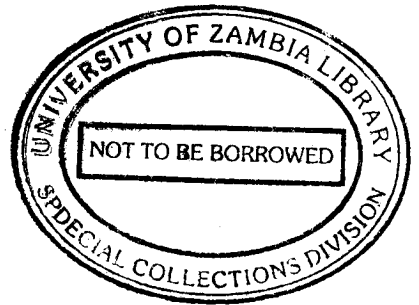


BRANDING IN A MARKET ECONOMY: A LEGAL VIEW

BY



BENSON MPALO

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SCHOOL OF LAW

I recommend that this directed research paper prepared under my supervision by

MPALO BENSON;

Entitled:

BRANDING IN A MARKET ECONOMY: A LEGAL VIEW

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Mr. FREDRICK MUDENDA
(SUPERVISOR)

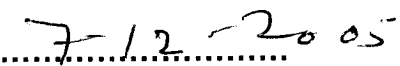

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DEDICATION

To Aunt Joyce Gondwe for your permanent support and for all the sacrifices you have made, to Mum for all your blessings, and to Aunt Regina Mwale, Aunt Tamara, Chris and Zondiwe for believing in me and for their encouragement. To Alick and Taizya for the motivation.

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And bearing in mind that the acknowledgement of a debt to others is always the most pleasant task, may I take the privilege of recording my appreciation of the efforts of a number of people without whom it would not have been easy to translate my ideas into this literal material;

I sincerely wish to express my particular gratitude and indebtedness to my Supervisor, Mr. Fredrick Mudenda for the painstaking task of supervising the production of this paper. His critical and constructive help in all relevant matters has been so valuable to this paper.

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INTRODUCTION

1.1.0 Background

In 1991 the Zambian economy was opened. Trade and Investment policies were relaxed. Consequently, the private sector began to expand. For the first time since independence, the Zambian consumer was provided with both more goods and services to choose from, and a broader range of qualities. Fruits and vegetables out of season, foods, clothing and other products that used to be considered exotic, cut flowers from any part of the world, all sorts of household goods, books and so on were now on the market. Economic competition exploded. Likewise, consumers were bombarded with choices, and are now undoubtedly uncertain as to the source or the quality guarantee of the product and service.

The changes and other factors indicated above among other things presuppose the transition of a national controlled economy towards a market-based system. A major challenge for the business enterprise under a free market dispensation, like that existing in Zambia, is competition. A closer look at the marketplace will show two types of competition; price based competition and differentiated competition.¹ If a company can distinguish its product or service from those of the competitors, it will be ahead in business. And it may even win over some customers from the larger competitors. Brands are obviously a form of differentiation and ultimately impact on price competition.

¹ Greg Thomas, (2004) Building a Branding taxonomy, Zyman Institute of Brand Science, Emory University

Frequently, therefore, businesses resort to branding in order to distinguish their products and services from others on the market. "Their hope is that this will trigger off an association in consumers mind between origin and good value."²

However, what consumers understand by the cypher depends on their previous knowledge and experience.³ As such, brands become well established either by actual trade supported by heavy and continuous advertising across regions and continents or by proper brand management. This costs millions of dollars.⁴ Therefore, valuing brands as assets is now very important in business enterprise and in effect, justifies the demand for general legal protection against imitation of marks⁵

In the light of the above synopsis, two themes underlie this research. The first concerns the economic uses to which marks, brands or name are put in an open market. The second is the question how far should traders be invested with the power to sue upon the unfair trade practices of their competitors? In others words what is the scope of legal protection against unfair competition existing on the market today?

1.2.0 Purpose and Objectives of the Study

The purpose of the study is to evaluate brand competition and performance in a market

² W.R. Cornish, (2001) Intellectual Property, Indian reprint P.515

³ Ibid

⁴ Ibid

⁵ See Chapter three

based economy. The main objective is to show the legal framework under which branding exists.

Specific objectives include, among others, to:

1. Assess the economic benefits of branding
2. Demonstrate that in a free market economy the tendency to sell goods and services by use of some mark or brand is critical
3. Establish the extent of unfair competition, ranging from simulation of mark, get-up, insignia, etc
4. Assess the impact of branding on the consumer

1.3.0 Structure of the Essay

Chapter one defines “branding” and traces the historical development of 'branding'. Focus will be on the pre-nineteenth century, nineteenth century and the current trends in branding.

Chapter two will examine the importance and justification for the protection of brands. The author in this chapter looks at the three main functions of brands and analyses the justification for trademark protection using the “law and economics” approach.

Chapter three discusses the scope of legal protection that ought to be afforded against unfair market practices, ranging from common law to statutory.

The fourth Chapter focuses attention on national situation on the markets. It will examine the manner in which brands, marks and names are being put to use and show the extent of unfair trade practices that have characterized the market place in Zambia today.

Finally, the fifth and last chapter will draw recommendations and conclusions of the paper.

CHAPTER ONE

HISTORICAL DEVELOPMENT OF BRANDING

2.1.0 Introduction

The word "brand", when used as a noun, can refer to a company name, a product name, or a unique identifier such as a logo or trademark.¹ In a time before fences were used in ranching to keep one's cattle separate from other people's cattle, ranch owners branded, or marked, their cattle so they could later identify their herd as their own. Therefore, although, the concept of branding as it is known today in marketing seems to be new, no one can dispute that the use of markings to establish who owns, or who made, a certain product appears to be ancient. Branding is an old concept. In order to properly understand both the legal and economic justification for branding in a market economy, a brief historical account of some aspect of ancient markings will be necessary. This section therefore, traces the historical development of branding, as it were, in the pre-nineteenth century, and how it came to be understood in the nineteenth century. We will also examine in this section current international trends in branding.

2.2.0 The evolution and idea of branding in the Pre-Nineteenth Century

As noted in the above, branding traces its roots in ancient markings. The purpose of these ancient markings could not have been very different from modern view concept of branding. For example, Bison painted on the walls of the Lascaux Caves in southern France contain marks that scholars say indicate ownership. The paintings were made around 5,000 years B.C.²

Stone seals dating to 3,500 B.C. have been found in the Middle East. The seals were used to indicate who made certain items. The ancient Egyptians, Greeks, Romans, and Chinese all used various forms of stamps or markings to indicate who made certain things, such as pottery or bricks. Not only did the marks indicate quality, but they also let people know whom to blame if there was a problem with the product.³

¹ Dave Dolak, Building a Strong Brand www.DaveDolak.com

² Atlas Encyclopedia Dictionary Thesaurus White Pages

³ Ibid

During the middle Ages, European trade guilds began using marks to indicate who made a specific product. Bell makers were among the first to adopt the practice, followed by other manufacturers including paper makers. They added watermarks so people would know who made that particular sheet.⁴

In 1266, the Bakers Marking Law, which governed the use of stamps or pinpricks on loaves of bread, was passed in England. It is one of the earliest known laws on trademarks. Silversmiths were required to mark their products in 1363. Bottle makers and porcelain manufacturers also followed suit, possibly influenced by Chinese porcelain, which bore markings indicating its origin.

Thus, branding is a practice with a history as long as the marketplace. Consumers have long depended on branding both to authenticate the source of the goods they buy and to stand for them as a mark of particular quality. For example, high quality cattle and art became identifiable in consumers' minds by particular symbols and marks. Consumers would actually seek out certain marks because they had associated those marks in their minds with tastier beef, higher quality pottery or furniture, sophisticated artwork, and overall better products. If the producer differentiated their product as superior in the mind of the consumer, then that producer's mark or brand came to represent superiority.

In order to provide a means to insure that brands correctly and honestly identify the source of goods and services traded in public markets, trademark law began to develop as much for the protection of consumers as for the protection of the trade interests of business. There was inevitable need for this body of law to govern the proper use of brands and marks. One of the earliest court cases involving the improper use of brands or marks occurred in England in 1618. The case, *Southern v. How*⁵ is considered the first case of actual trademark infringement. In that case, the manufacturer of high-quality cloth sued a competitor who produced lower-quality cloth, but used the marking reserved for top-quality cloth. Further, in 1742 a contention arose from the markings of the Great

⁴ Ibid

⁵ [1618] Popham 144

Mongul Stamp on playing cards. This was in the case of *Blanchard v. Hill*,⁶ in which the applicant sought an injunction to restrain a trader from imitating his mark.

The concept of branding, as seen from the above synopsis is very old, in fact ancient. Early craftsmen used their initials, a symbol or another unique mark to identify their work. Ranch owners branded, or marked, their cattle so they could later identify their herd as their own. The cases cited above are also an indication that there was then some legal protection against unfair competition through imitation of marks.

2.3.0 The View and development of Branding in Post-Nineteenth

Throughout the 19th century up until the 20th century, there was an ever-increasing scale of business organization which led to many shifts in trade practices. This followed a commercial revolution precipitated by industrial revolution. This was the period for increased production and large-scale retailing. It was the time when the market principles of Adam Smith were being propagated. Adam Smith propounded that competition was the best regulator of the market. Competition was to be seen not only in terms of price but also quality.⁷ As years went on modern advertising techniques developed and began to be very fundamental in business. Consumers were being taught to buy by product mark or house name. Consequently, brand competition slowly began to take shape as a guarantor of quality. In order to survive the competition businesses had to sell their product by 'hook or crook'. Therefore, the demand for legal protection against unfair imitation of marks and names gradually swelled.

