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MIP-104
TRADEMARKS, DOMAIN NAMES GEOGRAPHICAL INDICATIONS

Trademarks-I

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''शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतंत्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्गगत विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।''

— *इन्दिरा गांधी*

"Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances."

- Indira Gandhi

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MIP-104
Trademarks, Domain Names and Geographical Indications

Block

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TRADEMARKS-I

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MIP-104 TRADEMARKS, DOMAIN NAMES AND GEOGRAPHICAL INDICATIONS

This Course will be dealing with the forms of IPR which is Trademarks, Domain names and Geographical Indications. Trademark as we understand has to play a vital role in day to day choices made by the consuming public. Trademarks are normally distinctive sign or indicator used by an individual, business organization, or other legal entity to indentify that the products or services to consumers with which the trademark appears originate from a unique source, and also it distinguishes from other products or services. This Course consists of four blocks

Block 1 – Trademarks-I

Block 2 – Trademarks-II

Block 3 – Domain Names

Block 4 – Geographical Indications

Block 1 of this Course deals with Trademarks extensively. This block deals with the introduction of Trademarks, Legal concept of trademarks, types of trademarks, registration of trademark, criteria for registration, procedure of registration, and removal of trademark from the register. It also cover the topic of protection of trademarks in India and trademark assignment and licensing.

Block 2 of the Course deals with Trademark, Paris Convention, and the TRIPS agreement. This Block covers topics or certification marks, collective marks. It also deals with Madrid system and international protection of trademarks. Other topics covered in this block includes infringement of trademarks, their remedies and goodwill and passing.

Block 3 of this Course deals with Internet Domain Names. This block will cover topics like the concept of domain names, types of domain names, domain names and trademarks, registration of domain names and disputes, domain name disputes, their nature and reasons, domain name dispute resolution and its policy, procedure of dispute resolution etc.

Block 4 of this Course will extensively deal with geographical indications. In this block topics which are dealt, include Indian law on geographical indications, criteria for registration, procedure for registration; administration of the GI Act, infringement of geographical indications, concept of passing off, remedies for infringement criminal prosecution, protection of geographical indications in international law, the role of WTO & TRIPS in Geographical Indications, Collective marks & Certification Marks etc.

1 Block = 30 hrs of study

4 Blocks = 120 hrs of study = 4 credits

BLOCK 1 TRADEMARKS-I

This Block on Trademarks consists of four units.

Unit 1: This unit is an introduction to Trademarks, wherein topics like legal concept of a trademark, trademark as business asset, types of trademark like device and shapes, logos, sound mark, colour marks, olfactory marks, collective marks, certification marks are dealt in detail.

Unit 2 of this Block deals with protection of trademark rights in India. In this unit a number of topics are covered like acquisition of trademark rights, registration of trademarks, advantages of registration, duration and renewal, exhaustion of trademarks rights generic mark, procedure for registration of trademark, removal of trademark from the register etc.

Unit 3 of this Block deals with protection of trademarks in India. This unit deals with topics like need for international (well known) trademark, definition of well known trademark, special characteristics of well known trademarks, earlier trademarks in conflict with well known trademarks etc.

Unit 4 of this Block deals with trademarks assignment and licensing. In this unit we will deal with licensing and assignment in general, trademark licensing, assignments of trademarks, business dimensions of trademarks licensing, technology transfer, franchising, character merchandising, personality merchandising etc.

UNIT 1 INTRODUCTION TO TRADEMARKS

Structure

1.1 INTRODUCTION

Trademarks are facets of everyday life. We see and hear hundreds of trademarks each day. Just as our own name identifies and distinguishes us, the main purpose of a trademark is to identify the source of a product and to distinguish that product from products coming from other sources.

Trademarks play a vital role in day to day choices made by the consuming public. One of the main grounds for the utilitarian and economic justification of trademarks is the idea that trademarks reduce consumers' search costs. Consumers rely on trademarks, for example, to more easily facilitate repeat purchases of goods or services based on a previous pleasurable experience or a manufacturer's reputation for quality. Trademarks enable consumers to make repeated purchases without extensive research. Trademarks are invaluable for modern day commerce.

This unit is devoted to understanding the concept and types of trademarks together with an effort to define and understand the functions that a trademark is required to serve.

1.2 OBJECTIVES

After studying this unit, you would be able to:

- define trademark;
- describe the concept of trademarks;
- know about the functions to be performed by trademarks in commerce; and
- know the various kinds of trademark.

1.3 LEGAL CONCEPT OF TRADEMARK

A trademark is a distinctive sign or indicator used by an individual, business organization, or other legal entity to identify that the products or services to consumers with which the trademark appears originate from a unique source, and to distinguish its products or services from those of other entities.

A trademark is typically a name, word, phrase, logo, symbol, design, image, or a combination of these elements. There is also a range of non-conventional trademarks comprising marks which do not fall into these standard categories, such as those based on color, smell, or sound.

