

## Food Labelling and Trademark Rights

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# Oxford Public International Law



## Food Labelling and Trademark Law

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## A. Introduction

1 At the crossroads between the Agreement on Technical Barriers to Trade ('TBT Agreement'; → *Technical Barriers to Trade*) and the TRIPS Agreement ('TRIPS Agreement'; → *Agreement on Trade-Related Aspects of Intellectual Property Rights [1994]*), domestic food labelling measures pose a high risk of being potentially discriminatory against imported food products (→ *Eco-Labeling*). WTO members (→ *World Trade Organization [WTO]*) have increasingly relied on labelling standards to regulate market access (→ *Goods, Free Circulation of*) by requiring the display of certain information in order to guarantee consumer protection. Such policies aim at allowing market players to make more informed choices.

2 The fact that product labelling responds quicker to consumer demands and so contributes to shape consumers' habits may result in alterations to the flow of international food trade (→ *International Economic Law*). Whereas consumer protection is interpreted as the underlying reason for the adoption of food labelling standards, the WTO Appellate Body reports in *US-Tuna II (Mexico)* (WTO *United States—Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products* [16 May 2012] WT/DS381/AB/R) and *US-COOL* (WTO *United States—Certain Country of Origin Labelling [COOL] Requirements* [29 June 2012] WT/DS384/AB/R and WT/DS386/AB/R) show that they are often used as justification for the imposition of trade-distortionary measures (→ *World Trade Organization, Enforcement System*). Likewise, trademark rights are known to confer upon their holders an exclusive and absolute right against third parties and, as such, it is disputed whether their use through food labels results in trade-distorting behaviour (→ *Non-Tariff Barriers to Trade*).

3 The rationale behind intellectual property protection is undisputed in as far as it grants an incentive to innovate through a legal monopoly that benefits society in general (→ *World Intellectual Property Organization [WIPO]*). In spite of this common understanding, the response to the increasing legal challenges posed by tensions arising out of the interface of intellectual property rights and market access has been the object of great interest in academic research (Drexler; → *Intellectual Property, International Protection*). Accordingly, legislators and market players alike need to revisit the existing—public and private—legal framework regarding food labelling and international trademark law in light of the TRIPS Agreement and adopt new policies where necessary.

## B. Food Labelling and Trademark Law

4 The relevance of intellectual property law for international trade in food can be drawn from both the predominately economic nature and essentiality of trademarks. At the crossroads between food safety and quality, the need to label a product, whether it is by means of a trademarked brand or a sign of origin, remains essential for successful market access. Therefore, it is necessary to establish the definition, taxonomy and function of trademarks.

### 1. The Definition of Trademarks

5 Marks are defined as signs used to distinguish goods and services during the course of trade. In principle, marks offer businesses the opportunity to establish an exclusive link with a distinctive sign (Cohen Jehoram et al). They serve many functions, among which the guarantee of origin, quality, communication, and advertising are of a protected nature

(Fezer). As such, in cases where a recognized mark is used, consumers will assume that a given product is safer or of higher quality.

**6** According to public perception, a mark represents the connection between the trademark owner and the goods for which that trademark is used. Moreover, a mark communicates to the consumer a certain image, thus creating an attraction towards the good bearing it. However, not all marks are subject to the same set of rules. Different categories determine the application of different legal provisions and afforded protection. A classification of trademarks is therefore necessary.

## **2. The Taxonomy of Trademarks**

**7** There are two main categories of trademark: individual and collective marks. The latter can be divided into three subcategories: conventional collective marks, geographical indication marks, and guarantee or certification marks.

**8** Individual marks are those used by an individual manufacturer to distinguish his products from those of a competitor. In order to enable consumers to individualize products, the mark must also indicate its source. Thus, individual marks always originate from the same existing business.

**9** Collective marks are used collectively by several manufacturers in a group to indicate either common origin or common qualities of their goods (Peukert). They are used by the trademark owner, his licensees, as well as companies marketing a given good. They may even facilitate the diffusion of relevant market information about certain characteristics of a given product using that trademark. This, in turn, benefits consumers and ultimately has a positive impact on competition (Alikhan and Mashelkar).

