



The Evolution of Trademark Law in the Digital Age: Balancing Brand Protection and Competition within the Global Intellectual Property Framework

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ABSTRACT

Throughout the evolution of trademark law, the protection of trademarks has undergone a process of trademark propertyization. Initially addressing trademark confusion through “fraud action,” it gradually transitioned to direct recognition of trademark rights as a form of property. In the digital age, the trend towards trademark propertyization has deepened, leading to an expanded scope of trademark rights protection. This heightened protection increasingly constrains others' freedom of action, highlighting the growing conflict between private and public interests. Simultaneously, with the rise of global intellectual property protectionism, trademark propertyization has experienced further expansion. However, it is important to note that excessive propertyization may come at the expense of fair competition. Therefore, within the framework of international treaties, it is essential to seek countermeasures to mitigate the negative impact caused by this expansion and achieve a balance between trademark protection and market competition.

Keywords: Trademark; Digital Era; Propertyization; Global Protectionism of Intellectual Property Rights; Market Competition.

INTRODUCTION

Looking back on the history of trademarks, early trademark laws emphasized regulating confusion. As trademark laws have evolved, trademark protection has become more Propertyization. In the digital age, the possible usage scenarios of trademarks are constantly expanding, further exacerbating the trend towards propertyization, leading to an increasing number of restrictions on others' behavioral freedom and a more prominent conflict between private interests and public interests. At the same time, The trend of trademark propertyization has paralleled the evolution of global intellectual property protectionism, further reinforcing this trend. The scope of trademark rights is increasingly being defined in a broader manner, and the remedies for trademark infringement are increasingly being strengthened. However, it is worth noting that the continuous strengthening and expansion of trademark owners' property rights may come at the cost of the order of competition. For example, in the scenario of metaverse, trademarks can be used across categories; meanwhile in e-commerce platforms using someone else's trademark in search engine keywords can lead to a lawsuit for infringement. How to balance brand protection and competition within global intellectual property rights framework is an urgent problem that needs to be addressed.

This paper first examines the historical development of trademark law, tracing the evolution of trademarks as a form of property, before addressing the excessive propertyization of trademarks in the digital age and its detrimental effects. Subsequently, it delves into an analysis of how this impact is manifested within the context of global protectionism surrounding intellectual property rights, and ultimately explores strategies for achieving a balance between brand protection and competition within international treaty frameworks.

1.The History of Trademark Law

1.1 An act of Fraud under the Principles of Common Law

From a comparative law perspective, modern trademark law has its roots in the common law action for fraud. ¹Prior to the 18th century, trademark protection was based on the deliberate misuse of another's mark. The prevailing belief at that time was

¹ Robert, D., (1982). Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols. *Wisconsin Law Review*, 1982(2), p.160.

that passing off one's own goods as those of another constituted a form of leveraging the other party's reputation. If an individual used someone else's trademark on their products, causing confusion about the origin of the goods and leading consumers to mistakenly believe that they came from the owner of the trademark, such behavior amounted to trademark fraud. In historical context, courts primarily considered three factors in trademark cases: fraud, injury, and false representation. However, In the early 1820s, the courts transcended the inherent principles of trademark protection by no longer strictly adhering to the narrow interpretation of the three elements of trademark fraud. Instead, they broadened the connotation of corresponding elements to expand the scope of trademark protection in practice. The initial model of trademark protection emphasized upholding the function of disseminating trademark information to ensure authenticity, reliability, and consistency in conveying commodity source information. During that period, trademarks were not endowed with any tangible rights and were regulated by courts through treating fraud as an act of unfair competition.