The essential function of a trademark is to exclusively identify the commercial source or origin of products or services, such that a trademark, properly called, *indicates source* or serves as a *badge of origin*. Trademarks not only identify goods, but create a distinction between goods from various sources.

In relation to trademarks, the specific subject-matter of the industrial property is the guarantee that the owner of the trademark has the exclusive right to use that trademark, for the purpose of putting products protected by the trademark into circulation for the first time, and is therefore intended to protect him against competitor wishing to take advantage of the status and reputation of the trademark by selling products illegally bearing that trademark. The trademark philosophy symbolizes that if A has created a mark then others should not be able to free ride off his efforts. Others should not reap, where he has sown.

1.3.1 Historical Development of Trademarks

Trademarks represent an important feature of modern day commerce, however, their existence can be traced to the ancient world. The trade of goods came into practice long ago, and the use of trademarks can be traced back to that time. Symbols have been used to identify the ownership or origin of articles for several centuries and scientists have come across excavated artifacts from places such as ancient Egypt, India and China with such symbols carved thereon. As early as 5000 B.C. markings on pottery have been found by archaeologists. Archaeological discoveries of ancient Greek and Roman inscriptions on sculptural works, paintings, vases, precious stones, glassworks, bricks, etc. reveal some features which are thought to be marks or symbols akin to trademarks. As far back as 3,000 years ago; Indian craftsmen used to engrave their signatures on their artistic creations before sending them to Iran. Manufacturers from China sold goods bearing their marks in the Mediterranean area over 2,000 years ago and at one time about a thousand different Roman pottery marks were in use.

In the Middle Ages, the use of many kinds of marks on a variety of goods was commonplace. There were the baker's mark on bread, bottle maker's marks, smith's marks, tanner's marks, watermarks on paper, etc. "Potters marks" appeared in relics left from the Greek and Roman periods and were used to identify the maker of a particular vessel. In guilds of the middle ages, craftsmen and merchants affixed marks to goods in order to distinguish their work from the makers of low quality goods and to maintain trust in the guilds.

However, the economic importance of trademarks was still limited during middle ages. From the Middle Ages, modern trademarks slowly developed as the industrial revolution sparked the advent of what is now modern-day capitalism. Trademarks started to play an important role with industrialization, and they have since become a key factor in the modern world of international trade and market oriented economies.

With the advancement in trade and commerce trademarks do not merely identify the goods; they also indicate the goods to be of a particular quality, and thereby stimulated further purchases by the consuming public. Eventually, trademarks came to symbolize the goodwill and business reputation of the owner of the product and became a property right protected by law.

Self Assessment Question **(Spend 2 minutes)**

1) Explain the Historical development of Trademarks.

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1.3.2 Functions and Needs of Trademarks

In the modern day complex environment of trade, a trademark fulfills a series of functions both for the trader and for the consumer. These functions are explained below:

Source Identification Function

In the village economy, the consumer always bought direct from the producer. With concentration of production capacity in larger units required the development of methods of distribution to get the goods to the consumer. This led to the emergence of the modern use of trademarks as a source and origin identifier, because of the loss of the personal connection between producer and consumer.

Therefore, the source and origin identification function became the main, and indeed, the primary function of trademarks.

Quality Function

Trademarks could be understood as indications, not necessarily of physical origin, but of a more general connection between the trademark owner and the trademarked goods. For example, it is obvious that all the COCA-COLA sold in the world does not originate from Atlanta in the U.S. Rather, the Coca-Cola Company enters into license agreements with others to produce under its trademark. In this way, the informative function provides consumers with information that the production of Coca-Cola in a certain country lies within the sponsorship and affiliation of a certain origin and source.

The quality function is in fact a development and broadening of the source function itself in that the trademark is now not only an indicator of physical source but also the source of standard of quality of goods/services bearing the mark. In the modern world goods are usually manufactured far from where they are consumed, and they reach consumers after being circulated amongst manufacturers and traders. This necessitates trademarks to perform the role of identifiers of quality providing consumers with information about the quality of their products, and based on the consumer's previous satisfaction when making purchases. As a result, manufacturers have the required incentive to produce products of high, indeed superior quality. However, trademark law makes nowhere a value judgment: trademarks and their protection are available to high and low quality products alike. The indicative function of the trademark can therefore work either way – it can identify products as being goods of high quality, but it can also warn customers to avoid certain product in the future.

Advertising Function

Industrialization and the growth of the system of the market oriented economy allow competing manufacturers and traders to offer consumers a variety of goods in the same category. Often without any apparent differences for the consumer, they do generally differ in quality, price and other characteristics. Clearly consumers need to be given information and guidance that will allow them to consider the alternatives and make their choice between the competing goods. Consequently, the goods must be named. The medium for naming goods on the market is precisely the trademark.