**10** Conventional collective marks distinguish those goods produced by members of one association from those produced by other groups (Taubman, Wagger and Watal). They are held by associations that are established by means of a private agreement that governs all matters related to the use of the collective mark. Unlike individual marks, the refusal of protection based on public interest—as stated in Art. 7 (2) Paris Convention on the Protection of Industrial Property (→ *Industrial Property, International Protection*)—applies to both the collective mark and the internal agreement of the association holding the exclusive right.

**11** Another subcategory of collective marks consists of designations indicating the geographical origin of goods during the course of trade. However, the right holder cannot prevent a third party from using that same indication of origin if it is in accordance with honest commercial practices. Thus, the aim of these marks is to designate the origin of goods as being produced by members of a specific association, thus conveying to consumers the information that the business using that sign belongs to an association from that particular geographical area.

**12** Certification marks are owned by an association of goods. They distinguish goods produced by members of one association from those of other groups in accordance with their origin, nature, quality, accuracy, materials used, mode of manufacture, regional origin, source of labour, and morality (Stim). They also distinguish goods in accordance with certain features originating from different companies under the control of the right holder and are determined by its intended use as well. Furthermore, certification marks convey additional information, and are invested with a broader protection than conventional collective marks. Finally, a certification mark is assigned once compliance with a set of

defined standards has been established. Unlike collective marks, their use is not confined to any membership. They may be used in combination with individual trademarks as well.

### **3. The Functions of Trademarks**

**13** Although in traditional trademark theory origin and quality have been recognized as the two main trademark functions, it is nowadays possible to discern new ones, such as advertising and investing (Wilkof and Burkitt). However, to the extent that functions serve to extend the protection afforded to trademarks, they appear to merge into one another.

#### ***(a) Guarantee of Origin***

**14** The most important function of a trademark is to enable consumers to distinguish one good from another (Groves). Thus, a trademark aims at increasing purchases from the consumer by identifying a good as satisfactory. It creates goodwill by imprinting in the public perception a guarantee of constant and unique satisfaction that will eventually (re)sell the good. Hence, the effectiveness of a trademark's selling power is directly proportional to its degree of distinctiveness. Unsurprisingly, the goodwill function of marks is mentioned alongside their origin function, given that relevant subjective characteristics such as image, allure and aura constitute the main elements of communication between trademark owners and consumers.

**15** In this sense, Frank Schechter identified four main principles arising out of the theory of origin: (1) the value of trademarks lies in their selling power and so must be afforded sufficient protection; (2) the selling power of a trademark is determined by consumers' perception of the merits, uniqueness, and singularity of the goods; (3) the distinctiveness of a trademark is affected by its use in related and non-related products; and (4) the degree of afforded protection depends on the actual differentiation from other marks. Accordingly, the main rationale behind trademark protection is triggered by the need to preserve the distinctive function of a mark (Landes and Posner), so as to ensure that consumers will repeat their purchase choices in cases where they are able to associate a given mark with a satisfactory product.

#### ***(b) Guarantee of Quality***

**16** Along the same lines, the guarantee of quality function refers to trademarks as identified satisfactory sources that increase the selling power of the goods bearing them. Thus, the underlying assumption is that consumers, based on previous satisfactory experiences, will consider all goods bearing a particular trademark as being of high quality. Hence, the functional distinction between origin and quality becomes rather superfluous.

**17** Notwithstanding the apparent futility of this classification, the quality function of trademarks appears to be of an economic rather than a legal nature and, therefore, its protection is rarely guaranteed through enforcement mechanisms. Trademark owners are not legally bound to offer a constant level of quality in the goods bearing the mark. As a result, the risk of conveying misleading information increases. Consumers will, hence, tend to purchase a good bearing a mark that they can associate with previous good experiences, without effectively knowing whether that product complies with the high standards it used to. Consequently, the quality function of a trademark imposes a de facto higher standard of compliance on its owner. Any failure to reach this threshold would lead to a loss of distinction and, thus, of consumer trust and product sales.

