

# **The Legal Nature of Trade Mark**

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## تفويض

أنا ميساء محمود أحمد الفياض، أفوض جامعة الشرق الأوسط بتزويد نسخ من رسالتي ورقياً و  
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I would like to dedicate this thesis to Middle East University; to my great parents, who have given me all love, support and guidance; to my beloved sisters, who have never let me down, to my beloved kids, Etedal, and Salma, who have given a meaning to my life.

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### **ABSTRACT**

Since 1870, the legal doctrine was settled on the bases of considering the nature of trademarks and the owners' rights as a same thing so that trademark nature hasn't been illustrated or discussed. Accordingly, the Jordanian trade mark law has been based around this doctrine (recent trademark doctrine), which has been established on a critical miss conception of trademark nature, which led to mix the nature of trademark with the owner's rights on one hand, and the nature of trademark with the function of trademark on the other.

The time has come to establish a new trademark doctrine to differentiate between the owner's right and the nature of the trademark. So The main aim of the thesis is to distinguish between the nature of trade marks themselves –which has not been tested yet– on the one hand, and the nature of rights in trade mark. And to prove that the nature of rights in trade marks might actually be a corporeal property or an incorporeal property. While the nature of trade marks themselves would be determined in this thesis.

In addition to that, to prove the nature of trade marks requires an independent existence thereof, and to develop a comprehensive legal and philosophical framework of trade marks that illustrate their nature depending on a fourfold criteria:

1. The definition of trade marks.
  2. The functions of trade marks.
  3. The cultural effect in a given country in identifying the form and value of trade marks.
  4. There is no independent existence of trade marks without being attached to goods or services.
- This will result in answering the most problematic questions about trade marks' nature.

Accordingly, this thesis represents a new trade mark doctrine to highlight the trademark nature and its three pillars: the owner of trade mark, the competitor of the trademark and the consumers. Therefore, the hypothesis of the thesis lies in the proposition that the nature of trade marks is in fact twofold: Intellectual nature and The investment nature.

The thesis adopts the evaluation of related theories that jurists of trademark used to justify the system of trademark, as the methodological tool to evaluate the hypothesis. This thesis discusses the three important theories of those: Labor theory, Utilitarian and economic theory and Social planning theory.

**Keywords:** resent trademark doctrine, suggested trademark doctrine, trademark owners' rights, competitors' rights, consumers' rights.



## الطبيعة القانونية للعلامة التجارية

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### الملخص

استقر المذهب القانوني منذ عام 1870 على اعتبار طبيعة العلامة التجارية وحقوق المالك شيئاً واحداً، وبهذا لم يتم تحديد أو توضيح طبيعة العلامة التجارية ولم يتم مناقشتها.

وقد تبنى قانون العلامات التجارية الأردني هذا المذهب الذي قام على مفهوم خاطئ لطبيعة العلامة التجارية، مما أدى إلى الخلط بين طبيعة العلامة التجارية وحقوق المالك من جهة، وبين طبيعة العلامة التجارية ووظيفتها من جهة أخرى.

والآن حان الوقت لوضع نظام جديد للعلامة التجارية، يتم فيه التمييز بين حقوق المالك وبين العلامة التجارية. إذ يتمثل الهدف الرئيسي لهذا البحث؛ في التفريق بين طبيعة العلامة التجارية -والتي لم يتم اختبارها حتى الآن- وبين طبيعة الحقوق في العلامة التجارية. وتحديد طبيعة العلامة التجارية نفسها.

بالإضافة إلى هذا، إن إثبات طبيعة العلامة التجارية يتطلب وجوداً مستقلاً لها، وذلك لوضع إطاراً قانونياً فلسفياً شاملاً للعلامة التجارية يوضح طبيعتها استناداً إلى أربع معايير:

1. تعريف العلامة التجارية.
2. وظيفة العلامة التجارية.
3. التأثير الثقافي في تحديد شكل العلامة التجارية وقيمتها.
4. ليس هناك وجود حقيقي واقعي للعلامة التجارية دون استعمالها بالمعنى القانوني على منتجات أو خدمات.

وسيترتب على هذا؛ الإجابة على معظم الأسئلة الإشكالية بخصوص طبيعة العلامة التجارية.

إذ تعرض هذه الدراسة نظام جديد للعلامة التجارية وذلك لإلقاء الضوء على طبيعة العلامة التجارية ومحاورها الثلاث: مالك العلامة التجارية ومنافسو العلامة التجارية والمستهلكون.

تتمثل نظرية الدراسة في افتراض أن طبيعة العلامة التجارية تحمل طبيعة مزدوجة: الطبيعة الفكرية والطبيعة الاستثمارية.

تناولت هذه الدراسة منهجية الوصف والنقد النظري للنظريات ذات العلاقة، حيث تناولت أهم ثلاث نظريات والتي استخدمها فقهاء العلامة التجارية لتبرير نظام العلامة التجارية. وهذه النظريات هي: نظرية العمل ونظرية المنفعة الاقتصادية ونظرية التخطيط الاجتماعي.

**الكلمات المفتاحية:** نظام العلامة التجارية الحديث، نظام العلامة التجارية المقترح، حقوق مالكي العلامة التجارية، حقوق المنافسين وحقوق المستهلكين.

## Chapter One

### 1. Introduction

At the beginning of the twentieth century, specifically after the end of the World War I, was attention focused on reviving the economy<sup>(1)</sup>, as industrialists, merchants, and capitalists began to think seriously to protect their trademarks<sup>(2)</sup>. This transformation of a legal nature led to the expansion of the monopoly principle against competitors and consumers alike<sup>(3)</sup>. It should be noted that the economic legislation in 1960s<sup>(4)</sup> was in line with the prevailing economic movement in the markets without providing the slightest legal protection for trademarks. This was since trademarks were viewed as the point at which interests conflict, where the interests of consumers<sup>(5)</sup>, competitors and society were given preference in general, and trademark was generally viewed as a monopoly action against the consumer and the competitor that increased the volume of lawsuits in the courts, noting that the judgments of the courts in the judicial systems supported this trend.

In 1925, the jurist (Schechter) called for the need to protect the trademark by reducing the number of trademarks used in the market<sup>(6)</sup>. This trend enhances trademark protection<sup>(7)</sup> by monopolizing some branded economic activities. This opinion drove

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<sup>(1)</sup> John A. Garraty (1987). *The Great Depression*. Anchor publishing Inc., NY, USA.

<sup>(2)</sup> Molengraaff, W.L.P.A. 1920, *The Nature of the trade-mark*, Yale Law Journal Company, 303.

<sup>(3)</sup> Stacey L. Dogan, *What Is Dilution, Anyway?*, 105 Mich. L. Rev. First Impressions 103 (2006).

<sup>(4)</sup> Jerre B. Swann (2013). *The Evolution of Dilution in the United States from 1927 to 2013*. The trademark reporter, Vol.103, No. 4, PP 721-774.

<sup>(5)</sup> Martin Senftleben (2013). *Public Domain Preservation in EU Trademark Law – A Model for Other Regions?* The Trademark Reporter, Vol. 103, No. 4 (2013), pp. 775-827.

<sup>(6)</sup> Schechter, Frank I. 1925. *The Historical Foundations of The Law Relating to Trade-Marks*, Columbia university

<sup>(7)</sup> Ralph S. Brown Jr. (1948). *Advertising and the Public Interest: Legal Protection of Trade Symbols*. The yale Law Journal, Vol. 57, No. 7, PP 1165- 1206.

jurists to support and oppose this approach, depending on their own jurisprudential opinions<sup>(8)</sup>.

However, having reviewed the jurisprudential opinions from a historical point of view, it is noticed that they focused before 1960s on the theory of monopoly to protect and develop the economy<sup>(9)</sup>. Yet, products began to increase thereafter and excess of supply over demand was noticed in light of the lack of protection for the consumer by the monopolists<sup>(10)</sup>. Accordingly, it became urgent to find laws to protect consumers away from the issue of trademarks, provided that the economic activities would be organized while protecting trademarks<sup>(11)</sup>.

Williams Landes and Richard Posner argue that the trademark protection should aim to reduce consumer's search for the product and to reduce financial transactions<sup>(12)</sup>. On the other hand, Harold Demsetz argues that both the consumer and external factors have an impact on the protection of property rights when the economic laws governing the economic activities are in place<sup>(13)</sup>.

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<sup>(8)</sup>Robert G. Bone, Schechter's Ideas in Historical Context and Dilution's Rocky. Forthcoming in 24 Santa Clara Computer & High Technology Law Journal \_\_ (2008).

<sup>(9)</sup>J. R. Hicks (1935). Annual Survey of Economic Theory: The Theory of Monopoly. *Econometrica*, Vol. 3, No. 1, PP 1-20.

Thomas Helbling (1997). Shapes as trademarks? The struggle to register three-dimensional signs: a comparative study of United Kingdom and Swiss law. *Intellectual Property Quarterly*, 4, 413- 493.

<sup>(11)</sup>Hannes Rosler(2007). The rationale for European trade **mark** protection. *European Intellectual Property Review*, Vol. 29, No. 3, PP100-107.

<sup>(12)</sup>William M. Landes, and Richard A. Posner (1987). Trademark Law: An Economic Perspective. *The Journal of Law and Economics*, Volume 30, Number 2, Oct., 1987, the University of Chicago.

<sup>(13)</sup>Harold Demsetz (1957). Toward a Theory of Property Right. *The American Economic Review*, Vol. 57, No. 2, Papers and Proceedings of the Seventy-ninth Annual Meeting of the American Economic Association. (May, 1967), pp. 347-359

Furthermore, Harold argues that the products should be introduced to the public without any restrictions of a consumer, given nature of such products, and the minimum trademark protection should be given since this will protect the rights of owners who have the right to reap the benefits of their achievements<sup>(14)</sup>.

It should be noted that the jurisprudential differences over trademark protection subsided during the period of economic recession witnessed by the world in 1930, and until the end of World War II and its effects in 1950.

The jurisprudential differences were summarized in two different opinions: the first of which calls for protecting the trademark and the rights of industrialists and producers, while the dissenting opinion calls for permitting other producers to compete, and to provide new products to consumers.

Robert Nozick summarizes the dispute among the jurists by asking the following question: "Why cannot I combine what I have with what I do not have so that I lose what I have instead of looking for a way to own what I do not have?"<sup>(15)</sup>

In light of these differences, new jurists have supported Schechter by calling for diluting the trademarks used in the market for protection. The producers and industrialists criticized the radical view of Schechter and called for tempering it. They also supported the second part of the question posed by Robert Nozick, namely: "...so that I lose what I have instead of looking for a way to have what I do not have." They thought that this would

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<sup>(14)</sup> John Locke (1680). *Second Treatise of Government*. Patriarcha, Edition 1680; recollected and edited 2010 by The Project Gutenberg EBook.

<sup>(15)</sup> Robert Nozick (1974). *Anarchy, State, and Utopia*. Basic Books In, NY, USA.

protect their products, but they neglected an important matter that the products of competitors would be protected too.

Later, Schechter's opinion was accepted by commercial and industrial legal jurists for diluting trademarks. However, the said opinion encountered difficulties in applying it in the courts, as well as in understanding it by legislators. In light of unclear vision about the trademark protection, a new jurisprudential opinion appeared and called for providing legal protection for the trademarks and reducing their numbers. However, this view did not specify the nature and concept of the trademark, which remained vague, as it was viewed as a combination of a symbol, a word and a product to protect the rights of the trademark owner<sup>(16)</sup>.

In practice, the laws supported the jurisprudential opinions that the trademarks should be protected, and owners' rights should be maintained.

This study argues that the theory of trademark protection that is based on the opinion of the jurist Schechter, which was adopted by many jurists without strict application, overlooked an important aspect that this theory did not specify the nature of the private trademark and did not separate it from the owner, competitor and consumer, which led conflicting jurisprudential opinion and judicial rulings, and misunderstanding even by the public, which have prolonged the legal disputes over trademarks since the twentieth century until now.

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<sup>(16)</sup> Ilanah Simon Fhima (2010). Dilution by blurring - a conceptual roadmap. *Intellectual Property Quarterly* 44.

This paper aims to discuss Schechter's theory and the criticisms against it and the limitations on mitigating the severity of this theory and to discuss the grounds for the invalidity of the opinion that calls for mitigating its application. It also aims at establishing a new theory for trademark protection by laying down unified, non-conflicting legislative foundations.

This research will not focus on the conflict of interests between producers and consumers, nor will it discuss the issue of giving preference to the public interest over individual interests and property rights. This paper will not discuss the issue of consumer needs save the points that will be mentioned in the scope of this paper.

### **Research Problem:**

The nature of trademark has not been identified for more than a century after Paris Convention.

This paper will address the dispute among the jurists over the nature of the trademark and their opinion that the trademark is a property right. This study will prove that this hypothesis is incorrect since this opinion depends on the saying "if you do not use it, you lose it", and it is known in practices that a trademark is cancelled if not used. Additionally, the loss of the trademark forfeits the right to claim property. In other words, this trend views the trademark as a property right. The Jordanian legislation adopt the same trend where, according to the applicable legislation, the trademark is viewed from the perspective of the owner's rights only and not from the perspective of nature of the trademark itself.

Hence, this paper will explain how the ownership of trademark is identified, whether tangible or intangible, and it will also clarify nature of the trademark.

### **Research Questions and Hypotheses:**

The main question is:

What is the exact meaning of the nature of trademark?

This study will assume that there is a similarity between the trademark and the man, and the trademark is divided into two parts.

Part 1: the intellectual nature- it consists of the exterior of trademark itself, whether a trademark, symbol, or name, and it is the body of the trademark and it corresponds to physical appearance of the man.

Investment nature: it represents the spirit and material value of the trademark. The trademark owner and consumer can increase such value. It is similar to the human soul.

Hence, examination of trademark requires combination of the intellectual nature and the investment nature to understand nature of trademark.



## **Significance of Research:**

Many previous studies have dealt with the subject of the trademark. Yet, most of these studies deal with the material aspect of the trademark as a property right of a material nature, and neglect aspects related to the value of the trademark, in terms of its investment nature. This will be discussed in detail in this study.

This study is significant since it focuses on identification of nature of trademark and it will provide several significant findings that can be summarized as follows:

1. Identifying the person entitled to legal protection,
2. Explaining the rights of trademark owner, and
3. Examining a number of significant findings not covered by the previous studies.

Accordingly, this study will be divided into a number of chapters as follows:

**Chapter 1:** Theoretical Framework

**Chapter 2:** it will discuss misconception of nature of trademark and the confusion between the rights of trademark owner and nature of the trademark on the one hand, and functions of the trademark on the other hand.

**Chapter 3:** it will explain nature of trademark by analyzing its concept using evidence. A new concept of trademark will be rebuilt, and such new concept will be based on independency of the trademark. The relationship between the trademark and the branded product will be explained, and the trademark owner's rights and function of the trademark will be discussed.

**Chapter 4:** it will discuss the theoretical framework of nature of trademark. The right to trademark will be identified. Such right is stemmed from nature of the trademark itself. The legal protection for the trademark will be identified.