Trademarks, as powerful marketing tools, perform the advertising function. In today's markets, where a huge number of goods are available, producers can use their trademarks to advertise goods/services and to allow purchasers to identify the source and origin thereof. Indeed, trademark actually sells the goods. This educates consumers and creates a demand for goods/services, in order to create brand awareness in the minds of consumers, especially in markets characterised by over-capacity and increased competition.

Expressive Function

Trademarks often say more about the consumer than the product. For example, consumers desire Rolex watches, in part because wearing them allows them to signal their wealth, appreciation of fine engineering, and other qualities, thereby saying something about themselves. A person who purchases and wears a Chicago

Bulls T-shirt does so primarily to show that she is a fan of that team; anything the team logo might communicate about the quality of the T-shirt is secondary, if not completely irrelevant. This makes trademarks to perform the expressive function.

Merchandising Function

With further advancement in modern commerce, the trademark, which hitherto identified the trader, has itself become a merchantable commodity. A trademark is now understood to have independent value beyond that of identifying and distinguishing the goods and services of the trademark proprietor. That means, a trademark has an independent existence of its own, detached from the goods or services which it seeks to identify and distinguish.

When a child insists on buying his water bottle having a picture of his favourite cartoon character, he is doing so not because of some source or quality of the product but because he wants to possess the mark or be identified with it. Following the merchandising function, trademark licensing and assignment have become accepted business practices in the modern world.

1.3.3 Trademarks as Business Asset

Now-a-days the intangibles – especially the brand names (trademarks) – have become the most valuable assets for an increasing number of companies. In many cases the brand value exceeds the value of the physical assets of a company. As per Businessweek-Interbrand Corp., the top five brand names in the year 2004 were CocaCola ($67.394 billion), Microsoft ($61.372 billion), IBM ($53.791 billion), GE ($44.111 billion) and Intel ($33.499 billion). The figures in brackets indicate the brand values. The combined value of top 20 brands amounted to an astonishing $550 billion.

1.4 DEFINITION OF TRADEMARK

We encounter a vast number of trademarks on a daily basis. We react to them instinctively, i.e. without having to consciously think. We simply know a mark when we come across one, but it is much more difficult to define precisely its attributes. Any definition of trademark has to fulfill two purposes: one, capturing the attributes of a trademark and two, doing it in a ways that these attributes can be presented in the register.

A trademark could be broadly defined as any sign that individualizes the goods or services of an enterprise and distinguishes them from the goods or services of its competitors. This definition comprises two important aspects of a trademark, i.e. individualizing and distinguishing. These aspects are interdependent and for all practical purposes should always be looked at together. In order to individualize a product or service for the consumer, the trademark must indicate its source. This does not mean that it must inform the consumer of the actual person who has produced the product/service or even the one who is trading in it. It is sufficient that the consumer can trust in a given enterprise, not necessarily known to him, being responsible for the product sold under the trademark.

The Trademarks Act, 1999 in Section 2(1)(zb) defines a trademark as:

'Trademark' means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of

others and may include shape of goods, their packaging and combination of colours; and

i) in relation to Chapter XII (other than Section 107), a registered trademark or a mark used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right as proprietor to use the mark; and

ii) in relation to other provisions of this Act, a mark used or proposed to be used in relation to goods or services for the purpose of indicating or so to indicate a connection in the course of trade between the goods or services, as the case may be, and some person having the right, either as proprietor or by way of permitted user, to use the mark whether with or without any indication of the identity of that person, and includes a certification trademark or collective mark.

Analyzing the above definition we find the following four essential requirements which together constitute a trademark.

Sefl Assessment Questions **(Spend 2 minutes)**

2) Define trademarks.

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1.4.1 A Trademark must be a 'Mark'

The first element of the definition of trademark is that it should be a mark and hence must satisfy the definition of mark under Section 2(1)(m) which is as follows:

"mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours or any combination thereof.

The above provision is a list of examples of what types of signs could become trademarks. The definition of mark is an expression wide enough to include a wide range of unusual marks, such as marks consisting of single colour, a smell, a sound or a moving image.

1.4.2 A Trademark must be Capable of being Represented Graphically

It must be possible for the chosen mark to be capable of being graphically represented. Such capability must be realized on the application form itself. The function of the graphic representation is to enable the mark in question to be

represented visually, so that it could be identified precisely. Such graphic representation must be clear, precise, self-contained, easily accessible, intelligible, durable, unequivocal and objective. (See, *Siekmann* 2003 ETMR 37).

The selection of graphic representation is an important step for any applicant because the trademark is defined by graphic representation which it is necessary to file with the application form. The Trademark Registry is therefore enabled to know with certainty what is comprised in a mark so that it can maintain an accessible Register of Trademarks and fulfil its functions of examination and publication. In this manner, the graphic representation provides a fixed point of reference for the trademark which is open to public scrutiny and hence the traders are enabled to ascertain with certainty exactly what their competitors have registered or applied for registration.