Bearing in mind the effect of advertising on a consumer and the probability of deception of the public, judicial minds began to lay the foundation of the law relating to trade mark. James L.J., in *Singer Manufacturing Co. v. Loog*⁸ stated the principle in against imitation of marks in the following words.

"No man is entitled to represent his goods as being the goods of another man; and no

⁶ [1742] Atk.484,

⁷ Gordon Borrie and Aubrey L. Diamond, (1966) *The Consumer, Society and The Law*; London, Mac Gibbon and Kee. P.16

⁸ [1880] 18 Ch.D 395 at 412

man is permitted to use any mark, sign or symbol, device or means, whereby, without making a direct false representation himself to a purchaser to who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer."

The principle cited above obviously had a wider application. Conduct of every kind, which is calculated to pass off the goods fell within it, whether it consists of the imitation of symbol (trademark) or of the imitation of the general appearance, the get-up of the goods as they appear in the market. Later in the last quarter of the nineteenth century, traders began to put up pressure to have the protection of their marks and get-up more secure. This saw the systems of registration of marks come into effect in 1875.

The 20th century dynamics of branding or what may be now called, trademark advertisement, had therefore, to conform to the legal parameters delineated in the 19th century cases. The ever-increasing scale of commercialization and market liberalization in the twentieth century further introduced many shifts in trading practices. Brands started moving from merely validating products to encapsulating whole lifestyles, and in effect began evolving a growing social dimension. Brand preferences now became a symbol of social status. Further, brand advertising on a large scale by manufacturers replaced goodwill that was principally associated with retail outlets. This only increased the commercial significance of marks around which it evolved.⁹ New advertising techniques propped up which led to a lot of unfair competition. There was not a general unfair competition law at the time.

2.4.0 Current Trends on Branding

Today's modern concept of branding grew out of the consumer packaged goods industry and the process of branding has come to include much, much more than just creating a way to identify a product or company.¹⁰ Branding today is used to create emotional

⁹ W.R. Cornish, Intellectual Property, supra P.520

¹⁰ Op cit, n.1

attachment to products and companies.¹¹ Branding efforts have become very significant in today's marketing world. This is what creates a feeling of involvement, a sense of higher quality, and an aura of intangible qualities that surround the brand name, mark, or symbol. These intangible qualities are what must sell the product or service. They are what gives the brand, or mark its image. In other words, brand qualities will make a brand successful in making a connection with people and communicating its distinct advantage.

Building this aura of intangible qualities about the brand name, mark, or symbol has become the preoccupation of marketing experts world over. In the past, the average person thought of branding as that creative thing you do with the name of a product or it meant designing a new a wrapper or the print or television advertisements that conveyed the brand message. But that was a simpler time when there were fewer media vehicles and less competition in most product categories. Today, branding is everything. Brands are not just products or services anymore. Brands are the total sum of all the images that people have in their minds about a particular company or product. Branding is all about what makes the product or company unique.¹²

A lot of concepts are being attached to branding on the marketplace today. There is a lot of talk and emphasis, for instance about brand equity, brand awareness, brand management, and so on. Brand Equity is the sum total of all the different values people attach to the brand, or the holistic value of the brand to its owner as a corporate asset.¹³ A brand is nearly worthless unless it enjoys some equity in the marketplace. Brand awareness consists of both brand recognition, which is the ability of consumers to confirm that they have previously been exposed to your brand, and brand recall, which reflects the ability of consumers to name your brand when given the product category, category need, or some other similar cue. Brand management, on the other hand is all about creating and maintaining perceptions about the product, service and above all the

¹¹ Ibid

¹² Corporate identity servicesID4Biz.com

¹³ Ibid

company itself.¹⁴

It is no wonder that a mark, or symbol in today's market economy has become a very significant corporate asset. A lot of money is being spent in creating and advertising a brand name, mark or logo. Naturally, the concern of any owner of a valuable asset is its legal protection. Protection from fraudulent misrepresentation or even subconscious imitation of marks is therefore crucial in this regard. The question that will be examined later in this discourse, therefore, is whether the law has measured up well against the current trends in branding in a market economy.

¹⁴ Ibid

CHAPTER TWO

THE IMPORTANCE AND JUSTIFICATION FOR THE LEGAL PROTECTION OF BRANDS

3.1.0 Overview

As consumers, we don't really think about the importance of branding. We just seem to go with the flow of brand names that have become synonymous with our daily living. We use so many brands everyday and many a times do not even notice them. For example, how do you start your day? Brush your teeth with a Colgate tooth brush and Closeup toothpaste, shave with your Gillette Sensor Excel, and bathe with your lifebuoy soap in your Spartek tiled bathroom. What do you have for breakfast everyday – In the first republic a super loaf bread was most peoples favorite, but today there are many brands of bread that consumers hardly cares about which brand speaks about quality. Thus, you have many options of brands for bread, but of course would you also not be thinking of either Buttercup Margarine Butter, Kissan Jam or Kelloggs cornflakes, with a glass of Bonita milk or a Tropicana juice? What about in your own office, if you look on the office table, you will certainly find a few more of them - your HP computer with an Intel chip, a Reynolds pen, a Siemens telephone, a Casio calculator and a digital dairy, your Nokia mobile. If you go home, most probably, you will switch on your Orient fan and Phillips television. If you decide to have a take-way for dinner, you may munch on some Nandos spiced chips or debonair's pizza. The list is endless. All of us today may be using at least 50 brands everyday and we do not even realize it. But somewhere in the mind,

there is etched a name which is instantly recalled when one thinks of a product. Some brands have a really strong recall while others may have less. If somebody says mineral water, the first word that comes to mind is Manzi; some brands have such strong brand equity that they are used as a synonym for the category itself, say Cadbury for milk chocolates or Surf for washing powder. This is the power of branding. And this is what marketers spend millions of dollars on.

In Western countries consumer goods companies today spend anything between 5 to 15% of their turnover on brand building and advertising.¹ Clearly a brand is a very special asset and in many businesses it is the most important asset. This is due to the far-reaching economic impact that brands have on enterprise.

3.2.0 A starting point: Why brands exist?

It is important to note that rational judgment and emotional preference conflict in the myriad of choices confronting consumers in a market economy. Branding, therefore, is crucial in the process of reaching decisions about what to buy. As observed in chapter one, a brand is a name, term, design symbol or any other feature that identifies a seller's product from a competitive product.² From the definition, it is clear that product differentiation is the most significant function played by the concept of branding. It is because of this that branding has inevitably become a functional necessity of a complex market economy. The market place today is clustered with a varied range of products and

¹ Nelson, P. (1974). Advertising as information. *Journal of Political Economy* 82(4), 729-754

² Chapter one, note 1

services. Consequently, consumers are usually at a loss as to whose product they are purchasing. In order to be certain with their choice, the consumers must have some easy means of identifying the source of a particular product. A brand fulfills this function by answering the question of "Where does this thing come from?" Brands therefore influence the choice of consumers. In a world of abundant choices such influence is crucial for, among others reason, shopping efficiency.

3.3.0 Types of branding

The following are the main types of Branding, which are essentially a firm's strategy decisions aimed at winning a fair share of the market.³

(a) Family *Branding*-This occurs where one name is used for several products. It may also be referred to as generic branding. Under this marketing strategy, the consumer's mind is attuned to describing a product class as part of the standard vocabulary for all other products. For example, Black & Decker.

(b) Individual *Branding*- This simply requires a separate name for each product item. Each brand name therefore, has to build and establish its own name.⁴

³ Jensen, R. 1999. The Dream Society. New York: McGraw Hill

⁴ Pepsi can be cited as a good example of this type of branding

(c) Branding *Extension*

This is commonly used for the purposes of promoting new products on the market, which is achieved by using a well-known brand. An established name is given to a new product for example, Diet Coke, Colgate Herbal tooth Paste. This is a very common business practice and will only lose favor where a brand name has become less popular.

3.4.0 Economic functions of Branding

At the outset, three functions of brands or marks may be distinguished.⁵

- 1 The first function relates to their capacity to operate as indicators of the trade source from which goods or services come, or are in some other way connected.
2. The second function is the quality or guarantee function. Brands are important because they symbolize qualities associated by consumers with certain goods or services and guarantee that the goods or services measure up to expectations.
3. The third is the investment and or advertising function. Brands serve as investment asset for marketing and sale of products and the marketing and rendering of services.

All the above functions of brands offer great benefits generally. Lets us segment these benefits in terms of how they accrue to a buyer and a seller.