The most important theories of trademark will be reviewed, including:

1. labor Theory,
2. Theory of Utilization and Economy, and
3. Theory of Social Planning.

**Chapter 5:** it contains the conclusion, findings and recommendations.

## Chapter two:

### Misconception of trademark nature

#### Introduction:

Since Paris Convention for the Protection of Industrial Property of 1883<sup>(17)</sup>, there has been no clear theoretical framework related to the nature of the trademark itself. Instead, jurists have paid attention to the nature of rights in trademarks<sup>(18)</sup>, so that they have not tackled trademark properly or in detail. Many articles, theories and studies have dealt with rights related to trademark as well as the trademark function and protection without paying attention to the system and nature of the trademark itself<sup>(19)</sup>. It is noticed that trademark system has been studied and analyzed superficially and in small scale. .

Furthermore, in reviewing history of examination of the trademark<sup>(20)</sup>, it is noticed that the jurists employed some theories, especially economic theories, to establish a new

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<sup>(17)</sup>See, e.g, [www.wipo.int/treaties/en/ip/paris](http://www.wipo.int/treaties/en/ip/paris). See also, e.g, Ebkar, Nina, May 2001, The International Framework for the Protection of Intellectual Property Rights and the Protection of Well-Known Marks, Faculty of Law & the Raoul Wallenberg Institute, Lund, Sweden and Director of the WIPO Academy, Geneva.

<sup>(18)</sup> See, e.g, Naser, Mohammad Amin, and Haddadin, Suhail H, (2013), The Unnatural Nature of Intellectual Property: An Example from a Developing Country, E.I.P.R, 35(6), 341-351. See also, e.g, Voon, Tania, 2013, Acquisition of intellectual property rights: Australia's plain tobacco packaging dispute, E.I.P.R, 35(2), 113-118.

<sup>(19)</sup> See, e.g, Blythe. Alice L, 2012, Attempting to Define Unfair Advantage: an evaluation of the current law in light of the recent European decisions, European Intellectual Property Review, 754-761. See also, e.g, Easterbrook, Frank H, 1990, Intellectual Property Is Still Property, 13 Harvard Journal of Law and Public Policy, 108. See also, e.g, Carter, Stephen L, 1993, Does it Matter Whether Intellectual Property is Property?, Faculty Juristship Series, 2259.

<sup>(20)</sup>See, e.g, Naser, Mohammad Amin, (2017), Revisiting the historical origins of the Jordanian trademark system: the UK legacy, Queen Mary Journal of Intellectual Property, Vol. 7 No. 2, pp. 211-225. See also, e.g, Schechter, Frank I, April, (1927), The Rational Basis of TradeMark Protection, Harvard Law Review, 814. See also, e.g, Catherine Ng, May, 2007, A Common Law of Identity Signs, 20. Intellectual Property Journal, 177.

thought of trademark that is based on owners'. It should be mentioned that there is no legal works that focus on the trademark system or explain nature of trademark.

The previous studies have focused on discussing the owners' rights, without paying any attention to rights of competitors and consumers<sup>(21)</sup>.

Accordingly, trademark system has established a misconception of trademark nature so that it led to confusion between the nature of trademark and owner's rights on the one hand, and between the nature of trademark and the function of trademark on the other hand. The above paragraph constitutes the problem the study as will be discussed in this Chapter. The negative consequences of the problem are also discussed in detail.

Section 1 of this Chapter explains origin of the trademark and links it to the three most well-known economic theories that the jurists depend on to establish and justify trademark system. This section does not criticize such economic theories and the weak justifications used by jurists to support their opinions and orientation will not be discussed.

Section 2 discusses problem of confusion between nature of the trademark and the trademark owner's right on the one hand, and functions of trademark on the other hand.

Section 3 discusses the negative consequences resulted from the above confusion and its reflection on trademark system, which negatively affected laws and empirical applications. The negative consequences led to:

(1) Overconcentration on the trademark owners' rights so that they sound like monopolistic rights,

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<sup>(21)</sup>See, e.g, Fisher. William, 2001, Theories of Intellectual Property, available at: [http://www.law.harvard.edu/Academic\\_Affairs/coursepages/tfisher/iptheory.htm](http://www.law.harvard.edu/Academic_Affairs/coursepages/tfisher/iptheory.htm)1. See also, e.g, Naser, Mohammad Amin, 2007, Rethinking the Foundations of Trademarks, Buffalo Intellectual Property Law Journal, 2. See also, e.g, Allen, Michael J, 1991, The Scope of Confusion Actionable under Federal Trademark Law: Who Must be confused and When?, 26 Wake Forest law Review Association, 321.

(2) Ignoring the rights of competitors and consumers who have play a role in the trademark.

Section 4 contains the conclusion of the Chapter that summaries the chapter 4 and introduces the next chapter.

## 2.1 Trademark: Foundation Theories

In 1870, the term "nature of trademark " first appeared in the comment of the Supreme Court that defined it as the right to adopt and use a symbol or a device to distinguish the goods or property made or sold by a person<sup>(22)</sup>. in the early 20<sup>th</sup> century, jurists began to employ some theories and philosophies to support their orientation toward the trademark rights and facilitate its function in market. In this Chapter, the three most important theories in this field will be discussed: labor theory, utilitarian and economic model theory, and social planning theory to highlight the conflicting arguments among jurists when they refer to such theories to justify trademark system. Jurists have unscientifically used these three theories to defend their views toward protecting owners' rights in trademark and facilitating its functionality in marketplace. This paper will focus on the misuse of the said theories instated of criticizing them.

### 2.1.1 Labor Theory:

“Labor theory” was developed by John Locke (1632 - 1704), and it states that "anyone uses his personal effort to create anything that has a natural property right to reap

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<sup>(22)</sup>Cross. John T, 2008, THE LINGERING LEGACY OF TRADE-MARK CASES, Michigan State Law Review, 367.

the fruits of his effort"<sup>(23)</sup>. Locke's theory is one of the oldest theories on the intellectual property. It is based on the idea of labor effort, so that any person has the right to own anything resulting from his labor/effort. In the era of John Locke, the property refers to tangible things. Later, some jurists found this theory is suitable for intangible things, while others still consider it for tangible things.

The second treatise of Locke's theory justifies "natural effort" for private ownership of manufacturing systems and cultivated land to produce goods of value to human beings<sup>(24)</sup>.

Thereafter, jurists projected "natural rights" at "made effort"<sup>(25)</sup> from anyone" applied to "intellectual property". Supreme Court's comment seems to be an extension for "labor theory" since it granted the rights to owner to distinguish his products/natural efforts from those of the competitors<sup>(26)</sup>, and it granted the protection to such rights and such function and not to the trademark itself. Based on "Labor theory" and "Supreme Court's comment", it is clearly noticed that jurists substituted natural efforts with trademark itself, which is the basis of confusion between the nature of trademark and owner's rights in trademark, and ignored nature of trademark and considered it a combination of product and symbol/name.

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<sup>(23)</sup> John Locke (1680). *Second Treatise of Government*. Patriarcha, Edition 1680; recollected and edited 2010 by The Project Gutenberg EBook.

<sup>(24)</sup> Karen I. Vaughn (2014). *John Locke and the Labor Theory of Value*. *Journal of Libertarian studies* Vol. 2. No. 4, pp. 311-326. Pergamon Press Ltd. 1978, Great Britain.

<sup>(25)</sup> Michael Makovi (2015). The "Self-Defeating Morality" of the Lockean Proviso. *Homo Oeconomicus (Economic Man) Journal of Behavioral and Institutional Economics* 32(2): 235-274.

<sup>(26)</sup> Cross. John T, 2008, *THE LINGERING LEGACY OF TRADE-MARK CASES*, *Michigan State Law Review*, 367.

According to the said theory, the jurists are divided into two groups. The first group argues that labor is the suitable basis for all intellectual property rights<sup>(27)</sup>, i.e. anyone must own anything resulted from his (mental labor)<sup>(28)</sup>. The second group argues that labor is valid for every portion of intellectual property rights, except trademarks<sup>(29)</sup>. The exception of trademarks refers to entire exclusion of them from intellectual property rights.

It is noted that applying "Labor Theory" to the intellectual property rights, especially trademark system, is incorrect, since examining and analyzing this theory should focus on "the nature of labor" rather than focusing on the basis and nature of owner's rights in profit of his labor/effort, represented in the trademark in particular, and nature of rights in all intellectual property rights in general. Thus, "labor theory" is examined and analyzed by focusing on the nature of right in "the intellectual property" and on the idea that the "person's labor" and resulted product/ service is one thing.

In brief, Labor theory recognizes the "individual's natural right to utilize his effort". Yet, jurists projected this rights at trademark's ownership in order to justify trademark system<sup>(30)</sup>.

Jurists' orientation towards labor theory- as the premises for justifying trademark system- bears some controversial issues<sup>(31)</sup>, including: 1) "Labor effort" is a component of the

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<sup>(27)</sup> Bryan Cwik (2014). Labor as the Basis for Intellectual Property Rights. Ethical Theory and Moral Practice, Vol. 17, No. 4, Special Issue: BSET-conference 2013 (August 2014), pp. 681-695.

<sup>(28)</sup> Adam D. Moore (2012). A Lockean Theory of Intellectual Property Revisited. San Diego Law Review, 49:1069.

<sup>(29)</sup> Deborah E. Bouchoux (2000). Intellectual Property: The Law of Trademarks, Copyrights, Patents and Trade Secrets, 4<sup>th</sup> Edition, Delmar, Cengage Learning, NY, USA.

<sup>(30)</sup> See, e.g., Chronopoulos, Apostolos, 2014, GOODWILL APPROPRIATION AS A DISTINCT THEORY OF TRADEMARK LIABILITY: A STUDY ON THE MISAPPROPRIATION RATIONALE IN TRADEMARK AND UNFAIR COMPETITION LAW, Intellectual Property Law Section of the State Bar of Texas, 253. See also, e.g., Carter, Stephen L, 1993, , Does it Matter Whether Intellectual Property is Property?, Faculty Juristship Series, 2259.

product/ service. 2) Other components of the product/ service may be publicly announced or unannounced <sup>(32)</sup>. 3) Product/service quality is a component of the product/ service and not of trademark 4) Product/ service quality conflicts with both the efficiency and effectiveness of production system on the one hand and with consumers' sovereignty and public welfare<sup>(33)</sup> on the other hand, since the quality involves higher cost and higher prices. 5) Distinctive characteristics of the products/ services<sup>(34)</sup> prevent generalizing the theory for all products. 6) Competitors who produce the same product are ignored completely in "labor theory" and dilution theory.

In fact, "natural efforts" mentioned in "Labor Theory" can be replaced with "the owner's rights in product/ service rather than with the "trademark concept".

### 2.1.2 Utilitarian and Economic Theory:

Regarding utilitarian and economic theory, the classical economical theorists separated between utilitarian theory and the economic theory<sup>(35)</sup>, while neoclassical economists joined them. "Classical economic theory"/ "economic man theory"/ or "rational man theory" states that the person of a business has *the rights* to pursue profit or "self-utility"<sup>(36)</sup>. This concept copes with "egocentric" concept and helps- with dilution theory- to

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<sup>(31)</sup>See, e.g, Carpenter, Megan M, 2009, TRADEMARKS AND HUMAN RIGHTS:OIL AND WATER?OR CHOCOLATE AND PEANUT BUTTER?, 99 Trademark Rep, 892, Available at: (<http://heinonline.org>).

<sup>(32)</sup> Robert Nozick (1974). Anarchy, State, and Utopia. Basic Books In, NY, USA.

<sup>(33)</sup> W.H. Hutt, "The Concept of Consumers' Sovereignty," Economic Journal, March, 1940, pp. 66–77

<sup>(34)</sup> William M. Landes, and Richard A. Posner (1987). Trademark Law: An Economic Perspective. The Journal of Law and Economics, Volume 30, Number 2, Oct., 1987, the University of Chicago.

<sup>(35)</sup> Richard A. Posner (1979). Utilitarianism, Economics, and Legal Theory. The Journal of Legal Studies, Vol. 8, No. 1 (Jan., 1979), pp. 103-140

<sup>(36)</sup> Michael J. Brennan (1961). Economic Man. JSTOR, Vol. 44, No. 2, pp. 126-132, Penn State University Press.



promote the theory of monopoly. The only difference between them implies that the "self-utilitarian" is morale, while "egocentric". may harm others<sup>(37)</sup>.

Unlike the dilution theory that expands monopolists' protection, the utilitarian and neoclassical economists inserted some dilution to that protection through promoting "monopolistic competition" and granting public welfare<sup>(38)</sup>. Although the utilitarian and neoclassical economists show a whit consideration for the competitors, they discuss the trademark as part of owner's rights so that the trademark nature has been lost in the midst of "monopolistic Competition" approach<sup>(39)</sup>.

### 2.1.3 Social Planning Theory:

The social planning theory develops premises to deal with trademark in the form of owner's rights. It is extremely a wide and a complex approach including the formal and political planning to translate social goals into effective programs<sup>(40)</sup>. In this instance, we are concerned with social planning related to trademarks and production process. This subfield of social planning theory has been widely disputed by jurists. Some jurists argue that it is a teleological approach and concentrates on achieving required objective like utilitarianism, while others take in consideration the tools for implementation of the theory to "improve social richness" rather than "social welfare"<sup>(41)</sup>. While social richness

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<sup>(37)</sup> R.B. Brandt (1984). Utilitarianism and Moral Rights. Canadian Journal of Philosoph, Vol.14, No. 1, PP. 1-19

<sup>(38)</sup> Bruce Norton (1995). The Theory of Monopoly Capitalism and Classical Economics. History of Political Economy, Vol. 27, No. 4, PP 737-753.

<sup>(39)</sup> Joseph Salerno (2004). Menger's theory of monopoly price in the years of high theory: the contribution of Vernon A. Mund. Managerial Finance, 30 (2), PP 72-92.

<sup>(40)</sup> Alfred J. Kahn (1969). Theory and Practice of Social Planning. Russell Sage Foundation, N.Y. USA.

<sup>(41)</sup> Mohammad Amin Nasir (2007). Rethinking The Foundations of Trademarks. Buffalo Intellectual Property Law Journal.

approach encourages building social wealth, the social welfare approach includes psychic return to satisfaction and pleasure. Social welfare could be sensed when it connects with social income. Production system helps fulfill society desires of pleasing products, and social planning theory "helps provide balance between the owner's rights in trademark and the public consumption desires"<sup>(42)</sup>.

## 2.2 Proving Existence of the Problem:

Since the first historical appearance of symbols and signs to distinguish the products until the development of the first trademark law, jurists of trademark have played a fundamental role in establishing a legal doctrine based on combining sign/symbol and the product and its characteristics. So far, "trademark protection is still a disputed field" and jurists still ignore trademark nature and confuse it with products and owner's rights. This confusion led to considering the trademark and the product of specific properties one thing. The confusion occurs: (1) between the nature of trademark and the owner's rights in the trademark and (2) between the nature of trademark and the function of trademark. As a result, *jurists have examined and analyzed theories and trademark history according to such confusion*<sup>(43)</sup>.

