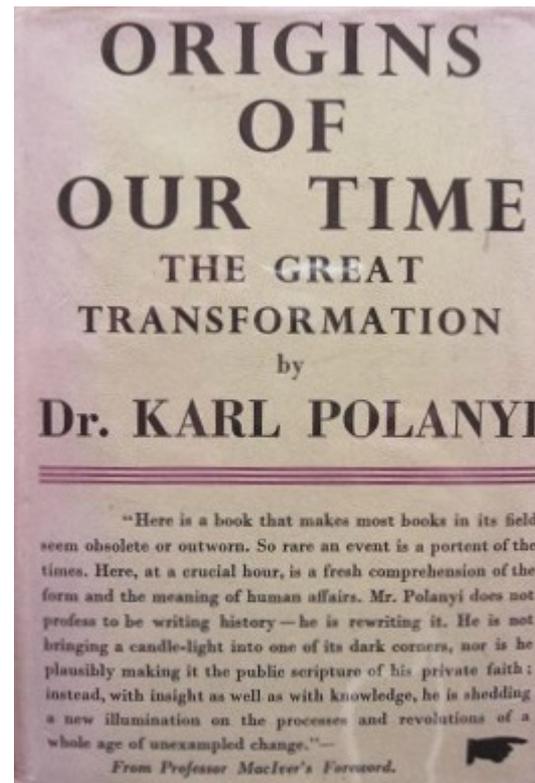


Oxford IP Research Center Invited Speaker Series

The Propertisation of Trade Mark Law – a Polanyian Perspective

Prof. Dr. Alexander Peukert
Goethe University Frankfurt am Main
a.peukert@jur.uni-frankfurt.de

- Karl Polanyi's "Great Transformation", 1944



- The rise and collapse (double movement) of the 19th century utopia of the self-regulating market (UK)
- Polanyi renaissance with global neoliberalism

- The project: the double movement theory applied to the establishment, expansion, and crisis of IP law
- The results until now: two articles in German
 - Die Expansion des Urheberrechts – eine polanyische Perspektive, in: Thomas Dreier/Reto M. Hilty (eds), Vom Magnettonband zu Social Media, Festschrift 50 Jahre Urheberrechtsgesetz (UrhG), 2015, 305-315
 - [Vom Warenzeichen zum Markeneigentum. Ein polanyischer Erklärungsversuch](#), in: Wolfgang Büscher u.a. (Hrsg.), Marktkommunikation zwischen Geistigem Eigentum und Verbraucherschutz. Festschrift für Karl-Heinz Fezer zum 70. Geburtstag, 2016, 405-426

- 1: Why did TM law expand and become a property right?
 - B. Beebe: Demand for signs, distinctions, differences (Baudrillard)
 - L. Bently: The limited causal power of proprietary language; „... what are the real causes of the expansionist tendencies in trade-mark law?“
- 2: And what about the resistance to TM expansion?

- A “Great Transformation” of (market) communication?
 - 1. Commodification
 - 2. Contingency
 - 3. Fiction
 - 4. Disembeddedness
 - 5. Countermovements

1: The commodification of all production factors

- Elaborate machines in an economy of scale:
 - “We do not intend to assert that the machine caused that which happened, but we insist that once elaborate machines and plant were used for production in a commercial society, the idea of a self-regulating market was bound to take shape. ... Since elaborate machines are expensive, they do not pay unless large amounts of goods are produced. They can be worked without a loss only if the vent of the goods is reasonably assured and if production need not be interrupted for want of the primary goods necessary to feed the machines. For the merchant this means that all factors involved must be on sale, that is, they must be available in the needed quantities to anybody who is prepared to pay for them.” (GT, p. 40-41)

1: The commodification of all production factors

- “Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (always including services) but also for labor, land and money ... Nothing must be allowed to inhibit the formation of markets, nor must incomes be permitted to be formed otherwise than through sales.” (GT, p. 69).
- “All incomes must derive from the sale of something or other, and whatever the actual source of a person’s income, it must be regarded as resulting from sale.” (GT, p. 41)

1: The commodification of all production factors

- Application to innovation and IPRs in innovation
- But does it work for TM law?
- Not for traditional TM law
 - Not a property right in the sign as such, but a Common Law misrepresentation action/unfair competition tort:
 - Avoid confusion and misallocation of resources
 - Reduce search time and transaction costs
 - Not constitutive for the market: Accessory tool regulating competition on existing markets
 - Demand and supply relate to goods and services, not to the sign/brand/image/goodwill as such

1: The commodification of all production factors

- But use value and thus demand for TMs as such from the perspective of producers:
 - Frank Schechter 1927: „The mark actually sells the goods“ under conditions of anonymous mass production.
 - Create consumer demand in an “Affluent Society” (John Kenneth Galbraith, 1958)
- And use value and thus demand for TMs as such from the perspective of consumers:
 - Thorstein Veblen 1899: The Theory of the Leisure Class, conspicuous consumption and obvious displays of status in urban life
- Thus, TMs are production factors that have to be on sale *as such* and thus completely commodified:
 - to amortize investments into the sign/brand (input)
 - to control this surplus (output) on the market