2.2 The Emergence of Trademark Propertyization Concept

However, fraud claims serve as a mere remedy and establishing such claims requires meeting high evidentiary standards, often leaving prior trademark users inadequately protected. Consequently, entrepreneurs have begun seeking proprietary rights to their trademarks through substantive law. Since the 1860s, there has been increasing momentum in Britain for proposals to establish trademarks as a form of property, with the aim of bolstering merchants' rights against trademark infringement through both judicial and legislative channels. The first judge to explicitly safeguard trademarks as property rights was Lord Westbury. In the 1862 case of "Edelsten v. Edelsten,"² he asserted that "this court will only consider the matter on the basis of the principle of protecting property; for an injunction, there is no need to prove fraud...". This principle was subsequently reaffirmed by British courts in numerous judicial decisions. Concurrently, British businesspeople urged their government to assist them in securing international recognition for their rights, while the British government also advocated for this diplomatically. The Foreign Office opted to emulate international copyright protection by entering into bilateral treaties with foreign countries to safeguard the overseas interests of British businesspeople.³

In this context, on August 13, 1875, the first trademark law in British history was enacted. This law established the trademark registration system, commonly referred to as the "Trademark Registration Act of 1875." The introduction of the trademark registration system amalgamated prior recognition of trademarks' property status and had significant implications for delineating the scope of protection.⁴ Its enactment expedited acknowledgment of trademarks' proprietary nature and marked a fundamental establishment of the theory regarding trademark property. This theory facilitated a shift in trademark protection from behavioral regulation to property safeguarding. Subsequently, trademark protection has continued to progress towards propertyization and rights-based safeguarding. In fact, protecting trademarks is only meant to prevent actions that harm business expectations, so categorizing trademarks as property is not the sole way of safeguarding them.⁵ However, from a global perspective, both countries employing the registration system and those utilizing the use system have established trademark protection frameworks grounded in the property-oriented interpretation of trademarks within their domestic legislation.

2.THE EXPANSION OF TRADEMARK PROPERTYIZATION IN THE DIGITAL ERA

2.1The Specific Manifestations of Trademark Propertyization Expansion in the Digital era.

The digital era has brought forth a new epoch for trademarks, broadening their sphere of utilization and revolutionizing the dissemination of information through extensive engagement in advertising media. Trademarks have transformed into valuable conveyors and channels for product promotion, with an increasingly expansive application beyond the goods themselves. This trend has led to a heightened commercial value for trademarks, as they are now perceived not only as identifiers of origin but also as assets deserving protection.⁶ As a result, the expansion of trademark propertyization has led to heightened restrictions on others' behavioral autonomy, giving rise to escalating conflicts between private and public interests.

The proliferation of trademark propertyization in the digital era is notably conspicuous in the following two scenarios.

2.1.1Use of Trademarks in Metaverse Scenarios

In recent years, there has been growing interest in the concept of metaverse—a novel form of integrated internet application and social structure that combines both virtual and real elements through diverse technological advancements.⁷ The metaverse can manifest as platforms for digital collectibles trading like NFT platforms or as virtual showrooms/stores for specific brands such as Gucci Garden Experience. These forms of expression all fall within the realm of virtual trading venues. Therefore, utilizing another party's registered trademark in a virtual environment would constitute trademark infringement, correct? In the December 2023 judgment of the "Birkin" case,⁸ the court determined that the creation and sale of a series of 100 "MetaBirkins" NFT works by artist Mason Rothschild constituted an infringement upon the "BIRKIN" trademark owned by Hermes. This ruling further solidified trademarks' proprietary nature while also imposing certain limitations on artistic expression within this domain. Despite its resolution, this case has ignited extensive debates within legal circles and among art communities.

2.1.2Utilizing Others' Trademarks as Keywords for Online Search Engine Optimization

² Edelsten v. Edelsten (1863) 1 De G.J. & S. 185.

³ Bently, L., (2008). From communication to thing: historical aspects of the conceptualisation of trademarks as property. *Trademark law and theory*, p.19.

⁴ Sherman, B., Bently, L. *The Making of Modern Intellectual Property Law: The British Experience 1760-1911*. Cambridge University Press, 1999, p.197-198.

⁵ Schechter, F. L. *The Historical Foundations of the Law Relating to Trade-Marks*. Columbia University Press, 1925, p.171.