This paper does not agree with the excessive restriction of trademark nature, nor does it agree with the expanding of its functionality. This is since each of these arguments revolves around untrue orientations that confuse between trademark nature and unrelated

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<sup>(42)</sup> A. C. Pigou (1912). *Wealth and Welfare*. Macmillan and Co., Limited, London.

<sup>(43)</sup>(Carter, 1993 ; Schechter,1925; Molengraaf, 1920)

components. As previously discussed, trademark nature is independent of product and its characteristics and owners' rights.

It should be mentioned that the modern legal doctrine of trademark still includes vague and conflicting orientations. Molengraaff<sup>(44)</sup> discussion was against expanding trademark protection" as it will lead to creating individual monopoly and unfair competition. Although Molengraaff asserted the independence of trademark from the branded product, and did not agree to expand the trademark nature to cover attributes, character and quality of the item, he agreed to consider the trademark a "connecting tool to connect the item/service to a particular manufacturer/ trader". He did not indicate the nature of trademark, but he considered it a connecting tool to protect owner's rights. Therefore, Molengraaff confused the nature of trademark with the function of trademark and restricted it the function of distinguishing it from other producers.

Eventually, Molengraaff's view "can be traced to Clayton Competition/Antitrust Act passed by the U.S. Congress in 1914 to define unethical monopolies" and to extend consumers welfare, and maintain various rights of labor<sup>(45)</sup>. Additionally, "Clayton Act was drafted in broad language so that it enabled the court to choose interpretation and enforcement of the law"<sup>(46)</sup>.

"Jordanian trademark law –based on UK trademark law- defines a trademark as a sign that is used or intended to be used, requiring its usage as a source of protection"<sup>(47)</sup>.

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<sup>(44)</sup>Molengraaff , W.L.P.A., 1920, The Nature of the trade-mark, Yale Law Journal Company, 303.

<sup>(45)</sup> Laura Phillips Sawyer (2019). US Antitrust Law and Policy in Historical Perspective. Harvard Business School.

<sup>(46)</sup> Laura Phillips Sawyer (2019). US Antitrust Law and Policy in Historical Perspective. Harvard Business School.

<sup>(47)</sup> Mohammad Amin Naser (2017). Revisiting the historical origins of the Jordanian trademark system: The UK legacy. Queen Mary Journal of Intellectual Property Vol. 7 No. 2, PP. 211-225.

Unlike Molengraaff, Schechter -the most popular jurist in trademark area who developed the Dilution theory<sup>(48)</sup>- asserted that "trademark should be extended to include products' characters -Specifically the quality to protect owner's ingenuity and product's uniqueness"<sup>(49)</sup>. Again, he assured mixing trademark nature with wide functions.

Like Schechter, Carter, Stephen L.<sup>(50)</sup> asserted that the "trademark and the branded products are one thing that is entitled to the owner". It is another example for confusion between the trademark and the product on the one hand, and between the trademark and owner's rights on the other hand.

This paper assumes the following example to illustrate the flaw of the approach that involves confusion between the trademark and the product, and extends it to protect owners' rights:

A product with different trademarks has more than one owner. Therefore, each trademark has its unique quality. Expanding and exaggerating owner's rights will automatically cause everyone to behave as a monopolist, while the others will appear as competitors. Applying this proposition to each one of the owners will move their products and rights to the "protection zone", and will simultaneously create three parties, namely a monopolist/ an owner/ a competitor. Since every owner is a competitor at the same time, and the protection covers each owner and his product separately, there will be three owners and three competitors, but there will never be three monopolists. Monopoly is one producer/ trader

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<sup>(48)</sup>See, e.g, Morris, P. Sean, 2012, GUESS WHAT GUCCI? POST-SALE CONFUSION EXISTS IN EUROPE, Valparaiso University Law Review, 1. See also, e.g, Sumpter, Matthew, February 2005, Brands, Dilution, and Parody: An Indigestible Dish?, New Zealand Business Law Quarterly, 29. See also, e.g, Bone, Robert G, 2008, SCHECHTER'S IDEAS IN HISTORICAL CONTEXT AND DILUTION'S ROCKY ROAD, The Boston University School of Law Working Paper Series Index: <http://www.bu.edu/law/faculty/juristship/workingpapers/2008.html>.

<sup>(49)</sup>Schechter, Frank I. Aoril (1927). The Rational Basis of Trademark protection. Harvard Law Review

<sup>(50)</sup>Carter, Stephen L, 1993, , Does it Matter Whether Intellectual Property is Property?, Faculty Juristship Series, 2259.

but not a group of them. In trade and industry, a leading trader/ manufacturer functions beside the other competitors but they will never form a group of monopolists. Although the monopolist is not in need to expand his protection rights as he controls all marketing activities, the law can prevent him from making profits. In contrast, amplifying the protection for the rights of trademark owners will be at the expense of the competitors (the owners themselves) and consumers. How will this happen: by protecting one's rights and simultaneously abandoning them? A group of monopolists (owners) will be also at the expense of the consumers and the public who should receive continuous product development and quality improvement. When competitors become monopolists, they may raise prices and will not find it necessary to develop their products or to improve their quality. This is the fact that is behind the confusion resulted from the dilution theory, the conflicting laws and the opposite implications.

Jurists and theories that handle the nature of trademark discuss the rights of trademark owner rather than the essence of trademark itself based on unjustified confusion between trademark nature and the owner of the trademark. It has become an academic orientation that the nature of rights in trademark and the nature of trademark itself are one thing. Academic orientations also view nature of trademark as the function of trademark. Furthermore, trademark is confused with the branded product and service so that a separation has become an urgent priority.

### 2.2.1 Confusion between the Nature of Right to Trademark, and the Nature of Trademark Itself:

Schechter's dilution theory in 1927, which was developed in a difficult economic context (post 1<sup>st</sup> world war economic rescission) and employed "labor theory", has catalyzed the modern trademark doctrine and guided it through owners' rights to reap the fruit of their products<sup>(51)</sup>. Dilution theory, as well as subsequent approaches, disregarded the nature and the entity of trademark and concentrated on the emerging doctrine on protecting owner's rights to utilize his trademark in marketplace. Such a misconception has transformed into to an academic tradition through confusion between the nature of rights in trademark and the nature of trademark itself.

As trademark rights are defined by territorial boundaries of the European Communities, Smith Robert S, in his article ( The Unsolved Tension Between Trademark Protection and Free Movement of Goods in The European Community )<sup>(52)</sup>, asserted that the nature of trademark and the nature of owner's rights in trademark are one thing. He argued that "granting owner' rights benefits the consumers and ensures product quality, rather than encouraging owners to raise the prices".

The existing trademark concept "seems to be in conflict with the goals of the European Community (EC) to dismantle territorial boundaries and to promote the free movement of goods", as trademark rights are limited by territorial boundaries. Specifically, "trademark rights depend on the jurisdiction of a particular territory for their

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<sup>(51)</sup> Schechter, Frank I. April (1927). The Rational Basis of Trademark protection. Harvard Law Review

<sup>(52)</sup>Smith, Robert S, 1992, THE UNRESOLVED TENSION BETWEEN TRADEMARK PROTECTION AND FREE MOVEMENT OF GOODS IN THE EUROPEAN COMMUNITY, Duke Journal of Comparative & International Law, 89.

protection and recognition by the consumers of a particular nationality in performing their functions."<sup>(53)</sup>

Products are mostly produced through a complex processes utilizing input (lands, tools and machines, workers' efforts, public properties and utilities,... etc.) to convert raw materials to output/products<sup>(54)</sup>. Dilution theorists grant the manufacturer/ trader exclusive rights to utilize all these efforts and properties in marketplace under the pretext that he pays for all inputs. Symbol/name of the product that is not paid entitled the owner to utilize the product<sup>(55)</sup>. Accordingly, this study argues that the product is a combination of paid and free components. The question arises here is: Do we have the right to own and utilize what we do not pay for? The answer of this question lies in introducing a new principle for trademark nature that separates it from owner's rights in the product.

Fisher<sup>(56)</sup> comments on labor theory saying that : jurists and lawmakers "employed the theory to justify and extend the owners' rights to be applicable to intellectual property", where the main components of facts, concepts, and raw materials may hold in common, and labor contributes to "finished products" only.

In 1870, the term "nature of trademark " was used in the comment of the Supreme Court that defined it as the right to adopt and use a symbol or a device to distinguish the

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<sup>(53)</sup>Smith, Robert S, previous reference, see FN (52).

<sup>(54)</sup> Gill, Suveera (2015). Cost and Management Accounting: Fundamentals and its Applications. Vikas Publishing House. p. 118

<sup>(55)</sup> Fisher. William, 2001, Theories of Intellectual Property, available at:  
[http://www.law.harvard.edu/Academic\\_Affairs/coursepages/tfisher/iptheory.htm1](http://www.law.harvard.edu/Academic_Affairs/coursepages/tfisher/iptheory.htm1).

<sup>(56)</sup>Fisher. William, 2001, Theories of Intellectual Property, available at:  
[http://www.law.harvard.edu/Academic\\_Affairs/coursepages/tfisher/iptheory.htm1](http://www.law.harvard.edu/Academic_Affairs/coursepages/tfisher/iptheory.htm1).

goods or property made or sold by a person<sup>(57)</sup>. This research argues that the Supreme Court comment also emphasized the confusion between the nature of trademark and the nature of rights in trademark. It also argues that 1870 comment was a trigger for establishing jurists' orientation toward confusion between the nature of trademark and the nature of owner's right, as well as a notion for dealing with each concept as an alternative for the other. Accordingly, jurists adopt this orientation to establish the trademark system and support it by the relevant theories.

John Stuart Mill as a classical utilitarian philosopher- promoted individual's liberty to please himself morally<sup>(58)</sup>. The two theories have led to the same end, i.e. orienting the trademark system justification that assures owner's exclusive right to benefit from the system: As the individual's pleasure requirements are governed by ethical considerations and society welfare, neoclassical economists have joined the two theories in one- utilitarian and economic theory- to lead subsequent acts that assures owner's rights to benefit from trademark system, effective and efficient production, and products that are necessary for society pleasure.

The reasons beyond the problem of Monopoly<sup>(59)</sup>, which always appear for the benefit of the trademark owner with any attempt to grow and expand in the trademark system, while the opposite should have been implemented.

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<sup>(57)</sup>Cross. John T, 2008, THE LINGERING LEGACY OF TRADE-MARK CASES, Michigan State Law Review, 367.

<sup>(58)</sup> John Stuart Mill (1863). Utilitarianism (1 ed.). Parker, Son & Bourn, West Strand, London.

<sup>(59)</sup> See, e.g, Bellido, Jose, 2015, Toward a history of trade mark watching, Intellectual Property Quarterly, 130-151. See also, e.g, Obayuwana, Anson, 2012, Unintentional trademark expansion and unfair competition in cyberspace: the domain name phenomenon, European Intellectual Property Review, 177-187. See also, e.g, Meiners, Roger E, and Staaf, Robert J, Summer 1990, PATENTS, COPYRIGHTS, AND TRADEMARKS: PROPERTY OR MONOPOLY?, Harvard Journal of Law & Public Policy, 911.



Since establishing any protection or function of trademark depends on confusion between nature of trademark , and nature of owner's right in trademark, this will be beneficial only to the trademark's owner , and will certainly lead to monopoly .

Eventually, Schechter, the famous jurist and the founder of dilution theory, faced the same deviation in examining and analyzing the theory and the history of trademark. On the cover of his book "The Nature of Trademark: what is the exact nature of the right to a trademark"<sup>(60)</sup>, experienced the same confusion "between the nature of trademark and the nature of the right to a trademark". Therefore, Schechter created the function of quality depending on the said confusion and stated that the protection granted accordingly supports the monopoly in favor of trademark's owner.

### 2.2.2 Confusion Between The Function of Trademark and The Nature of Trademark Itself:

In this section, the confusion between the trademark and the function of trademark will be highlighted. According to W.L.P.A.'s article (The Nature of The Trademark)<sup>(61)</sup>, Molengraaff, restricted the function of trademark to distinguish owners'/ traders' of the products from each other. In fact, Molengraaff's article did not illustrate the nature of trademark as a reader may expect.

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<sup>(60)</sup>Schechter, Frank I, The Historical Foundations of The Law Relating to Trade-Marks, 1925, Columbia university.

<sup>(61)</sup>Molengraaff , W.L.P.A., 1920, The Nature of the trade-mark, Yale Law Journal Company, 303.

Chronopoulos suggested expanding the function of trademark system to guide effective value judgments for trademark disputes<sup>(62)</sup>. In other words, he called for expanding the function of trademark.

Robert S. Smith<sup>(63)</sup> suggested expanding European trademark function through using unified trademark to solve the conflict of multi trademarks with free movement of goods between European States in the one hand and to dismantle their territorial boundaries on the other.

Hence, existence of trademark is a completely independent due to the investment need in economical exchange, which led to creation of trademark called “the free movement of goods and the freedom to provide services”

Examination of the historical sequence of trademark without separating between the independent existence of the trademark and the branded product will lead to a deviation in determination of the nature of trademark, concentration on the function of trademark depending on such confusion, and considering that the nature of trademark constitutes the function of trademark.

Additionally, in the same article Molengraaff, W.L.P.A. implied that the trademark does not necessarily reflect the product’s color, characteristics, weight and quality, in order

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<sup>(62)</sup> See, e.g, Chronopoulos, Apostolos, 2011, determining the scope of trademark rights by recourse to value judgments related to the effectiveness of competition - the demise of the trademark use requirement and the functional analysis of trademark law, *International Review of Intellectual Property and Competition Law*, 535. See also, e.g, Tarawneh, Jasem, 2016, A new classification for trade mark functions, *Intellectual Property Quarterly*, 352-370. See also, e.g, Smith, Robert S, 1992, THE UNRESOLVED TENSION BETWEEN TRADEMARK PROTECTION AND FREE MOVEMENT OF GOODS IN THE EUROPEAN COMMUNITY, *Duke Journal of Comparative & International Law*, 89.

<sup>(63)</sup>Smith, Robert S, 1992, THE UNRESOLVED TENSION BETWEEN TRADEMARK PROTECTION AND FREE MOVEMENT OF GOODS IN THE EUROPEAN COMMUNITY, *Duke Journal of Comparative & International Law*, 89.

to confirm his own way that trademark has an existence that is separate from the product or services provided under trademark.

In same sequence, Molengraaff, W.L.P.A. clarifies that is not allowed and not permitted that any trademark reflects product's characteristics , since it will lead to monopoly of this form or property.

Despite all of the above, Molengraaff, W.L.P.A in same article , confused between the nature of trademark itself and the function of trademark , as he said:

- " from the nature of the trademark as a symbol to distinguish similar products manufactured by a certain manufacturer or trader, I conclude that the trademark does not cover the attributes of item, its character, quality, form, color, etc., or the covering or envelope, or the label( etiquette), or its common trade name, or the name of its geographical origin"<sup>(64)</sup>.