1: The commodification of all production factors

- Commodification of the sign as such:
 - Transferability of trade marks separate from the undertaking
 - Any type of sign capable of distinguishing products can be protected
 - Full control: every use of distinctive signs in the course of trade is generally infringing
 - Speaking about the mark, not with the mark (referential uses such as artworks, comparative advertising)
 - Protection of all economic functions of a TM irrespective of confusion, including the function of “**communication, investment or advertising**” ([CJEU L'Oréal v Bellure](#) and EU TM Reform 2015)
 - The EU legislature and the ECJ/CJEU “have thus taken into account the fact that a trade mark is often, in addition to an indication of the origin of the goods or services, an instrument of commercial strategy used, inter alia, for advertising purposes or to acquire a reputation in order to develop consumer loyalty.” ([CJEU Interflora](#), para 39)

2: Contingency of commodification

- Just an alternative narrative to the orthodox property rights theory (Harold Demsetz)?
- No: contingent development
 - Naturalisation is “economistic fallacy”: economy = market
 - “There was nothing natural about laissez-faire; ... laissez faire itself was enforced by the state.” (GT, p. 139)
- How was commodification brought about: law
 - “While the actual content of property rights might undergo redefinition at the hands of legislation, assurance of the formal continuity is essential to the functioning of the market system.” (GT, p. 234)

2: Contingency of commodification

- The contingency of the propertisation of TM law
 - E.g. commercialisation of football via extension of TM law to merchandising articles (cf. AG Colomer in [Arsenal Football Club v Reed 2002](#), para 73 et seq)

3: Commodity fiction

- And: some commodities are “fictitious commodities”
 - “**The crucial point** is this: labor [and] land ... are essential elements of industry; they also must be organized in markets; in fact, these markets form an absolutely vital part of the economic system. But labor [and] land are obviously not commodities; ... Labor is only another name for human activity which goes with life itself, which in its turn is **not produced for sale** but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; ... None of them is produced for sale. The commodity description of labor [and] land is entirely fictitious. ... The commodity fiction, therefore, supplies a vital organizing principle in regard to the whole of society affecting almost all its institutions ...” (GT, p. 72-3).

3: Commodity fiction

- Are TMs fictitious commodities?
 - No: Fanciful signs, in particular, are produced for sale
 - But:
 - Commodification of cultural signs, e.g. sports and political emblems, artworks, portraits of persons, etc. (K. Assaf, M. Senftleben)
 - These cultural signs were not produced for sale.
 - The protected goodwill is the result of a social practice (D. Gangjee). Accordingly, the scope of TM rights depends on the understanding of the relevant “part of the public” (e.g. post sale confusion).
 - This social practice is not produced for sale.
 - IPRs in general do not allocate goods, but regulate activities in that they grant exclusive rights to authorize or prohibit the use of artifacts (e.g. signs in the course of trade).
 - This commercial activity is not produced for sale.
 - The fiction: from communication to thing (Bently)

4: Consequence: Disembedding of the economy

- Effect 1: Disembedding of the economy from the rest of society:
 - “True, no society can exist without a system of some kind which ensures order in the production and distribution of goods. But that does not imply the existence of separate economic institutions; normally, the economic order is merely a function of the social, in which it is contained. Neither under tribal, nor feudal, nor mercantile conditions was there, as we have shown, a separate economic system in society. Nineteenth century society, in which economic activity was isolated and imputed to a distinctive economic motive, was, indeed, a singular departure. ... A market economy must comprise all elements of industry, including land [and] labor ... But labor and land are not other than the human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate of society itself to the laws of the market.” (GT, p. 71).

4: Consequence: Disembedding of the economy

- Effect 2: Negative effects on fictitious commodities
 - The “principle according to which no arrangement of behavior should be allowed to exist that might prevent the actual functioning of the market mechanism on the lines of the commodity fiction” ... cannot be upheld “in regard of labor [and] land”. “To allow the market mechanism to be sole director of the fate of human beings and their natural environment ... would result in the demolition of society. For the alleged commodity ‘labor power’ cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual ... Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce raw materials destroyed.” (GT, p. 73).

4: Consequence: Disembedding of the economy

- labour./life; real property./nature; TM./market communication
- The commodification of signs separates TM communication
 - from competitive communication
 - Anti-competitive effects of TM law, e.g. allocation of product markets via TM law (merchandising in the area of sports and toys, imitation of perfume)
 - from non-competitive communication on the market
 - Shielding the “metallic glamour” (K. Assaf) of the sign from parodies, critique, fun, art

5: Countermovements: Self-protection of society

- Polanyi: “For a century, the dynamics of modern society was governed by a double movement: the market expanded continuously but this movement was met by a countermovement checking the expansion in definite directions.” (GT, p. 130)
 - Labor and other laws granting social protection (GT, chapter 14)
 - Environmental laws (GT, chapter 15)

5: Countermovements: Self-protection of society

- Countermovements in TM law
 - Re-embedding TMs in competition
 - Access to TMs (register congestion and cluttering)
 - Limitations, e.g. with regard to uses “for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark”
 - Balancing of interests in cases of double identity and marks with a reputation in the light of “fair competition” (e.g. Interflora, para 64)
 - Re-embedding TMs in non-competitive market communication
 - Social practices of commercial TM critique, parody, art, fun, etc.
 - And their legal recognition, cf. recital 21 EUTMR: “Use of a trade mark by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters. Furthermore, this Regulation should be applied in a way that ensures full respect for fundamental rights and freedoms, and in particular the freedom of expression.”

5: Countermovements: Self-protection of society

- Outlook: From unfair competition to property and back to unfair competition?