⁶ DU, Y. *Social Development and Trademark Concept: The Past, Present and Future of Trademark Regime*, Peking University Press, 2012, p.240.

⁷ Suryodiningrat, S.P., Ramadhan, A., Hirashima, T., (2024). The Elements of Every Metaverse Types: A Systematic Literature Review, 13(1), p.771-782.

⁸ Hermès Int'l v. Rothschild, 590 F. Supp. 3d 647 (S.D.N.Y. 2022).

In the era of digital information expansion, utilizing others' trademarks as keywords for online search engine optimization has become a prevalent strategy in internet marketing to attract consumer attention.⁹ When consumers search for this keyword, the search results page will display the advertising link of the business operator. However, the trademark will not be visible on the search results page or in the user-visible area of the target website. This form of trademark usage, referred to as implicit trademark use in keyword advertising, has been a contentious issue since its inception.

In terms of the likelihood of confusion, given that the trademark is not directly visible to users, implicit use of trademarks generally does not tend to cause consumer confusion about the source. However, in the context of expanding trademark property rights, the traditional framework for regulating trademark infringement based on "likelihood of confusion" has become increasingly uncertain, particularly evident in the broadening concept of "confusion." With the evolution of confusion theory, pre-sale confusion arising from using others' trademarks to attract consumers to an infringer's store has also been integrated into the framework for regulating confusion. In a legal case in the United States involving *Brookfield Company v. West Coast Entertainment Company*,¹⁰ the court determined that although consumers are aware they are not on the plaintiff's website while browsing through the defendant's website and will not be confused about their purchases; however, the defendant's practice of diverting consumer interest towards its own website may diminish commercial interests originally belonging to the plaintiff. Consequently, it was ruled that the defendant had engaged in pre-sale confusion and thereby infringed upon the plaintiff's trademark rights.

From the judicial practices of various countries, although most subsequent cases did not recognize implicit trademark infringement in keyword advertising, they only assessed it in terms of unfair competition. However, the trend of expanding the confusion concept rooted in the expansion of trademark property cannot be overlooked.

2.2 The Risks of Expanding Trademark Propertyization

A legal framework for trademarks based on property rights, rather than one rooted in fraudulent practices, exhibits anti-competitive characteristics by deviating from the functions of quality control and certification. Instead, it solely relies on the market control power derived from "Trademark Monopolies."¹¹ This emphasis on trademark monopoly underscores an absolute right concept of trademark rights. However, it is crucial to acknowledge that trademark rights, as a manifestation of intellectual property law, are a humanly devised construct and fundamentally represent a privilege to regulate the conduct of others, merely adopting the legislative techniques employed by absolute rights.¹² Treating intellectual property as an absolute right inevitably draws upon existing property rights in the institutional framework and juxtaposes them with cognitive structure's property rights, potentially resulting in unintended consequences and adverse effects. As scholars have pointed out, regarding intellectual property as an exclusive absolute right is a potential pitfall.¹³

Within the framework of the civil law system, recognizing trademark rights as an absolute entitlement inherently necessitates the application of injunctive relief. Consequently, upon finding trademark infringement, it becomes incumbent upon the court to issue an injunction. However, this inflexible approach may prove counterproductive under certain circumstances—such as when a subsequent user acts in good faith and has made substantial investments in building brand reputation—wherein issuing an injunction could impede overall social efficiency. The adverse effects of absolute injunctions can have unintended consequences in expanding the scope of trademark rights, as demonstrated by behavioral economics through phenomena known as "doctrinal feedback."¹⁴ Due to the ambiguity surrounding trademark rights boundaries, it is challenging for the public to pre-determine whether their actions infringe upon others' rights. Faced with the threat of injunctions, individuals tend to opt for behaviors that fall within a safer margin on the periphery of others' rights due to their risk aversion tendencies. Simultaneously, they perceive the existing status quo as normative. These behaviors play a significant role in shaping consumer awareness and ultimately impact the determination of trademark infringement based on consumer perception. Consequently, over time, public usage boundaries are likely to contract while expanding the actual control domain of trademark holders.