At large, in addition to Molengraaff, W.L.P.A., the jurists confuse the function of trademark as the source identifier<sup>(65)</sup>, with the nature of trademark, since they consider it one thing.

Thus, considering the nature of trademark and the function of trademark one thing has appeared as a result of the deviation in studying the history of trademark, by treating the trademark and the product or services provided under such trademark as one thing.

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<sup>(64)</sup>Molengraaff , W.L.P.A., 1920, The Nature of the trade-mark, Yale Law Journal Company, 303.

<sup>(65)</sup> See, e.g, Shulman. Harry, 1940, THE FAIR TRADE ACTS AND THE LAW OF RESTRICTIVE AGREEMENTS AFFECTING CHATTELS, Yale Law Journal Company, 607. See also, e.g, Roth. Benjamin H, 2014, RETAINING THE HOPE THAT REJECTION PROMISES: WHY SUNBEAM IS A LIGHT THAT SHOULD NOT BE FOLLOWED, Emory Bankruptcy Developments Journal, 30, 529. See also, e.g, Garner. W. Michael, summer. 2014, TRADEMARKS IN FRANCHISING: THE BASICS, Wake Forest Journal of Business and Intellectual Property Law, 599.

Accordingly, the definition of trademark contains the function of trademark mentioned in (Trademark Code of 1875)<sup>(66)</sup>.

According to such definition, jurists have begun to consider the function and the nature of trademark one thing<sup>(67)</sup>. Referring to Frank Schechter's book<sup>(68)</sup>, there is a clear indication that the Supreme Court at that time considered the nature of trademark as if it refers to the function of trademark, as Schechter stated:

-“until 1870, the Supreme Court of Illinois had addressed the subject of trademark protection the same way used in the fifteenth century and is similar in some respects to the marks or brands that denotes the origin of the item”<sup>(69)</sup>.

This study argues that Schechter employed the confusion between the function of trademark and the nature of trademark in studying the history of trademark and the theories that established the trademark system. Dilution theory also considers the trademark and the product/ services provided under such trademark one thing. Further, Schechter emphasized that there is no independent existence of a trademark from its product/ service. According to modern history of trademark, Schechter found the quality function as a function of trademark.

Therefore, this clearly shows the seriousness of these deviations since the quality is a feature relates to the product rather that to the trademark. Trademark, as a symbol or

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<sup>(66)</sup>See, e.g, <https://catalog.hathitrust.org/Record/010476075>. See also, Cornish. W, and Llewelyn. D, 2007, Intellectual Property: Patents, Copyright, Trademarks and Allied Rights, 6thedn, Sweet & Maxwell London, 608.

<sup>(67)</sup>See, e.g, Chronopoulos. Apostolos, 2011, Determining the scope of trademark rights by recourse to value judgements related to the effectiveness of competition - the demise of the trademark use requirement and the functional analysis of trademark law, International Review of Intellectual Property and Competition Law, 535. See also, e.g, Molengraaf. W. L. P. A, 1920, The Nature of Trade-Mark, Yale Law Journal Company, 303.

<sup>(68)</sup>Schechter, Frank I, The Historical Foundations of The Law Relating to Trade-Marks, 1925, Columbia university.

<sup>(69)</sup>Schechter, Frank I, The Historical Foundations of The Law Relating to Trade-Marks, 1925, Columbia university.

word registered with the Ministry of Industry and Trade belongs to a particular type of product/ service, must not be used by another owner of the same type of product/ service or for a similar trademark because it will lead to confusing the consumers.

At the same time, it is argued here that quality is the characteristics that enable a person to distinguish the product/ service and the owner's contribution regarding effort, time, money and the payment of product's market/ economic value. Since the quality is not a fixed characteristic and does not represent a requirement for maintaining the trademark, any product's quality may change at any time without be an enough reason to deny the right of trademark owner to own the trademark.

Moreover, the quality of any product varies from a culture to another and from one person to another depending on the cultural level, and the type of need met by service or product.

The investment needs require a justified trademark system to distinguish between products/ service during the exchange transactions, define the origin of goods for legal issues in case of loss, and sanctions for replacement and imitation. The justified trademark system also helps to protect consumer, product's owner and competitors so that it can be judged as a comprehensive trademark system.

### 2.3 The Negative Consequences of the Current Trademark System:

The negative consequences associated with the trademark system have increased because of unjustifiable confusion between the nature of trademark and between both the rights of trademark owner on the one hand and trademark's functions on the other.

Confusion between nature of trademark and the rights of trademark owner results in an overconcentration on these rights so that owners sound like monopolies. On the other hand, confusion between trademark nature and the functions of trademark resulted in ignoring the rights of competitors and consumers who both are partners in the trademark system<sup>(70)</sup>.

Consumers' rights were discussed and considered as a marketing concept rather than component of trademark system. Rooted in utilitarian theory and indicated in the writings of marketing jurists (notably Philip Kotler)<sup>(71)</sup>. Philip Kotler considers the consumer the heart of marketing activities regarding quality, prices, promotion, and distribution. Though the law on protection of consumers from unjustifiable marketing activities or unfair practices of other partners in trademark system complements each other<sup>(72)</sup>, there are still considerable differences<sup>(73)</sup>: for example, trademark owners' administer the marketing activities and judicial authorities enforce regulations and provisions, so that a persistent need calls for compact and cohesive trademark system. The following two sections discuss these negative consequences.

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<sup>(70)</sup>Dima Basma(2016). The Nature, Scope, and Limits of Modern Trademark Protection: A Luxury Fashion Industry Perspective. A thesis submitted for the Degree, School of Law, Faculty of Humanities, the University of Manchester

<sup>(71)</sup> Philip Kotler (1984). Principles of marketing. Pearson Education, London, UK.

<sup>(72)</sup> Tim W. Dornis (1992). Trademark and Unfair Competition Conflicts: Historical-Comparative, Doctrinal, and Economic Perspectives. Cambridge University Press.

<sup>(73)</sup> Mira Wilkins (1992). The Neglected Intangible Asset: The Influence of the Trade Mark on the Rise of the Modern Corporation. Journal of Business History, Volume 34, No. 1, PP. 66-95

Trademark owners, competitors and consumers claim that trademark system, conflicting acts and powerful corporations encourage unfair market practices<sup>(74)</sup>.

### 2.3.1 Overconcentration on the Rights of trademark Owners:

Tim W. Dornis simply summarized the origin of these negatives and complex outcomes: "English private law was expanded in term of writing and not rights", but, "rights have their theoretical origin in custom and morality-principles", where "judicial authority limits were defined in terms of rights (not written) from "written provisions of codes, statutes, and ordinances"<sup>(75)</sup>.

While "confusion" article, for example, provides protection for consumers against cheating and distracting among different trademarks, it also provides a sort of protection for trademark owner<sup>(76)</sup>. Additionally, dilution approach provides a pivotal concern in trademark system for protecting owners' rights<sup>(77)</sup>. Each party in marketplace follows its own interest and tries to woo affecting decision in its favor. Dilution theory, as a pivotal approach for protecting the rights of trademark owner, has helped to expand that protection<sup>(78)</sup>.

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<sup>(74)</sup> Anupam Chander and Madhavi Sunder (2007). Everyone's a Superhero: A Cultural Theory of "Mary Sue" Fan Fiction as Fair Use. *California Law Review*, Volume 95, Nol. 2, PP 597-626.

<sup>(75)</sup> Tim W. Dornis (1992). *Trademark and Unfair Competition Conflicts: Historical-Comparative, Doctrinal, and Economic Perspectives*. Cambridge University Press, P 187.

<sup>(76)</sup> George Miaoulis and Nancy D'Amato (1978). Consumer Confusion & Trademark Infringement. *Journal of Marketing*, Vol. 42, No. 2, pp. 48-55

<sup>(77)</sup> Mark P. McKenna(2012). A Consumer Decision-Making Theory of Trademark Law. *Virginia Law Review*, Vol. 98, pp 68-141.

<sup>(78)</sup> Dev Gangjee and Robert Burrell (2010). Because You're Worth It: L'Oréal and the Prohibition on Free Riding. *The Modern Law Review*, Volume 73, No. 2, PP295-282 .

### 2.3.2 Ignoring the Rights of the Competitors and Consumers:

Overconcentration on owner's rights has led to ignoring or underestimating competitors' and consumers' rights. Conflicting interest of market forces, evolving businesses and modern functions, and relying on multiple premises for legislation amendments - on the bases of "dilution doctrine"- led to expanding owners' rights protection and ignoring/ underestimating competitors, consumers and public's rights<sup>(79)</sup>.

Harold R. Weinberg provided an important examination for the six interrelated postulates comprising "monopoly of trademarks theory"<sup>(80)</sup>:

- 1) "trademarks are monopolistic,
- 2) trademark monopolies are like illegal antitrust monopolies as both harm competition
- 3) trademark law is like antitrust law as both value competition:
- 4) trademark law is like antitrust law as both apply economic methodology to product markets:
- 5) an antitrust lens can help one understand trademarks and trademark law
- 6) an antitrust lens can help one decide whether a trademark is functional, generic, or infringed"

Weinberg concluded that "monopoly of trademarks theory" is "bust" rather than "robust"

based on his following viewpoints<sup>(81)</sup>:

- 1) Weinberg judged these postulates according to their effects in product market.

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<sup>(79)</sup> Harold R. Weinberg (2005). Is the Monopoly Theory of Trademarks Robust or Bust. *Journal of Intellectual Property Law*, Vol. 13, PP 137-178.

<sup>(80)</sup> Harold R. Weinberg (2005), previous reference, see FN (79).

<sup>(81)</sup> Harold R. Weinberg (2005). Previous reference, see FN (79).



- 2) American courts have for centuries referred to trademarks as monopolies.
- 3) Congress made it illegal to monopolize in the 1890 Sherman Antitrust Act. It recognized that trademarks might be instruments of monopoly in the 1946 Lanham Act.
- 4) The Court occasionally repeated its concern that a trademark might afford monopoly rights
- 5) An illegal antitrust monopoly exists when a firm possesses monopoly power in a relevant market and acquired or retained that power through wrongful conduct
- 6) Anticompetitive TM Models emphasize trademarks' social costs
- 7) In practice, trademark-based product differentiation reduces the benefits associated with competition and yields monopoly power to the mark's user
- 8) The term "monopoly" has multiple diverse meanings
- 9) If trademarks are monopolistic , they certainly differ from illegal antitrust monopolies.
- 10) Weinberg is neither with those argue that "social cost should predominate", nor with the others' argument "social benefit should predominate". He suggested that social cost-benefit is analyzed , trademark usage are functions of both product types and structure determinations of the market in which a product is sold.

Accordingly, this paper provides the following notes:

- a) Postulate No. 1:

Weinberg's judgment appeared in (2005), while the first postulate was really dominating during the "great economic recession and in the wake of the dilution theory. It is, then, normal for American court to refer to trademarks as monopolies

(Weinberg's comment no.2). Additionally, it is normal to take about 55 years for the Congress to consider trademark in 1946 Lanham Act as a monopoly instrument (Weinberg's comment no.3 & 4). Multiple diverse meanings of monopoly yield different legislations and acts depending on antitrust violation and the side effects attached to (Weinberg's comment no. 8 &9).

b) Postulate No. 2:

When a party has exclusive control over a product in a specific market, then, it becomes a monopoly, while a monopoly when maintains improper conduct becomes illegal monopoly<sup>(82)</sup>. According to the above definitions, where is the competition? The 2<sup>nd</sup> postulate" should be as follows: "since both harm candidate competitors". Then, monopoly may not harm the competition unless he commits illegal act<sup>(83)</sup>.

c) Postulate No. 3 &4

Reducing competition benefits and yielding monopoly power are contradictory results built in both marketplace and enactment mechanisms. Then, trademark law sustains monopoly power and may harm competition. In contrast, antitrust law may have some side effects that support monopoly power (Weinberg's 7<sup>th</sup> comment). Both laws may help applying economic methodology to product markets. Moreover, a powerful party in the market place may benefit from political and legislative decisions (Weinberg's comment no. 6 & 10).

d) Postulate No. 5& 6

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<sup>(82)</sup> Thomas G. Krattenmaker; Robert H. Lande; and Steven C. Salop (1997). Monopoly Power and Market Power in Antitrust Law. The Georgetown Law Journal, Vol. 76, PP241-269.

<sup>(83)</sup> Abhinay Muthoo (1999). Bargaining Theory with Applications. Cambridge University Press.

Economic methodology (Postulate no. 4) may employ antitrust lens to explore or close gaps in both laws or in competitors' practices in marketplace.

## 2.4 Conclusion:

Dilution theory and the tendency to revive the capitalist economy of the western world during 1930s through 1950s of the 20<sup>th</sup> century have led to exaggerate the rights of trademark owner. Era of 1960s and beyond witnessed substantial economic growth and intensified competition as well as consumer sovereignty<sup>(84)</sup> and social welfare. Courts and lawmakers began to emphasize antitrust law to dilute "Dilution effect", mitigate monopolistic power, ensure freedom of entry and exit from the market, and grant consumer sovereignty and social welfare.

During this economic congestion, trademark nature was ignored and its system was emptied of the essential content.

We cannot deny that the jurists of the trademark made every effort to achieve ideality, justice, and balance in trademark system through studying, analyzing, and choosing the foundations theories of such system.

In reality, all their efforts were fruitless, since these theories were addressed in terms of "the right of the owner" and the nature of these rights in trademark. Accordingly, practical and legal application for jurists' efforts devoted directly to serve monopolistic trademark.

Jurists of the trademark have restricted to two basic choices: 1) diluting or expanding the trademark system which leads to increase owner's protection and inflating monopoly's power; or 2) constricting the trademark system which leads to shrink owner's protection and inflate the power of other competitors. Both choices lead to blur trademark identity and discharge its content. Chapter 3 introduces a new trademark doctrine as a gateway to justify trademark system, establish a trademark identity and balance relationships between all related parties.

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<sup>(84)</sup> Neil W. Averitt and Robert H. Lande(1997). Consumer Sovereignty: A Unified Theory of Antitrust and Consumer Protection Law. [Antitrust Law Journal, Vol. 65, p. 713, 1997.](#)

## Chapter Three

### The Proposed Rationale for the Nature of Trade Mark

#### Introduction :

As discussed in Chapter 2, this study shows that there is a divergence of views among jurists regarding identification of nature of trademark, and such views are unclear.

However, this study argues that nature of trademark can be identified by analyzing its concept and rebuilding a new concept that is based on a realistic balance between parties and elements of the current trademark system without prejudice to any parties to such relationship. This study seeks to develop a basis for trademark system, where such system will contribute to showing the real identity of the trademark without ambiguity or misrepresentation. This paper finds it difficult to identify nature of trademark due to scarcity of the research and studies conducted on this topic, where the detailed independent studies on this topic almost do not exist in the legal library. Hence, the steps of the accurate scientific research will be followed to identify and define nature of trademark as an integrated entity.

The trademark system establishment theories are essential since they discuss the actual basis of trademark.

