

An Argument for the Restructuring of the Law of Trade Marks

Lewis N. Klar

Follow this and additional works at: <http://digitalcommons.osgoode.yorku.ca/ohlj>
Commentary

Citation Information

Klar, Lewis N.. "An Argument for the Restructuring of the Law of Trade Marks." *Osgoode Hall Law Journal* 12.1 (1974) : 223-234.
<http://digitalcommons.osgoode.yorku.ca/ohlj/vol12/iss1/7>

This Commentary is brought to you for free and open access by the Journals at Osgoode Digital Commons. It has been accepted for inclusion in Osgoode Hall Law Journal by an authorized editor of Osgoode Digital Commons.

AN ARGUMENT FOR THE RESTRUCTURING OF THE LAW OF TRADE MARKS

LEWIS N. KLAR*

As the Economic Council of Canada pointed out in their *Report on Intellectual and Industrial Property*¹, the aim of the trade mark is to provide a flow of product information to the consumer.² Purchasers should be able to recognize a trade mark and through it be able to know certain things about the product which it identifies. It is a type of shorthand — one symbol, word or slogan used to represent several ideas.

But what ideas? What is it that the trade mark represents?

Originally the trade mark conveyed only one type of information to the consumer — it identified the craftsman responsible for the production of a specific product.³ Derenberg, referring to the pre-twentieth century attitude towards the trade mark, stated:

“The term ‘trade-mark’ at that time denoted nothing but the name of the manufacturer.”⁴

According to Derenberg, Upton, in his treatise on *Trade-Marks* in 1860, wrote:

“If anything can be regarded as settled in the law of trade-marks it is that an essential condition, an imperative *sine qua non* to their recognition, as property, entitling the owner to protection in their exclusive use, is that they shall in some mode clearly and truly designate the origin and ownership of the article A

*Mr. Klar is an Assistant Professor in the Faculty of Law, University of Alberta, Edmonton.

¹ Economic Council of Canada, *Report on Intellectual and Industrial Property*, Cat. No. Ec. 22-1730, (Ottawa: Information Canada, 1971).

² See *id.* at 191-197.

³ For historical perspectives on the nature and function of trade marks see, among others: F. Schechter, *The Historical Foundations of the Law Relating to Trade-Marks* (New York: Columbia University Press, 1925); D. Leeds, *Trademarks – Our American Concept* (1956), 46 T.M.R. 1451; G. Ruston, *On The Origin of Trademarks* (1955), 45 T.M.R. 127; A. Nathanson, *Licensing Your Trademark* (1956), 46 T.M.R. 133; F. Schechter, *The Rational Basis of Trademark Protection* (1926-27), 40 Harvard Law Review 813. One finds that the trade mark has an interesting history dating back to pre-historic times. It was used widely by the Romans, and gained great importance in the Middle Ages. The common feature of its use was that it served to denote the person who manufactured the product, the person who owned the product, or the body which controlled the production of the product. In other words it always denoted source — the origin or ownership of the article.

⁴ W. J. Derenberg, *Trade-Mark Protection and Unfair Trading* (Albany: Matthew Bender & Company, 1936), at 30.

newly coined word does not because it is new, serve in the slightest degree to point out the origin or ownership of the article so named."⁵

This belief that the function of the trade mark is to indicate the source or origin of the goods to which it is attached has been predominant throughout the history of the law of trade marks in the English Common Law world. It is the major premise upon which the trade mark legislation of Canada, the United States and Great Britain has been based, it is the underlying rationale behind most of our trade mark rules and definitions, and it has been the basis of countless judicial decisions. However, the necessity for a re-evaluation of this historic role, and for the implementation of a new set of rules which achieve a more appropriate function for the trade mark, has long been evident.

It is submitted in this article that although the original function of the trade mark as an indicator of source may in some cases be useful and thus worthy of retention, in many other instances the trade mark's value lies not in what it says about the producer of a product, but in what it conveys about the product itself. It is further submitted that to overlook this function and to subordinate it to the source function, as has been done in the legislation and in the cases, is an unrealistic assessment of the actual value and functioning of the trade mark and has been the source of needless confusion. Moreover it is argued that even when there is recognition of the value of the trade mark as a product mark, the fact that the traditional terminology is employed to describe this situation creates additional uncertainty. The trade mark must be regarded as a device capable of conveying different kinds of information to the consumer, these functions must be clearly distinguished, and appropriate rules must be formulated to effectively serve the various needs.