## C. Food Labelling under the TRIPS Agreement

**18** The TRIPS Agreement provides a framework to protect the rights of trademark holders against third parties. Art. 15 TRIPS defines the concept of a trademark, while Art. 16 establishes the rights conferred to trademark owners. The exceptions to the rights conferred are found in Art. 17 TRIPS. Relevant in assessing the legality of food labelling standards is Art. 20 TRIPS, which lays down specific requirements for exceptions to trademark rights (Maidana-Eletti). Whereas food labelling requirements are usually addressed as technical regulations in the sense of the TBT Agreement, they trigger the protection of international trademark law under the TRIPS Agreement as well.

### 1. Food Labelling as Trademarks under Art. 15 TRIPS

**19** Art. 15 (1) TRIPS provides a uniform, international definition of a trademark for goods and services (Stoll and Schorkopf; Schmidt-Pfintzer). It reads:

Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks. Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

**20** This provision aims at harmonizing the diversity of concepts found in divergent domestic legislation regarding the scope of protection and the registration requirements. Without entering the debate about trademarks as property, which has been already extensively dealt with in academic literature (Gervais), this section describes the characteristics and functions of trademarks as regards food labelling requirements in light of the TRIPS Agreement.

#### (a) *The Characteristics of a Trademark*

**21** Signs are protectable as a trademark as long as they possess an abstract capability to distinguish those goods produced by one business from those produced by other businesses (Pires de Carvahlo). Furthermore, the capability requirement must be fulfilled for a trademark to be registered. It also provides an illustrative, non-exhaustive list of examples of signs eligible for registration.

**22** The capability of a sign does not impose upon Members the obligation to register a given trademark. Quite to the contrary, the Panel and Appellate Body reports established in *US-Havana Club* (WTO *United States—Section 211 Omnibus Appropriations Act of 1998* [2 January 2002] WT/DS176/AB/R and WT/DS176; → *Havana Club Case*) that Art. 15 (1) TRIPS allows Members to deny registration on the grounds provided for in the TRIPS Agreement as well as in the Paris Convention.

**23** Furthermore, the TRIPS Agreement provides Members with a wide margin of discretion in adopting their own national conditions (Charlier; Abbott). As such, Members may register signs that are not inherently capable of distinguishing goods based on ‘distinctiveness acquired through use’ (Art. 15 (1) sentence 3 TRIPS). In addition, Members may deny the registration of signs that are not ‘visually perceptible’ (Art. 15 (1) sentence 4 TRIPS). The TRIPS Agreement also admits certain exceptions, and thus allows Members to make

registration conditional upon use (Art. 15 (3)), although actual use is not required for filing a registration.

### **(b) The Functions of a Trademark**

**24** Art. 15 (1) TRIPS establishes that trademarks distinguish specific goods produced by one business from those goods produced by other businesses. Thus, it does not explicitly refer to the role of a trademark in distinguishing goods from the *same* business. However, this provision should be read in conjunction with Art. 20 TRIPS, in as far as the latter implicitly includes the trademark function of distinguishing similar goods produced by the same business in that it refers to the 'trademark distinguishing the goods ... in question of that undertaking' (→ *Like Products*). It follows that the differing approaches to the actual function of a trademark is a legal compromise of diverging systems that provides for a wider margin of discretion in domestic legislation (GATT Report, EC Draft TRIPS Agreement [29 March 1990]; GATT Report, US Draft TRIPS Agreement [11 May 1990]).

**25** The second function afforded to trademarks under the TRIPS Agreement refers to the capability of identifying the business producing the goods. This function corresponds with the wording of Art. 20 TRIPS, which refers to the use of trademarks that identify the business producing the goods. However, caution is advised in accepting this function as an inherent one to trademarks due to the high risk of confusion with the function of trade names.

## **2. The Conferral of Food Labelling Rights under Art. 16 (1) TRIPS**

### **(a) Presumption of Absoluteness**

**26** A minimum standard of protection for trademark owners is established in Art. 16 (1) TRIPS. This provision reads:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion ....

**27** Based on this wording, however, it is uncertain whether the exclusive nature of trademark rights is absolute. In principle, the right to use a given sign in the course of trade results from economic freedom rather than from intellectual property law. In fact, the legislative history of the TRIPS Agreement shows that it was only in the second phase of the negotiations that the Members agreed to emphasize the negative or exclusive aspects of trademark rights. As is the case with Art. 15, the wording of Art. 16 (1) TRIPS is interpreted in light of the positive use of trademark rights enshrined in its Art. 20.