1.4.3 A Trademark must be Capable of Distinguishing

This basic requirement of a trademark to be able to distinguish the goods or services of one undertaking from those of others indicates towards the essential function of a trademark which is to identify the source. Capable of distinguishing means able to distinguish or serves to distinguish. To be capable to distinguish connotes the distinctive feature of a trademark which has a technical meaning in trademark law. It means to serve to guarantee that all goods bearing the mark come from the control of the same undertaking. A mark can be striking, fanciful, unusual, memorable or different, which can contribute to it being distinctive, but if it does not provide that guarantee of origin, it is not distinctive in law.

1.4.4 A Trademark is for Goods or Services Only

A trademark can be registered for goods or for services and for nothing else. That means for the fields of activities that are other than selling of goods or provision of services a trademark cannot be registered. Goods and services both have been defined in the Trademarks Act, 1999; as per Section 1(1)(j) "goods" means anything which is the subject of trade or manufacture and Section 2 (1)(z) defines "service" as service of any description which is made available to potential users and includes the provision of services in connection with business of any industrial or commercial matters such as banking, communication, education, financing, insurance, chit funds, real estate, transport, storage, material treatment, processing, supply of electrical or other energy, boarding, lodging, entertainment, amusement, construction, repair, conveying of news or information and advertising. The trademarks used for services are sometimes described as service marks.

These definitions are wide enough to include most activities related to manufacture, trade and commerce. Further, it is for the applicant to determine as to for which goods or services he wants to register the chosen mark. The registry rarely has any reason to question such choice.

1.5 TYPES OF TRADEMARKS

Trademarks could be grouped into two categories based their character and belongingness. By character is meant what is it that goes to comprise a trademark, i.e. whether it is words, picture, colour, sound, etc. It follows from the purpose

of the trademark that virtually any sign that can serve to distinguish goods/services from other goods/services is capable of constituting a trademark. Trademark laws do not attempt to draw up an exhaustive list of marks admitted for registration. If examples are given, they may be a practical illustration of what can be registered, without being exhaustive. If there are to be limitations, they may be based on practical considerations only, such as the need for a workable register and the need for publication of the registered trademark.

By belongingness is meant to whom the trademark belongs or who all are entitled to use it. So, based on belongingness trademarks could be individually owned or collectively owned or they may be certification marks. Trademarks typically identify individual enterprises as the origin of marked goods or services. Some countries provide for the registration of collective and certification marks, which are used to indicate the affiliation of enterprises using the mark or which refer to identifiable standards met by the products for which a mark is used. Following is a description of various kinds of marks:

Self Assessment Questions **(Spend 3 minutes)**

3) What are the different types of trademarks?

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1.5.1 Words, Letters and Numerals

These marks are the most usual kind of trademarks that we encounter on a daily basis. Names, surnames, forenames, abbreviations, letters, words, slogans, etc. could fit into this category. Apple, Maruti, 555, Ye dil mange more, ITC, etc. are examples of these marks.

1.5.2 Devices and Shapes

This category includes fancy devices, drawings and symbols and also two dimensional representations of goods or their containers. Shape of goods or their packaging may also constitute trademark. Examples of this category would be the bottle of coca cola and Apple's ipod.

However, according to Section 9(3) of the Trademarks Act, 1999 A mark is incapable of being registered as a trademark if it consists exclusively of -

a) the shape of goods which results from the nature of the goods themselves; or

b) the shape of goods which is necessary to obtain a technical result; or

c) the shape which gives substantial value to the goods.

1.5.3 Logos

A logo can be described as a design which becomes a mark when used in close association with the goods or services being marketed. Examples of logo marks are: McDonald's double arches and Apple Computer's Apple.

1.5.4 Sound Marks

A sound can also be a trademark. The three tone chime of NBC and ICICI's jingle has been registered as a trademark. Two typical categories of sound marks can be distinguished, namely those that can be transcribed in musical notes or other symbols and others (e.g. the cry of an animal).

1.5.5 Colour Marks

This category includes words, devices and any combinations thereof in colour, as well as colour combinations and colour as such. The Supreme Court of USA held in the 1995 case of Qualitex Co. v. Jacobson Products Co., 115 S.Ct. 1300 (1995) that the green-gold color of a dry cleaning press pad can function as a trademark. Before this decision, the argument was often made that colour alone could not be considered a trademark, since granting trademark status to colours would soon lead to the depletion of the number of colours available for an object. The Court in Qualitex rejected arguments based on this depletion theory, reasoning that alternative colours would usually be available for competitors.

1.5.6 Olfactory Marks (Smell Marks)

There is no prohibition to register even a smell if it satisfy other conditions of a trademark. An illustration could be a situation where a company sells its goods (e.g. writing paper) with a certain fragrance and the consumer becomes accustomed to recognizing the goods by their smell. The smell of 'fresh cut grass' was allowed for tennis balls in *Senta Aromatic's Application* [1999] ETMR 429.