THE PREDOMINANT EMPHASIS ON THE SOURCE THEORY

There is no question that the source theory approach to the function of the trade mark has and still is dominating trade mark law. The present trade mark acts of both Canada⁶ and the United States⁷ have exclusively relied upon it in their definition and treatment of the ordinary trade mark,⁸ and the British act,⁹ although not maintaining it as rigidly, has not effectively departed from it to any significant extent.¹⁰

⁵ Quoted in *id.*, at 32. Upton was quoting from the case of *Burnett v. Phalon* (1867), 3 Keyes N. Y. 594.

⁶ Trade Marks Act, R.S.C. 1970, c. T-10.

⁷ Trademark Act of 1946, Public Law 489, 79th Congress, Chapter 540, approved July 5, 1946; 60 Stat. 427. This Act is known as the Lanham Act, named after Mr. Fritz Lanham, the then Chairman of the House Patent Committee.

⁸ The Canadian Act provides for four types of trade marks: an ordinary trade mark which is the subject of this discussion, a certification mark, a distinguishing guise and a proposed trade mark.

⁹ Trade Marks Act, 1938, 1 & 2 Geo. 6, c. 22 (U.K.).

¹⁰ The British Act widened the concept of source considerably and thus, of the three, seemed to adopt the most realistic definition of a trade mark. Unfortunately, the definition is so wide and ambiguous that it has lost much of its potential effectiveness in modernizing the law of trade marks.

The leading judicial decision reaffirming this approach was the British decision of *Bowden Wire Ltd. v. Bowden Brake Company Ltd.*¹¹ Lord Shaw of Dunfermline typifies the uncompromising adherence to this most basic of all trade mark principles:

“A Trade Mark after all, my Lords, is simply an intimation upon goods that they are the goods of the owner of the mark. That is in one compendious phrase the entire law of Trade Marks.”¹²

Within the last decade two important Canadian judicial decisions have lent additional support to this well entrenched attitude. In *Wilkinson Sword (Canada) Limited v. Arthur Juda*,¹³ Mr. Justice Jackett of the Exchequer Court held invalid a well known trade mark since it did not actually distinguish the goods of its owner from the goods of other traders. Even though in this case the goods concerned were emanating from two closely related companies, a parent and its Canadian subsidiary, the golden rule of trade mark law that a trade mark must be distinctive of source had been broken and the trade mark was therefore invalid.¹⁴ In the case of *Samuel Dubiner v. Cheerio Toys and Games Ltd.*¹⁵ another well known trade mark was held invalid because of a technical confusion of source.¹⁶

There have been isolated and infrequent remarks made in judicial decisions which would allow for the recognition of other functions of the trade mark.¹⁷ For the most part, however, these have been made in deference to the source theory and as functions of the source theory, rather than as outright alternatives to it.

¹¹ (1913), 30 R.P.C. 45; (1914), 31 R.P.C. 385 (H.L.).

¹² (1914), 31 R.P.C. 385 (H.L.) at 395.

¹³ [1968] 2 Ex. C.R. 137; (1966) 34 Fox Pat. C. 77; 51 C.P.R. 55.

¹⁴ The facts of the case clearly demonstrate that both producers were engaged in the production of items of identical quality and characteristics, one company operating almost as part of the other. There thus can be no question as to source meaning anything else to Mr. Justice Jackett than the origin of the goods.

¹⁵ [1965] 1 Ex. C.R. 524.

¹⁶ In this case there was only one producer of the goods and so obviously all goods bearing the trade mark were actually emanating from one source. The trade mark was nevertheless struck down because it was used by two sources, one of which was producing the goods for the other. There can be no clearer illustration that to some Courts the quality and nature of the product is absolutely irrelevant to theoretical trade mark law.

¹⁷ For example, in the case of *Robert C. Wian Enterprises Inc. v. David Mady at al.* (1965), 49 D.L.R. (2d) 65; 29 Fox Pat. C. 37, Mr. Justice Cattanach at 72, D.L.R. said:

“Having regard to the inherent nature of trade marks as being a device to protect the public from deception, I am confident that the Registrar will feel bound to ensure that no proposed user is registered in favour of any person until he is satisfied that the “terms of his registration” are such that the public will not be deceived either as to the quality of the goods or services in respect of which the permitted user is to be employed or as to the person with whom they are dealing or as to the source of the goods or services that they are acquiring.”