⁵ W.R. Cornish, Intellectual Property, Supra P.527

3.5.0 How Branding benefits a Buyer.

It is said to be a basic assumption that in a competitive economy the consumer benefits by being able to choose among a wide range in the quality and price of goods and services.⁶ However, this becomes problematic once a range of alternatives in the same category is offered. In a market economy consumers are bombarded by advertisements and brands, and it is virtually impossible for them to distinguish among all the messages. For example, can you imagine a buyer on the Zambia market who is faced with the decision as to which toilet soap to purchase? Think of the variety of toilet soaps on display in a supermarket. Quite obviously, a buyer will only be able to choose rationally if he knows the relevant differences, for instance between 'GEZA' and 'GEISHA' toilet soaps. It is at this instance of confusion that branding come to the aid of a consumer. What it does is to enable the purchaser to link goods or services to a range of personal expectations about quality which derive from previous dealings, recommendations of others, attractive advertising and so on. It is also true that once a consumer has made up his mind that he does not want a particular product or service, the mark, name or get up becomes a significant warning signal.⁷ In this respect, one great benefit that branding offers to a buyer is brand recognition. It offers a buyer an opportunity to identify products for better or for worse.

⁶ ibid P. 528

⁷ ibid

It is also true that branding facilitates shopping efficiency. Ordinarily, a buyer requires sufficient information in order to decide which product, in terms of quality, is the best among other available similar products. Acquiring all the appropriate information is in many cases time-consuming and costly, so risks have to be taken. These is especially so over qualities that cannot properly be checked or tested before purchase, but have to be taken on trust.⁸ Branding plays an important function in this regard. It reduces the search time, triggers association of quality level (guarantee quality), and minimizes perceived risks. Above all, brand names facilitate repeat purchasing, which itself makes shopping easier and faster

3.6.0 How branding benefits a Seller

The seller's interest on the market, vis a vis the public, is to emphasis qualities that differentiate his products from those of his competitors. In such pursuits there is one important thing that is always in the mind of a seller, and that is, being able to distinguish the source of goods and services. This is significant because source recognition immediately brings to the consumer's mind an assurance about the quality of the product or service on offer. This in turn brings about selling efficiency.

Brand recognition also helps promote new products. Companies usually depend on well-known brands to launch new products or services on the market (brand extension). Who would have thought, for instance, that Virgin would sell mobile phones, Versace run hotels or Tesco sell banking services? Think also of Microsoft and a number of other

⁸ ibid

products including not only the well-known operating system but also new hardware on the market. Colgate toothpaste and Colgate tooth brush. All these examples show that branding, by use of strong brands, helps in achieving new product promotion and acceptance.

It is also important to note that branding assists in enhancing customer loyalty to certain brands. Studies have shown that although young consumers will usually flit from brand to brand, this is unlikely so among the mature consumers. A good percentage of mature consumers remain loyal to well-known brands. This is according to a study of American lifestyles conducted by DDB, an advertising agency.⁹ Customer loyalty will no doubt influence brand preferences. Brand preference might be considered as ‘the holy grail’ of branding because it is the result of consumers knowing your brand, understanding what is unique about your brand, connecting emotionally with your brand, making a decision that your brand is superior to others for some reason or combination of reasons, and choosing it over competing brands”¹⁰ Branding, therefore creates trust and an emotional attachment to a product or company. This attachment then causes consumers to make decisions based, at least in part, upon emotion-- not necessarily just for logical or intellectual reasons. In this way we can safely say branding will help a seller "fence off" his customers from the competition and protect his market share while building mind share.

⁹ Economist Newspaper (6th September, 2001) [who is wearing the trousers?](#)

¹⁰ Dave Dolak, Building a Strong Brand www.DaveDolak.com

Once the seller has mind share, customers will automatically think of him first when they think of his product category.¹¹

It is true then that a strong brand can make actual product features virtually insignificant. Therefore, a solid branding strategy communicates a strong, consistent message about the value of the company, and a strong brand helps a seller sell value the intangibles that surround his products. A strong brand signals that the seller want to build customer loyalty, not just sell products. Finally branding will deliver to a seller added advantage in terms of premium price. A strong brand can command a premium price and maximize the number of units that can be sold at that premium.¹²

3.7.0 Brands as most valuable assets

Although current accounting practices do not treat brand and customer relationships as investment and tend to marginalize their value, brands are actually an important strategic asset. Since brands fall within the realm of intellectual property, they are to be regarded as intangible assets. In the information age an organization's most valuable assets are intangible¹³ and among these valuable assets include brands and their reputations. According to research, a company's intangible asset is one of its most valuable assets. Companies rich in intangible assets tend to have high share prices, relative to their tangible assets.¹⁴ One important point to bear in mind when assessing the commercial

¹¹ ibid

¹² ibid

¹³ Jensen, R. (1999). The dream society. New York: McGraw Hill.

¹⁴ Karl-Erik Sveiby (26 May 1995) Market Value of Intangible Assets

value of brands as intangible assets is that brands have demonstrated a unique durability and sustained competitive advantage unmatched by any other corporate asset.¹⁵ The world's most valuable brand, Coca-Cola, is more than 118 years old and many leading brands are older than 60 years. This is almost three times the average life span of a corporation. Many brands have survived a string of different corporate owners. The combination of durability and commercial impact make brands a key corporate asset equally for consumer and for focused businesses.¹⁶

Several studies have tried to estimate the contribution that brands make to shareholder value. The most comprehensive of these is Interbrand's study of "The Best Global Brands" which concluded that on average brands account for more than a third of shareholder value. In many cases brands account for more than 70% of shareholder value.¹⁷ The trouble is that the value of intangible assets cannot be deduced like the value of tangible assets, from routine market transactions. It only emerges in an indirect way, or when a company changes hands.

3.6 Justification for legal protection

In order to properly appreciate the discussions on this subject, it is better that one understands firstly, the relationship between branding per se and trademark law. Branding has been defined as the use of a name or symbol used to identify items or services of the seller from the goods of the competitor; or as the impression created in the

¹⁵ *ibid*

¹⁶ Jan Lindemann, (2003) Brand Valuation Loop Consulting Ltd

¹⁷ *ibid*

mind of the consumer by a logo or brand name.¹⁸ A trademark on the other hand has been defined under common law as a "symbol which is applied or attached to goods for sale in the market, so as to distinguish from similar goods, and to identify them with a particular trader..."¹⁹ The English statute,²⁰ defined trademark as any mark used or proposed to be used in connection with goods for the purpose of indicating that they are the goods of the proprietor of such trade mark. A mark was defined in that Act as to "include a device, brand, heading, label, name, signature, word, letter, numerical or any combination thereof."²¹

In considering the justification for legal protection for brands, it is therefore important to bear in mind that trademark is nearly synonymous of branding as used in this paper. Whereas the term branding may preferably be used in marketing or economics, the lawyer's coinage for the same word is trademark. In its strict sense, however, branding is a broader concept. It includes trade marks and related aspects of goodwill (get-up, trade names of business, etc.). In legal parlance, however, the term "trademark" is generally used to connote any such devices protected as symbols needed by consumers to distinguish between competing products and services in the market economy. Hence, the fundamentals of trademark law apply *mutatis mutandis* to the marketing concept of branding.

¹⁸ See Chapter one, n.1

¹⁹ T.A. Blanco White. (1966) Kerly's law of Trade Marks and Trade Name P.18

²⁰ Trade Mark Act of 1905, section 3

²¹ Ibid

Let us now consider the question of protection. Why should businesses bother about brand protection? What really is the purpose of protecting brand names?

What should be noted at the outset is that any argument on the need for the protection of trademarks begins with their functional role. As indicated in the preceding paragraphs, marks or brands names serve three main functions, viz., the origin function, the quality function as well as the investment function. Various authors have therefore justified the protection of marks on the functional basis.²² There is however, no agreement as to which of the three functions is main reason for the trademark protection.

The argument on this discussion has mostly proceeded from the law and economic viewpoint approach. Thus, as far as standard law and economics literature is concerned, trademark law is seen as an incentive for business enterprises to invest in the quality of the goods and services in connection with which the mark is used and as a remedy to a specific market failure. It is thus argued that, were it is impossible for consumers and for the public at large to identify the source of goods, every business would have an incentive to supply goods having a quality lower than the average prevailing in the industry, as the profit of the individual transaction would in fact be garnered by the business entering into it, while the reputation costs deriving from the disappointment of the public would be externalized to the whole industry.²³ Accordingly, the adoption of a sign, which links the goods to a source constant over time, is seen as a device to overcome this difficulty.

²² Cornish, *supra*

²³ Nicola Botteroa, Andrea Mangania, Marco Ricolfaa [The Extended Protection of strong Trademarks](#)

between trademark protection and high quality products, while there is a general consensus that trademark protection induces firms to maintain the quality of their goods and services constant. Notwithstanding, the relationship between trademark protection and high quality could be indirect. There is a mass of theoretical literature that analyzes the relationship between advertising and product quality.²⁸

It should be noted that until a couple of decades ago both common and civil lawyers used to follow an approach to explain the rationale of trademark protection which, while markedly different, is altogether compatible with the one suggested by economists. The rationale of trademark protection lies, according to the standard lawyer's original understanding, in its function of designating the origin of the goods. The public is to be protected against the risk of confusion deriving from the unauthorized use of an identical or similar sign in connection with identical or similar goods. Therefore, the purpose of trademarks is to signify the origin or source of the goods. Lawyers tend however to add, there by establishing a clear link to the economists approach as summarized above, that an incentive is built to encourage businesses to invest in the quality of the goods they offer to the market. Lawyers are reluctant to assert that the main purpose of trademark law is to guarantee the qualitative level of the goods on which the mark is affixed, as they are afraid that this understanding might ultimately fetter the freedom of the trademark holder to vary the characteristics of the goods. But they are ready to join their economist

²⁸Nelson, P., 1974 *supra*

use that sign. It therefore appears evident that the traditional function of designating the origin of the goods is not the one that gets protection through anti-dilution laws in western economies. What receives protection here is the investment that the right holder has made in promotion and which has been stored in the immateriality of the sign.

