

**TRADEMARK LAW AS PROTECTION FROM ACTS OF UNFAIR COMPETITION.
POSSIBLE SOLUTIONS FOR GEORGIA**

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Abstract

This paper addresses the problem of unfair competition acts which take place in relation with trademarks, notably the acts of jeopardizing others goodwill. After reviewing the main characteristics of trademark protection approaches in the United States and Europe, the thesis deals with the question of their possible impact on preventing acts of unfair competition. Thesis takes a position that trademark protection works better as a tool against unfair competition in a system where condition of use is somehow linked to acquisition of exclusive rights, especially in the countries where unfair competition laws are based on tort law principles. Emphasis is placed on problematic issues in Georgia as a developing market, which as the party of Association Agreement with European Union has to face new challenges in the trade related fields. The thesis suggests that Georgia should implement protection mechanism in trademark law for those who own and use unregistered trademarks in their business.

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Introduction

Trademark plays an important role in the modern business world. It is the tool used by and for competitors to differentiate their products/services from each other. A consumer will most probably purchase goods or services that he/she is familiar with as a result of his own experience, advertising or other factors.

World market is increasing rapidly, providing big variety of products. The importance of trademark is increasing simultaneously with this growth, while it is an effective tool to label product and distinguish it from similar offers. Furthermore some trademarks have a much bigger value than the material assets of the business.

Intellectual property rights deriving from trademark are protected by registration in civil law countries or use in common law countries. However both systems contain elements of both registration and use criteria. Use of the trademark has an important role in common law countries where registration is official confirmation of the right acquired by use.

These two different approaches may put competitors in different positions. In common law countries trademark should be first used in business or at least be intended to use, whereas in civil law countries 'first come first serve' approach is used for registration. Therefore civil law approach often might be used not for protecting a business but for unfair competition. The holder of the registration may not have any *bona fide* intention but to attract the consumer by using the mark which has already gained awareness among consumers. Another method of using others trademark in bad faith is when the registrant of the trademark is selling a mark to an entity which produces goods/services in a foreign market and is launching business in the territory of

registration. In this scenario the user and the owner are different persons and owner does not even have the intention to use the mark. The only purpose is to sell it at a good price.

The Paris Convention which has 175 contracting parties assures the nationals of the signatory countries with the effective protection against unfair competition. Georgia is a party to the convention since its independence.¹ The trademark law which was enacted in 1999 creates the framework for trademark protection. Exclusive rights on trademark are acquired by registration.

Georgia as a part of the Association Agreement with European Union, has concluded negotiations for a Deep and Comprehensive Free Trade Area. Many legal and economic reforms should be carried out in order to come in compliance with European standards. One of the potential outcomes of reforms in the trade-related field should be the open access for Georgian goods to the EU market. Protection of Industrial Property rights becomes more important in the country. This is the right moment for the country to take a look on the existing legislation regulating Industrial Property.

Trademark Law of Georgia is in compliance with the existent international agreements in this field.² It provides for registration system and grants registrants exclusive rights in trademarks. Georgian legislation does not recognize prior use condition which becomes the ground for jeopardizing as it happens in other civil law systems. Apart from it there is no specific unfair competition law which would regulate this gap. Unfair competition law is the part of tort law, therefore it becomes great burden for the holder of unregistered trademark to prove its prior rights.

¹ Georgia has made declaration of continued application of the Stockholm Act as it was ratified by Soviet Union in 1968.

² It is the party of the Paris Convention, the TRIPS agreement and the Madrid Protocol.

This paper will compare two different approaches and experiences of regulating trademark protection in the US and Europe³ and examine aspects of both models and their elements and determine what kind of legislative framework can better protect business from acts of unfair competition. The purpose of the paper is to determine whether existing registration model can become the platform of unfair competition in Georgia and whether any elements of common law method should become the part of legislation.

This paper will include four chapters. In the first chapter two models of trademark protection will be reviewed. How exclusive rights conferred by trademark are created by use and/or registration. It will further focus on elements of use in the registration required systems and analyze how they complement each other. The second chapter will emphasize two main purposes of trademark protection, protecting consumer from confusion with regards to the origin of the goods/services on one side and a defense of business from its competitors on the other side. It will focus on specific provisions which help business to defend themselves against unfair competitors. The third chapter will determine what kind of impact does the different protection systems in US and Europe have on the function of trademark as a protection tool against unfair competition. Finally the fourth chapter will focus on the Georgian experience and problems and determine in which way foreign experience should be shared.

³ Trademark laws are national laws of Member States, therefore ‘European’ in this context does not refer to the law of the European Union.

Chapter 1 - Legal Basis for Trademark Protection

1.1 Registration of trademarks

1.1.1 US - Federal rights under Lanham Act

Trademark registration is the way of its protection which is applied worldwide. Until recently the position of the US on the requirement of use as a condition of registration was unique. It was the only developed country which required the prior use of the mark before its registration.⁴ Article 15 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as TRIPS) agreement requires its contracting parties to have a registration system. At the same time it states that “members may make registrability depend on use”. TRIPS is expressly declaring that “actual use of a trademark shall not be a condition for filing an application for registration. An application shall not be refused solely on the ground that intended use has not taken place before the expiry of a period of three years from the date of application”. This provision requires even first-to-use system countries such as US to allow applications for registration of trademarks based on the intent to use the mark in commerce.⁵

In order to comply with its obligations in international conventions without causing disadvantages to US nationals, the 1988 reform of Lanham Act permitted the application of a yet unused mark where such application was accompanied with the declaration of the intent to use the mark.⁶

⁴ Anette Kur, ‘Trademark Provisions of the TRIPs Agreement’ in Frederick Abbott, Thomas Cottier and Francis Gurry (eds), *The International Intellectual Property System: Commentary and Materials* (Part two, Kluwer Law International 1999) 1250.

⁵ Daniel C.K. Chow and Edward Lee, *International Intellectual Property Problems, Cases and Materials* (Thomson/West 2006) 483.

⁶ Kur (n 4).

As a result the registrant has two alternative bases for filing an application either ‘use in commerce’ or ‘intention to use’. Whereas on the state level actual use is the only way for acquiring rights. The basic difference from federal registration concept of use is that here the *bona fide* intention of use is not sufficient. USPTO on its official webpage⁷ gives definition of the *bona fide* intention which requires less effort from the business than actual use: “you have more than just an idea but are less than market ready, for example, having a business plan, creating samples of products, or performing other initial business activities”. Application which is based on the ‘intent to use’ must be later supported by “verified statement” indicating that mark has been used in commerce for a certain period of time. Registration is not granted until such statement is provided. The only exception is the trademark which is already registered in the Paris Convention member country. If the mark is registered in the country of origin the indication of prior use or verified statement is not required.⁸

Conflicts between right holders are frequent, while their rights are acquired on different levels. Therefore it is important to define where are the boundaries of the state level protection and to what extent does the federal registration prohibit the further use of the trademark by others. Federal registrants are granted with the exclusive right in areas where there has been no outweighing use of the marks, “Congress intended Lanham Act to afford nation-wide protection to federally registered marks, and [...] once the certificate has issued no person can acquire any additional rights superior to those obtained by the federal registration”⁹ It is the benefit suggested to the registrant to the extent that the rights are expanded beyond the area of use.¹⁰ Whereas the

⁷ <www.uspto.gov/trademarks/basics/Basis.jsp> accessed at 15 March 2014.