In the *Cheerio case*, *supra*, n. 15, Mr. Justice Noel concedes that a trade mark now has two characteristics — “it also indicates to a certain extent quality and we, therefore, have with respect to a trade mark two characteristics, a warranty of origin and a badge of quality”. Judicial comments making such concessions are rare.

The only source from which it can be said that alternatives and innovative suggestions have emerged is from some authors. As early as 1925 articles were written suggesting that to maintain the source theory was unrealistic; suggestions were made that a trade mark can convey a variety of information to consumers.¹⁸ Unfortunately no reforms were suggested and none were forthcoming. Thus today it can be said that on paper at least we are where Upton was over one hundred years ago with reference to our conceptions of the functions of the trade mark.

DEFECTS OF THE SOURCE THEORY

The most serious attack that can be made against the source theory is that it has been subverted by modern commercial practices and needs, is only held together by legal fictions and is retained in fear of the social and economic costs which would be necessary to change it.

It is irrefutable that for a device to be able to indicate that the product which it identifies emanates from a certain source, it is necessary for that product to actually emanate from that source. If it is not that source which is producing the product but some other source, then inaccurate information, mis-information, is being conveyed. The trade mark would be purporting something to be so which is not so. It is no answer to say that as long as the source is controlling the production of the item, even though it may actually be produced by others, that it is still the producing source. In this latter case, what the trade mark is conveying is that the product is being produced in a

¹⁸The late Harold Fox in the second edition of his book *The Canadian Law of Trade Marks and Unfair Competition* (Toronto: Carswell, 1956), suggested at several places in the book that to adhere to the theory that a trade mark only indicates origin and ownership is unrealistic. At p. 402 he stated that:

"the public is not interested in the source of goods as long as it is satisfied that the goods are produced according to the methods and skills that have always been associated with them. So long as these are maintained the public is not deceived. It is getting what it wants and what it expects to get."

See also the Canadian Trade Mark Law Revision Committee whose report is found in Fox's book at p. 1142; A. Nathanson, *Licensing Your Trademark* (1956), 46 T.M.R. 133; G. Sage, *Trade-Mark Licenses and Control* (1953), 43 T.M.R. 675; E. Scheller, *Problems of Licensing* (1971), 61 T.M.R. 445; J. Gilson, *Equal Justice Under Trademark Law* (1971), 61 T.M.R. 349; J. Treece, *Trademark Licensing and Related Problems* (1969), 59 T.M.R. 150. It is interesting to note that whenever the problem of the licensing of trade marks was discussed the authorities have been prepared to assert that it is logical to depart from traditional trade mark conceptions. The same logic should be applied to all of trade mark law. The only strong support for change in the trade mark system accompanied by definite ideas for reform emanated from the Economic Council's Report, *supra*, note 1. It is these suggestions which form the basis of this article.

certain way, according to certain specifications, and not that it is being produced by a certain constant source.¹⁹

The first major drawback to maintaining the source theory for the function of the trade mark, then, is that an honest and logical application of it would require that trade marks could neither be assigned nor licensed to others. Today, in an age of franchises²⁰ and of complex industry, when trade marks are often the most valuable asset that a company has to transfer, these restrictions seem preposterous. Nevertheless, it has only been within the last twenty-five to thirty years that licensing *has been permitted*; assignments of trade marks, though always permitted, have been accompanied by rigid limitations. It is clear that such arguments as presented in *Bowden Wire* are expressly opposed to the use of the trade mark by persons other than its owner, in accordance with the source theory, and that it is indeed contrary to logic to argue otherwise. In fact, as we all know, licenses and assignments of trade marks are now common practises and are expressly permitted by Statute. This, however, does not prove that a source theory and use of trade marks by persons other than its owner can live in harmony — only that the source theory has been subtly displaced by other approaches. It is this subtle and indirect displacement which must be clearly defined and made part of our trade mark law.

