered, it may be a condition of continued validity under the laws in certain countries concerning trademarks that the trademark be used by the owner of the registered trademark, such as by manufacturing and selling a product bearing the trademark. Under such laws, use of the trademark by the licensee is deemed to be use by the registered owner. It therefore is not surprising that the licensor will wish to include provisions in the trademark license to the effect that the licensee will not simply use the trademark in advertising in the country, as that is not normally regarded as sufficient use, but that the licensee will sell the product in the country under the trademark.

354. Further, the licensor may wish to provide for the method of use of the trademark on, or in relation to, the product, such as by prescribing the types of letters, the form, size and color of the trademark and its location on the product (184) as well as whether it is to be indicated that the use of the trademark is "with" or "under" the authority of the owner (see paragraphs 362 and 363).

#### *(184) Conditions of Use of Trademark*

The Licensee shall use the Trademark precisely as spelt or drawn by the Licensor and shall observe any reasonable directions given by the Licensor as to the color and size of the representation of the Trademark and the manner and disposition thereof on the Product or its containers.



355. In this regard, attention is directed to the laws in certain countries governing the licensing of trademarks which require that, as to trademarks registered in the name of holders abroad, the trademark may only be used if the wording is translated into the national language of the country. Also, under the laws in some of these countries, a provision in a know-how agreement will not be approved if it imposes, as a condition of the supply of technology and services, the use of a foreign trademark or publicity slogan. Under the laws of still another of these countries, the use of a foreign trademark is not permitted on a product manufactured under a foreign collaboration agreement which is intended for the domestic market, but it is permitted on such a product intended for the export market.

#### *5. Associated and Combined Trademarks*

356. The licensee or technology recipient may wish to use a number of different trademarks with a common feature ("associated trademarks"), the differences indicating slight variations in the composition of the product which may be used for different applications. Similarly, the licensee may wish to use his own trademark in conjunction with the trademark of the licensor ("combined trademarks"). In such cases, the parties will wish to make appropriate provision in the license for the use of such associated or combined trademarks, as well as for the procedures to be followed by either party to obtain the registration of such marks (185).

357. Attention is drawn to the laws in certain countries governing the licensing of trademarks which provide that the license must contain a clause to the effect that the licensee has the option, should he deem it appropriate, to use his own trademark or publicity slogan together with the trademark or publicity slogan licensed to him, or separately, when manufacturing or marketing other products or rendering services other than those to be specifically distinguished by the trademark or publicity slogan covered by the license. In at least one other country, the law requires that a license concerning the use of a trademark originally registered abroad, or the holder of which is a foreign physical or legal person, must contain the obligation that the trademark must be used in conjunction with a trademark originally registered in the country and which is the property of the licensee. Further, under this law, the obligation to join the trademarks must be fulfilled within a specified period and the manner and other conditions of the use of the two trademarks are laid down.

#### *(185) Associated and Combined Trademarks*

The Licensee shall have the right to use the Trademark owned by the Licensor in connection with the Product (in combination or in association with its own trademark), provided the form and method of use shall be decided upon in advance by agreement between the Licensor and the Licensee.



## *6. Use of Foreign Trademarks*

358. The laws referred to in paragraphs 352 and 357 are intended to correct certain abuses arising out of the licensing of trademarks registered locally but originating and first used or registered abroad. The licensor of such a foreign trademark may use the goodwill of its enterprise and the prestige of the trademark associated with that enterprise to penetrate the markets in the developing country. The licensor may register the trademark locally, may license its use to domestic concerns, allow its use for a period sufficient to promote a substantial market for the product bearing that trademark and then may refuse to renew the license in favor of the existing licensee. That licensee often has invested substantially in production and distribution facilities and then finds that, at the end of the term of the license, the license is not renewed. Instead, the licensor may proceed to export directly to the country of the licensee, or to operate through wholly owned or controlled enterprises, or to license another in the country to use the trademark. In those cases, therefore, where during the term of the license a local trademark has been used together with the foreign trademark, it may be possible to alleviate to some extent the loss which otherwise results from the withdrawal of the foreign trademark, particularly if the local trademark has itself achieved a certain recognition and standing associated with the quality of the product and its manufacture by the licensee.

## *7. Quality Control*

359. As indicated in paragraph 348, the question of the quality of a product bearing a licensed trademark is examined in Section J, paragraphs 335 to 344.

































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