⁸ Chow and Lee (n 5) 485.

⁹ Burger King of Fla., Inc. v. Hoots 403 F.2d 904 (C.A.Ill., 1968).

¹⁰ Lee Ann W Lockridge, ‘Abolishing State Trademark Registrations’ [2011] Cardozo Arts & Ent. LJ, 597.

owner of common law rights may only hold rights in certain geographic areas, which may be small or large depending on the zone of market penetration.¹¹

Furthermore federal registration creates nationwide priority. Once the mark is registered it obtains the senior right effective against other applicants, with the exception of a prior common law user.¹² After registration of the trademark all other persons, including subsequent junior users are affected by the “constructive notice.” The registrant is obtaining the guarantee that no one will be allowed to legitimately use the trademark in another areas of the country. A junior user is prevented from claiming good faith when using the mark after its registration, he cannot use the “defense of innocent appropriation” anymore.¹³

The registrant is awarded with the right to expand his use of the mark in all areas of the country not reached by the senior user before the registration date.¹⁴ While the senior user most probably will not receive the right to expand its use after the junior user has obtained federal registration. The senior user can attempt to obtain a concurrent registration for the areas in which he used and was known by the mark before the junior user’s registration date, but it will not receive any rights to a zone of expansion beyond the area of use and reputation.¹⁵ In cases where the senior user is seeking registration he will be limited only to the extent that any other subsequent user has established its rights through use before the application date.¹⁶

¹¹ *ibid.*

¹² 15 U.S.C. §1057 - Certificates of Registration.

¹³ Lockridge (n 10) 608.

¹⁴ *Weiner King, Inc. v. Wiener King Corp.* 615 F.2d 512 (Cust. & Pat.App., 1980).

¹⁵ *Application of Beatrice Foods Co.* 57 C.C.P.A. 1302, 429 F.2d 466 (Cust. & Pat.App. 1970).

¹⁶ *ibid.*

1.1.2 The European concept of protection

Trademark rights are based on individual registration systems. Beyond the different legislation which implements each country's registration system its own bureaucracy of registration systems are developed.

Trademark registration in most countries on the continent is optional, a person who is using a trademark in his business is not required to have trademark registered. However exclusive rights on the mark are granted only after its registration.

The common criteria of protectability for every legislation is that trademark should have the function to distinguish goods or services of one enterprise from goods or services of another enterprise. The second kind of requirement relates to the possible harmful effects of a trademark if it has a misleading character or violates public order or morality. These two kinds of requirements exist in practically all national trademark laws.¹⁷

Registration systems differ in their approach for examination of trademark on relative grounds. In general registration systems can be divided in two categories where only absolute grounds for refusal are examined and where registering authority conducts search on both, relative and absolute grounds. The British system is an example of first one. It provides for examination on absolute and relative grounds, and also for an opposition procedure.¹⁸ Relative grounds are checked with regard to earlier trademarks which include UK registered trademarks, as well as

¹⁷ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edn, WIPO 2004).

¹⁸ *ibid.*

international and Community trademarks which have earlier date of application than the mark with which it is compared.¹⁹

In those systems where only absolute grounds are checked no *ex officio* examination of prior marks is carried out. However owner of the prior rights can file an opposition and protect its prior right.²⁰ France, Switzerland and Germany, among other states have adopted such model.²¹ The burden of prove in this registration model is reversed and is on the side of senior mark holder. Trade offices are trying to make this burden easier by offering access to online databases and search systems.²² The one who claims earlier priority, application or registration has to file an opposition. If the opposing trademark was filed more than five years before the opposition, the opponent may be asked by the applicant to submit evidence of use of earlier trademark or important reasons for its non-use.²³

In the British system the registrant who acquired the right is more assured that nothing is threatening his trademark than in other systems, while trademark office is searching for similar trademarks and comparing them. Whereas in those systems where examination is based only on absolute grounds trademark holder has to permanently watch over his trademark.²⁴ However complete safety cannot be guaranteed in the former system either, because no one is ensured from the subjective perception of examiner. The reason of obtaining the system where relative grounds are not *ex officio* examined is mainly connected with effective management of

¹⁹ Trade Marks Act 1994, Section 6 (UK) <www.wipo.int/wipolex/en/text.jsp?file_id=180800>.

²⁰ WIPO Intellectual Property Handbook (n 17).

²¹ Federal Act of August 28, 1992 on the Protection of Trademarks and Indications of Source, Art 3 (CH). <www.wipo.int/wipolex/en/text.jsp?file_id=270689>
Law No. 91-7 of January 4, 1991 on Trademarks and Service Marks, art 8 (FR). <www.wipo.int/wipolex/en/details.jsp?id=5838>

²² Trade Mark Examination Systems in the European Union, OHIM, Publication is supported by the EU-China Project on the Protection of Intellectual property Rights (IPR2). <www.ipr2.org/images/stories/eu-booklet-090702-en-3.2.pdf>

²³ Jose de Oliveira Ascensao and others, *International Trade Mark and Signs Protection* (Paul Lange ed, Hart 2010) 1026.

²⁴ WIPO Intellectual Property Handbook (n 17).

resources, procedure is much speedier than it would be if trademark office had to check the similarity with prior trademarks. Another reason is that trademark rights are private rights the enforcement of which is the responsibility of their owners.²⁵

None of the trademark laws in Europe require prior use as a condition of registration. No one can be deprived from registration only on the grounds that trademark was not actually used in commerce. The first applicant who approaches the trademark office is potential owner of the mark. Therefore if American companies wait until they are ready to register the trademark in Europe it might be too late for them. They have to take in mind that registration in Europe is essential even in case of potential interest, before the business is actually launched.²⁶ Anyone can register a US trademark in European country without *bona fide* intention and deprive US owner from using it in the territory of that country.

Despite the fact that trademark laws are national laws there is attempt of harmonization on EU level. The first step regarding harmonization was the Trademark Directive of 1989. It required all member states to change their national laws by 1992 in order to create more uniform system and, in many member states, a more liberalized trademark system. However it did not require member states to have identical laws.