The concept of trademark rights confers exclusive control over the trademark to the holder, potentially leading to an expansion of these rights into "symbol rights," thereby extending protection beyond mere attraction and reputation to encompass a monopoly over symbols themselves.¹⁵ Consequently, once a trademark symbol is claimed, it signifies future ownership of the associated property right. This may result in the following negative consequences: Firstly, a monopoly on symbols distorts fair competition, impeding competitors from offering more affordable and superior goods to consumers, leading to unnecessary societal losses; secondly, symbol monopolies incentivize trademark owners to allocate resources towards advertising rather than enhancing product quality, with the aim of acquiring and maintaining their monopoly power and subsequently passing on costs to society through monopolistic pricing; thirdly, symbol monopolies may also obstruct valuable product information from reaching consumers, resulting in crucial market transaction information stagnating instead of flowing to where it is needed.

3. GLOBAL PROTECTIONISM OF INTELLECTUAL PROPERTY RIGHTS PROMOTES TRADEMARK PROPERTYIZATION

⁹ Saunders, K. M., (2002). Confusion is the key: A trademark law analysis of keyword, banner advertising, *FORDHAM LAW REVIEW*, 71(2), p.543-577.

¹⁰ *Brookfield Communications, Inc. v. West Coast Entertainment Corp.* 174 F. 3d 1036, 1062 (9th Cir.1999).

¹¹ Glynn S. Lunney, Jr., (1999). *Trademark Monopolies*, *Emory Law Journal*, 48(2), p.372.

¹² Gordon, W. J., (2006). *Intellectual Property*, *IP Law and Policy Journal*, 2006(11), p.3-5.

¹³ Lemley, M. A., (2005). *Property, Intellectual Property, and Free Riding*, *Texas Law Review*, 2005(83), p.1071-1072.

¹⁴ Gibson, J., (2007). *Risk Aversion and Rights Accretion in Intellectual Property Law*, *The Yale Law Journal*, 2007(116), p.884.

¹⁵ ZHANG, K.Y., (2018). *Rethinking and Revising the Relationship between Trademark Protection and Market Competition*, *Chinese Journal of Law*, 2018(6), P.102.

With the process of economic globalization and the spillover effect¹⁶ of knowledge, the protection of intellectual property rights has increasingly shifted towards a global framework with a focus on protectionism. From a global perspective, advanced Western countries, having completed their economic transition to intellectual property powerhouses, have actively promoted and disseminated the concept of intellectual property worldwide to ensure protection of their intellectual property in other nations. Trademarks represent one of the earliest areas where international legislative coordination began, commencing with the Paris Convention for the Protection of Industrial Property (referred to as the "Paris Convention") in the 19th century; subsequently, treaties related to trademark protection within the realm of intellectual property were formulated and ratified. With the advancement of global intellectual property protectionism, the process of trademark propertyization has experienced further expansion.

In the realm of multilateral treaties safeguarding intellectual property, there exists the Agreement on Trade-Related Aspects of Intellectual Property Rights (referred to as the "TRIPS") under the administration of the World Trade Organisation (WTO), along with the World Intellectual Property Organization (WIPO) oversees 26 international multilateral treaties aimed at safeguarding intellectual property, including the Paris Convention. Of these treaties, the TRIPS is one of the most far-reaching multilateral agreements in terms of the number of parties and the degree of compliance.

3.1 Improved Protection of Trademark Rights under TRIPS

The TRIPS establishes the fundamental standards of protection or minimum protection requirements for its members, primarily outlined in Part II of the agreement, encompassing rights scope, minimum protection thresholds, and exceptions and limitations.

(1)The Agreement on TRIPS establishes specific criteria for trademark registration, enabling member states to stipulate "visually perceptible" as a prerequisite for trademark registration (TRIPS, Art.15 para.1). This indicates that the agreement has adopted the principle of "first registration" rather than the principle of "first use", and it has not imposed a minimum obligation on members to protect trademarks that cannot be visually perceived, such as odor marks.