With regard to assignments of trade marks it has generally been accepted by both the Common Law and by Statute²¹ that a trade mark cannot be

¹⁹ This is the argument which is most often used to support the present system. It is said that as long as the trade mark owner is controlling the production by others he can still be looked upon as the source of the goods. Although this argument is attractive, I reject it because it places the emphasis on the origin of goods whereas I would contend that it is the quality of those goods which is really being represented by the trade mark. After all, it is the production methods which are being controlled by the trade mark owner in an attempt to ensure a consistent product. If it were otherwise, there would be no need for quality controls as there is now; all that would be required would be some contractual link bringing the producers into one group so that they could be looked upon as one source.

²⁰ It has recently been estimated that between seventy and ninety-one billion dollars worth of goods and services are sold annually in the United States through franchises. See P. Zeidman, *An Introduction to the Use of Trademark, Patent and Intellectual Property Law in Franchise Agreements* (1971), 61 T.M.R. 339, at 339.

²¹ The earlier legislation of Canada, Great Britain, and the U.S. made it clear that an assignment of a trade mark could not take place in gross. The most recent acts of Canada and Great Britain seem to have departed from this traditional rule; they say clearly that a trade mark can be assigned separate from the goodwill. However, the cases since the Acts, especially the *Wilkinson Sword* case in Canada, and *Aristoc v. Rysta*, [1945] A.C. 68; 62 R.P.C. 65, in Great Britain have considerably diminished the effect of the changes and have substantially maintained the traditional rules regarding assignments.

assigned in gross.²² This is to say, that a trade mark can be transferred to an assignee only if that assignee also becomes the owner of the business with which the trade mark has been used. This has been a difficult test, for what constitutes the business? The cases, especially the American ones, have held everything from a practically non-existent business transfer to a much more detailed transfer to be valid.²³ It has generally been realized that in every case certain intangibles, such as the original owner's skills, personalities, attitudes, which may play important roles in the production process, can never be transferred.

A more basic criticism to this traditional way of handling assignment is that even if it can be said that the assignee has received most of the business of the assignor with its trade mark, it cannot be maintained that the trade mark is still conveying the same information regarding the source of the product. In other words, source means something more than merely producing the product in the same way with the same techniques. It means producing the product by the same, hopefully known, producer. After an assignment, it cannot be said that the product is in truth being produced by the same source.²⁴

It is my contention that the assignment cases provide an example about which it can be said that the source theory has been abandoned in favour of a theory which would contend that as long as *the product* which is identified by a certain mark has remained the same, then the trade mark should be protected. In other words, the trade mark has actually been changed from a producer's mark to a product's mark.²⁵

²² The leading case in this area which most clearly explains the Common Law restrictions is the early case of *Pinto v. Badman* (1891) 7 T.L.R. 317; 8 R.P.C. 181. The traditional trade mark texts give long lists of such decisions.

²³ In *Hy-Cross Hatchery v. Welp*, 129 U.S.P.Q. 232 (T.M.Bd. 1961), aff'd 133 U.S.P.Q. 687; 303 F. 2d 947 (C.C.P.A. 1962) the only transfer required was the transfer of the trade mark itself — in other words there was *absolutely no business transfer*. On the other side, in *Avon Shoe Co. v. David Crystal, Inc. et al.*, 121 U.S.P.Q. 397; 171 F. Supp. 293 (S.D.N.Y. 1959), aff'd 125 U.S.P.Q. 607; 279 F. 2d 607 (2d. Cir. 1960), an assignment of a trade mark was held to be invalid because it was not accompanied by a sufficient transfer of the goodwill. The Court said at 301: "Without the transfer of some business with which the mark has been used, the assignment is a void assignment in gross and conveys no title to the assignee". It is precisely because there is a confusion of what functions the trade mark is performing that there are such irreconcilable decisions. The Courts have different ideas; hence the different decisions.

²⁴ In the *Wilkinson Sword* case, Mr. Justice Jackett makes it clear that an assignment of a trade mark, even if valid, gives the assignee no automatic rights. The trade mark, according to this view, will not be protected until and unless consumers are aware of the transfer and the new course. In other words, much of the value of the assignment, i.e. riding on the reputation of the original owner, will be gone. It is submitted that Mr. Justice Jackett's approach is the logical one and is in line with the source theory; unfortunately, cases like *Wilkinson Sword* are rare.