The second step in the harmonization process was the creation of a Community Trade Mark which is a unitary system of registration and protection of trademark in the Member States. Under the CTM regulation a single application with the Office for harmonization in the Internal Market (“OHIM”) provides for a trademark registration that is valid in the entire EU. It is true

²⁵ Trade Mark Examination Systems in the European Union, OHIM, Publication is supported by the EU-China Project on the Protection of Intellectual property Rights (IPR2).
<www.ipr2.org/images/stories/eu-booklet-090702-en-3.2.pdf>

²⁶ Baila Caledonia, ‘Trademarks in the European Communities from an American Perspective’, in Paul Goldstein (ed) *International Intellectual Property Law Cases and Materials* (2nd edn, New York Foundation Press 75th anniversary, Thomson/West 2008) 533.

that for the assessment of whether a trademark has been put to ‘genuine use’ in the community territorial borders of the member states should be disregarded, however in certain circumstances, the market for the goods or services for which Community trademark is registered is in fact restricted to the territory of a single Member State. In such a case, use of the Community Trademark on that territory might satisfy the condition for use of a community trademark.²⁷

It means that in such occasions CTM perpetuates its right in the member state where it is not actually used in commerce by being used in different member state or states. This regulation increases the protection acquired by the CTM holder, while at the same time it creates a barrier for the competitors who are willing to use the mark in the place of their business. They cannot require cancelation of trademark on the grounds of continuous non-use, while use in one state amounts to use in all member states.

1.2 Concept of Use

1.2.1 US Common Law

Registration is not the only method to prevent third parties from using the mark. In parallel to the statutory scheme of registration in US common law provides the cause of action of passing-off which may be always used by the senior user of a trademark.²⁸

Thus it is not necessary to register the trademark in order to acquire exclusive rights on the state level. The system is different from trademark registration on the federal level. In some states

²⁷ C-149/11, *Leno Merken BV v Hagelkruis Beheer BV* [2012].

²⁸ C.D.G. Pickering, *Trade Marks in Theory and Practice*, (Hart Publishing 1998) 28.

action against infringement can be brought as a trademark claim while, in other states protection for unregistered mark falls under the claims for unfair competition or unfair trade practices.²⁹

Someone who has been using trademark for business may claim that the rights that it has obtained because of its prior use of the mark are superior to the rights which derive from federal registration. First the party claiming the ownership of mark must prove that he was the first commercial user of the word, name, phrase, symbol, device or logo.³⁰

Such legislative framework is protecting the goodwill of the trademark which it has acquired by being used in commerce. Any trademark which is used in commerce in order to distinguish goods of the person from those manufactured or sold by others constitutes his property if it raises the presumption in the public that it is used to indicate the manufacturer or seller. This right accrues to him from the purpose of designating the particular goods he manufactures or sells.³¹

However it is not always clear what kind of use can create such presumption and whether the quality or quantity of use matters. What constitutes the use of the trademark can be the subject of different analyses. The following cases can show the distinction between different approaches.

In *Blue Bell v. Jaymar-Ruby*, while determining whether the use of trademark was sufficient or not the court emphasized that a number of decisions have been held stating that a minimal amount of interstate commerce - either a sale or a transaction - will suffice, but while these decisions accept minimal use primarily intended to satisfy the trademark laws, none of them endorses sham transactions exclusively designated to do so. The court rather found that “use

²⁹ Lockridge (n 10) 603.

³⁰ Rudolph J.R. Peritz, ‘Competition Policy and its implications for intellectual property rights in the Unites States’ in Steven D Anderman (ed), *The interface between Intellectual property rights and Competition Policy* (Cambridge University Press 2007) 125, 162.

³¹ Derringer v. Plate 29 Cal. 292, 294 -295 (Cal. 1865).

must be *Bona fide*, with token transactions accepted only where there is an accompanying intent to engage in continuing commercial use in the future.”³²

In *Natural Footwear* case the court had to determine whether market penetration of the trademark in the area was sufficient to warrant common law protection.³³ In this case the holder of the common law trademark required injunctive relief against the holder of federal registration, arguing that he was the senior user of the mark and has achieved nationwide market penetration among the target group of purchasers. To answer the question of what is the territorial extent of the right of each party to use the trademark, court used the principles laid down in *Hanover Star Milling Co. v. Metcalf* which evaluated the territorial rights of trademark holders under common law. The court in the latter case stated that “since, it is the trade and not the mark, that is to be protected, a trademark acknowledges no territorial boundaries of municipalities or states or nations, but extends to every market where the trader’s goods have become known and identified by his use of the mark.”³⁴ Thus the court further stated that use of the mark cannot be applied as a guarantee that trademark will be protected in all areas, the same boundaries exist for trademark registrant while he cannot use the mark in a way to infringe defendants’ rights acquired by their continuous use of the same mark prior to the plaintiff’s federal registration.

In order to determine the market penetration in the area the court looked at the volume of sales of the trademark product, the growth trends in the area, the number of persons purchasing product in relation to potential number of customers, and the amount of advertising in the area.³⁵ The court considered all four factors and concluded that the plaintiff had not demonstrated sufficient market penetration to justify the conclusion that it had common law trademark right.

³² Blue Bell, Inc. v. Jaymar-Ruby, Inc. 497 F.2d 433 (C.A.N.Y. 1974).

³³ Natural Footwear Ltd. v. Hart, Schaffner & Marx 760 F.2d 1383 (C.A.3 (N.J.),1985).

³⁴ Hanover Star Milling Co. v. Metcalf 240 U.S. 403, 416, 36 S.Ct. 357, 361 (U.S.1916).

³⁵ Natural Footwear Ltd. v. Hart, Schaffner & Marx 760 F.2d 1383 (C.A.3 (N.J.),1985).

In *Sweetarts* court has held that a party should be awarded ownership of a mark in a specific geographic area only when the party's mark has achieved market penetration that is "significant enough to pose the real likelihood of confusion among the consumers in that area."³⁶

As it can be deducted from these cases unregistered trademarks are protected at least in the areas where they have acquired reputation as an outcome of continuous use. Protection of trademark may create a situation which is very similar to monopoly.³⁷ US approach is the one which is providing alternative from trademark monopolies.

The US as the party of the Paris Convention has to give effect to its provisions, whereas the convention is not self-executing. In US Paris Convention is implemented by Lanham Act. Accordingly under US law well-known marks may receive protection in federal courts only to the extent that the Lanham Act recognizes article 6bis of the Paris Convention.³⁸

By protecting well-known marks the scope of protection is increasing while the marks which have gained international recognition can be protected even if they don't have national registration.³⁹ The level of protection is even higher than provided for common law marks, while it extends the scope of use beyond the territories of the country. The trademark may not be used in the territory where it is well-known. This is exception from the principle of territoriality. The *Grupo Gigante* court explained the reason of this unique protection in its decision, that both commerce and people frequently cross borders in the twenty-first century, as a result protection

³⁶ *Sweetarts v. Sunline, Inc.* 380 F.2d 923 (C.A.8 (Mo.), 1967).