1.5.7 Collective Marks

A collective mark may be owned by an association which itself does not use the collective mark but whose members may use the collective mark; typically, the association has been founded in order to ensure the compliance with certain quality standards by its members; the members may use the collective mark if they comply with the requirements fixed in the regulations concerning the use of the collective mark. Examples of such associations would be those representing accountants, engineers, or architects. Thus, the function of the collective mark is to inform the public about certain particular features of the product for which the collective mark is used. An enterprise entitled to use the collective mark may in addition also use its own trademark.

The regulations concerning the use of the collective mark normally have to be included in an application for the registration of the collective mark and any modifications to the regulations have to be notified to the Trademark Office. In several countries (for example, the Federal Republic of Germany, Finland, Norway, Sweden and Switzerland), the registration of a collective mark may be cancelled if that mark is used contrary to the provisions of the regulations or in a

manner which misleads the public. Collective marks, therefore, play an important role in the protection of consumers against misleading practices.

The Trademarks Act, 1999 in Section 2(1)(g) defines a collective mark to mean a trademark distinguishing the goods or services of members of an association of persons (not being. a partnership within the meaning of the Indian Partnership Act, 1932) which is the proprietor of the mark from those of others. The Paris Convention contains provisions on collective marks in its Article 7$^{bis.}$ Those provisions, in particular, ensure that collective marks are to be admitted for registration and protection in countries other than the country where the association owning the collective mark has been established. This means that the fact that the said association has not been established in accordance with the law of the country where protection is sought is no reason for refusing such protection. On the other hand, the Convention expressly states the right of each member State to apply its own conditions of protection and to refuse protection if the collective mark is contrary to the public interest.

Self Assessment Question **(Spend 3 minutes)**

4) What are collective marks?

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1.5.8 Certification Marks

The certification mark may only be used in accordance with the defined standards. The main difference between collective marks and certification marks is that the former may be used only by particular enterprises, for example, members of the association which owns the collective mark, while the latter may be used by anybody who complies with the defined standards. Thus, the users of a collective mark form a "club" while, in respect of certification marks, the "open shop" principle applies.

An important requirement for the registration of a certification mark is that the entity which applies for registration is "competent to certify" the products concerned. Thus, the owner of a certification mark must be the representative for the products to which the certification mark applies. This is an important safeguard for the protection of the public against misleading practices.

The Trademarks Act, 1999 in Section 2(1)(e) defines a certification trademark to mean a mark capable of distinguishing the goods or services in connection with which it is used in the course of trade which are certified by the proprietor of the mark in respect of origin, material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics from goods or services not so certified and registrable as such under Chapter IX in respect of those goods or services in the name, as proprietor of the certification trademark, of that person.

The definition of "certification mark" is not the same in all countries. In the United States of America, for instance, a certification mark may not be used by anybody who complies with the defined standards, but only by enterprises which have been authorized by the owner of the certification mark to use that mark. Thus, in the United States of America, the difference between a certification mark and a collective mark is smaller than in other countries; it only relates to the purpose of those two kinds of marks: the certification mark refers to certain standards of products or services, while the collective mark refers to the membership of its users in a particular organization. The internationally accepted "ISO 9000" quality standards are an example of such widely-recognised certifications.

1.5.9 Trade Dress

Trade dress is essentially the total image or overall appearance of good. This is a very broad concept and may include the "features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques." [***John J. Harland Co. v. Clarke Checks, Inc.***, 711 F.2d 966, 980 (11th Cir. 1983).]For example, the shape, design letters, logos and colour schemes of a Colgate toothpaste is a trade dress. It serves the functions of a trademark and, therefore, courts are extending the protection available to trademarks to trade dress too. The overall impression created by the broad appearance is what determines whether the trade dress has been copied or not. Trade dress protection is available without registration and, therefore, the remedy is passing off action. In the UD, trade dress is registrable as trademark or service mark.

1.6 SUMMARY

- A trademark is a distinctive sign or indicator used by an individual, business organization, or other legal entity to identify that the products or services to consumers with which the trademark appears originate from a unique source, and to distinguish its products or services from those of other entities.
- Consumers rely on trademarks, for example, to more easily facilitate repeat purchases of goods or services based on a previous pleasurable experience or a manufacturer's reputation for quality.
- A trademark is typically a name, word, phrase, logo, symbol, design, image, or a combination of these elements.
- There is also a range of non-conventional trademarks comprising marks which do not fall into these standard categories, such as those based on colour, smell, or sound.
- In the modern day complex environment of trade, a trademark fulfils a series of functions both for the trader and for the consumer. These include source identification, quality, advertising, expressive and merchandising functions.
- Trademarks have become the most valuable assets for an increasing number of companies and in many cases the brand value exceeds the value of the physical assets of a company.
- Words, letters, numerals, devices, shapes, logos, sounds, colours and smells could function as trademarks if they could be represented graphically and could help distinguish the goods and services of one business enterprise from that of others.

1.7 TERMINAL QUESTIONS

1) Write a concept note on trademarks and their importance in modern day business.

2) Define trademarks and explain the essential elements of the definition.