The broad development in the law governing the protection of (strong) trademarks calls for a re-formulation of conventional economic analysis. In the same breath, in approaching the issue of trademark protection the courts need to be aware of the distinct function of trademark protection. The current trends presuppose moving away from the traditional approach where protection against infringement could only be granted in the presence of a likelihood of consumer confusion.³⁰ As seen from the discussion above a trademark is no longer a mere repository of goodwill accumulated around the product it distinguished. Therefore, the courts decision may raise a lot of questions about "function such as the extent to which there should be protection against dilution, protection of what are essentially design elements in products, and protection against comparative advertising."³¹

3.7 Conclusion

Over and above, it is clear that the importance of branding in a market economy cannot be overemphasized. It is evident from the discussion above that the use of brands per se brings with it a number of advantages not only to businesses but also to society generally.

³⁰ Cornish, *supra*

³¹ *Ibid* P.531

The benefits and advantages that accrue from branding lay in the three main functions, i.e., the origin function, the quality function and the Investment functions. These functions make brands one of the most valuable assets of a firm, and competitors in developed economies depend on these for establishing and maintaining a market share. Naturally, their major concern is how to safeguard this most valuable asset. It has been shown that trademark law provides this protection. However, the question still is, how serviceable, is it to distinguish between the origin, quality and investment functions of trademarks, when deciding the proper extent of legal protection for them? Should we maintain the traditional approach that seeks to justify the protection on basis of the "origin function"? The analysis that has been put forward may be helpful in clarifying the logic that is behind current trends in trademark protection. In the next chapter, we will analyze the scope of legal protection. The question that will be addressed is how compatible is the law in meeting negative spillover effects such as trademark dilution arising from free riding?

CHAPTER THREE

THE SCOPE OF LEGAL PROTECTION

4.1.0 Introduction

This chapter looks at various ways in which brands will enjoy legal protection. We saw in the preceding chapters that terms such as "mark", "brand" and "logo" are sometimes used interchangeably with "trademark". We also noted that, the terms "brands" and "branding" raise distinct conceptual issues and are generally more appropriate for use in a marketing or advertising context. In legal parlance, however, the term trademark is more appropriate. For this reason, the legal protection of brands must be examined within the legal framework of trademark protection.

Let it be noted that the English approach, since the adoption of the registration system, for trademark protection has been to treat common law protection and registration cumulatively, the common law giving root protection wherever trading reputation justifies it and registration providing more straightforward, protection when an official grant has been secured.¹ In Zambia, the approach is nearly the same. The Trademark Act² introduced the registration system of marks and at the same time retained the common law protection for passing off.³

Thus, any meaningful analysis for the legal protection of trademark will capture both common law and statutory (registration) protection.

4.2.0 Common law protection

Brand protection under common law is found in the torts of passing off and

¹ W.R.Cornish, Intellectual property, Supra, P569

² Cap 401

³ See section 7 of the Trademark Act.

injurious falsehood. Let us now examine at how brands are protected under these two heads of tort law.

4.2.1 Passing Off

The legal and economic basis of this tort is to provide protection for the right of property that exists not in a particular name, mark or style but in an established business, commercial or professional reputation or goodwill.⁴ It is therefore an actionable wrong for a trader to sell merchandise or carry on business under such a name, mark, description, or otherwise in such a manner as to mislead the public into believing that the merchandise or business is that of another.⁵ This form of unfair competition is commonly termed as *passing off*. The rationale for the conception of passing off lies in the need for the protection of traders against that form of unfair competition which consists in acquiring for oneself, by means of false or misleading devices, the benefit of the reputation already achieved by rival traders.⁶

The question whether the use of particular name or mark is calculated to pass off one's goods as those of another may be a difficult one, but in substance a question of facts. Lord Halbury L.C. in *Reddaway v. Banham*⁷ aptly stated that:

"The principle of law may be very plainly stated, that nobody has any right to represent his goods as the goods of somebody else. How far the use of particular words, signs or pictures, does or does not come up to the proposition enunciated in each particular case must always be a question of evidence, and the more simple the phraseology, the more like it is to a mere description of the article sold, the greater becomes the difficulty of proof; but if the proof establishes the fact, the legal consequence appears to follow."

The rule stated above has often been treated as only a special instance of a more

⁴ R.F.V Heuston, and R.A. Buckley, Salmond and Heuston on the Law of Torts, 20th Ed., Eighth Indian Reprint 2004, P.395

⁵ *ibid*

⁶ *ibid*

general rule already stated that any misrepresentation calculated to give one trader the benefit of another's goodwill is to be regarded as passing off. In the recent past, the scope of the tort of passing off has been widened. In the *Dutch Advocaat* case⁸ lord Diplock stated that "unfair trading as a wrong actionable at the suit other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law. Conspiracy to injure a person in his trade or business is one, slander of goods of another, but most protean is that which is generally and nowadays, perhaps misleadingly, described as 'passing-off'. The forms which unfair trading takes will alter with the ways in which trade is carried on and business reputation and goodwill acquired." Similarly, in the *Champagne* case⁹ it was held that the law governing trade competition is wide enough to prevent a person attaching to his product a name or description with which it has no natural connection in order to make use of the reputation and goodwill gained by a product genuinely indicated by that description. This ruling introduced into trademark law what has come to be known as brand dilution.¹⁰

The tort of passing off has therefore taken many forms other than confined to cases of the sale of goods. It now covers, inter alia, the following cases:

a. A direct statement that the merchandise or business of the defendant is that of the plaintiff

Thus, it is an actionable wrong to sell a publication by falsely putting the name of a well-known author on the title page.¹¹

⁷ [1896] A.C. at p.204

⁸ *Erven Warnink BV v J Townend & Sons (Hull) Ltd* House of Lords [1979] 2 All ER 297

⁹ *J Bollinger V. Costa Brava Wine Co. Ltd* [1960] Ch.262

¹⁰ For instance, are a perfume and an automobile likely to cause confusion as to source if similar names are used? I call your attention to the fact that the Harley Davidson Motorcycle Company is licensing its name for a perfume

¹¹ See the case *Byron(lord) v. Johnson* (1816) 2Mer 29

b. Trading under a name so closely resembling that of the plaintiff as to be mistaken for it by the public

This situation can best be illustrated by the case of *Hendriks V. Montagu*¹² In this case the Universal Assurance Society obtained an injunction preventing a company subsequently incorporated from carrying on business under the name of the Universe Life Assurance Association.

c. Selling goods under a trade name already appropriated for goods of that kind by the plaintiff, or under any name so similar thereto as to be mistaken for it.

A trade name means under which goods are sold or made by a certain person and which by established usage has become known to the public as indicating that those goods are the goods of that person.¹³ A trade name is opposed to a mere generic name. A generic name is a common descriptive name of the product it identifies. If a person has used a name that has some other connotation for the public, then he faces the special difficulty of establishing that such a name had in fact acquired a secondary meaning and the public understands the word to indicate that goods or services come from him.

d. Selling goods with the trade mark of the plaintiff or any deceptive imitation attached thereto

A trade mark is at common law any mark habitually attached by a trader to goods manufactured or sold by him in order to indicate that they are his merchandise, and by established usage known to the public as possessing that significance.¹⁴ The

¹² [1881]17 Ch.D. 638

¹³ R.F.V Heuston, and R.A. Buckley, Salmond and Heuston on the Law of Torts supra n 5

¹⁴ Ibid, 397.

statute law as to infringement of registered trademarks does not exclude or supersede this common law protection. It is for this reason that rights in passing off is expressly preserved by the Trademarks Acts.¹⁵

e. Imitating the get-up or appearance of the plaintiff's goods so as to deceive the public

When there is anything so characteristic in the get-up or appearance of the plaintiff's goods that it identifies those goods as the merchandise of the plaintiff, any deceptive adoption or imitation of the get-up or appearance is subject to the same rules as the deceptive adoption or imitation of his trade name or trade mark.¹⁶

f. The Cause of Action

The essential elements of passing off were identified by lord Diplock in Erven Warnink BV v J Townend & Sons (Hull) Ltd.¹⁷ Thus, to allege a case of passing off one must be able to show that there was:

- i. Misrepresentation
- ii. Made by a trader in the course of business or trade
- iii. To his prospective customers or ultimate consumers of goods and services by him
- iv. Which is calculated to injure the business or goodwill of the trader or which is likely to do so (in a quia timet action)