³⁷ Pickering (n 28) 70.

³⁸ Brandon Barker, 'Power of the Well-known Trademarks: Courts Should Consider Article 6bis of the Paris Convention an Integrated Part of Section 44 of Lanham Act' (2006), 81 Wash L Rev 036, 363 <<http://hdl.handle.net/1773.1/268>> accessed 11 March 2014.

³⁹ *ibid.*

of marks necessitates looking beyond national border.⁴⁰ It further stated that there is no justification to fool immigrants that they are buying from the store they liked back home.⁴¹

1.2.2 European legislations

In most legislations there is not a requirement of use before registration. However, the use is the basic concept of trademark protection in Europe as well, while property rights in trademark is attached to the business or trade in connection with which the mark is used.⁴² After trademark is registered it might be revoked if the owner is not using it for a certain period of time. This period is set by national legislation and usually it is 5 years.⁴³ The Paris Convention is touching on the issue of the use of marks in Article 5C. The article relates to the compulsory use of registered trademarks. For this purpose, use is generally understood as meaning sale of goods bearing the mark. The said article states that where compulsory use is required, the trademarks registration may be canceled for failure to use the trademark only after a reasonable period has elapsed and then only if the owner does not justify such failure. Non-use after the expiry of the grace period does not automatically lead to a loss. Trademark is neither canceled nor is the question of maintenance of registrability examined *ex officio*. The trademark however becomes vulnerable to cancellation.⁴⁴ Competitors who have a conflicting interest in trademark may bring an action for its invalidity.⁴⁵ The same rule is introduced by Trademarks Directive.⁴⁶ The proprietor of a

⁴⁰ Grupo Gigante SA De CV v. Dallo & Co., Inc. 391 F.3d 1088, 1094 (C.A.9 (Cal.),2004).

⁴¹ *ibid.*

⁴² United Drug Co. v. Theodore Rectanus Co. 248 U.S. 90, 102-103, 39 S.Ct. 48, 52 (U.S.1918).

⁴³ Act on the Protection of Trademarks and other Signs (as amended up to Act of October 19, 2013), art. 26 (DE). <www.wipo.int/wipolex/en/text.jsp?file_id=324345>
Federal Act of August 28, 1992 on the Protection of Trademarks and Indications of Source, art. 12 (CH). <www.wipo.int/wipolex/en/text.jsp?file_id=270689>

⁴⁴ Ascensao and others (n 23).

⁴⁵ *ibid.*

⁴⁶ Directive No. 2008/95/EC of The European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.

trademark must make genuine use thereof within five years of its registration. Moreover, use may not be interrupted for more than five years. If this is not the case, the trade mark shall be subject to sanctions for non-use.

Another example is the well-known mark which doesn't acquire protection by its registration, but through the use in trade and therefore the well-established goodwill in the public. As a general rule trademarks are protected within the boundaries of states territory.⁴⁷ Well-known mark is an exception of that rule. Protection of well-known mark overcomes the principle of territoriality. Article 6bis of the Paris Convention proposes the different rule concerning the protection of well-known marks. Signatory countries undertake the obligation to refuse or to cancel the registration, and to prohibit the use, of a trademark which is similar or identical to a well-known trademark.⁴⁸ Article 6bis does not set the standard for providing that the mark has achieved 'well-known' status. This leaves freedom to the courts in deciding which factors should be examined to define what a well-known trademark is. WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks lists some factors which have to be taken into consideration to determine that trademark is a well-known.⁴⁹ Like the degree of knowledge and recognition of the mark, duration of use and promotion, registrations and value associated with the mark. Though the above factors are guidelines to assist the competent authority how to determine whether a mark is well-known or not. None of these factors are a

⁴⁷ Paris Convention for the Protection of Industrial Property, art. 6(3) "A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin."

⁴⁸ Paris Convention for the Protection of Industrial Property, art. 6bis "The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith."

⁴⁹ WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, art. 2, Publication 833(E), WIPO 2000.

precondition, rather, the determination in each case will depend upon the particular circumstances of the case.

It takes a big effort for the owner to prove that a trademark is well-known. This process might be connected with certain expenses like conducting the opinion-poll in order to get data regarding the degree of knowledge and recognition in the public. Though it is assumed that such amount of expenses is not a big burden for the entity/person whose trademark is already established on the market.

Protection of well-known trademark as a tool against unfair competition might not be very effective in the case of small enterprises which are starting their business and trying to create new products. Here comes the issue of protection of the seller's investment in promotion that has failed or that has just begun.⁵⁰ Let's imagine the situation when newly created trademark which represents profitable business but is not well-known in the relevant public yet is registered by the other small enterprise in the competent authority. There might be the case when only 10% of the relevant public has the information about the trademark but under some circumstances competent authority may not assume that it is enough to satisfy the preconditions to determine that trademark is well-known.

It appears that the owner of the conflicting registered trademark takes advantage from the investment made by previous user to gain reputation and knowledge in the 10% of relevant public. The provision may be particularly useful to companies that are expanding their business in developing countries, where population is already aware of the mark.⁵¹

⁵⁰ Peritz (n30) 161.

⁵¹ Bella I Safro and Thoams S Keaty, 'What's in a Name - Protection of Well-Known Trademarks under International and National Law'(2004) 13 Tul J Tech & Intell Prop 39.

Several questions arise regarding the definition of well-known mark namely: How should the vague description ‘well-known’ be defined, should all sectors of the population know the mark or the awareness of relevant sector suffices, and if so what is the relevant sector and what degree of awareness is sufficient to define the mark as well-known.⁵² The appellate division of the supreme court of South Africa in *McDonald’s Corporation v. Joburgers Drive-Inn Restaurant (PTY) Limited* held that a substantial number of persons interested in the goods or services in question should know the mark in order to be considered as well-known. This approach is business oriented while it would be harder burden for the owner of unregistered trademark to prove the awareness of whole population.

WIPO Joint Recommendations suggests that the economic damage to the owner of a well-known mark by a junior user is not a prerequisite to find that the junior user’s mark is in conflict with the well-known mark. It is sufficient that the junior user’s mark would take unfair advantage of the distinctive character of the well-known mark.

With regards to first use criterion and its role in the registration process in Europe it is important to see what approach does Trademarks Directive⁵³ have. Article 4 lists the grounds for invalidity concerning conflicts with earlier rights. In addition to the grounds that are mandatory for every member state to have implemented in their legislation it mentions that member states are free to provide that trademark shall not be registered if it is conflicting with unregistered trademark which was used in the course of trade.⁵⁴ The directive is not limiting member states to grant earlier user the right to prohibit others from its subsequent use.