3) What are the various kinds of trademarks?

4) What functions are performed by trademarks?

1.8 ANSWERS AND HINTS

Self Assessment Questions

1) Refer to Sub-section 1.3.1

2) Refer to Section 1.4

3) Refer to Section 1.5

4) Refer to Sub-section 1.5.7

Terminal Questions

1) Refer to Section 1.3

2) Refer to Section 1.4

3) Refer to Section 1.5

4) Refer to Sub-section 1.3.2

UNIT 2 PROTECTION OF TRADEMARK RIGHTS IN INDIA–I

Structure

2.1 INTRODUCTION

Trademark rights could be acquired either by use or by registration. The Trademarks Act, 1999 provides elaborate procedure for registration of trademarks. Trademark registration brings forth various advantages. It is the right of the proprietor of a trademark to use his trademark and exclude all others from such use. However, trademarks cannot be registered only for the purpose of hoarding. Therefore, their non-use or improper-use may lead to cancellation of registration. This unit attempts to lay down the procedure for registration and cancellation of trademarks.

2.2 OBJECTIVES

After studying this unit, you should be able to:

- elaborate how trademark rights are acquired;
- in what manner use of a mark helps in acquisition of rights;
- explain the need and process of trademark registration;
- what are the absolute and relative grounds for refusal of registration of trademarks;
- describe the rights arising from trademark registration; and
- describe the grounds on which a trademark can be removed from the register.

2.3 ACQUISITION OF TRADEMARK RIGHTS

Trademark rights could be acquired on the basis of either use or registration. The 'use' system is based on the objective facts of trademark use, and decides the ownership of a trademark according to the time that the trademark was first used. While the 'registration' system grants trademark rights according to registration and the first applicant will obtain the trademark right. Both systems have developed historically; however, the 'use' system predates the 'registration' system.

Throughout the world, the trademark protection systems today generally combine both the elements of use and registration. Even in the presence of a fully developed registration system 'use' continues to play an important role. However, in countries that have traditionally based trademark protection on use, the registration of a trademark merely confirms the trademark right that has been acquired by use. Consequently, the first user has priority in a trademark dispute, not the one who first registered the trademark. In that sense, one acquired trademark rights with the first use of the mark.

In India, registered trademarks are governed by the Trademarks Act, 1999 and common law whereas unregistered trademarks are governed by the law of passing off which is a part of common law.

2.4 REGISTRATION OF TRADEMARKS

The Paris Convention places contracting parties under an obligation to provide for a trademark register. Over one hundred and fifty States including India are members of the Paris Convention. So, nearly all countries today provide for a trademark register. However, registration of trademarks is not compulsory in India. That means even without registration, and just on the basis of use, a trader can acquire trademark rights. Nevertheless, trademark registration brings forth certain advantages which are not available to a trade over a trademark obtained under common law.

2.4.1 Advantages of Registration

Trademark registration brings forth following advantages:

- Registration usually gives a party the right to use the mark nationwide whereas unregistered trademarks acquire rights only in the territory in which it is used.
- Registration constitutes nationwide constructive notice to others that the trademark is owned by the party.
- Registration enables a party to bring an infringement suit whereas the owner of an unregistered trademark has the remedy of passing off alone.
- In all legal proceedings relating to a registered trademark, the registration of the trademark shall be prima facie evidence of the validity thereof (Section 31(1), TMA, 1999). Fourth, registered trademarks can, after five years, become "incontestable", at which point the exclusive right to use the mark is conclusively established.
- Where the proprietor of an earlier trademark has acquiesced for a continuous period of five years in the use of a registered trademark, being aware of that use, he shall no longer be entitled on the basis of that earlier trademark to apply for a declaration that the registration of the later trademark is invalid, or to oppose the use of the later trademark in relation to the goods or services in relation to which it has been so used, unless the registration of the later trademark was not applied in good faith (Section 33(1), TMA, 1999).

2.4.2 Use Requirement Upon Registration of a Trademark

Trademark registration not only gives a right to the proprietor to the exclusive use of the registered mark but it also makes such use obligatory. If the registered mark is not used then the proprietor may lose rights over it. However, trademark owners need a grace period after registration before the use obligation comes into effect. This becomes particularly relevant in the case of businesses that are active in international trade. In order to avoid loopholes in the protection of their new trademarks of which competitors could take advantage, they must from the very beginning apply for the registration of their new trademarks in all countries of potential future use. Even in their own countries businesses often need several years before they can properly launch a newly-developed product on the market. The grace period granted in trademark laws that provide for a use obligation varies between three to five years.

Self Assessment Question **(Spend 3 minutes)**

1) What are the advantages of registration?