These propositions were cited with approval by the Zambian Supreme Court in the case of Trade Kings Limited v. Unilever. In delivering judgment of the Court, Ngulube, C.J, as he then was, stated that the above propositions should however, be read subject to Lord Diplock's wise caution when he said that:

¹⁵ See section 7 of the Trade Marks Act, Cap 401 of the Laws of Zambia

¹⁶ See Reckit & Coleman Ltd. v. Borden Inc [1990] 1 W.L.R 491

"In seeking to formulate general propositions of English law, however, one must be particularly careful to beware of the logical fallacy of the undistributed middle. It does not follow that because all passing off actions can be shown to present these characteristics, all factual situations which present these characteristics give rise to a cause of action for passing off. True it is that their presence indicates what a moral code would censure as dishonest trading, based as it is on deception of customers and consumers of a traders' ware, but in an economic system which has relied on competition to keep down prices and to improve products there may be practical reasons why it should have been the policy of the common law not to run the risk of hampering competition by providing civil remedies to everyone competing in the market who has suffered damage to his business or goodwill in consequence of inaccurate statements of whatever kind that maybe made by rival traders about their own wares. The market in which the action for passing off originated was no place for merely mouthed: advertisements are not an affidavit; exaggerated claims by a trader about the quality of his wares, assertions that they are better than those of his rivals, even though he knows this to be untrue, have been permitted by common law as venial 'puffing' which gives no cause of action to a competitor even he can show that he has suffered actual damage his business as a result"

Lord Diplock's dicta properly summarize the framework of this discussion on branding. The statement clearly recognizes, firstly, the fact that competition is an inherent feature of the market based economy, secondly that in such an economy dishonest trading is inevitable, and thirdly that an effective legal machinery in such a system is necessary. Therefore, when considering the national situation for branding in the next chapter, the *Trade kings case* will be a significant point of reference.

¹⁷ *Supra*, at 932 to 33

We must also mention that in Reckit & Coleman Ltd. v. Borden Inc.¹⁸ Lord Oliver rephrased the cause of action in passing off in a more pragmatic way saying:

" First he (the plaintiff) must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of the brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognized by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead to the public to believe that the goods or services offered by him are the goods or services of the plaintiff.... Thirdly, he must demonstrate that he suffers or in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff."

Therefore, the three elements as elaborated by Lord Oliver as well as Lord Diplock's propositions enunciated above are the basis of this analysis on the concept of branding. Therefore, when analyzing the practical aspect of branding at national level in the next chapter regards will be had to these statements law. Further, although it does not matter what means the defendant uses to represent his goods or business to be another's¹⁹ our concern in this analysis is on the manner the defendant may imitate the badge or trade name which the plaintiff has used to implant reputation in the public mind.

¹⁸ Op cit

¹⁹ W.R.Cornish supra, p 545

4.2.2 INJURIOUS FALSEHOOD

The tort of injurious falsehood is a broad one comprising various forms of actionable misrepresentation of which passing off is one. However, it may be available to deal with forms of unfair trading that do not amount to passing off. These may consist of false claims to legal rights (including intellectual property rights) and other false statements, such as disparaging criticisms of a competitor's goods or business.

There are many examples of injurious falsehood. The earliest cases were concerned oral aspersions on the plaintiff's title to land which is of no relevance to this discussion. Later the law was extended to cover written aspersions on the title to property other than land and then to cover disparagement of quality as distinct from title.²⁰ This is commonly known as 'slender of title'. Slender of title come in many forms. An example of slender of title in a narrow sense and somehow related to this topic is false and malicious depreciation of the quality of the merchandise manufactured and sold by the plaintiff.²¹

Comparative advertisement is another example of slender of title. In the absence of passing off, the only weapon which common law provided against any sort of comparative advertisement was restricted to disparagement that amounted to injurious falsehood. However, at an early stage of both modern tort and modern advertising, the courts showed no particular interest to allow actions bordering on comparative advertisement to succeed.²² The case of *White v. Mellin* is a good example.

To be able to support an action for injurious falsehood it is always necessary for the plaintiff to prove (1) that the statements complained of were untrue; (2) that they

²⁰ Salmond and Heuston, *supra* p.393

²¹ See *White v. Mellin* [1895] AC 154

²² Cornish, *op cit.*

were made maliciously - i.e. without just cause or excuse; (3) that the plaintiffs have suffered special damage thereby.

4.3.0 Registered Trade Marks

In addition to the common law tort of passing off, it is possible by registering a trademark in respect of any specification of goods or services under the Trademarks Act²³ to prevent the infringement of the right to use of that trademark within the specification. The registered proprietor may prevent its use by others even in ways that involve no passing off.

Today, trademarks are usually conferred nationally by virtue of formal registration. This however, is not to say that they cannot be conferred by reason of a reputation generated by actual trading. For this reason the passing off action, retain much of its usefulness. The protection that trademark law gives to a trademark consists essentially of making it illegal for any entity other than the owner of the trademark to use the trademark or a sign similar to it, at least in connection with goods for which the trademark was registered or with goods similar to it.

The advantage of having a trademark registered is that if a rival trader uses the same or a similar mark, it will be difficult for that rival to resist a claim that he or she is not entitled to do so. The main disadvantage is that it costs money. This disadvantage is accentuated if one undertaking applies for registration in many countries, which happens more and more often due to globalization of business activities and the consequent need for a global protection.

4.31 Legal Structure of Trademark Protection

The A® symbol is used to denote that a trademark has been registered with the government trademarks office or registry of a particular country or jurisdiction.²⁴

²³ Cap 401

²⁴ Patents and Companies Registration Office, A Guide to Proper use of Trade Marks

Upon registration, a trademark can be enforced by way of an action for infringement.

a. Establishing trademark rights, use and registration

Trademark rights, such as the right to exclusive use of a trademark, can be established through actual use in the marketplace or registration with a trademark office.²⁵ In general, such rights will only apply in the jurisdiction where the trademark is used or registered, a quality which is sometimes known as territoriality.²⁶ However, there are a range of international trademark laws and systems which facilitate the protection of trademarks around the globe.²⁷

A trademark may be registrable (i.e. be eligible for registration) if amongst other things it satisfies the essential trademark function, and is not generic or descriptive.²⁸ A trademark may have "distinctive character" without being registrable. Registrability can be perceived as a continuum, with generic and descriptive marks at one end of this continuum, "fanciful" or "invented" marks (eg. Kodak or "Boom" detergent paste) at the other end, and suggestive marks and arbitrary marks laying somewhere in between these two points. Suggestive marks are marks which have some descriptive quality but which require imagination on the part of the consumer to identify this quality, for example, the mercury image for FTD suggesting delivery speed)²⁹; and arbitrary marks are usually common words which are used in a meaningless context, for example, "Apple" for computers or "Key" for detergent pastes.

Therefore, marks that identify or describe a product or service, which are in common use, or which are used as geographical indications, generally cannot be

²⁵ Ibid

²⁶ W.R Cornish, *supra*

²⁷ In particular, The Madrid system for the international registration of marks

²⁸ *op cit*

²⁹ Brand Identity Design, Importance of brand Identity, Samples and Information

registered as trademarks, as they must remain available for use by anyone.³⁰ For a example, a generic term such as "apple"; or descriptive terms such as "red" or "juicy" generally cannot be registered in relation to apples. Although these rules are most easily applied in relation to word marks, graphic elements are evaluated on a similar basis. For example, a pine tree shape is descriptive when used on pine-scented products.³¹

However, in some jurisdictions even trademarks, which are otherwise generic or descriptive, may be registrable where the public associates these trademarks with a particular commercial origin or source. This association is sometimes known as secondary meaning or as acquired distinctiveness³² (e.g. in Common Law jurisdictions). In some jurisdictions, secondary meaning may be established if the trademark owner can demonstrate exclusive use of the mark for a defined period. Evidence of use and tools such as consumer surveys may also be used to show that the public will chiefly associate the descriptive mark with the trademark owner and its products or services.

Most jurisdictions exclude some categories of terms and symbols from trademark protection entirely. In addition to generic terms, excluded marks include marks used for official government business (e.g. national flags; the symbols of the modern Olympic Games), marks that are deceptive as regarding the nature or origin (including geographic origin) of the products or services to which they apply, and marks that are considered morally offensive or obscene. (For example, in Zambia marks that contrary to law or morality or any scandalous design are disentitled to protection)³³

³⁰ W.R., Cornish, *ibid*

³¹ Brand Identity Design, *supra*

³² *Ibid*

³³ See section 16 of the Act.

b. Maintaining trademark rights, abandonment and genericide

Trademarks rights must be maintained through actual use of the trademark. These rights will diminish over time if a mark is not actively used. In the case of a trademark registration, failure to actively use the mark, or to enforce the registration in the event of infringement, may also expose the registration itself to removal from the register after a certain period. All jurisdictions with a mature trademark registration system provide a mechanism for removal in the event of such non use, which is usually a period of either three or five years.³⁴ In the US, failure to use a trademark for this period, aside from the corresponding impact on product quality, will result in abandonment of the mark, whereby any party may use the mark. An abandoned mark is not irrevocably in the public domain, but may instead be re-registered by any party which has re-established exclusive and active use, including the original mark owner.³⁵ Further, if a court rules that a trademark has become "generic" through common use,³⁶ the corresponding registration may also be ruled invalid.