⁵² *McDonald’s Corporation v. Joburgers Drive-Inn restaurant (PTY)*, Supreme Court of South Africa, Case No 547/95 1996.

⁵³ Directive No. 2008/95/EC of The European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks.

⁵⁴ Directive No. 2008/95/EC, art 4.4 (b).

Germany changed its Trademark law in 2009 to allow an opposition to be also based on unregistered trademarks or a trade names, in addition to registered ones.⁵⁵ It extended the circle of those who can file an opposition from the owners of registered marks to the owners of unregistered trademarks, company names or work titles. Before this amendment, oppositions could be based only on registered Community Trade Marks, German trademarks or international trademarks.⁵⁶ This approach is certainly better fitting the interests of owners of unregistered trademarks, who have acquired certain level of awareness among public.

⁵⁵ Trade Mark Examination Systems in the European Union, OHIM, Publication is supported by the EU-China Project on the Protection of Intellectual property Rights (IPR2).

<www.ipr2.org/images/stories/eu-booklet-090702-en-3.2.pdf>

⁵⁶ <www.inta.org/INTABulletin/Pages/GERMANYAmendmentofGermanTrademarkAct.aspx>

Chapter 2 - Function of Trademark Protection

The definition of “the primary and proper function of the trademark” given by the Supreme Court of US in *Hanover Star Milling Co. v. Metcalf* was the following: “To identify the origin or ownership of the goods to which it is affixed.”⁵⁷ This function of trademark creates the basis for its protection.

As Lord Justice Lindley said:

“Persons may be misled and may mistake one class of goods for another, although they do not know the names of the makers of either. A person whose name is not known, but whose mark is limited, is just as much injured in his trade as if his name was known as well as his mark. His mark, as used by him, has given a reputation to his goods. His trade depends greatly on such reputation. His mark sells his goods”.⁵⁸

The public may become accustomed to certain product without knowing the source of it - who is the manufacturer, producer or retailer. Trademark has fulfilled its function if consumer assumes that two products come from the same source whatever the source might be. It does not “matter whether the public do, or do not, know what that source is”.⁵⁹ Eventually the distinguishing function and the function of indicating the source cannot be separated.⁶⁰

The unauthorized use of a trademark for a competing goods/services constitutes undue exploitation of the trademark owner’s goodwill as well as deceives the consumer as to the commercial origin of the product and hence its characteristics. It can be therefore argued that trademark law is a specific part of the larger field of unfair competition law and the enforcement

⁵⁷ *Hanover Star Milling Co. v. Metcalf* 240 U.S. 403, 405-406, 36 S.Ct. 357, 357 (U.S.1916).

⁵⁸ *Powell v. Birmingham Vinegar Brewery Co.*, 13 Rep. Pat. Cas. 235, 250 (1896) as cited by Frank I Schechter, ‘The Rational Basis of Trademark Protection’ in Robert P Merges (ed), *the Economics of Intellectual Property Law* (2nd vol, Edward Elgar 2007) 542.

⁵⁹ *ibid* 813.

⁶⁰ WIPO Intellectual Property Handbook (n 17).

of trademark protection serves to prevent acts of unfair competition. It is sufficient that consumer relies on the quality provided by enterprise not necessarily known to him.⁶¹

2.1 Consumer protection

As S.A. Diamond argues consumer psychology is the ground of trademark protection. The subjective thinking of consumer is the basis for deciding both the registrability and infringement issues.⁶² Thus consumer perception of subjects plays big role in trade.

Modern consumer society is the part of competition. Consumers benefit from perfect competition while goods and services are provided at the lowest possible cost and in the quantities consumers wish.⁶³ Consumers demand big variety of products on the market. In such variety their choice is dependent on several factors, such as price which plays a big role, source and quality, physical attributes of the products and even their subjective images which consumers have in their mind.⁶⁴ These characteristics become more important when it is not possible to put all the necessary information on the product cover. Even if the manufacturer provides consumer with all kinds of necessary information it is less likely that consumer will “lose time” to read it, especially in case of mass-consumption products.⁶⁵ Under these conditions trademarks can fulfill the function of informing consumer, while “trademarks are a compact and efficient means of communicating information to consumers”.⁶⁶

⁶¹ Protection against Unfair Competition: Analyses of the Present World Situation (Publication No.725(E), WIPO 2004).

⁶² Sidney A Diamond, ‘The Public Interest and the Trademark System’ (1980) 62 J Pat Off Soc’y 528.

⁶³ Pickering (n28) 72-73.

⁶⁴ *ibid.*

⁶⁵ Koipe Corporacion v OHIM, CFI Case T-363/04, 12 September 2007.

⁶⁶ Mark A Lemley, ‘Modern Lanham Act and the Death of Common Sense’ (1999), 108 Yale LJ 1687.

Trademark cannot function as a complete substitute of information but it can serve as the source of information summary.⁶⁷ It is a “shorthand way of telling [the consumer] that the attributes are the same as that of the brand [he] enjoyed earlier” therefore no further investigation is necessary upon purchase.⁶⁸

Trademark has the role to simplify the recognition of product differences upon which competition is based.⁶⁹ Given the organization of modern commerce with its centralized manufacturing structure and complex chain of distribution, it is difficult to have access to the firsthand information, such difficulty largely depends on the nature of the products.⁷⁰

Consumer benefits from trademark in a way that it reduces the cost in both time and resources of obtaining information about product characteristics, especially unobservable ones, thereby solving the question of information asymmetry.⁷¹ The communication function is particularly important with respect to what might be called “experience” characteristics of goods: those characteristics that consumers cannot readily verify except by buying the product.⁷²

The goals of trademark law are bound up with “informative function” of trademarks. By protecting trademark ownership rights two goals can be achieved simultaneously encouraging investment in product quality and preventing consumer deception.⁷³

As it was mentioned main functions of trademark is to identify the origin or source of the goods to which it is affixed. However average consumer does not know or care about the origin of the

⁶⁷ Pickering (n 28) 88.

⁶⁸ Landes and Posner (n 68).

⁶⁹ Pickering (n 28) 74.

⁷⁰ *ibid* 86.

⁷¹ *Ibid* 89.

⁷² Lemley (n 66) 1690.