(2)The TRIPS mandates specific safeguards for well-known trademarks. The protection of well-known trademarks is rooted in Article 6bis of the Paris Convention, serving as the fundamental basis for safeguarding well-known trademarks.¹⁷ However, within the Paris Convention framework, this protection is confined to safeguarding already well-known product marks in relation to identical or similar goods. Article 16 paragraph 2 and paragraph 3 of the TRIPS broaden the scope of Article 6bis of the Paris Convention by encompassing service marks and extending protection for registered well-known trademarks to goods or services that are dissimilar.

(3)In terms of procedural requirements, the TRIPS mandates member states to ensure that individuals involved in administrative final and binding decisions made by trademark administrative authorities are entitled to seek judicial review (TRIPS, Art.62 para.5). This serves to constrain a country's administrative authorities from unilaterally determining the validity of trademark rights. Additionally, the agreement specifies that the utilization of trademarks should be free from unreasonable special conditions, and that the terms for licensing and transferring trademark rights should preclude compulsory licensing while granting the trademark owner autonomy in deciding whether to transfer the right along with their business (TRIPS, Art.21).

3.2 The CPTPP Enhances TRIPS in Trademark Protection

With the impasse in WTO multilateral trade negotiations, member states have increasingly turned to bilateral or regional free trade agreements as a means to foster economic integration and exert influence on international economic governance. Currently, such agreements have emerged as the primary platform for shaping international economic regulations due to their relatively streamlined negotiation processes. These accords typically encompass provisions related to intellectual property, including trademarks. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (referred to as the "CPTPP"), a regional free trade agreement spearheaded by developed nations, stands out as particularly noteworthy. It imposes more stringent requirements for trademark protection.

(1)The scope of registerable trademarks has been significantly expanded. In terms of the scope of registerable trademarks, the CPTPP eliminates the requirement for visually perceptible elements as stipulated in TRIPS and mandates the protection of sound trademarks. Furthermore, it even obligates contracting parties to make every effort to register scent trademarks (CPTPP, Art. 18.18).

(2)The protection of well-known trademarks has been further reinforced. Under the TRIPS Agreement, the recognition of well-known trademarks is governed by the provisions of the Paris Convention. It is important to note that although the Paris Convention mandates that competent authorities of the contracting parties should recognize well-known trademarks, it does not delineate specific criteria for such recognition. However, under the CPTPP, member countries are required not to refuse recognizing a trademark as well-known solely on the grounds that it is not registered in that country or in other countries, is not listed in the country's list of well-known trademarks, or was not previously recognized as a well-known trademark (CPTPP, Art. 18.22).

(3)The minimum standard for protection periods has been elevated. According to the TRIPS Agreement, the minimum protection period for both initial registration and subsequent renewal of trademarks is set at a minimum of 7 years. The CPTPP increases the minimum standard for the validity period of registered trademarks to 10 years (CPTPP, Art. 18.26).

(4)Reinforcing the Implementation of Trademark Licensing. The trademark license filing system serves as a management tool

¹⁶ Frischmann, B. M., Lemley, M. A., (2006). Spillovers, Working Paper No.321, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=898881.

¹⁷ McCarthy, J. T. *McCarthy on Trademark and Unfair Competition* (4th ed.), Minnesota state: Thomson/West, 2013, p.29-167.

and measure utilized by the trademark authority to regulate the trademark use market. The TRIPS Agreement does not address the issue of whether trademark licenses should be filing, whereas the CPTPP explicitly prohibits the requirement for trademark license filing as a condition for validating the license (CPTPP, Art. 18.27).