The first deviation occurred in studying and analyzing established theories of trademark system. In first deviation, the nature of right to trademark has been considered the nature

of trademark itself. Given such consideration, the necessary protection of trademark was determined, as mentioned and proved in Chapter 2.

Accordingly, section 1 of this Chapter will analyze concept of trademark, use the general rules of research and analysis, and make use of the available previous studies on trademark.

Section 2 of this Chapter will clarify concept of trademark away from the confusion noticed in the previous studies. Concept of trademark will be rebuilt through a new thought that is based on examination of the trademark's independent existence. It will also address the realistic relationship between the trademark and the product, and discuss the rights of the trademark owner and function of the trademark.

Section 3 will examine the legal grounds and rights related to the trademark, where the product, rights of the trademark owner and function of trademark will be separated from the parties to the relationship, namely the trademark owner, consumer and competitor.

Section 4 will examine the most important theories of trademark system<sup>(85)</sup>, including; Labor theory, Utilitarian and economic theory, and Social planning theory.

These three theories will be studied and analyzed by focusing on the exact nature of trademark, i.e. separating this nature from the parties and components of trademark, where the nature of the trademark is a separate and standing-alone nature. Hence, such nature will be the accurate basis of trademark system, and the original justification for this system and its existence in order to identify and correct the defects / deviations in the trademark system

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<sup>(85)</sup>See, e.g, Fisher. W, (2001), Theories of Intellectual Property, available at: [http://www.law.harvard.edu/Academic\\_Affairs/coursepages/tfisher/iptheory.htm](http://www.law.harvard.edu/Academic_Affairs/coursepages/tfisher/iptheory.htm)1. see also, e.g, Hettinger. E. C, (1989), justifying intellectual property, Philosophy and Public Affairs, Vol 18, No 1.

based on the exact nature of trademark system –whereas this nature must be inclusive of all parties and components of the trademark system and totally eliminate monopoly.

### 3.1 Disassembling the trade Mark concept away from any confusion:

To analyze concept of trademark, trademark and its elements, especially the product, should be scrutinized, where the trademark cannot be envisaged without a product or a service, though both product and trademark have independent entities. There is no connection between the procedures and requirements for registration of the trademark, with the aim of distinguishing it from other products and services, and the product and service itself, where the trademark has changeable and adjustable color, form and specifications, without prejudice to the owner's right to use such trademark. For illustration, Mercedes car cannot be envisaged without Mercedes brand, and Coca Cola brand cannot be envisaged without the soft drink. In practice, no product or service may exist without a trademark.

Based on the foregoing, the concept of trademark must be legally and realistically identified in an accurate manner. A product or a service belongs basically to a certain category or class out of 43 categories or classes identified by and registered with the Ministry of Industry and Trade of a certain country or WTO. Hence, when a trader or an owner starts to register the trademark, he must identify the group/s targeted by such trademark. A trader must confirm the registered trademark and use it for the product or service that fall within the pre-determined class and must start to produce such product or

perform such service within no more than 3 years. Otherwise, an owner/ a trader will lose such trademark under the legal requirements and rules.

The term “trademark” is defined by the law as “a word, symbol or shape created by an owner or a trader to identify a product or a service”. It should be mentioned that the word, symbol or shape is distinctive and is different from other registered trademarks used in the same category. In order to distinguish (product or service) of the same category from each other.

Ultimately, when procedures for registration of trademark under the applicable law are conducted, the registered trademark will be legally protected. It is to be noted here that the mere perceptions and ideas in the mind of a trader do not constitute a trademark and they are not protected accordingly, where unregistered ideas are disregarded.

Thus, this paper argues that the symbol, word or shape in the mind of a trader or an owner will not become a trade mark in the legal sense and they will not be legally protected unless:

1. There is a product or a service that falls within the class or category selected or identified by the owner or the trader.
2. The owner or the trader affixes the symbol, word or shape, which has been legally registered, on the product or service.
3. There is no similarity between the symbol, word or shape and any other trademark of the same class/category, since the function of trademark is to differentiate distinguish similar products or services from each other.

4. The trader or the owner has started to perform the service or produce the product after registration the trademark within no more than 3 years. If the owner or the trader fails to use the service or product within the said period, he will lose his right to such trademark and any other trader may own it.

Upon the foregoing, it is noticed that the trader goes through several stages before registering and owning the trademark. The idea comes into the mind of the trader/owner, and then he starts to design shape of the trademark to identify a certain product or service. After that, he registers the trademark with the Ministry of Industry and Trade/ Trademark Registrar, and finally he starts to perform the service or produce the product with the trademark. All these procedures give the trademark owner the right to legal protection as provided under all laws on protection of trademark.

The procedures for registration of trademark might lead to confusion between nature of trademark and the owner's or trader's right to such trademark, where nature of trademark is viewed through the trader's/ owner's right to such trademark. This section seeks to separate nature of trademark from the owner's right to such trademark.

This paper argues that the following points must be mentioned when discussing nature of trademark:

1. When the trader begins to think about and innovate the trademark (symbol, shape or word) and think about inventing the product or providing the service, he thinks from the perspective of competition and differentiation from any



similar trademark or products. Additionally, the trader or owner seeks to attract the largest possible number of customers and clients, as he plays the role of owner and competitor at the first moment of thinking about the trademark. This study will not examine techniques of marketing the trademark or any products, since this matter is irrelevant to the topic of the study.

2. As previously mentioned, registration of trademark as (dilution tourists argue) does not require quality, shape or size of the product/service. In other words, characteristics of the product or service are not a requirement for registration or for continued ownership of trademark by the trader or owner. The quality of product might increase or decrease and this will not affect ownership of trademark. This applies to size of the product or service, where changing characteristics of the product will not affect the trader's ownership of trademark and the trademark will remain legally protected.

Based on the above, the tools and procedures required for registration of trademark are as follows:

1. The trader/ owner determines shape (symbol/word/shape) and color of the trademark taking into account that such trademark is not similar to any other trademark in terms of shape or color.
2. The owner/trader determines the category/class within which the trademark falls according to classification of the Ministry of Industry and Trade.
3. The trader/owner is given 3 years to affix the trademark on the product or service. Otherwise, the trademark will not be legally protected and it can be used by any person.

All these procedures and tools, including the product, shape, color or word, constitute the trademark that is legally protected.

Hence, this research argues that the trademark (symbol, word or color) as well as the product, service, and the 3-year- period for affixing trademark on the product, and registration of trademark with the Ministry of Industry and Trade are independent from the trademark.

The question arises here is: what is the role of competitor or consumer in commercial life cycle and trademark licensing?

To answer this question, we should recall the stages that the trademark goes through. In the search for the trademark name, the trader or owner usually chooses a competitive name and indicates that the service is delivered and the product is manufactured by such owner/trader.

The trader or owner seeks to make profits through competing with others in quality.

The trader pursues popularity to increase income in the country where the trademark is registered. The trademark popularity may extend to outside the country of registration if the product is able to compete at the international level.

In order to market the trademark in markets, the trader (new competitor) develops a marketing plan for the product or service. For example, the new competitor starts to offer the product or service at a low price. After recognition confidence by consumers, a trader increases the price gradually while maintaining the consumer, where the consumer is targeted in this stage. It should be mentioned here that the consumer plays a role in selecting shape and design of the trademark. It is inconceivable that a trader selects a trademark that violates a consumer's culture or belief; rather the trademark must be consistent with a consumer's wants to attract his attention and to be acceptable to him. Further, a consumer plays a role in identifying characteristics of and pricing the branded product/service. This is a marketing matter that has nothing to do with the requirements for registration of the trademark and continuation of its ownership. However, marketing is important for success and recognition of the trademark and for making profits for the trader or owner through differentiating his products from other products and increasing demand for such products.

When analyzing nature and stages of creation of trademark, this paper argues that it is important to differentiate between the owner's or trader's marketing goals through which he seeks to increase his profits on the one hand, and the goals and legal requirements for registration of the trademark to be legally protected on the other hand. This study concludes that the legal requirements for registration of trademark are linked to and concentrate on the marketing goals for the product or service to promote the branded product or service and then to price such product. This also enhances the appropriate level of competitiveness

between the new owner/trader and other traders who own trademarks for similar products. Generally speaking, every trademark owner or trader is deemed to be a competitor for other traders from a consumer's perspective. Consumers are the target group of this process, which starts from the moment at which the shape of trademark is identified and chosen.

According to the Jordan Trademark Law, the trademark is “ any visible sing used or to be used by any person to distinguish his goods, products or services from the goods, products or services of others”.<sup>(86)</sup>

The trademark is defined in Lanham Code of 1946 as “a word, phrase, logo, graphic symbol, or other device that identifies the source of a product or service and distinguishes it from competitors”.<sup>(87)</sup>

According to the European laws, the trademark is defined as “a logo, name, word or a symbol or a combination of the same that is used by the manufacturer or seller to distinguish his products or services from products or services of others”.<sup>(88)</sup>.

Based on the above, it is noticed that the definition used in Europe is similar to the definitions contained in the laws on trademark.

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<sup>(86)</sup> Jordanian trademark Law.

<sup>(87)</sup> Giovanni B. Ramello (2006). What's in a Sign? Trademark Law and Economic Theory. Journal of Economic Surveys, 2006, vol. 20, No. 4, 547-565

<sup>(88)</sup> Giovanni B. Ramello (2006). What's in a Sign? Trademark Law and Economic Theory. Journal of Economic Surveys, 2006, vol. 20, No. 4, 547-565

This conformity or similarity will make it easy to understand the trademark, analyze trademark elements, differentiate between trademark and marketing goals and distinguish trademark from the requirements for registration.

Having reviewed the definitions above, the trademark can be defined as “a symbol, word or shape that is different from any other trademark that belongs to the same category classified by the Ministry of Industry and Trade, provided that such trademark is affixed on the product or service within no more than 3 years under the pain of loss of legal protection”.

### 3.2 Reconstructing the trademark concept realistically and legally:

Having reviewed elements of the trademark, it is concluded that:

- The symbols/words/shapes (including circles, squares and colors) and names of persons or areas are owned by and available for everyone and none can use them exclusively in his name or in the name of his commercial business. All products or services are classified by the Ministry of Industry and Trade in 43 categories or classes. Every category includes a wide set of products and services (category’s depth or width). For example, class 23 contains textile. <sup>(89)</sup>

Depth of category: wool yarn, cotton yarn, linen yarn, acrylic yarn, etc.

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<sup>(89)</sup> Jordanian Ministry of Industry and Trade, Products and Services categories.

Width of category: thickness and strength of the thread of each type and its resistance to water.

Accordingly, the products alone are not considered exclusive to a certain owner or trader.

- Trader: before starting registration procedures, a trader chooses the class within which the trademark may fall. A trader/ owner can register several classes or categories, and then he undertakes to meet conditions for use and production of the branded product. Such product may not exist at the time of registration of the trademark, but the owner or the merchant has good faith in using the trademark within the period specified by law.
- The trader/ owner distinguishes his product from other products for the purpose of competition and investment. It should be noted that when the trade mark is chosen and registered, there may be a product already on the market for another owner or trader, but with a different trademark, and the owner understands that new traders may engage in the same class with different trademarks in the future. It is to be noted here that a number of competitors for a certain product may be determined according to the need and capacity of market as in the case of communications companies, where there is a licensed monopolistic competition for every service provider.

In sum, it goes without saying that the trader or owner has a branded product or service, and regardless of its future development, such product or service will remain within the

registered category. Further, the owner/trader can use the trademark on any product that falls within such category. Upon the foregoing, it can be concluded that:

1. The specified category contains unlimited number of products or services.
2. When the trademark is registered, the trader or owner owns a product or service that belongs to a category that is determined at the time when the trademark is registered, and the trademark can be registered while the product does not exist.
3. When the trader or owner chooses a category or class of a product or service, he has the right to produce all products of such category or class and use the same licensed trademark.
4. When a trademark for a certain product or service is selected by the owner/trader, the remaining traders may not register a trademark for the similar category or class even if for a different product/ service within the same category or class. This is since the trader/owner chooses a category or a class and not a product or a service when he registers the trademark.

This permits to the trader/owner to affix, at any time within the 3-year-period specified by the law, the trademark on the product or service falling within the category chosen by him when the trademark is registered.

This leads to an important conclusion that the category or class in depth and width can include an infinite number of services or products that fall under such category or class, and that such trademark does not represent only one product or service. In other words, after suspension of production of the product or service, the trader may replace it with another product or service that falls within same registered class or category.

This paper asserts that the broad spectrum area is owned by everyone, and that products and services in a wide range of categories- (43)- are not owned by anyone, and that it is possible to conceive that a trader/owner owns all or some of products or delivers the services of the same class or category, provided that a different trademark is used.

5. The trader or owner owns the product or service that is separate from the trademark affixed on the product or service. Hence, the quality of product is closely related to the product itself and does not extend to all products or services that the owner or the trader himself can actually trade. This is actually the case of a trader or owner who intends to diversify and expand production lines to include products or services within the same category or class. In this case, these new products might not be accepted by the consumer, so the trader or the owner has two options, either to suspend production of such products or services that have not been accepted by the consumer or to continue producing them and incur more losses that can be compensated through the highly-traded and successful products or services, which are called (cash cow products) as a source of profitable income.

Accordingly, if the trader/ owner suspends the product or service that has not been accepted by the consumer, he will not lose the right to the trademark. However, the law permits to him to produce other products of the same category or class under the same trademark.

Examples of products or services that have not been accepted by the consumers include:



- Head-mounted Google glass to augment reality in 2017 failed to be adopted by intended customers.<sup>(90)</sup>
- Satisfries of Burger King with less porous batter to reduce absorbed oil in 2013 was failed and discontinued.<sup>(91)</sup>

TouchPad of Hewlett Packard's in 2011 to compete with Apple's iPad was failed and discontinued.<sup>(92)</sup>

Accordingly, the view advocated by Schechter and supported by some jurists regarding trademark dilution contradicts itself. For example, if the owner of a successful and high quality product/service decides to expand his business by producing another product/service of the same registered category(s) and such product/service is proven to be of poor quality for consumers and the trademark owner recalls the product or service from the market and suspends such product, then this trader has played the role of other competitors in diluting his trademark, so how can (dilution theory) address this situation? Then, is it possible to withdraw the registered trademark for all products of a particular class or category by simply producing a product or service that has not been accepted by the consumer?

Since the validity of the dilution theory lies in its "predictability", it should apply to all traders/owners alike who deal with that product/service, including the trader/owner himself. Accordingly, the failure of the "dilution theory" to address such a situation is in itself an implicit recognition by supporters of this theory that it assumes and

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<sup>(90)</sup> Michael B. Sauter et al. (2018). When product launches go awry: 50 worst product flops of all time. 24/7 Wall Street, July 11, 2018. Available at:

<https://www.usatoday.com/story/money/2018/07/11/50-worst-product-flops-of-all-time/36734837/>

<sup>(91)</sup> Ibid.