⁷³ Ralph S. Brown, ‘Advertising and the Public Interest: Legal Protection of Trade Symbols’ (1948), 57 Yale LJ 1165, 1167 reprinted in 108 Yale LJ 1619, 1621 (1999).

product.⁷⁴ The origin might be of interest of the consumer to the extent that product quality is associated to the manufacturer. In the 1920 case of *Coca-Cola Co. v. Koke Co. of America* Justice Holmes noted that the famous trademark COCA-COLA perhaps has become more associated in the public's mind with the product than with the producer.⁷⁵

It is a quality guarantee function of a trademark that is most important to the general public of consumers. It does not mean however that highest quality is guaranteed, but a consistent level of quality.⁷⁶ “[Consumers] have a legitimate expectation that particular trademark will continue to signify the product with which they are associating the trademark. Trademark should enable consumers make a rational, informed choice when purchasing product without being deceived.”⁷⁷ For the reasons mentioned above trademark infringement has big impact not only on competitors and business but also on the public. Consumers interest is injured by third party's behavior, they are deceived or put at risk of being deceived into dealing with someone other than with whom they intended.⁷⁸

2.2 Protection from unfair competition

In addition to protect purchasing public, trademark serves the purpose to protect rights and property of individuals.⁷⁹ Trademark as a symbol or sign associated with particular business entity. It is created as a result of creativity, knowledge, skill or labor of someone.⁸⁰ The idea of protecting trademark against unauthorized appropriation comes from the principle that “one

⁷⁴ Elmer William Hanak, III, ‘The Quality Assurance Function of Trademarks’ (1974) Fordham L Rev 363, 364.

⁷⁵ *Coca-Cola Co. v. Koke Co. of America* 254 U.S. 143, 41 S.Ct. 113 (U.S.1920).

⁷⁶ Diamond (n 62).

⁷⁷ Pickering (n 28) 99.

⁷⁸ *ibid* 101.

⁷⁹ Harry D Nims, *Law of Unfair Competition and Trademarks, With Chapters on Good-will...* (Baker, Voorhis 1917) 18.

⁸⁰ Anselm Kamperman Sanders, *Unfair Competition Law the Protection of Intellectual and Industrial Creativity*, (Clarendon Press 1997) 14.

cannot take advantage of the result of the effect of competitors.”⁸¹ The term unfair competition includes all methods that are used against competitors. It involves the doctrine of unjust enrichment.⁸² In trademark cases it is appropriation of someone’s property in competition and enriching yourself at competitors cost. The entrepreneur tries to succeed in competition without relying on his own achievements in terms of quality and price of his products and services but rather by taking undue advantage of the work of another.⁸³

Unfair competition laws are needed to supplement the laws on Industrial Property, Therefore such laws have to be flexible and protection must not be dependent on any formality such as registration.⁸⁴ In an action for unfair competition it should not be decisive whether plaintiff has the absolute and exclusive right to the mark he alleged the defendant has wrongfully used.⁸⁵

Article 10bis of the Paris Convention provides protection from unfair competition. Acts of competition contrary to honest business practices in industrial or commercial matters are described as unfair. Honest is a flexible notion, but a number of acts that are always considered to be unfair are described in Article 10bis (3).⁸⁶ Among them are the acts that create confusion with the establishment, the goods, or the industrial or commercial activities of a competitor.⁸⁷

Creating such confusion however is not always considered as an act of unfair competition. In *Person’s Co v. Christman* US company registered the mark formerly used in Japan.⁸⁸ Japanese party sued to cancel the registration claiming that its use amounted to unfair competition. The court shared the position of appeal board of the trademark office and held that US company

⁸¹ *ibid* 34.

⁸² *Ins v. AP* 248 US 215 (1918) as cited in Kamperman Sanders n (80).

⁸³ WIPO, Protection against Unfair Competition (n 61).

⁸⁴ *ibid*.

⁸⁵ Nims (n 79) 26.

⁸⁶ Kamperman Sanders (n 80) 34.

⁸⁷ Art 10bis (3) of the Paris Convention lists other types of acts that shall be prohibited. For the purposes of this paper I will focus on the acts causing confusion among consumers.

⁸⁸ *Person’s Co., Ltd. v. Christman* 900 F.2d 1565 (C.A.Fed.,1990).

was not acting in bad faith by the mere knowledge of appellant's prior foreign use. The board adopted the view that copying a mark in use in a foreign country is not in bad faith unless the foreign mark is famous in the US or the copying is undertaken for the purpose of interfering with the prior user's planned expansion into US.

The main function of trademark is to protect the reputation which stands behind it. Mark is the symbol which represents the goodwill which is actual property to be protected.⁸⁹ This goodwill in most cases is the outcome of a huge effort, money and other resources spend by business. Thus it is important asset which should be protected.

⁸⁹ Nims (n79) 35.

Chapter 3 - Impact of Use/Registration System on the Function of Trademark Protection

The US combined model of common law use and federal registration and European registration systems, both provide mechanisms for business entities against those competitors who are trying to obtain same or similar trademark for their business unlawfully.

The common law action of passing-off is in many ways the nearest equivalent to the laws of unfair competition which exist almost everywhere, and although passing-off action cannot cover full extent of a law against unfair competition, it may be used as means of ensuring fair trading.⁹⁰

Basis of passing-off is the “principle that no man is entitled to steal another’s trade by deceit”.⁹¹

Passing-off as a wrong which is intended to misrepresent that one’s goods are somebody else’s has to include several elements: reputation on the part of the plaintiff, a misrepresentation by the defendant and a likelihood that the plaintiff will suffer damages.

Some kind of commercial activity has to be carried on by the defendant before court decides that its trademark is the part of its protectable goodwill. Usually it is necessary to actually have started trading under the name and quite a short period of trading may suffice.⁹²

A fraudulent or dishonest intention on the part of the defendant does not form an element of the law of passing-off. Passing-off can be committed by a wholly innocent defendant and such innocence will not even preclude the defendant from having to pay damages.⁹³ It means that the owner of unregistered trademark holder does not have to prove any subjective intention from the

⁹⁰ Amanda Michaels, *A Practical Guide to Trade Mark Law* (Sweet & Maxwell 1996) 112.

⁹¹ Lord Oliver in “Jif” (1990) R.P.C. 340; (1990) 1 W.L.R. 491 as cited in Michaels (n 90)123.

⁹² *ibid* 116.

⁹³ *ibid* 125.

side of competitor. The use in commerce automatically creates the rights which trademark owner can use against the junior user whether the latter has acted with the intention to use established goodwill of the competitor or not.

In the civil law systems of registration as it was already mentioned no prior use is required. Furthermore the registrant may register the trademark which is used on the same territory by another entity. While registration grants exclusive rights to the registrant, he is entitled with the right to prevent others from using the mark, senior user among them. The trademark act which shares the 'first come first serve' approach does not entitle senior user with any right. The only thing senior user can do is to argue that actions of the registrant where illegitimate under the legislation of unfair competition.