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2.4.3 Notice of Use of a Registered Trademark

Technically no notice is required as to the use of a trademark. Making notice of a trademark being used on goods compulsory is prohibited by Article 5D of the Paris Convention and consequently only a few laws provide for such notices. However, it is advisable to highlight the trademark, that is, to make it stand out from its surroundings and it should be identified as such by a trademark notice. It is usual to use the symbol ®, i.e. the circled R. Over the years this symbol has spread throughout the world and become a widely recognized symbol for a registered trademark. Its use recommended for registered trademarks as a warning to competitors not to engage any act that would infringe the mark.

2.4.4 Duration and Renewal

It is possible for a proprietor of trademark to perpetuate the registration thereof. However for administrative reasons, a time limit is generally provided for which a single act of registration is valid, but it is possible to renew registrations when this time limit expires. Section 25, TMA, 1999 states that the registration of a trademark shall be for a period of ten years, but may be renewed from time to time. Further, the Registrar shall, on application made by the registered proprietor of a trademark in the prescribed manner and within the prescribed period and subject to payment of the prescribed fee, renew the registration of the trademark for a period of ten years from the date of expiration of the original registration or of the last renewal of registration, as the case may be.

One of the reasons for imposing such time limit is that the trademarks office can charge a fee for renewal, and it becomes a source of revenue for the office. Another reason for this approach is that registration of trademarks without a time limit would lead to an undesirable amount of trademark registrations that are no longer of any interest to their proprietors. Even if unused marks may be removed from the register, such a procedure would be costly and time consuming for the interested party, and not always successful.

Furthermore, the requirement of renewal coupled with a renewal fee is an opportunity for a trademark proprietor to reconsider whether it is still worth having his registration renewed, as the trademark may have been superseded in its graphic form, or may even be no longer in use. In any case, renewals should be made simply on payment of the fee, without any new examination of the mark for absolute or relative grounds for refusal.

2.4.5 Rights Arising from Trademark Registration

The registration of a trademark shall, if valid, give to the registered proprietor of the trademark the exclusive right to the use of the trademark in relation to the goods or services in respect of which the trademark is registered and to obtain relief in respect of infringement of the trademark (Section 28(1), TMA, 1999). This provision gives two rights to the registered proprietor of a trademark; one, the right to use the mark; and two, the right to obtain relief by way of infringement proceedings. It is important to make a distinction between these two rights, both derived from the right to use a trademark.

The Right to Use the Trademark

The registered owner has the exclusive right to use the trademark. It would indeed be contradictory not to grant such a positive right of use while imposing an obligation to use. The right of use is, however, subject to other laws and rights, as is the case with any other right provided by law.

The right to use means the right of the proprietor of the mark to affix it on goods, containers, packaging, labels, etc. or to use it in any other way in relation to the goods or services for which it is registered. It also means the right to introduce the goods to the market under the trademark.

Self Assessment Question **(Spend 3 minutes)**

2) What are the rights arising from trademark registration?

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The Right to Exclude Others from Using the Mark

The right granted to the proprietor of a registered trademark is exclusive in nature, meaning thereby he has the right to exclude or restrain all others from using the mark without his permission. It follows from the mark's basic function of distinguishing the goods of its owner from those of others that he must be able to object to the use of confusingly similar marks in order to prevent consumers and the public in general from being misled. He must be able to object to any use of his trademark by a third party for goods or services for which it is protected, to the affixing of the mark on such goods, to its use in relation to the goods and to the offering of the goods or services for sale under the mark, or the use of the mark in advertising, business papers or any other kind of document.

The exclusive rights of the trademark owner can be exercised by means of an infringement action. The trademark is infringed if, owing to the use of an identical or similar sign for identical or similar goods, there is a risk or a likelihood of the public being misled. This aspect of infringement of trademarks has been discussed elsewhere.

2.4.6 Exhaustion of Trademark Rights

Section 30(3)(b) says that where the goods bearing a registered trademark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade by reason only of the goods having been put on the market under the registered trademark by the proprietor or with his consent. This provision gives effect to what is known as the doctrine of exhaustion. That means when the trademark owner has launched a product on the market under his mark, he cannot object to further sales of the product in the course of trade.

However, it is a principle that applies only to the right to launch the product bearing the trademark on the market for the first time. The proprietor's exclusive right to affix the trademark on the goods and their packaging, containers, labels, etc. continues to exist. Consequently, he can object to acts that infringe that right, such as the repacking of goods bearing his mark, the destruction of his mark on the goods, or the alteration and subsequent sale of his products under his mark. Altering the product and selling it under the same mark has the same effect as affixing the mark to goods, that is, it gives the consumer the impression that the genuine product has been marketed by the trademark owner under his mark.

2.5 CRITERIA FOR REGISTRATION

A mark must fulfil certain criteria in order for it to be eligible for registration. In this regard the Trademarks Act, 1999 provides for absolute grounds and relative grounds for refusal of registration. Therefore, a mark must not come within these grounds for refusal.