For example, the Bayer Company's trademark "Aspirin" has been ruled generic in the United States, so other companies may use that name for acetylsalicylic acid as well.³⁷ Xerox for copiers and Band-Aid for adhesive bandages are both trademarks which are at risk of succumbing to genericide, which the respective trademark owners actively seek to prevent.³⁸ In order to prevent marks becoming generic, trademark owners are often advised on how to properly use trademarks.³⁹

The proper use of a trademark means using the mark as an adjective, not as a noun or a verb, though trademarks, use as nouns and, less commonly, verbs is common.

³⁴ Section 31 of Cap 401

³⁵ Samuel Feng Legal Structure of US Trademark Protection Merges, Menell, Lemley. "Intellectual Property in the New Technological Age." Aspen Publishers, 2003

³⁶ Such that the mark no longer performs the essential trademark function and the average consumer no longer considers that exclusive rights attach to it

³⁷ Although it is still a trademark in Canada

³⁸ Op cit

For example, that you cannot "Xerox" a document, but you can copy it on a Xerox Brand copying machine, or that you cannot SIMONIZE® your car.⁴⁰ Such efforts may or may not be successful in preventing genericism in the end, which depends less on the mark owner's efforts and more on how the public actually perceives and uses the mark. In fact, legally it is more important that the trademark holder visibly and actively seems to attempt to prevent its trademark from becoming generic, regardless of real success. It is therefore necessary to protect and care for trademarks.

c. Enforcing trademark rights

The extent to which a trademark owner may prevent unauthorized use of trademarks which are the same as or similar to its trademark depends on various factors such as whether its trademark is registered, the similarity of the trademarks involved the similarity of the products and/or services involved, and whether the owner's trademark is well known.⁴¹ The case of *Trade Kings v. Unilever*⁴² illustrates how trade mark rights can be enforced through court proceedings in Zambia. If a trademark has not been registered, some jurisdictions (especially Common Law countries) offer protection for the business reputation or goodwill that attaches to unregistered trade marks through the tort of passing off.⁴³ Passing off may provide a remedy in a scenario where a business has been trading under an unregistered trademark for many years, and a rival business starts using the same or a similar mark. If a trademark has been registered, then it is much easier for the trademark owner to demonstrate its trademark rights and to enforce these rights through an infringement action.

³⁹ Patents and Companies Registration Office, supra

⁴⁰ Ibid

⁴¹ W.R.Cornish, supra P.618-623

⁴² SCZ No.12, 2000.

⁴³ Ibid, Similarly, as already stated supra, our Trademark Act makes provision for passing off under section 7

I. Action for infringement

Although many of the principles applicable are common to both forms of action (and the two are habitually combined in a single action⁴⁴), it is essential to note that an action for infringement is necessarily an action upon a registered mark, by reason of section 7 of the Trade Mark Act⁴⁵, which provides as follows:

"No person shall be entitled to institute any proceedings to prevent, or to recover damages for, the infringement of an unregistered trade mark, but nothing in this Act shall be deemed to affect rights of action against any person for passing off goods as the goods of another person, or the remedies in respect thereof."

Thus, where a plaintiff claims an absolute injunction against use of an unregistered mark, basing his case on the allegation that it is distinctive of his goods, he runs the risk of having his action dismissed on the ground that it is an action for infringement prohibited by the Act.⁴⁶ However, the express words in the second part of section 7, saving the right to bring an action for passing off, imply that it will be no defence to an action for passing-off that the defendant is registered as proprietor of the mark which he is using; but where this is the case, it is usual for the plaintiff at the same time to move to rectify the Register.⁴⁷

Under section 4(9), it is important also to note that the law preserves the principle that, so long as a mark remains registered, use of it in its registered form cannot amount to infringement of any other mark. Accordingly, if a defendant pleads a

⁴⁴ See, *Trade Kings v Unilever*, supra

⁴⁵ Cap 401

⁴⁶ see *La Radiotechnique S.A. v. Weinbaum* (1927) 44 R.P.C. 361

⁴⁷ e.g., *Rey v. Lecouturier* [1910] A.C. 262

registered mark in defence, the plaintiff should apply for rectification of the register by removing or limiting the defendant's registration.

Finally, the principles on which the courts act in considering what degree of resemblance between two marks is likely to deceive is left to be discussed in the next chapter.

CHAPTER FOUR

THE NATIONAL SITUATION: AN OVERVIEW

5.1.0. Overview

This chapter presents the perception of branding at the national level. The preceding chapters of this paper have tried to look at salient aspects of the concept of branding from both economic as well as legal perspectives. In this chapter, we look at how trade mark owners in Zambia use their brands to distinguish their products and services from others on offer. We have just seen, in the previous chapter, how far the law invests in traders or manufacturers the power to sue upon the unfair business practices of their competitors.

5.2.0 Product Differentiation

Globalization, trade liberalization and increasing competition have transformed the social, economic and political landscape of nearly all developing countries.¹ For Zambia, a noticeable feature on the market has been increased competition in both product and service marketing.² And because of trade liberalization the consumer has been presented with a wide variety of choices. In a bid to make products and services recognizable to consumers, manufacturers have invariably found themselves engaged in a new form of competition namely, differentiated competition.³ The belief in business today is that if a business can successfully distinguish its products and services from those of its competitors, then it will stay in business. But how is this differentiation to be achieved? There is no doubt about the role that brands or logos play in Product differentiation.

Since 1991 companies in Zambia realized that branding plays a crucial role in any competitive market. Marketing rules also began to experience a new shift. The prevailing trend has been to move away from the marketing theory, which focused on the product

¹ Consumer Watch Vol.11, issue no.2, April 2005

² Ibid

³ see introduction to this paper

and where to sell it. The new marketing approach now is to build a brand not a product—to sell a lifestyle or a personality, to appeal to emotions.⁴ The aim here obviously is to build an association in consumers' mind between origin and good quality. The result of this new phenomenon of marketing has been exhibited through different forms of unfair business practices in the form of passing off and trademark infringement.

The reform or liberalization of markets including agricultural and food markets, has been a central element of Economic Structural Adjustment Programmes which Zambia embraced strongly in the after 1991.⁵ Because of these reforms Zambia's trading environment has been characterized by a large retail sector. A major feature of the retail sector in this country is that it now operates within a very competitive marketing environment. It is not surprising therefore, that thousands of new brands have been launched on the market. Further, in a bid to win a fair share of this crowded and competitive market large amounts of cash are being spent in order to sustain their position in the market and maintain the momentum of market growth. The ultimate objective is developing a brand image which will promise brand loyalty. It may not be surprising to see in no distant future a new profession of brand experts expanding in Zambia.

The Zambian consumers too have learnt to look on branding as an important value added aspect of products or services, as it often serves to denote a certain attractive quality or characteristic. Where two products resemble each other, but one of the products has no associated branding (such as a generic, stored-branded product), people may often select the more expensive branded product on the basis of the quality of the brand or the

⁴ Wernick, Andrew (1991) "Promotional Culture: Advertising, Ideology and Symbolic Expression (Theory, Culture & Society S.)", London: Sage Publications

⁵ Op cit

reputation of the brand owner.⁶

Given such an open economy where trade seem to be the major economic activity, and as the drive to sell products and services by means of some mark or brand increases, the propensity to unfairly imitate marks and names has swelled immensely. Infringements as well as passing off seem to go on unabated. Certain trade marks and names are confusingly similar in many respects including packaging coloring or names and yet marks have either been registered and there has been no opposition, or if they are not registered, either one of the manufacturers or traders have divested themselves of the right against passing off.

Critically speaking there is a lot of deceptive resemblance on the Zambian market between marks, or a mark and a "get-up, of goods or the get-up of the goods of two different traders. It is absolutely unclear why this trend now seems to be going on unchecked. Under the Act⁷ if a trade mark causes consumer confusion, it is likely to be denied registration or where the confusion occurs later after having been registered the court can intervene and expunge that trade mark.⁸ Some of the examples we can confidently cite as being deceptive resembling marks and names may include, "Cellsite" and "Cellcity" which are both trade names for mobile phones dealers, "Top1 Maheu" and "Maheu No.1" manufactured by Zambia Breweries and Trade Kings Ltd respectively. In terms of color and shape, one can look at two bar soaps, namely "key" and "Chik" which are both green and come in a similar shape.

In a market of competitors, if this conduct is not prevented, not only will the mark-owner lose out but also consumers will not be able to trust the mark they see and possibilities of

⁶ Random interview conducted on buyers in Spur Supermarket at Arcades and Manda Hill Shoprite on 21 st and 22 November consecutively, Among the people interviewed were Mr.Chrispin Mwale (an Accountant) Mr. Clement Mumbo,(a banker)

⁷ The Trade Mark Act, Cap 401

⁸ Ibid, sections 16 and 38

product differentiation will disintegrate.⁹ Thus, to appreciate the confusion resembling marks may be causing on the Zambian consumer it has been thought convenient to delve into the question of deceptive resemblance in a little detailed manner.