²⁵ In at least two American decisions, *Pepsico Inc. v. Grapette Co. et al.*, 163 U.S.P.Q. 193, 416 F. 2d 285 (8th Cir. 1969) and *Avon Shoe Co. v. David Crystal, Inc. et al.*, 121 U.S.P.Q. 397; 171 F. Supp. 293 (S.D.N.Y.) one of the reasons for holding the assignments of trade marks invalid was that the *quality and characteristics of the products* involved had been changed by the assignee. This is a good rule for a product mark, but not for a source mark.

The licensing of trade marks has presented a more difficult matter for a trade mark law which propounds a source theory. *Bowden Wire* was a serious obstacle for those wishing to allow the licensing of trade marks. The solution which was found by the Common Law and later enshrined in the Statutes was to expand the concept of source so as to include not only the original trade mark owner and user but others who, contractually, were under some control by the owner. The trade mark owner was frequently held to have a valid trade mark though he had licensed it to others if he could demonstrate that he controlled the production of these licensees in some way. Let us recall that this is not a novel suggestion — it was an argument used and forthrightly *rejected* by the House of Lords in *Bowden Wire*.²⁶ Nevertheless, this proposition regained support in the case law, and was eventually accepted by Great Britain, the United States, and Canada in their respective trade mark acts.²⁷

The Canadian Act introduces the concepts of “registered user”²⁸ and “permitted use”²⁹ to deal with the valid licensing of trade marks. According to this approach, a trade mark owner and a prospective licensee can enter into a contractual arrangement whereby the trade mark owner will allow the licensee to use his trade mark under the owner’s control. The nature of these controls is not made specific; rather, there are ambiguous references to it and to the possibility that certain contractual arrangements can be deemed contrary to the public interest and not allowed.³⁰ The spirit of these provisions seems to be that as long as all products bearing one trade mark share common characteristics, the public interest is not violated. This interprets the function of the trade mark as being a product mark rather than a producer’s mark — it almost creates a certification mark. However, not wishing to abandon the source theory as the legally accepted function of the trade mark, the legislation states that permitted use by registered user shall be deemed to be use by the trade mark owner.³¹ By use of this fiction, the trade mark thus still remains as a source indicator.

²⁶ In *Bowden Wire* both the trade mark owner and the “licensee” were producing according to a patent held by the trade mark owner. At 394-395 the Lords rejected the trade mark owner’s defence which was:

“As a general proposition it is quite unnecessary that a Trade Mark should be connected in the mind of the public with any particular person or place; the real essential is that the mark should guarantee a particular manufacture.”

²⁷ The British Act adopted the concept of “registered user”, which enables licensees to use the owner’s trade mark under certain, generally unspecified, controls. The American Act adopted the concept of “related company”. The trade mark owner can license the use of his trade mark to others provided that he control the nature and quality of the goods in connection with which the mark is used. The Canadian Act adopted the British “registered user” approach.

²⁸ Section 49 of the Act.

²⁹ *Id.*

³⁰ Section 49(7) gives the Registrar the authority to approve a registered user situation if it would not be contrary to the public interest to permit it; section 49(10) (c) allows the Federal Court of Canada to cancel the registration if the use has caused or is likely to cause deception or confusion.

³¹ Section 49(3).

To sum up this first point, then, we can say that the source theory is logically inconsistent with either the assignment or licensing of trade marks, but that permission to assign and license trade marks is crucial to trade mark users. In order to maintain the source theory and allow this conduct, the law has chosen to accept a certain amount of fictionalizing and relaxation of principles. There would be nothing terribly wrong in this by itself. However, it is contended that by adopting this approach we have actually ignored a very valuable function of the trade mark (that is, its role as an indicator of the qualities and characteristics of the product with which it is associated) and have not legitimized it. There has also been confusion as a result of a mingling of two important functions of the trade mark into one and a loss of effectiveness for either function.

A second weakness of maintaining source as the trade mark's primary function is that it overlooks other probably more important functions.