Unfair competition law supplements trademark laws in a way that it grants a type of protection that trademark laws cannot provide.⁹⁴ In order to fulfill this function these laws must be flexible and able to adapt to all new forms of market behavior.⁹⁵ In several countries protection is based on special statutes⁹⁶ or specific provisions in broader statutes⁹⁷. These provisions provide for civil and, in certain cases, for criminal sanctions. In a group of countries with a civil-law tradition protection against unfair competition is usually based on the general tort law. For example Italian Civil Code states that damages will be paid if person acted intentionally or negligently.⁹⁸ Dutch Civil Code also regulates acts of unfair competition as tortuous acts which

⁹⁴ WIPO, Protection Against Unfair Competition (n 61).

⁹⁵ *ibid.*

⁹⁶ Law on Market Practices and Consumer Protection (April 6 2010) (BE); Act Against Unfair Competition (3 July 2004) (DE); Federal Act against Unfair Competition of 1984 (AT).

⁹⁷ Law No. 9.279. of May 14, 1996 (Industrial Property Law) art 195 (BR); Law No. LVII of 1996 on the Prohibition of Unfair Market Practices and Restriction of Competition, arts 4-10 (HU).

⁹⁸ Civil Code of Italy (approved by Royal Decree No. 262 of March 16, 1942) art 2600.

results from person's fault or from a cause which he is accountable by virtue of law or generally accepted principles.⁹⁹

In the countries where acts of unfair competition are regulated by general tort principles the imitation and use of somebody else's unregistered trademark may not constitute such act if it is not made intentionally or negligently. It means that in some situations where the subjective element such as fault or bad faith is not proved the registrant of the mark which was used in the commerce and gained some reputation will become the holder of exclusive rights. Senior user does not have any legal remedy to use against registrant, while the registrant has got all the rights granted by registration to stop the senior user from using its own trademark.

Situation is more troublesome where foreign company which is launching business in the new country explores that mark is already registered. It has to prove that registrant acted in bad faith and intended to harm the company by registering signs. Because of the territorial nature of trademarks it is almost impossible to prove. National legislations allow parallel registration of identical trademarks in different countries, therefore it cannot be unlawful. For this reason it is widely spread practice that companies are registering the mark in different countries even before they start marketing campaigns of their brand in the countries of origin.

⁹⁹ Dutch Civil Code 1992 arts 6:162, 6:194 - 6:196.

Chapter 4 - Trademark Protection in Georgia

Trademark law of Georgia which was enacted in 1999 authorizes the National Center of Intellectual Property (SAKPATENTI) to register trademarks. Owner of the trademark is obtaining exclusive rights by registration. He can prevent third persons from using the similar or identical trademark without his consent. Exclusive right is the privilege of registrant against his competitors on the market. He obtains the monopoly over the trademark.

Under the Trademark law of Georgia registration is not obligatory. Company can use unregistered trademark in its business. However it is connected to the risk that someone will use its trademark in bad faith in order to confuse the consumer and profit from the reputation the trademark holder has got. The only way to protect the business from such actions is to register the mark. Of course same actions take place after registration as well, but the difference is that the registrant can protect its rights in court proceedings in trademark infringement action. The registrant bears the burden of exploring and proving the fact of infringement.

Furthermore registrant can prevent others from using the trademark even if he is not planning to use it himself. In this situation trademark may become the tool for unfair competition as it was the case in following example. IMEDI L was the trademark used by one of the prominent insurance companies in Georgia. The mark has obtained the awareness and reputation in the public. In 2013 holders of the mark decided to register this mark. It appeared that similar mark was already registered. It became the ground for refusal on registration of the mark for insurance services which is actual business of the company. According to Georgian legislation insurance service is specialized activity which should be conducted by legal entities, natural person is not

allowed to provide such service.¹⁰⁰ Above-mentioned mark is registered for insurance services and the owner is natural person. Thus the registrant cannot use the mark himself. It is doubtful, if not clear that registrant has obtained the registration in bad faith. Trademark office rejected the opposition and approved the registration of the contested mark.¹⁰¹ Trademark Office did not have the right to cancel the registration, because the prior use of unregistered mark is not among the relative grounds for refusal on registration.

In other words administrative body which takes final decisions regarding trademark registration cases does not have the competence to check the intention of the registrant. It can only check whether all formal requirements are met and decide upon issues of similarity and determine the level of possible confusion among trademarks. The fact that acts of unfair competition cannot be checked at the administrative level makes the process more complicated for the claimant of prior rights.

Georgian legislation is dealing with the issue of use of trademarks in the commerce. There is no requirement of prior use or intention to use as the condition for registration. However the holder is under the risk if he continuously is not using the trademark in commerce for a long period of time.¹⁰² This formulation of the provision is in accordance with international treaties Georgia is a party of.¹⁰³ It creates a guarantee that registered trademark will not function as artificial barrier for others willing to use the same trademark in their business.

¹⁰⁰ Insurance law of Georgia (N 690 02/05/1997) art 9.

¹⁰¹ Decision of the Appellate Board of SAKPATENTI N 79-03/13.

¹⁰² Trademark Law of Georgia art 27.2 (a) "The trademark registration shall be canceled by the court at the request of a third party if: [...] the trademark is not used continuously during five years in relation to the goods for which it was registered in Georgia; where the use of the mark starts or is resumed during the time between the expiry of the said five-year period and the claim of nullity of the trademark registration, no one may seek cancellation of the said registration." <http://sakpatenti.org.ge/index.php?lang_id=ENG&sec_id=30>

¹⁰³ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) art 19.1 "If use is required to maintain a registration, the registration may be cancelled only after an uninterrupted period of at least three years of non-use, unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner."

In order to make preference between the rights of concurrent registrants who has got same priority the Trademark Law provides for the first actual use criterion.¹⁰⁴ This provision may not have big practical importance because there are very rare cases when same date is established as a priority for several trademarks, however it has great impact for defining the functions of the trademark protection in Georgia. This provision expresses the clear-cut will of legislator to protect the one who has actually been using the mark earlier.

As a party of the Paris Convention Georgia should take all necessary measures to assure to its nationals effective protection against unfair competition. There is no special legislation which would be dealing with unfair competition issues, except the ones related with commercial and trade secrets, which are sanctioned by criminal code.

Law of Georgia on Monopolistic Activity and Competition¹⁰⁵ was repealed by the Law of Free Trade and Competition in 2005.¹⁰⁶ The repealing act is mainly regulating the responsibilities of state bodies and business entities with regard the use of the dominant position on the market. The act does not regulate the activities regarding intellectual property. The previous law was much better regulating unfair competition issues regarding such activities.¹⁰⁷ It listed the acts of unfair competition, among them the acts of using others trademarks and trade names without owners consent.