5.3.0 Deceptive Resemblance

There are two main provisions in the Trade mark Act¹⁰ which can be invoked on the ground that there is deceptive resemblance between conflicting marks, namely sections 16 and 17. These two provisions have much in common; however, according to Kerly's Law of Trade Marks and Trade Names,¹¹ the distinction can be traced from a passage recognized as an authoritative statement of the law in the case of *Smith Hayden & Co. Ltd's Appn.*¹² The case was an opposition by the owners of the mark "Holvis" to an application to register "Ovax" for improvers and moistening agents to be used in making cakes. Evershed J. held:

The questions for my decision have been formulated, and i think accurately formulated, as follows:

"(a) (Under section 11¹³) 'Having regard to the reputation acquired by the name "Holvis," is the court satisfied that the mark applied for, if used in a normal and fair manner in connection with any goods covered by the registration proposed, will not be reasonably likely to cause deception and confusion amongst a substantial number of persons?'

"(b) (Under section 12¹⁴) 'assuming user by Holvis limited of their marks "Holvis" and "Ovi" in a normal and fair manner for any of the goods covered by the registration of these marks (and including particularly goods also covered by the proposed registration of the mark "Ovax"), is the court satisfied that there will be no reasonable likelihood of deception and confusion amongst a substantial number or persons if Smith Hyden & Co. Ltd. also use their mark "Ovax" normally and fairly in respect of any goods covered by their proposed registration?' "

⁹ W.R. Cornish, Intellectual property, supra, P.614

¹⁰ Op cit

¹¹ P.169-170

¹² [1946] 63 R.P.C 117 at p. 120

¹³ Which is identical to section 16 of cap 401

These provisions and the case cited above, therefore, form the basis for any allegations against deceptive resemblance between two marks or the get-up of the goods of two different traders. What is important to note also is that section 16 extends to cases where the opponents' mark is unregistered, altogether or for of the goods concerned; and to cases where that mark has been used only upon goods of a different description from those for which registration is sought.¹⁵

The significance of the provisions above lies on an application for rectification or a motion to expunge a trade mark at the instance of a trader registered for, or using a resembling mark. Such an application would be based on the ground that the registration attacked was contrary to the provisions of sections 16 and 17 of Cap 401.

Furthermore, an action for passing off may lie for selling goods with the trade mark of the plaintiff or any deceptive imitation attached thereto; or indeed for trading under a name so closely resembling that of the plaintiff as to be mistaken for it by the public.¹⁶

5.3.1 Whom Must the Mark be calculated to deceive?

It has been held in English cases that the persons to be considered in estimating whether the resemblance between the marks in question is likely to deceive are all of those persons who are likely to become purchasers of the goods upon which the marks are used, provided that such persons use ordinary care and intelligence.¹⁷

5.3.2 What amount of resemblance is likely to deceive?

It has not been possible to deduce from case law any standard as to the amount of

¹⁴ Which is also identical to section 17 of cap 401

¹⁵ Ibid P.170

¹⁶ See Chapter three- 4.1.1. (b) & (d).

¹⁷ T. A. Blanco White, Kerly's Law of Trade Marks and Trade Names, supra, P. 450. The author emphasises the fact that this standard is in accordance with the cases decided in suits and actions for infringement of trade marks before the registration Acts

resemblance required to deceive or cause confusion.¹⁸ According to Lord Cranworth, "What degree of resemblance is necessary ... is from the nature of things incapable of definition *a priori*"¹⁹ Lord Halbury L.C. in *Reddaway v. Banham*, on the other hand later stated that "how far the use of particular words, signs or pictures, does or does not come up to the proposition enunciated in each particular case must always be a question of evidence..."²⁰ The standard therefore, is not always the same. Hence, in comparing marks, the registrar or the court, as the case may be, must take into account all the circumstances of the case, and must consider whether, as a whole, the applicant's mark is substantially different from the opponent.²¹ Parker J, attempted to formulate general guidelines in a case involving the comparison of two, in the following statement²²: You must take the two words. You must judge them, both by their look and their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who will be likely to buy those goods. Infact you must consider all the surrounding circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks"

Generally, the rules of comparison and the evidence for deceptive resemblance have aptly been elaborated by *Kerly's Law of Trade Marks and Trade Names, Ninth Edition.* (see pp 452 -477) and it is not the intention of this author to add or substitute any thing written by the learned author of that book.

Bearing in mind the law under the section 16 and 17 of our trade Mark Act,²³ and the authorities cited above, could we then confidently say that the game of branding is well played within the confines of the law by both traders and manufacturers on the Zambian Market?

¹⁸ *ibid*, 452

¹⁹ *Seixo v. Provezende* (1866) L.R. 1 Ch. 192 cited in *Kerly's Law of Trade Marks and Trade Names*, *ibid*

²⁰ as quoted in Chapter three, see 4.1.1.

²¹ *Op cit*.

²² *Pianotist Co. Ltd's Appn.*(1906) 23 R.P.C. 774 at 777

The examples cited above concerning some of the confusing national trade marks and names, clearly suggest that the country has a lot of challenges with respect to use of marks or names. Furthermore it is note worthy that very little case law is found on this subject. In is clear however, that infringement and passing off is taking place. One common case that merits citing is the case of Lever Brothers v. Trade Kings Ltd.²⁴ The case involved two brands of toilet soaps, GEZA and GEISHA. Both brands of soap were registered trade marks with Geisha belonging to the plaintiff and Geza to the defendant. The plaintiff brought an action against the defendant seeking an injunction to restrain the defendant from allegedly infringing their trade mark and from passing off the soap GEZA as the plaintiffs soap. The case for the plaintiff was that the defendant' product infringed their trademark in that it would deceive and confuse customers owing to its similarity in pronouncement, floral markings and color on their packaging.²⁵ The High Court, possibly having acknowledged the arguments of the plaintiff to the effect that the mark GEZA was likely to deceive and confuse sought to reopen the registration process at a point where an objection had received and ordered that the registration of GEZA be expunged.

The decision of the High Court was however reversed on appeal on the ground that learned trial judge did not infact adjudicate upon the action and the issues actually presented by the plaintiffs. The plaintiffs did not pray for their opponents trade mark to be expunged. The Supreme court correctly noted that any aggrieved person desirous of attacking a registration which is in force whether by rectification or expunction has to follow the procedure prescribed by the Act, especially sections 37(for expunction or rectification) and 38 (for expunging due to breach of conditions.²⁶ The Supreme Court further held that it is not feasible for one registered proprietor of a trade mark to maintain an action for infringement as such of that mark against another registered proprietor of

²³ Cap 401

²⁴ SCZ No. 12 of 2000.

²⁵ These two brands come in similar shape and color also

²⁶ The conditions are those ordained under sections 16 and 17 discussed supra, see deceptive resemblance,

another mark though the marks be identical or very similar.²⁷ The Supreme Court was quick to point out, however that the action for passing off is an independent matter which is not affected by the Trade Mark Act.

In view of the Supreme Court's decision, this is therefore a matter in which the plaintiff should apply for rectification of the register by removing or limiting the defendant's registration, as advised in chapter three. However, we must hasten to mention that, usually it is a question of the relief being sought. It is no wonder that counsel for the respondents, in the Supreme Court, argued that their case had, hitherto, not been adjudicated upon. It is not surprising therefore that the Supreme Court ordered a rehearing of the case before the same or another High Court Judge.

This case demonstrates that that we have a number of challenges on this subject in the country. The presumption that the public, industries and the judiciary are well aware of economic and legal approach to the concept of branding cannot be taken for granted. Brands or marks are valuable entrepreneurial assets that should be carefully protected and their economic potential fully utilized. Whereas, there is strong need to promote the generation, protection and commercialization of brands the success of such efforts would depend on several factors. These include the level of awareness on trade mark law the presence of a critical mass of professionals to offer services on branding, teaching and research on branding and the perceived commercial importance of brands.