Although both TRIPS and CPTPP mention the fundamental principle of safeguarding the public interest (CPTPP, Art. 18.3 & TRIPS, Art. 8), these demands remain largely in the form of general and declaratory statements, with no clearer and more specific provisions for rebalancing intellectual property rights and obligations. Moreover, CPTPP further weakens the principle of interest balance compared to TRIPS. From the specific rules set forth, it only considers the convenience of remedies for right holders while neglecting the burdens imposed on potential infringers and the public (CPTPP, Art. 18.74). Thus, In the current landscape of global intellectual property rights protectionism, trademark protection is increasingly reinforced to uphold the interests of rights holders. Not only has the scope of protection expanded, but also the threshold for protection has been lowered and the duration extended. These developments signify an expansion in trademark propertyization, which in turn leads to a diminishment of competitors' interests and a marginalization of public concerns.

4. BALANCING BRAND PROTECTION AND COMPETITION IN INTERNATIONAL TREATY FRAMEWORKS

TRIPS-plus era, developed countries have been advocating for heightened intellectual property protection standards beyond TRIPS on a global scale, exerting sustained pressure on numerous developing nations. Countries must strike a balance between safeguarding brand rights and fostering competition within the framework of international agreements while mitigating the adverse impacts of expanding trademark property rights on their domestic economic progress.

4.1 Member States should be cautious when expanding mixed types

In the realm of theoretical and comparative law, concepts of confusion encompass not only source confusion and association confusion arising from the sale of goods, but also encompass "pre-sale confusion,"¹⁸ which entices consumers to the infringer's establishment through the use of another party's trademark, as well as "post-sale confusion"¹⁹ that may arise among potential consumers regarding purchased goods. As current international intellectual property treaties mandate protection for trademarks within the scope of "likelihood of confusion" without specifying particular types of confusion, member states retain discretion to determine whether to embrace expanded forms based on their individual considerations related to brand protection and competition dynamics. When considering introducing or developing new forms of confusion domestically, member states should recognize that each new form fundamentally expands the rights of trademark owners and may potentially bring risks of disrupting the established balance of trademark law. Therefore, careful consideration is essential whenever contemplating an expansion in forms of confusion, with due attention given to necessary restrictive conditions.

4.2 Reinforce the promotion of regional trade agreements led by developing nations

In contrast to CPTPP, Regional Comprehensive Economic Partnership (referred to as the "RCEP") stands out as a significant regional free trade agreement predominantly championed by developing nations. The intellectual property chapter of RCEP has effectively harmonized the diverse levels of economic development and intellectual property protection systems among member states in the Asia-Pacific region, while taking into account the public interests of all member states, and has enhanced the protection for the relevant rights and interests of intellectual property holders. In the principle section, there was an emphasis on the significance of promoting competition and a requirement to prevent rightsholders from abusing intellectual property rights in order to impose unreasonable restrictions or hinder competition (RCEP, Art. 11.4). Furthermore, it explicitly allows member states to establish limited exemptions under trademark provisions as long as they do not compromise rightful interests of right holders (RCEP, Art. 11.24). In the realm of intellectual property rights implementation, Unlike the CPTPP, which tends to protect the rights holders at the expense of burdening the infringers and the general public, RCEP emphasizes fair and reasonable enforcement procedures in its provisions on enforcement and stresses the principle of proportionality in determining remedies and penalties (RCEP, Art. 11.58).

In the context of the waning influence of the current multilateral intellectual property protection system in global governance and the proliferation of bilateral or regional agreements led by developed countries to bolster intellectual property protection standards, it is imperative to actively advocate for regional trade agreements spearheaded by developing countries and establish a consultative mechanism for intellectual property negotiations to promote fair and reasonable in intellectual property protection standards and foster a harmonious interplay between brand safeguarding and market competition.

¹⁸ See, e.g., *Brookfield Communications, Inc. v. West Coast Entertainment Corp.* 174 F. 3d 1036, 1062 (9th Cir.1999).

¹⁹ See, e.g., *Foxworthy v. Custom Tees, Inc.*, 879 F. Supp. 1200, 1214-1216 (N.D. Ga. 1995).