It was recognized quite early in trade mark law that if one producer was responsible for the production of certain goods, that producer's mark would begin to connote the quality of his production. In other words, one important value of a source mark was that it could and often did convey information as to the quality of the goods. This was the prime reason for the importance of most marks and was why other traders wished to appropriate them. It should be realized, however, that there never was and still is not a legally enforceable sanction against trade mark owners who vary the quality of their own production; it is a matter of business considerations and economic objectives which dictate whether they maintain constant or varying standards in their production. That the trade mark connotes quality is a frequent *practical* result of the source theory — *not a legally imposed result*. It would appear that a trade mark has a vital role to play in conveying information as to quality and characteristics of products which it identifies, and that for many trade marks it *is* the *important* role. Why not, therefore, formalize it, and legalize it to make certain that it is performing this function efficiently and reliably? Why not take advantage of this value of the trade mark and concentrate on it rather than hope it is effected as a consequence of a more irrelevant function?

For these two reasons — firstly that the source theory has been logically ignored in allowing assignments and licenses and secondly, that it is highly doubtful whether the trade mark can, under the present system, effectively perform a potentially important function as a quality indicator — the following proposals are made to effect a reform.

SUGGESTIONS FOR REFORMS

In their 1971 Report,³² the Economic Council of Canada recommended the adoption of new types of trade marks which would perform the several

³² *Supra*, note 1. The Report deals with the entire field of Intellectual and Industrial Property and is highly recommended reading. It is unfortunate that to date the Report has not been the subject of much comment.

functions now being inadequately performed by our present trade mark. Since little attention seems to have been paid to these proposals, and since it is this writer's contention that they are basically sound and cure most of the criticisms presented here of the present system, they will be reiterated and strengthened.

There is a value in maintaining our present source trade mark. Although it is contended that the prime value of the trade mark lies in its ability to convey a meaning about the qualities of the product which it identifies, there is still a value in a source trade mark. Consumers may be interested in other things about a product besides information regarding its qualities and characteristics. They may also not find it practical to distinguish between qualities, believing that most products are basically the same. Thus they may wish to consider other things, including who the producer is, what his political, racial, economic policies are, what his employment practises are, his contribution to the community, his safety record and so forth. They may wish to patronize certain companies and not others, for a variety of reasons. The pressure which consumers can bring to bear on the corporate entity may be significant. Therefore it is imperative that the consumer know that certain trade marked goods are the product of certain companies and once this association is made, it should not be severed without adequate notice being served upon the consumer.

This association and dis-association should be the subject of adequate labelling and advertisement. A source trade mark should not be protected from infringement until it does clearly distinguish the source of the goods. Moreover, it should not be transferable and protectable in the hands of its new owner unless consumers are first aware of this new source. It should also not be able to be licensed under any control conditions. Those wishing to license their trade mark must adopt a "product mark",³³ as discussed below. Tempting though it may be for producers wishing to expand and thus to license their trade marks to others, this temptation must be resisted for source trade marks. The source trade mark should have a limited but clearly recognizable function unclouded by the argument that a network of producers under the control of the trade mark owner is equivalent to one source. Consumers should not have to face additional confusion in their attempts to make rational choices.

A trader wishing to adopt a mark for his product which would be used to represent certain characteristics and qualities which he contends are possessed by his goods or services could adopt a product mark. The main reason for adopting this mark in preference to the traditional source mark would be the permissibility of licensing the use of this mark to others. The registration of a product mark would involve the disclosure of the characteristics and qualities possessed by those products identified by this mark

³³ For a great number of trade mark users — small companies and individual entrepreneurs — there will be no need to adopt anything else but a source mark. It is only when there is a desire to license and expand through other producers that the need for a product mark will arise.

and licensees of this mark would be expected to produce goods of substantially similar qualities. This may seem at first a proposal which is commercially unrealistic; however, for most products which are produced by licensees these conditions are not very difficult to meet.

The use of the product mark would dispell any fictitious notion that all goods bearing this mark are emanating from one source and would gradually allow the consumer to realize that if faced with a product identified by a product mark, he will be able to depend on the fact that these goods are being produced by several producers who are adhering to a consistent mode of production. Moreover, the adoption of a product mark will merely formalize and legitimate what actually happens today in the franchise business. It is common knowledge that franchise operators are bound by certain strict conditions to ensure uniformity throughout the entire operation; these marks are being relied on by the consumer as familiar guides to what they can expect, based on their previous experience. Why not make use of the trade mark to more efficiently aid the consumer and to legally sanction this type of expectation? Furthermore, the provision and use of product marks which are traceable to some known standards and characteristics will enable discrepancies in the quality of various products bearing the same mark to be more easily discovered and a legal sanction, the expungement of the mark, will be provided for if discrepancies are not corrected. It is clear that at present a serious problem exists with our present provisions with respect to enforcement and definition of the control required to effect a proper registered user situation. In reference to this the Economic Council of Canada *Report* stated:

"In practice, not all applicants fully disclose the particulars of their relationship. In addition, the "public interest" criterion is very incompletely discussed in the law, and its interpretation is the Registrar's. With respect to agreements between unrelated companies, for example, the Registrar merely satisfies himself that the owner of the mark has made provision for inspection or sampling of the wares of the licensee at the owner's discretion. No assurance that such inspection will indeed be undertaken at regular intervals is required, and agreements between related companies are not scrutinized for inspection or sampling provisions."³⁴

There are presently several thousands of licenses in effect,³⁵ yet there is not one reported Canadian case in which a trade mark was invalidated due to inadequate control in a registered user situation.

It should also be possible, although this suggestion has not been made by the Economic Council, to make use of an advertising mark — that is, a mark which indicates neither source nor quality. This type of mark — which can be the name of a well-known fictitious character, a sports personality, or a highly advertised symbol — can have value in attracting consumers to the product which it identifies merely on the force of its own magnetic attraction.

³⁴ *Supra*, note 1, at 187.

³⁵ *Id.*, at 188.

Consumers may not want the product because of its producer, may not think that there is any real difference in quality between this product and others, but may be attracted to the name of the product for any number of psychological reasons. Why not allow these marks to be used on products and protected from use by other than their owner or originator as long as it is made clear that they serve only an advertising function and no other?³⁶ Don't we already use these types of marks under the source theory? It can only work to the benefit of all to make clear the various functions of trade marks and to provide each a legitimate and carefully regulated role.

How will the adoption of these three new types of marks significantly change the law and use of trade marks as compared with our present system, which employs a source trade mark accompanied with a registered user provision?

Firstly, it is now theoretically possible for there to be divergences in the quality of products marked with the same trade mark. This is due to the fact that the registered user provisions do not make it imperative that the goods produced by the trade mark owner be of a similar quality to the goods produced by his licensees; the provisions only require that he control the licensees. In addition, there is no requirement that the controls placed on all licensees be the same. Since the concept of source does not now include the notion of standard quality, as long as there is one source, no matter how wide, the definitional requirement is met.

Secondly, as stated above, it is now not possible for the consumer or consumer groups to compare the qualities of products marked with the same trade mark with any uniform quality, and to complain if divergences are discovered, if it is indeed possible to have divergences when there is no fixed quality. Furthermore, as the law now stands, it is not possible to differentiate goods produced by licensees or produced by a sole trade mark user.

Thirdly, the adoption of the suggested scheme will clarify for the Courts the function and use of trade marks. The present system emphasizes source, indirectly introduces quality considerations in its licensing program, and has to face the realization that realistically, if not legally, quality is an important consideration for trade mark users and consumers. This situation produces inconsistent judicial decisions because certain Courts will emphasize one function or the other and will rule accordingly. With the suggested scheme it will be clear — a source trade mark must indicate one constant

³⁶ When a famous sports personality or fictitious character lends his or her name to a common product or service, there is an immediate appeal made to a certain segment of the public notwithstanding anything else about the product or its producer. It is a myth to suppose that the trade mark is identifying the producer of the product, who is usually not the famous person whose name is gracing the product. As long as these marks are adopted solely for the purpose of advertising and it is made clear to the consumer that this is the case, no harm is done by permitting this practise to continue.

source, a quality mark must indicate one constant quality, and an advertising mark must be used only as an appellation for products and must explicitly make this point clear. The Courts will know the rules, as will the trade mark user and, hopefully, the consumer.

It is readily admitted that a great deal of work must go into the serious overhauling of a trade mark system which has seemed to adequately serve the needs of a commercial society for over a century. But this is necessary; the needs of consumers have changed and their ability to make informed choices has diminished as the number of choices available has proliferated. Can anyone honestly say that the trade mark is an effective device for the transmission of information to the consumer, to help him or her make these choices? If not, then an attempt must be made to strengthen the value of the trade mark, so that it does perform as effectively as it could.