### **(b) Protection against Confusion**

**28** The likelihood of confusion test serves the purpose of determining whether the use of a mark similar to a registered mark is capable of distinguishing those goods. This test arises out of the trademark owners' right to prevent third parties from using similar signs in order to preserve the distinctiveness of their own trademark and in consequence, to avoid confusion. Conversely, the concept defining 'likeness of confusion' has not been defined within the TRIPS Agreement and, therefore, it is for domestic legal systems and practices of Members to determine whether this threshold has a narrower or wider meaning than the one intended in WTO law.

**29** It follows that Members may grant trademark protection according to the degree of distinctiveness present in the registered mark. In fact, Art. 16 (1) TRIPS attributes rights to prevent the use of a mark that would otherwise result in a situation where there is a likelihood of confusion. Hence, in cases where an absolute presumption of likelihood between identical marks and identical goods is established, Art. 16 (1) TRIPS will be infringed. In other words, the presumption of infringement is not alleviated in the sense that the burden of proof will so fall on the claimant and, unlike the case with patents (Art. 34 (1) TRIPS), it does not allow proof to the contrary. Consequently, the likelihood of confusion test for trademarks within the TRIPS Agreements appears to be less stringent than that imposed for other intellectual property rights.

### **3. Food Labelling and Special Requirements under Art. 20 TRIPS**

**30** Art. 20 TRIPS refers to other special requirements that may affect the use of a trademark during the course of trade. It reads:

The use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings. This will not preclude a requirement prescribing the use of the trademark identifying the undertaking producing the goods or services along with, but without linking it to, the trademark distinguishing the goods or services in question of that undertaking.

**31** Art. 20 TRIPS applies in cases of goods bearing a mark that is allowed to be placed onto a given market upon fulfilment of special domestic requirements. In other words, this provision makes reference to certain special requirements affecting the use of a trademark in the course of international trade (→ *National Treatment, Principle*). In doing so, it imposes upon Members the duty to refrain from requiring foreign products to link their marks to those of local producers. Hence, the autonomy of Members to legislate on marks is thereby considerably reduced (Dinwoodie and Dreyfuss). A loss of trademark distinctiveness will follow after a possible governmental imposition of encumbrances on the use of marks, as required in Art. 20 TRIPS. Given that avoidance of confusion is deemed a legitimate interest of the trademark owner in light of Art. 17 TRIPS, the need for governments to take account of those interests appears unavoidable. However, the limited exceptions established in Art. 17 TRIPS will not find application in cases where the special requirements referred to in Art. 20 TRIPS are justified.

**32** In light of the interpretation given by the WTO Appellate Body in *Indonesia–Autos* (WTO *Indonesia—Certain Measures Affecting the Automotive Industry* [23 July 1998] WT/DS54/AB/R), special requirements accepted voluntarily and in the knowledge of any consequent implications for the ability to use a pre-existing trademark by a (foreign) trademark owner as a condition for the obtainment of certain privileges do not fall within the scope of Art. 20 TRIPS. Hence, caution must be exercised in granting benefits to certain domestic producers in order to avoid an unfair competitive advantage over foreign ones. Although voluntary in nature, compliance with special domestic requirements may constitute a de facto trade barrier that hinders the effective access of foreign products to the domestic market.

## **D. Perspective**

**33** Consumer and market demands have long played an essential role in triggering the proliferation of food labelling standards because their purpose is to indicate that foodstuffs are of a certain origin, material, and quality. As such, food labelling requirements have the ability to hinder international food trade. The conflict between exclusive trademark rights



and consumer protection has its origins in incepted dynamics well preceding the establishment of the WTO.

**34** However, the current legal framework applicable to food labelling requirements affecting trademark rights has shown enough flexibility to accommodate different standards of intellectual property protection. This is mainly due to the adoption of the TRIPS Agreement, whereby trade-distorting measures affecting the protection of intellectual property rights are discouraged and relatively high standards of protection are enhanced. Domestic food labelling requirements also need to be assessed in light of trademark law in order to comprehensively understand the implications in international trade.

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