As for the current situation applicable provisions regulating acts of unfair competition can be found in general clauses of civil code. As a general framework tort law is prohibiting to cause

Paris Convention art 5.C.1 “If, in any country, use of the registered mark is compulsory, the registration may be cancelled only after a reasonable period, and then only if the person concerned does not justify his inaction.”

¹⁰⁴ Trademark Law of Georgia Art 11 (6) (as amended by law N2380 20/12/2005).

<http://sakpatenti.org.ge/index.php?lang_id=ENG&sec_id=30>

¹⁰⁵ N 288 25/06/1996.

¹⁰⁶ N 1550 03/06/2005, repealed by the Law of Free Trade and Competition N 6148 08/05/2012.

¹⁰⁷ Gvantsa Gugeshashvili, Goodwill as an Object of Intellectual Property and its Role in the Competition (David Batonishvili Law Institute 2013) 170.

harm to another person. However, as it was already mentioned in this paper where unfair competition is interpreted on the basis of general tort provisions the tort of unfair competition requires some kind of subjective element such as fault or bad faith.¹⁰⁸ Civil code of Georgia also mentions that such acts should be conducted intentionally or negligently.¹⁰⁹

The main question which arises with respect to current regulation is whether the act of unfair competition can be established in the absence of an intent. One of the possible scenarios in which ‘good faith’ trademark holder is harmed may develop when trademark registrant who knows of prior use of the trademark by another company is grabbing and furthermore obtaining exclusive rights upon it by means of registration. The facts of the case before Supreme Court of Georgia were similar. Trademark MMC was registered by National Center of Intellectual Property in 1999. The other company has been using same name for its internet domain address. Registrant claimed its exclusive rights and required from domain name holder to stop using it. On the other hand domain holder argued that he had been using the name for a long period of time before its registration as a trademark. It further contended that the registrant was aware of the fact and he acquired registration with the intention to deprive the domain holder from using it.¹¹⁰

Supreme court of Georgia in its decision mentioned that in order to decide the controversy between trademark holder and domain name holder it is important to determine the intention of the registrant, whether the intention was to harm the business of domain name holder. Court relied on the principle of good faith in order to state that the use of the rights shall be exercised lawfully. Exercise of a right exclusively with the intention to inflict damage on another shall not be allowed.¹¹¹ Thus the plaintiff has to demonstrate that the action of the defendant contained the

¹⁰⁸ WIPO, Protection Against Unfair Competition (n 61).

¹⁰⁹ Art 992.

¹¹⁰ Supreme Court of Georgia, Order 3k/589, 11 October 2000, Tbilisi.

¹¹¹ Civil Code of Georgia (N 786 26/06/1997) art 115. English version available at <<http://www.refworld.org/docid/3ae6b5650.html>>

elements of bad faith. Such interpretation puts much higher burden on the plaintiff than it would bear by demonstrating the mere fact of using similar trademark.

To conclude Georgian legislation is not providing effective means of protection for the owner of the unregistered trademark. Except the well-known mark owner which has acquired highest level of recognition on the market. Small and prospective businesses which are on right track, while consumers are satisfied and their awareness of the business is increasing, do not have effective mechanism against hostile competitors who are willing to benefit from their goodwill.

Conclusion

This thesis has examined the issue of trademark protection in two different systems namely in United States and in Europe. Emphasis was placed on the issue of prior use as a condition of acquiring rights on trademark. It has been shown that the model of trademark protection in combination with common law rights, serves better than first-come first-serve approach in order to accomplish one of the two main functions of trademark protection - to provide mechanisms for business entities against those competitors who are trying to use someone else's goodwill in their business. The American approach entitles user of the trademark with the rights which are limited to some extent but ensures their owners that no one will grab their trademark at least in the territory covered by their commercial activities.

The European model of protection which is mainly based on registration, also recognizes that senior user whose trademark has obtained some awareness among public is entitled to rights against a later registrant. Such rights are generally guaranteed by competition laws, or civil codes. Unfair competition laws supplement trademark laws in order to prevent bad faith registrations.

The thesis has outlined that Georgia shares the European registration model. There is no prior use requirement for registration, furthermore prior use by others does not create obstacles for registrant to acquire exclusive rights on trademark. Relative grounds for refusal are based on comparison between the pending mark and the marks which are filed or registered earlier. Trademark law does not provide any remedy to senior user of the similar unregistered mark. Therefore the owner who is claiming earlier rights on the trademark has to rely on regulations against unfair competition. There is no special law or provisions which cover acts of unlawful

appropriation of trademarks. Such claims should be based on general tort law provisions. To be successful in the tort law claim plaintiff has to prove the existence of a subjective element like intension. It makes unjustifiably burdensome for the plaintiff to win the case. For this reason unfair competition law in Georgia is not very effective mechanism against the acts of unfair competition in relation with trademarks.

It has become clear that providing such mechanisms by trademark law will ease the burden of earlier user. There are two possible ways to of avoiding it. First is the prior use model where it is the condition for registration. This model together with providing safety to business may create obstacles by making the system less flexible. The registrant is not always market ready but has some plans which may or may not be realized. In small markets like Georgia where business cannot be as stable as in developed countries use condition can create big obstacle especially for small businesses while they are not always market ready. At the same time they have some business plans which may or may not be realized. Therefore they need trademark registration which will guarantee monopoly over the mark at least for 5 years.

Another possible solution by means of trademark legislation is to add prior use and recognition by consumers to the grounds for opposition by third parties. So that the senior user of an unregistered trademark acquires the right to oppose the registration of the mark which is confusingly similar to his mark. This solution is effective for the following reasons. Firstly, it increases protection against the acts of unfair competition without additional costs on registration. As far as it does not change the procedure of search conducted by trademark office in order to check relative grounds for refusal, the time and source needed for checking is not increasing.

Secondly, it entitles administrative body with the competence to take decision regarding the issue of prior use and recognition acquired by mark. Appeal mechanism on the administrative level is generally more attractive in terms of time and costs than court proceedings. Therefore increasing the decision making competence of administrative body would increase the flexibility of the process as a whole.

Trademarks Directive of EU gives its member states discretion to decide whether they will adopt the approach to refuse the registration of trademarks which are similar to unregistered earlier ones.¹¹² Thus in case of adopting the rule which makes registration questionable because of other's prior rights Georgian legislation will remain in compliance with EU requirements regarding trademark laws.

To conclude, there is no emergency call for changes in Georgian legislation as it is already harmonized with European standards and creates basis for trademark protection. However in order to make the legislation more fitting to business interests above-mentioned reforms should be carried out. As a result trademark legislation will better function as a tool against acts of unfair competition.

¹¹² Directive No. 2008/95/EC of The European Parliament and the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks, art 4(4)b.

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