<sup>(92)</sup> Thomas C. Frohlich (2017). The 10 Worst Product Fails of All Time, 24/7 Wall St., March 6, 2014. Available at: <https://time.com/13549/the-10-worst-product-fails-of-all-time/>.

confirms that quality is part of the trademark, while, as previously argued in this paper, that quality is part of the product / service and not part of the trademark.

Since it is a principle of legal justice to respect equality rather than favoritism, and as the owner of the product/ service is a competitor at the same time, how does the “dilution theory” give him the right to “mitigate” the trademark he uses, and punish his peers for the same violation? This distortion in the structure and construction of the "dilution theory" is due to considering the trademark and the product/ service one thing.

Therefore, at first glance, the “dilution theory” does not protect the trademark but rather protects the owner of the product/service directly as the owner of that product/service when diluting his trademark by producing low-quality products or services that are not acceptable to the consumer. However, such trader/owner is not subject to any penalty for failure of this product. In the event that another trader competes by “diluting” that trader’s trademark, the latter has the right to sue the former and claim compensation for the losses he incurred. Therefore, the "dilution theory" is an investment protection for the product owner, but not for the trademark itself, as it is related to the product and not to the trademark.

Accordingly, the quality is closely related to the product or service and not the trademark itself, and that applies to all products/services of the specified category/categories.

Hence, and based on the law and reality, the actual construction of the trademark must be as follows:

*“A trademark is a symbol/shape/sign created by the trader/owner to be used in the products/services falling within a certain category in order to distinguish it from other traders’ products/services of the same category, and such trademark must be registered with the Ministry of Industry and Trade to protect it from infringement, forgery, or any illegal use”.*

- Use of trademark is granted by a certain trader/owner in a particular category that includes a wide range of products/services that the trader is obligated to use under certain conditions. A trader/owner has the right to produce any other product/service of that category under the same trademark; and to prevent anyone else from using such trademark for any product/service falling within the same category. This means that the trademark registration gives the trader /owner the right to use it, and not own it according to the "Use it or lose it" rule.
- A trader, owner and competitor who uses a trademark in a category and is registered with the Ministry of Industry and Trade is a competitor at the same time as other traders who own the same products/services of the same infinite categories with the possibility of registering a number of trademarks in the commercial market. This means that this trader /owner and the competitor are at the same level so that every trader /owner is a competitor in the market and every competitor is a trader /owner in the same market. This also means that every right granted by law to the trader/owner who uses the trademark is also granted to the competing trader alike, and that any punishable monopoly (eg, dilution of other trademarks) is detrimental to him as well as to other competitors.

- Everyone in the world is a consumer, including the owner/competitor who consumes several products/services including his trademark, but the consumer is not necessarily a trader/competitor. Therefore, the term Consumer includes every person in the world, as it is impossible to have a person who does not consume any type of product/service. Additionally, the consumer is the focus of the investment process and is targeted during the marketing campaigns by advertisements made by the owner/competitor. Since the consumer forms the basis of the entire competitive process, product and trademark distinction is consumer oriented which is purely an investment objective.

### 3.3 Rationale for Trademark System:

Based on all previous conclusions and arguments, and according to the analysis of legal and realistic structure of trademark, it is found that the trademark is of a dual nature, where it is of intellectual and investment nature at the same time and these two natures cannot be separated. Such two natures work as a single unit once the idea is created in the mind of trader/owner who looks for a name/symbol to distinguish his product/service from products/services of other traders or service providers.

Since the idea has been created and after the trademark has been registered with the Ministry of Industry and Trade in a specific category, the motive of the trader/owner is the competitive investment to distinguish his product in the market and make profits by attracting the largest possible number of consumers. The project is generally subject to a

feasibility study before registering the trademark. After the trader /owner registers his trademark and launches his product/service in the market, the trader /owner begins to develop his product/service and improve its quality and determine the best combination between (quality, cost and price) to ensure a successful competitive position and make the largest possible profit. It should be noted that marketing campaigns are considered an additional cost to the trader, but they are, at the same time, a key factor in the success of the product, gaining recognition and consumer loyalty, and staying in an advanced position of competition.

An important question arises here is: Is product differentiation among competitors the only function of the trademark?. To answer this question, we should recall the points mentioned while discussing elements of the trademark.

It is argued here that that the trader / owner and the competitor - who is the trader in the market - are two sides of the same coin and play a role in maintaining the distinguished position of the product, and that the consumer is the basis of the competitive process. In this regard, we should not forget the role played by the Ministry of Industry and Trade in maintaining the competitive position of the trademark, as it plays the regulatory role and prevents any licenses that would infringe on the rights of the owners/producers of trademarks, whenever there is a kind of similarity in trademarks in terms of color, shape or name. The Ministry supervises the organization and arrangement of all types of products/services within specified general categories and monitors compliance with the international agreements in this regard such as agreements for registration of trademarks, international trade and intellectual property.

It is noted that the main objective of such international agreements is to apply the concept of economic globalization, open international markets for products/services, improve customs protection for products, facilitate free trade between countries, and regulate and protect trademarks. Thus, in addition to the function of distinguishing between the products that has been “repeatedly mentioned previously”, the trademark plays an international (regulatory) role that each country performs both internally and externally with the countries that are parties to such international agreements. The agreements promote economic and cultural globalization, protect the rights of international trademarks from counterfeiting and misuse, and facilitate their entry into any international market.

The trademark system can be compared to the "birth name system", where it is possible to find similar names, which was later resolved by placing a national number for each citizen, as it is not possible to have the similar national numbers so that it can distinguish between different citizens. This helps in organizing society, preventing infringement on rights of others and imposing penalties on those who violate the law.

Based on the foregoing, a trademark cannot be owned, as the trademark is an intangible entity or state, but what distinguishes it is the presence of a user, who owns a product / service and has the exclusive right to use the registered trademark in accordance with the provisions of the law. This means that there is no trademark ownership right. Yet, there is a right to use the trademark which can be suspended or extracted used by another trader /owner when the previous owner/user ceases to use it.

### 3.4 The Proper Theoretical Approach for the Proposed Rationale for the Nature of Trademark:

The previous sections contain an introduction to section 4. This section analyzes the three economic theories discussed in Chapter 2 in order to verify that they are appropriate to develop a rationale for the new concept of trademark as specified in this paper.

Accordingly, the trademark system establishment theories are essential since they discuss the actual basis of trademark.

The first deviation occurred in studying and analyzing established theories of trademark system. In first deviation, the nature of right to trademark has been considered the nature of trademark itself. Given such consideration, the necessary protection of trademark was determined, as mentioned and proved in Chapter 2.

In this section, the most important theories of trademark system<sup>(93)</sup> will be discussed, including; Labor theory, Utilitarian and economic theory, and Social planning theory.

These three theories will be studied and analyzed by focusing on the exact nature of trademark , i.e. separating this nature from the parties and components of trademark, where the nature of the trademark is a separate and standing-alone nature. Hence, such nature will be the accurate basis of trademark system, and the original justification for this system and its existence in order to identify and correct the defects / deviations in the trademark system

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<sup>(93)</sup>See, e.g, Fisher. W, (2001), Theories of Intellectual Property, available at: [http://www.law.harvard.edu/Academic\\_Affairs/coursepages/tfisher/iptheory.htm](http://www.law.harvard.edu/Academic_Affairs/coursepages/tfisher/iptheory.htm)1. see also, e.g, Hettinger. E. C, (1989), justifying intellectual property, Philosophy and Public Affairs, Vol 18, No 1.

based on the exact nature of trademark system –whereas this nature must be inclusive of all parties and components of the trademark system and totally eliminate monopoly.

**1)The Labor Theory:** The natural effort is a component of products/services but not a trademark as the latter is a nomination for a "used but not owned" issue. Therefore, it is not justified to display owned "products/services" over a non-proprietary "trademark".

Labor theory should not be studied or analyzed either by focusing on the nature of the right to "intellectual property" or by considering that a "person's labor" and his product/service are the same.

Product/service quality is also a component of product/service rather than trademark as the latter cannot be considered as an indicator of product/service quality. If we assume that the trademark refers to the quality of the product/service, then the trademark is converted into a monetary value and the owner must be compensated for its loss if it is not used.

The efficiency and effectiveness of the production system can be achieved by improving the quality and determining the total cost or reducing the total cost and determining the level of quality, or a combination of both techniques. In any case, considering the trademark as a factor of product/service quality will create unresolved problems in calculating the cost of the trademark and applying legal penalties to cases of infringement.



Characteristics of products/services<sup>(94)</sup> prevent labor theory from being generalized to all products/services as dealing with trademark as an indicator of quality will make it an ambiguous and anonymous issue and cause significant confusion to courts and market players.

The "natural efforts" mentioned in "labor theory" can be replaced by the phrase "owner's rights in the product/service" in place of the "trademark concept".

This theory is summarized in the study and analysis (the nature of right) and that intellectual property rights are originally due to the labor, i.e. the effort<sup>(95)</sup> of any person, and then any person has the right to own anything that resulted from his labor/effort.

According to the previous theory, scientists were divided into two groups. The first group finds that labor is the proper basis for intellectual property rights, meaning that anyone should own anything resulting from his (mental labor). The other group finds that labor is valid for everyone and intellectual property rights were divided except for trademarks<sup>(96)</sup>.

The deviation occurred clearly at this point specifically through the application of (labor theory) to intellectual property rights due to the study and analysis of this theory by focusing on the nature of the intellectual property right without focusing on the nature of (labor) itself. This theory is studied and analyzed - by considering it one of the theories of creating a trademark system - to understand the nature of the trademark itself, as that trademark is the result of (mental labor) in the first place. Therefore, (labor theory) should

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<sup>(94)</sup> William M. Landes, and Richard A. Posner (1987). Trademark Law: An Economic Perspective. The Journal of Law and Economics, Volume 30, Number 2, Oct., 1987, the University of Chicago.

<sup>(95)</sup> See, e.g, Naser, M. A, (2007), Rethinking the Foundations of Trademarks, Buffalo Intellectual Property Law Journal, 2.

<sup>(96)</sup> See, e.g, Wilf. S. (1999). Who author Trademarks?. Cardozo Arts & Entertainment L J 17.

not be studied or analyzed either by focusing on the nature of the right to (intellectual property) or by considering (the individual's labor) and his labor/product are the same.

Accordingly, this theory will be studied and analyzed to understand the nature of the trademark and to prove what has been concluded in the previous chapter that the trademark has two natures: an intellectual nature and an investment nature.

Locke's theory (labor theory) is one of the oldest theories based on the idea of labor and related to intellectual property in general. This theory considers any person to have the right to own anything resulting from his labor/effort, and based on this point, some jurists have found this theory suitable for tangible things but not suitable for intangibles such as intellectual property rights in general and trademarks in particular.

Returning to the previous point, in particular, this theory will be studied and analyzed impartially, considering that the basis of this theory is the effort of the labor/person, and in the time of Locke, the founder of this theory, the property was belonging to tangible things, and this does not mean the failure of the theory.

The effort is the basis of labor theory as the foundation and origin of a trademark begin with the "mental labor" associated with an investment objective that should belong to a particular category. Thus, the person who makes this "mental effort" has the full right to register this trademark - for this particular category - in the Trademark Register and thus be the official owner of this trademark and prevent any other person from using the same trademark on similar products<sup>(97)</sup>. This right to own the trademark is governed by two conditions: first, its use or loss - as explained earlier - which means that the trademark

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<sup>(97)</sup>See, Jordanian Trade Mark Of Law. See, also, Trade Mark UK Law.

owner must use the trademark or he will lose it. Second, it allows other investors to own the same trademark in a different category.

This theory is based on the idea-based principle that no action should conflict with the "common good" and therefore this principle consists of two conditions:

1. Good and adequate condition.
2. Non-waste condition<sup>(98)</sup>.

From these two conditions, one can explain the necessity of using the trademark to avoid losing it and explain the requirement that no trademark should be monopolized under any circumstances.

We conclude from the above that the nature of the trademark according to this theory is "mental labor" with an investment objective at the same time, that is, to convey intellectual property and investment property into reality as follows "the form of the trademark in a particular category" provided that this trademark is produced is used and the owner's particular right to own a trademark - on a particular class - is justified. Thus, this right gives him the appropriate protection by the law so that the trademark owner can prevent any other investor from using the same trademark whether on similar products or the same category. But according to this theory and the principle on which it is based, the trademark owner cannot "generally" monopolize the trademark because this theory forces him to use the trademark to avoid losing it.

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<sup>(98)</sup>See, e.g, Naser, M. A, (2007), Rethinking the Foundations of Trademarks, Buffalo Intellectual Property Law Journal, 2.

Most of all, this proves the special life cycle of the trademark. The trademark has an investment nature, this nature obliges the owner of the trademark to use and benefit from the trademark to avoid losing it.

**2)Utilitarian and Economic Theory:** The utilitarian and economic theory<sup>5</sup> proves and confirms the investment nature of the trademark as well as the important role of the consumer in the life cycle of the trademark and raising the value of the investment in the trademark.

This theory has also deviated just like other theories that have deviated in the study and analysis of trademark establishment theories as explained earlier.

Regarding this theory, jurists were divided into two groups; The first group agreed with this theory, believing that it gave an adequate justification for the trademark, while the other group believed that it was incompatible with the trademark system.

Some trademark jurists - in studying this theory - focused on the nature of the right to a trademark to find an appropriate type of protection for the trademark owner. Accordingly, jurists were divided into two groups: the first group supported this theory by providing unlimited protection to the owner which would lead to monopoly, and on the other hand, the second group opposed this theory for the same reason.

The proper way to deal with this theory is to study and analyze this theory by focusing on the nature of the trademark itself for two reasons:

First; Getting the right justification for the trademark system.

Second; Proving the (dual) nature of the trademark.

By finding the appropriate justification for the trademark and proving the "dual nature" of the trademark, the problem of monopoly in the trademark and the unjustified expansion of protection in the trademark system through the protection of the owner rather than the protection of the trademark itself - is the main problem of this research - which will be solved.

The utilitarian theory is established based on the economic justification of the trademark system to protect the right of the owner in the trademark system on the basis that the advantages and utility of the trademark system is the basis of that and because of it, the trademark must be protected.

Although this way of thinking is very logical, the deviation in the study and analysis of this theory can be clearly seen that even trademark system jurists - whether supporting the theory or not - have skewed along the same lines by focusing on this theory as a theory of justification to trademark system or not - by confusing and associating the trademark and the trademark owner, thus considering them to be the same.

Accordingly, the nature of the trademark and the nature of the right to a trademark are considered the same. Hence, there is agreement/disagreement on this theory among trademark jurists.

When focusing on the nature of the trademark or its "twofold" intellectual nature and the nature of the investment, we find that this theory proves - without any doubt - this "dual nature":

First: The teachings of this theory and the nature of investment are clear in terms of principles and proving the role of the trademark in the economic world and that the trademark gets its value from the quality level where the trademark is a definer of the quality of the product <sup>(99)</sup>, that is, consumers know the quality of the product through its trademark and prefer a product on another of the same category<sup>(100)</sup> based on the trademark. For example, the (Adidas) trademark, the presence of this trademark on a t-shirt is sufficient to inform the consumer of the source, quality, and price of this product, which proves the investment value of the trademark.