²⁷ see Chapter three under infringement

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

6.1.0 General Overview

As we conclude this paper, it is important to point out that branding or "trade mark advertising" will remain an important aspect of business in a market economy. We noted that from the early years the concept of branding has always been a very useful device for indicating source and quality. When industrialization came and moved the production of many household items, such as soap, salt, to centralized factories which mass-produced goods, there was need to sell their products in a wider market, to a customer base familiar with the goods. This brought about the marketing of packaged goods and thus branding took the center stage. Today, as the business world becomes crowded and competitive, brands have come to be recognized as one of the most important business asset. They are now part of the business intangible assets. Companies all over the world have to spend millions of dollars in building their image through branding. In Zambia the value that branding accords to businesses has not gone unnoticed. This is demonstrated by the theme "Branding as a Panacea for success in marketing a company" of the marketing chat organized by the Zambia Institute of Marketing (ZIM).¹ ZIM registrar Edwin Siame stretched the point of the theme further when he overtly stated that branding was very critical for any company's success.² The reason why this is so is because from the perspective of brand owners, branded products or services command higher prices

It has been observed in this paper that branding offers great benefits to the public. Firstly, it serves as an essential tool for consumer protection, that is, it prevents the public from being misled as to the origin or quality of a product or service.³ Because of branding

¹ The Post Newspaper July 15, 2005

² Ibid

³ Consumer protection in Zambia is erratic. The deregulation of the Zambian economy has brought with it numerous challenges for the consumer. See Suzyo N. Ndovi, (2002) Consumer protection in Zambia. How adequate is it?

consumers are able to know where to go in case of complaints pertaining to goods they purchase.⁴ Without brands a seller's mistakes or low quality products would be untraceable to their source. In this way it can be said that branding fixes responsibility. Further, it has been understood that in a market swamped by competing goods, brands operate as shorthand description for products and services. Without brands it will be necessary, each time a purchase is contemplated, to compare products by reference for instance to ingredients, *function and experience* which would be a long winded process. It has also been established that as a matter of fact, marketers seek to develop or "align" the expectations comprising the brand experience through branding, so that a brand carries the "promise" that a product or service has a certain quality or characteristic which make it special or unique. This was referred to as the guarantee function of brand in chapter two.⁵ This function allows a consumer, based on personal or vicarious experience, to avoid bad products or indeed to make repeated purchases.

In our conclusion it is also necessary to look at some of the criticism against branding. Criticism has been leveled against the concept and implementation of brands, much of it associated with the "anti-globalization" movement.⁶ One of the better known criticisms of branding is found in Naomi Klein's book, "*No Logo*". The book claims that corporations' brands serve as structures for corporations to hide behind, and that such global problems as sweatshop labor and environmental degradation have been permitted and exacerbated by branding.⁷ Criticism of branding also comes from within corporations,

⁴ For example, in *Michael Chilufya Sata v. Zambia Bottlers Ltd*. [SCZ No. 1 of 2001], the plaintiff brought an action against the defendant because it was clear that the contaminated soft drink, that is, 'Sprite' was a brand manufactured by the defendant

⁵ See section 3.2. of chapter two

⁶ Schmidt, Klaus; Ludlow, Chris (2002) "Inclusive Branding: The why and how of a holistic approach to brands", Basingstoke: Palgrave Macmillan

⁷ Ibid

with some employees becoming frustrated by being limited by overall brand strategies that restrict what they can say, how they say it, and what they wear.⁸ Some shareholders also have concerns about the amount of money invested in branding. Skepticism toward branding has also grown in parts of the marketing community; it is felt that in many ways, branding has failed to live up to its promise. That conventional branding sometimes operates on the assumption that a strong brand can substitute for actual differentiation "using extraneous imagery to manipulate consumers into paying a premium for a commodity product."⁹

Some authors, however, have argued to the contrary saying that the "NoLogo" proponents are correct that brands are a conduit through which influence flows between companies and consumers. But far more often, it is consumers that dictate to companies and ultimately decide their fate, rather than the other way round.¹⁰ The truth is that people like brands. They do not only simplify choices and guarantee quality, but they add fun and interest and that if people fall out of love with your brand, you go out of business.¹¹

Therefore, optimists are sure that brands of the future will have to stand not only for product quality and a desirable image. They will also have to signal something wholesome about the company behind the brand.¹²

Apart from the economic face of branding, this paper has also aptly addressed the legal challenges facing all brand owners. Reference has been made to the fact that brand protection is secured under the general law of trademark. Lord Herchell' committee

⁸ Ibid, see also Wernick, Andrew (1991) "Promotional Culture: Advertising, Ideology and Symbolic Expression (Theory, Culture & Society S.)", London: Sage Publications

⁹ Ibid

¹⁰ Olins, W (2003) On Brand, London: Thames and Hudson

¹¹ Ibid

¹² Ibid

trademarks through the tort of passing off.¹⁶ Passing off may provide a remedy in a scenario where a business has been trading under an unregistered trade mark for many years, and a rival business starts using the same or a similar mark.¹⁷ If a trade mark has been registered, then it is much easier for the trademark owner to demonstrate its trademark rights and to enforce these rights through an infringement action.

6.2.0. RECOMENDATIONS

6.2.1 Consumer Protection

The issue of consumer protection in Zambia has become acute especially since the liberalization of the Zambian economy in the early 1990s. This can be observed by the influx of counterfeit goods in the market. Although the subject of consumer law falls within the ambit of competition law, it is peculiar to note that counterfeit goods are perpetrated through imitation of well-known brands. Many electronic goods on the national market are counterfeit. Thus, consumer abuses have continued to flourish in spite of the existing law, i.e., section 12 of the Competition and Fair Trading Act,¹⁸ which aims to give both consumers and sellers a fair deal. In addition, the snail pace of judicial system in dealing with consumer cases discourages most consumers from being keen to pursue the matter through the courts of law. In view of this, it is determined advisable to record that:

Firstly, that there is need for capacity building in institutions which aim at protecting consumers such as the Zambia Competition Commission (ZCC), the Zambia Bureau of Standards (ZABS), and Communication Authority. These institutions must be endowed with the capacity to investigate, litigate and monitor the increasing consumer abuses among retailers, suppliers, and manufacturers using branding to perpetrate fraud on consumers.

¹⁶ This is one effect of the preservation of passing off. For Zambia, see Section 7 of Cap 401

¹⁷ The paper has further demonstrated many other scenarios where passing off may lie, in chapter three.

¹⁸ Cap 417 of 1994

Secondly, the formulation of an independent regulatory body vested with powers to investigate, litigate and monitor consumer abuses.

Third, to encourage effort by the Ministry of Commerce Trade and Industry to come up with a draft Consumer Law, in liaison with the Zambia Law Development Commission.¹⁹ This law must be able to address cases of imitation of well-known international brands where brand owners have not secured protection under international laws. Such a law should be able to protect consumers who buy on the conviction that they are buying a genuine product.

6.2.2 Critical issues

Despite having in place adequate trademark protection, passing off as well as infringement of registered marks and well-known marks has continued rather unabated. Similarly, the level of public awareness on the role of trademark law in relation to branding is very low. For this reason the following measures are necessary:

1. That although industries know the importance of trademarks to business performance, the legal framework has not fully been appreciated. There is strong need to build capacity in the area of trade marking. In this context there is need for a focused strategy to develop a critical mass of professionals in the following services.
 - a. Trade Mark Agents.²⁰
 - b. Intellectual Property Court prosecutors.
 - c. Professional Services Valuation of Intangible Assets. The valuation of companies' intangible assets, which includes brands, is currently a major problem. There are a few experts, even among accounting and audit firms, who are familiar with valuation of intangible assets. This is a bottleneck to commercialization of brands.

¹⁹ Recently the Ministry of Commerce Trade and Industry in collaboration with the Zambia Law Development Commission have been agitating for a new law to enhance consumer protection. See Consumer Watch V.1 Issue 2, April 2005.

²⁰ Section 86 of the Act provide for registration of trade mark agents

- d. Encourage occasional publication of Trade mark Journals.
2. Furthermore, the paper recommends fresher courses for judges so as to equip the judiciary with the necessary Intellectual Property knowledge.
3. It is also recommended that IP should be given prominence in training institutions just like issues related to IT and the environment. As a policy, IP should be included at all levels of training, right from secondary schools. This will enable the public generally to appreciate, in this respect, both the economic and legal framework in which marks or brands operates.

Finally, bearing in mind the attention that trade marks have been receiving in developed countries and various international bodies, and bearing in mind the tendency in many countries to alter the traditional concepts of trade mark protection, it is further found necessary to review the existing national laws and policies as well as laws and regulations affecting the trade mark system and enforcement. Attention must be addressed on the following:

- Dilution: A trade mark diluted when the use of similar or identical trade marks in other non-competing markets means that the trade mark in and of itself will lose its capacity to signify a single source. In others words unlike ordinary trade mark law, dilution protection extends to trade mark uses that do not confuse consumers regarding who made the product. Instead, dilution protection law aims to prevent sufficiently strong trade marks from losing their single association in the public mind with a particular, perhaps imagined if the trade mark were to be encountered independently of any product. To assert dilution the court would have to determine whether the mark is distinct and famous and receive evidence of how the distinctiveness of the mark actually suffered.²¹
- Trade marks in Cyberspace: There should be comprehensive review of the Act to carter for the rise in the use of electronic commerce.

²¹ See, for example, The Legal Structure of US Trademark Protection

6.3.0 Concluding remarks

It has been observed by the discussions in this paper that an open economy like that existing in Zambia propels competition on the market place. Competition in turn, triggers the need for product differentiation. Product differentiation is achieved by branding. As argued by the paper, branding provides connection with the consumer which is crucial in any competitive market. This explains why companies, until now, are more focused on branding than ever before. It is also clear from the argument presented by the paper that branding invariably leads to unfair competition propagated by counterfeit products or services dressed in imitated marks or names. This practice impacts negatively both on the consumer and manufacturers or traders. For this reason an adequate and flexible legal system is necessary to meet the challenges posed by branding in a market economy.

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