Second: The intellectual nature has proven through this theory, according to the previous example, that the invention of the trademark (Adidas) and its use for a certain category is an intellectual nature that acquires an investment value as a result (a multiplier nature). Thus, this (dual nature) justified the system of this trademark from its inception until the trademark's loss of its distinctive feature, which is the highest degree of fame for any trademark.

This theory emphasizes the importance of the consumer's role in the life cycle of the trademark by clarifying the dependence of the investment value of the trademark on a high-

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<sup>(99)</sup>See, e.g, Helbling, T, (2017), Shapes as trade marks? The struggle to register three-dimensional signs: a comparative study of United Kingdom and Swiss law, *Intellectual Property Quarterly*, I.P.Q. 1997. See also, e.g, Chalmeta. B. T, (2011), The importance of the trade mark distinguishing function in Spanish law, *European Intellectual Property Review*, E.I.P.R. 2011, 33(7), 419-424.

<sup>(100)</sup>See, e.g, Rosler. H, (2007), The rationale for European trade mark protection, *European Intellectual Property Review*, E.I.P.R. 2007, 29(3), 100-107.

quality product and reasonable price, which increases the number of consumers<sup>(101)</sup>, and accordingly, the trademark becomes more famous which is in the interest of the owner.

We conclude from the above that the protection provided here should be protection for the trademark itself, which includes all parties and components, and not protection for one party while ignoring the other parties.

In other words, the basis of this theory is the benefit to public consumption resulting from the existence of the trademark system, which is the justification and the right basis for the trademark system.

Accordingly, the deviation begins when this benefit is considered a justification to protect the owner's interest and then expands to reach the monopoly against the protection of the general consumer<sup>(102)</sup>.

The distinctive feature lies in justifying the (dual nature) itself and then this nature justifies the trademark system as a whole through its inclusion of all parties and components of this system. This feature must be protected by protecting the trademark itself as it is the basis of the trademark system rather than focusing on one of the parties of the trademark system and the expansion of monopoly.

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<sup>(101)</sup>See, e.g, Wadlow. C, (2007), "Including trade in counterfeit goods": the origin of TRIPS as a GATT anti-counterfeiting code, *Intellectual Property Quarterly*, I.P.Q. 2007, 3, 350-402.

<sup>(102)</sup>See, e.g, Zakharov. K. A, (2005), The scope of protection of trade mark image - including comments on a recent decision of the Israeli Supreme Court, *International Review of Intellectual Property and Competition Law*, IIC 2005, 36(7), 787-808.

**3) Social Planning Approach:** The social planning approach is considered one of modern theories that justifies the trademark system:

Although there are a large number of supporters for this theory, among the jurists of trademark, the same deviation occurred in studying, analyzing and adopting of this theory.

Where the reason for adopting or not adopting this theory is the concentration on owner's right to trademark on the one hand and on consumers on the other hand in addition to focus on the nature of provided protection and limits on such protection based on according to owner's right to trademark ,and role of consumers in trademark lifecycle.

Thus, this theory mainly adopts the role of consumers in increasing the value of trademark, and giving it a cultural meaning<sup>(103)</sup> – since consumers are associated with the trademark in a certain sense. Consumers have a right to protection given for this trademark. The protection is given to consumers by trademark legislation in order to prevent the confusion<sup>(104)</sup>.

This theory tries to balance between the right of owner and the protection given to him in order to prevent any kind of monopoly<sup>(105)</sup>. According to this theory, the monopoly

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<sup>(103)</sup>See, e.g, Loon. N. W. (2009), Trade Marks, Language and Culture: The Concept of Distinctiveness and Publici Juris, Singapore Journal of Legal Studies, 2009 Sing. J. Legal Stud. 508.

<sup>(104)</sup>See, e.g, McKeown. J, (2016), McKeown's Brand Management in Canadian Law Newsletter, Intellectual Property Newsletters, BRAND MGT. NWS. 2016-04. See also, e.g, Murray. P, (2014), China's protection for Trade-Related Intellectual Property Rights, International Trade and Maritime Law in China. See also, e.g, Gill. K, The Definition of a Trade-mark, Distinctiveness and Use, Gill: Fox on Canadian Law of Trade-marks and Unfair Competition.

<sup>(105)</sup> See, e.g, Chronopoulos. A, 2014, GOODWILL APPROPRIATION AS A DISTINCT THEORY OF TRADEMARK LIABILITY: A STUDY ON THE MISAPPROPRIATION RATIONALE IN TRADEMARK AND UNFAIR COMPETITION LAW, Intellectual Property Law Section of the State Bar of Texas, 253. See also, e.g, Jordan. C, (1980), A TRADE MARK PRIMER: THE EFFECTS OF DEVIATING USE AND CONCURRENT USER, Canadian Business Law Journal, Vol 5, 1980. See also, e.g, Duggan. A, Ziegel. J. s, and Girgis. J, (1980), A TRADE MARK PRIMER: THE EFFECTS OF DEVIATING USE AND CONCURRENT USER, Canadian Business Law Journal, Vol 5, 1980.



will negatively affect the consumers where it affects the right of freedom of speech<sup>(106)</sup>, which is protected by all constitutions of all countries.

This theory argues that the function of trademark is not only used to refer to the source of products, to help consumers distinguish between similar products / services of same category, and to choose the items that meet their needs , but also has become an effective factor in making a cultural meaning. The popularity / the expansion of the shape / the symbol of the trademark depend on the culture of society.

The same previous deviation occurred - in spite the rationale of this theory – by focusing on owner's right nature and the role of consumers in order to find the suitable protection for trademark system .

The origin of trademark system is the nature of trademark itself , since this nature is the actual justification for trademark system ,so that any theory justifying the trademark system must be studied and analyzed to reach the exact nature of trademark in order to justify the trademark system and to determine the suitable protection for trademark itself – which must include all parties and components of trademark - without adopting monopoly as a negative outcome .

Accordingly, this theory confirms the key role of each party to trademark system, and the importance of each party / role in trademark lifecycle.

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<sup>(106)</sup> See, e.g, Yelnik. A, (2010), Commercial value of trade marks: do current laws provide brands sufficient protection from infringement?, *European Intellectual Property Review*, E.I.P.R. 2010, 32(5), 203-219.

Additionally, this theory focuses on consumer role in order to balance between his role and the owner's role without the need for mentioning that the owner and competitors are two sides of the same coin, as explained earlier.

Moreover, this theory confirms the existence of dual nature of trademark, and shows consumers help a trademark get more popularity according to the cultural meaning, which leads to increasing the investment value of the trademark, when the form, symbol or word constituting the trademark has a cultural meaning and indicates the identity of a particular community, making the trademark more popular.

Finally, the insistence of this theory on protecting consumers from the confusion is evidence of the intellectual nature and investment nature of the trademark.

Finally, the protection to be given to a trademark system must be given to trademark itself, as mentioned and proven earlier.

### 3.5 Conclusion:

Having reviewed contents of this Chapter, it could be concluded that as concept of trademark has been identified, the problem that previously occurred was since the concept of trademark has not been addressed in the previous studies. This has led to a defect in the concept of trademark and this has also led to negative results that have misinterpreted concept of the trademark in most studies. Accordingly, what was discussed in this chapter opens the way for development of a clear conception of the trademark system. However,

after the main elements of the trademark have been identified through the analysis of such elements and the rebuilding of a new concept, this will lead to identifying the exact nature of the trademark, and it will help develop a trademark system that is able to keep pace with economic and technological development, as well as prevent legal problems that may arise in the future.

The new concept will overcome the criticisms leveled against the trademark system and eliminate the concept of monopoly, since the trader /owner uses and does not own the trademark. Furthermore, the proposed new concept of trademark reinforces the idea that each trader /owner is a competitor at the same time, so that any legal advantages granted to the trader /owner are automatically the same advantages granted to other competitors.

In the other hand the justifying theories of the trademark system - especially the theories mentioned in this chapter - are foundational theories of the trademark system and because of their importance, these theories should be re-examined and analyzed to focus on the nature of the trademark itself and the parties and components of trademarks.

Since the nature of a trademark is the actual basis and basic justification of the trademark system, this entire system relies on this basis for all parties and components without any exception or denial of the primary role of any party/component.

The aforementioned theories emphasized the “dual nature” of the trademark and thus the intellectual nature and the nature of the investment are the actual specifications for

the proper protection of the trademark system and the solution of all the negative consequences that resulted from not defining the nature of the trademark itself to date.

However, focusing on the nature of the owner's right to the trademark - as the actual basis of the trademark system - rather than on the nature of the trademark itself leads to the monopoly and the actual reason behind all this confusion in the trademark system.

In the end, not all attempts of trademark jurists to overcome this problem have been successful simply because they have not identified the exact nature of the trademark itself or taken it as the actual basis/justification for the trademark system.

Figure (3-1) shows that the trader is a competitor:



**Figure (3-1): the two traders of the similar products**  
Source: the present author

## Chapter four

### Jordanian legislation on Nature of Trademark and the Shortcomings

#### Introduction:

The trademark system establishment theories are important since they are the justification for such system and on which most of laws on trademark have been built. It has been only focused on the owner's right to the trademark and on the scope of such protection.

The applicable Jordan Trademark Law, as amended, and the Unfair Competition and Trade Secrets Law No. 15 of 2000 define the trademark and identify the legal protection given for such trademark.

Having reviewed the provisions of the said Laws, a number of points and notes should be discussed and analyzed. This will be dealt with in two main sections. Section 1 will deal with Unfair Competition Law and section 2 will discuss the Trademark Law.

The above points will be discussed in two main topics. Topic 1 will discuss the Unfair Competition Law and Topic 2 will discuss the Trademark Law.

#### 4-1 Protection of Trademark under the Unfair Competition and Trade Secrets Law No. 15 of 2000:

The said law is composed of 11 Articles. The first three Articles deal with practices of unfair competition and the party who has the right to claim compensation for any damage caused to him due to illegal commercial practices. They also deal with the legal procedures that must be taken in this regard. For more clarification,

Article 2 of the said Law provides for unfair competition practices, where Para 1/a/2 states: “The activities that may by nature cause confusion with ..... products ....”.

Para 2 of Article 2 states: “Untrue assumptions in practicing trade, whereby causing deprivation of trust from ..... or products”.

Para 3 of Article 2 provide for assumptions which use in commerce may “mislead the public”.

Para 4 of Article 2 provides for the practices that reduce the product reputation or cause confusion, and Para (b) of the same Article provides for unfair practices related to the trademark, whether registered or unregistered, that might mislead the public and such practices are considered part of unfair competition practices. Para (c) of the same Article provides that the provisions contained in paragraphs of Article 2 will apply to the services as applicable.

Article 2 of the said Law mentions examples of practices of unfair competition. The Jordanian legislator deems that any act contrary to fair practices in industrial and

commercial affairs is a practice of unfair competition and permits to any interested party who is injured by the same to take legal procedures. Hence, means of proof are wide and subject to the Jordan Evidence Law and the legal principles.

The question arises here is: what is the standard used to identify nature of fair practices in industrial and commercial affairs on which basis unfair practices are defined?

Has the Jordanian legislator made plenty of room in order to keep Article 2 of the said Law in line with the rapid development in the investment and commercial world? Has he mentioned examples and avoided limitation with respect to the unfair commercial or industrial practices and let every case to its own circumstances to determine if it is a fair or unfair practice?

The remaining Articles of the said Law deal with the legal procedures that must be observed by any person who is affected by any practice of unfair competition and how he can obtain fair compensation for the damage caused to him.

Where Article 3 of the same Law provides that “every interested party may claim compensation for the damage caused to him due to unfair competition”.

The Jordanian legislator considers that the unfair competition practices include the trademark and that any act that misleads the public or makes confusion with institution of a competitor is unfair competition. This means that the Jordanian legislator permits to any interested party to bring a lawsuit to claim compensation for the damage caused to him due to any practice of unfair competition. The public has the right to bring a compensation action if it has been misled due to false trademark.

Upon the foregoing, it is noticed that the said Law gives the actual protection to the public, the trader/owner and the competitor respectively so that they avoid and confusion or untrue allegations or any practices or activities that might mislead them. It is also noticed that any person of the public might be an interested person if he faces any practice of unfair competition that causes damage to him. Further, a trader or a competitor might be an interested person in any claim for compensation for any damage caused to him due to any practice of unfair competition.

This is an important note since it will be shown that such Articles contradict other articles of Jordanian laws on protection of trademark.

This paper argues that the wording of articles of the said Law asserts and proves the investment nature of trademark, where the practices of unfair competition are the practices that contradict fair practices in the industrial and commercial affairs. In other words, the trademark is considered part of industrial and commercial affairs.

It is noticed that the provisions of the said Law are worded to directly serve interest of the owner/competitor and consumers and not to protect the trademark itself.

For more clarification, the researcher argues that the Jordan legislator has specifically dealt with unfair practices in industrial and commercial affairs as previously explained. It has been considered that any act related to the trademark is a fair practices in commercial and industrial affairs, and that any practice contrary to the same is unfair competition. This means that the protection is focused on stability of all matters related to commercial and industrial affairs and maintenance of justice among players in this domain. The Jordanian



legislator has expressly mentioned the competitors and the public, and he has considered the owner and competitor one party as proven earlier. The actual protection is given to the parties that play a key role in formation and continuation of all commercial and industrial affairs, where a commercial or an economic world without traders/owners and customer audience is not envisaged.

The protection granted to any injured person under this Law as a result of any practice of unfair competition is a civil protection. This means that an injured person should file a civil action for compensation regarding the damage caused to him due to such practices. Hence, the burden of proof lies with the plaintiff. A plaintiff should prove that there is a practice of unfair competition and such practice has been exercised by the defendant, and that such practice has caused damage to the plaintiff and such damage requires financial compensation. The value of damage requires a technical expertise. All matters mentioned above are subject to evidence and established legal proceedings.

Thus, the Jordan Trademark Law does not provide for protection of the trademark itself, rather the legal protection is granted to the unfair commercial and industrial practices. The trademark is included in this category since it is part of commercial and industrial practices. This proves the investment nature of trademark. Further, the said law does not identify nature of trademark spastically. The said Law just aims to protect fair commercial and industrial practices from any infringement.

Though the said law protects the practices related to the trademark as mentioned earlier, the main problem is still unsolved even under the said Law, where nature of the

trademark is not deal with, and the protection is granted for rights of consumers/owners and the customer audience who are injured by any practice of unfair competition

#### 4-2 Nature and Protection of Trademark in the Applicable Jordan Trademark Law:

With respect to nature of trademark and the protection given to it, the provisions of the applicable Jordan Trademark Law should be discussed to identify whether it deals with nature of the trademark.

Having reviewed the provisions of the said Law, it is noticed that it defines the trademark in Article 2 thereof, and that such definition is similar to the definitions contained in most of laws on trademark in other countries. The definition contained in the said Law mentions shape of the trademark and that it is a visible sing, and then it mentions the function of trademark; distinguishing goods and products. The said definition does not define the trademark accurately. The said Law does not mention nature of the trademark. It describes the shape of trademark in an inaccurate manner. However, it elaborates on explaining its nature, owner's right to such trademark, and how such function and rights are protected.

Article 2 of the said Law provides that “ trademark: is any visible sign used or intended to be used by any person to distinguish his goods, products or services from goods or products of others”. This clearly indicates that the aim of use of the trademark is commercial/investment. This emphasizes the investment nature of the trademark, where it

main function is distinction. In other words, the trader/owner has the right to use visible mark to distinguish his goods, products or services from those of others. It is an investment function and purpose that proves that investment nature of trademark. In fact, the use of visible mark cannot be imagined but by a person who owns goods, products or services and wants to distinguish them from those of others.

And this function is a right to who uses or intends to use it to distinguish his products/services, and the law protects such right as explained later.

Article 7 of the said Law provides for registerable trademarks, where it requires that such trademarks should have a distinguishable mark that can be recognized by vision in order to achieve the main function of trademark, i.e. distinction. Article 8 provides for the trademarks that cannot be registered as trademarks, and this evidently proves the dilution theory.

In Para 12 of Article 8 of the said Law, as amended in 1999, the “Dilution Theory” and protection of right of famous trademark owner are mentioned. Under Para (b) of Article 25 of the said Law, the famous trademarks are protected even if not registered in the Kingdom. Such protection extends to use of a trademark that is similar to such famous trademark with respect to different goods or products if it causes or might cause damage to owner of famous trademark. The possible damage is prevented under the said Article where it provides that “and the possible damage to interest of such trademark owner due to such use”.

The question arises here is: what is the protection given to the trademark itself?, the answer is that the protection is given to the owner of famous trademark and not to owner of any trademark even if it is registered in the Kingdom.

Having reviewed Articles of the said law, it is noticed that the Jordanian legislator does not define nature of the trademark itself, where he focuses on function of trademark and the owner's right to it. The Jordanian legislator adopts this theory in the abovementioned two Articles. In Para 10 of Article 8, the law prevents registration of a trademark that is similar to any other trademark that was previously registered for the same products for which the new trademark will be registered. This confirms that the protection granted here is for the owner's right and function of trademark, i.e. distinction, and this serves interest of the trademark owner only.

This confirms the confusion, as proven in Chapter 2, between nature of trademark itself and nature of owner's right, where both are considered the same thing. Such confusion has appeared due to concentration only on nature of owner's right to the trademark, where such right has been justified and its nature and scope have been identified, so that the extent of legal protection to be given to such right is determined. It could be said that the protection given to the function of trademark has been originally given to the owner's right to use the trademark to distinguish his products/services from those of others.

In response the argument that the Trademark Law protects the right of the consumers by preventing any confusion, registration or use of any similar trademark for similar products / services, it could be said that Trademark Law has protected the right of

the owner, but indirectly. The occurrence of confusion when using a similar trademark for similar goods leads to damage to the interest of the trademark owner. If such confusion actually occurs, only the owner has the right to initiate a civil or criminal lawsuit against this infringement in accordance with the applicable Jordanian Trademark Law, where such right does not include the consumers. In other words, such protection is granted only to the rights of the trademark owner and not to the customers, not even to the trademark itself. In contrast, the Unfair Competition Law permits to any interested person, including the consumers, to bring a lawsuit for any damage caused by any practice of unfair competition.

For more clarification, according to Article 3 of the Jordan Unfair Competition, every interested party has the right to claim compensation for the damage caused to him due to any unfair competition. Under Para (B) of Article 2, a practice is considered of unfair competition if such practice relates to a used trademark whether registered or not and misleads the public. This confirms right of the consumer public to file an action for compensation for any damage caused to them due to any practice of unfair competition. However, Article 33 of the Jordan Trademark Law provides that “ no person may file a compensation action for any infringement on any trademark that is not registered in the Kingdom, but such person may submit a request for cancellation of a trademark that has been registered by a person who does not own it after being registered outside the Kingdom if the grounds on which he relies are those mentioned in Paragraphs 6, 7, 10 and 12 of Article 8 of this Law”.

According to “*Lex specialis derogat lege generali* “ rule, it is noticed that Article 33 of the Trademark Law limits the Article 3 and Para 2 of Article 2 thereof. The question

arises here is: under the Unfair Competition Law and in line with the provisions of Articles of the Trademark Law, does the customer audience have the right to bring a compensation action for any damage caused to them due to any practice of unfair competition with respect to a trademark not registered in the Kingdom?

This paper argues that the answer is (Yes), and the basis for such action is the applicable Unfair Competition Law and the Trademark Law. However, such right is restricted in the Trademark Law, where Article 38 provides that “ when filing his civil or criminal action or while such action is being heard, the owner of a trademark registered in the Kingdom may request the court to do the following, provided that his request is accompanied by a bank or cash guarantee acceptable to the court....”.

The remaining paragraphs of the said Article provides for the procedures that may be taken by the trademark owner according to the requirements mentioned in the said Article. This mean that such right is exclusively given to the trademark owner.

It should be mentioned that the trademark owner is given civil and criminal protection according to Article 37 of the said Law, where the Jordanian legislator considers the infringement on any registered trademark punishable, and that the trademark owner has the right to bring either a civil action or a criminal action, or both, if his trademark is infringed.

This study argues that the protection given under the Jordan Trademark Law is only given for rights of trademark owner and not for the trademark itself, as the trademark is not legally defined in a manner that explains its nature, parties and elements. Further, nature of the trademark is not identified or mentioned in the said Law. It is noticed that the Jordan

Trademark Law confuses nature of trademark with function of the trademark as shown in the definition contained in Article 2 thereof, and that the owner's right is the basis of the protection given under the Law. It is also noted that all Articles of the said Law regarding use of the trademark are based on the owner's right and not on nature of the trademark itself. In other words, only the owner's right is justified to grant the legal protection for the same trademark. Undoubtedly, this is the reason for the deviation in establishment and justification of the entire trademark system. Hence, when legal protection is widely given, the monopoly will certainly take place.

The question arises here is: does unregistered trademark enjoy any legal protection under the relevant laws?.

Para (B) of Article 25 of the Jordan Trademark Law provides that “ if the trademark is famous even if not registered, owner of such trademark may request the competent court to prevent others from use it on any similar products or services, provided use of such trademark indicates a relevance between such products or services and the famous trademark or that interest of owner of such trademark might incur damage due to such use”. This proves that the only legal protection given to unregistered trademark is given to the famous trademark whose popularity exceeds the country where it is registered. This means that unregistered trademark do not enjoy any legal protection unless they are famous. Further, this proves that the Jordanian legislator adopts the dilution theory, where the legal protection involves use unregistered famous trademark. This proves that the dilution theory is application of monopoly. It is noticed that the Jordanian legislator has expanded in

protecting famous trademark whether registered or unregistered, certainly leading to monopoly.

### 4.3 Conclusions

The confusion between nature of trademark and nature of the owner and considering them one thing has driven the Jordanian legislator in the Jordan Trademark Law to give the legal protection to the right of trademark owner and not to the trademark itself. Nature of trademark has not been dealt with by the laws that have dealt with the trademark.

Though the Jordan Unfair Competition Law grants legal protection to the right of consumers/ owners and consumer audience and considers them players in the economic market with respect to the commercial and economic affairs and considers all matters related to the trademark are included, it does not, like the Trademark Law, identify nature of trademark and considers the basis of protection the trademark owner as mentioned earlier. Further, the Jordan Trademark Law expands in the legal protection granted to the right of trademark owner and expressly adopts the dilution theory similar to other laws on trademark, resulting in monopoly. Nature of owner's right is the basis and the justification for the current trademark system. This will undoubtedly leads to monopoly and shortcomings in the said system.



The solution is to identify nature of trademark and to adopt such nature as a basis for trademark system. Such nature is the basis for the legal protection that should be given under the laws on trademark. Further, the rights of consumers/ owners and consumer audience should be treated equally.

## Chapter Five

### Conclusion

As discussed in the previous Chapters, the trademark jurists have tried, despite their different methodologies, to establish an optimal trademark system that is consistent with the principles of justice and ensures complete balance among its elements.

However, it is noticed that these efforts have been always exerted in favor of the trademark owners, leading to monopoly. As previously noticed, the reason beyond this deviation is that the trademark system was built on nature of rights of owner in the trademark, as it is similar to the nature of trademark itself. This is also due to the confusion between nature and function of trademark as proven in Chapter 2 of this study.

Additionally, adoption of dilution theory has led to expanding cycle of monopoly in application of the Trademark Law, where the legal protection is, according to this theory, to directly protect the owner's right and not to protect the trademark itself.

In order to resolve these problems in the trademark system, jurists are divided into two groups:

- A group calls for expanding the scope of direct protection of trademark, leading to illegal concepts and unfair competition.
- A group calls for reducing protection, leading to undermining identity of trademark and emptying it of its content.

It is noticed that these solutions led to an increase in problems in the trademark system and the legislation on the trademark system, as these solutions were not directed to the basis of the cause and shortcomings in this system, but rather were directed to solve the result due to the deviation in the rationale for the entire trademark system, which is based on the confusion between the nature of the trademark itself and the nature of the owner's right and considering them to be one thing. Accordingly, the method of adopting and analyzing the three theories used to justify the trademark system, mentioned earlier in the thesis, shows a clear misconception by jurists. This happened when examining, analyzing and using these theories in a way that adopts the nature of the owner's right as the basis for protection in trademark law, even though jurists aimed to realize perfection and ensure justice.

The shortcomings of various laws on trademark can be detailed as follows:

- The fact that the trademark owner is a competitor is ignored. This shortcoming resulted in a clear distortion of the trademark protection as it has been expanded in favor of the owner rather than the competitor, though they are the same.
- The role of the consumers in the trademark system is important and essential, as consumers determine the value of the trademark according to the percentage of demand for such trademark, and they are the ones who make any trademark popular. Accordingly, trademark owners and competitors will always make their efforts to develop the trademark and improve the quality of products at competitive prices to attract consumers, that is, the consumer audience is the target group of all

the investment and marketing process. Therefore, their role in the trademark system cannot be denied and such trademark should not relate to rights of the owners only and their role in this system without any consideration for the role of the consumer audience or competitors.

- Confusion between the nature and function of trademark is a major misdirection and deviation in the foundation of the trademark system. We cannot consider that “the nature of a glass made of glass is the same as its function in drinking.” Where this misconception is noticed in Article 2 of the applicable Jordan Trademark Law. Hence, the current trademark system does not recognize the difference between its elements and the parties to such system. The current system adopts a single rule that the only considerable party is the owner and his right and that the product or service is an element of the trademark and they are one thing.

Based on the previous facts, a real solution that defines the exact nature of the trademark as a distinct identity, away from being confused with its elements and parties should be found. Such identity must be widely built, protected and developed. In doing so, it is expected that there will be no monopoly and unfair competition.

This is to develop a valid rationale for the trademark system, given that the actual nature of trademark is the basis of such system. The exact nature of trademark helps build a trademark system that is able to cope with the economic and technological development, and to prevent any ineffective problems that might arise thereon.

This new doctrine created for the nature of trademark removes the negative consequences associated with modern doctrine. This is since there is no monopoly in the proposed trademark doctrine, as the trader /owner uses the trademark instead of owning it. Furthermore, the proposed new trademark principle establishes that every trader /owner is simultaneously a competitor, so that any legal advantages granted to the trader/owner are automatically granted to other competitors at the same time.

Accordingly, this new stage in the trademark system must be based on the necessity of identifying the parties to the trademarks first, namely:

1. Trademark holder (not owner),
2. Consumer, and
3. Competitor.

Roles of the said parties must be clear, where such roles must emphasize that they have the same level of importance and protection given to the trademark holder. For more illustration, the following example is given. If the legal projection of rights of holders/traders exceeds the natural limits, this will lead to bias against and reduce the rights of competitors, and accordingly it will directly and negatively affect the owners / holders of the same trademark since , as previously indicated, both sides represent two sides of the same coin.

This paper argues that it is necessary to identify elements and functions of the trademark, where they constitute an integrated trademark system that is based on nature of the trademark itself and not on a single party to such trademark.

Accordingly, this paper emphasizes the need to distinguish between product quality, as a component of the trademark, and the reputation of the trademark itself. While the long history of the trademark market and the legal applications of trademark laws all confirm that whether the quality of the product increases or decreases, this does not affect the right of the owner/trader to use the trademark as long as it still falls within the same category registered with Ministry of Industry and Trade.

Additionally, the trademark was created primarily to be invested and marketed in the best way in the commercial market by its legal owners/users. This means that any trademark launched for an investment purpose has an investment and intellectual nature cannot be denied, as explained earlier in this study.

Thus, this nature is essential in development of the trademark law, which should adopt the investment, economic and intellectual aspects of the trademark.

The nature of the trademark is the actual basis of the trademark system, the key rationale for such system. The entire trademark system is based on this foundation as well as all parties and components without any exception. The trademark system must not deny the main role of any party / any component, and the legal protection must be given for the trademark itself. The provisions of the trademark laws should be based on such trademark and its nature, and not only on the right of the owner in it, which inevitably leads to monopoly.

Undoubtedly, the rapid developments in this era require a broader vision, especially when it comes to trademarks, and the current trademark system no longer provides satisfactory results as the same problems has still existed and continued to appear for a century or more unresolved.

Therefore, it is time to adopt a new doctrine in the trademark system that is based on the trademark itself without confusing it with its components or function.

## Recommendations:

This paper provides the following recommendations to solve the problems mentioned and proven in its Chapters:

- Wording of the provisions of the Jordan Trademark Law should be reviewed, where they are based on the owners' right and not on the exact nature of trademark.
- The dual nature (investment and intellectual), which is the actual nature of trademark, should be considered when drafting provisions of the Trademark Law or when justifying or establishing the trademark system as a whole.
- "Dilution Theory" adopted in the Jordan Trademark Law should be cancelled, since this theory supports monopoly, and it is undoubtedly based on the owner's right and supports its monopolistic interest. Adoption and application of this theory always leads to unfair competition.
- All previous studies and research related to trademarks in terms of dissolving the confusion between the nature of the trademark owner's right and the nature of the trademark itself should be reconsidered, as this new approach and such reconsideration will drive the various researchers and those interested in this field to have new findings, and enter a new world that adopts the correct rationale for the trademark



system as a whole, which is based on a sound legal basis, namely the trademark and its actual nature.

- Parties to the trademark and roles of such parties and their right to legal protection that suits his role and importance in the trademark system should be identified, so that no party or protection right will have preference over other party or right.
- The key elements of the trademark and role of each element should be identified and the trade mark should be separated from the product/service in question.
- The legal protection under the Trademark Law should be primarily granted to the trademark itself.
- The theories on rationale for trademark system should be reexamined and reanalyzed by focusing on the nature of the trademark itself and without and deviation or confusion between the trademark and the owner's right or function of such trademark.
- The trademark system should be legally justified on the basis that the rationale for such justification is the actual nature of the trademark.

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