2.5.1 Absolute Grounds for Refusal of Registration

Section 9 of TMA, 1999 deals with the absolute grounds for refusal of registration and aims to stop the registration of any mark which does not perform its essential function as a trademark, which is to distinguish the goods or services of one undertaking, without any possibility of confusion, from those of someone else. If the mark does the job, it doesn't matter if the mark is also slightly descriptive or laudatory. In *JERYL LYNN Trademark* [1999] FSR 491 at 497 Laddie J. said: "The distinction between a sign which is capable of distinguishing for the purposes of trademark law and one which is not can be turned into a question posed in colloquial language. Does the sign indicate who the product or service comes from or does it only tell the customer what the product or service is?"

Distinctiveness

Section 9(1)(a), TMA, 1999 says that the trademarks which are devoid of any distinctive character, that is to say, not capable of distinguishing the goods or services of one person from those of another person shall not be registered.

The operative words in Section 9(1)(a) are "distinctive character". "Distinctive" has a technical meaning in trademark law. It means to serve to guarantee that all goods bearing the mark come from the control of the same undertaking. A mark can be striking, fanciful, unusual, memorable or different, which can contribute to it being distinctive, but if it does not provide that guarantee of origin, it is not distinctive in law. The expression "devoid" simply means lacking and the use of the word "any" before "distinctive character" could imply a low threshold but in practice this is misleading.

Descriptiveness

According to Section 9(1)(b), TMA, 1999 the trademarks which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or service shall not be registered.

Section 9(1)(b) is applicable only when the mark consists *exclusively* of the descriptive material. If there is another element in the mark, which has a distinctive character, the mark then cannot be considered under Section 9(1)(b) and instead should be considered under Section 9(1)(a).

The words "... which *may* serve, in trade to designate ..." suggests that a mark which is reasonably likely to be used by honest traders to designate characteristics of their goods or services ought to be refused without it being necessary to show that the sign is actually used or needed by the trade in question. Further, the expression "may serve to designate" allows for a degree of foreseeability that the mark may be perceived by the relevant class of persons as a new form of descriptive expression. It doesn't stand to logic that why the exclusion from registration contained in Section 9(1)(b) should make no allowance for the advent of new forms of descriptive expressions.

The test is to determine whether the trademark submitted for registration does the job of distinguishing as to origin or merely describes the purpose of or a characteristic of the goods or services. The sign need not be totally non-descriptive. A useful question to ask is how would a reasonable person view the mark? As an origin neutral reference to the goods or services on which it is to be applied, or as an identifier of origin? If the former, an objection should be taken, if the latter, the sign performs the essential function of distinguishing as to origin.

Generic Marks

According to Section 9(1)(c) the trademarks which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade shall not be registered.

This provision applies to only those marks which consist *exclusively* of the prohibited matter. If there is any other element in the mark with a distinctive quality, the mark should not be refused registration on this ground. Such composite marks could however conflict with the requirements under Section 9(1)(a). For example, any mark which is the commonly used and accepted name of any single chemical element or compound, will fall within the provisions of this section if registration is sought for goods being a chemical substance or preparation. Similarly, a spanner device for car servicing, a chef's hat for restaurant services, a bunch of grapes for wine, etc. are examples of devices which are customary in the established practices of the trade concerned.

Only those marks which *have* become customary are prohibited from registration. The words "have become" and "current" in the section wording combines to exclude speculation on whether use of the mark may become customary in the *future*. The mark must have an *already established* meaning. Further, some signs would only be in customary use in a particular field. Cyber would be totally unregistrable for computer software but should raise no objections for detergent.

Marks which become generic after losing distinctive character are known as genericized trademarks. A trademark is said to be genericized when it began as distinctive but has changed in meaning to become generic. A trademark typically becomes "genericized" when the products or services with which it is associated have acquired substantial market dominance or mind share such that the primary meaning of the genericized trademark becomes the product or service itself rather

than an indication of source for the product or service to such an extent that the public thinks the trademark is the generic name of the product or service. Genericization or "loss of secondary meaning" may be either among the general population or among just a subpopulation, for example, people who work in a particular industry. Examples of genericized trademarks are Aspirin which was originally a trademark of Bayer AG, Escalator which was originally a trademark of Otis Elevator Company and Kerosene which was originally a trademark of Abraham Gesner.

Self Assessment Question **(Spend 3 minutes)**

3) What are Generic Marks?

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Acquired distinctiveness through use

Section 9(1)(a) emphasises that a mark should be inherently distinctive before it is capable of being registered. But this is only one of the ways in which a mark may be distinctive. The other way is making a mark distinctive by use. The proviso attached to Section 9(1), TMA, 1999 states that a trademark shall not be refused registration if before the date of application for registration it has acquired a distinctive character as a result of the use made of it.

The distinctiveness acquired by the use of the mark must exist before the date of the application to register. No consideration will be given to any likelihood that the mark will or might become distinctive in future, due to any advertising or promotion by the mark's owners. Common surnames and personal names, descriptive words, misspellings of descriptive words, geographical place names, etc. are the kinds of marks which are likely to have been refused registration under Section 9(1)(a), (b) or (c), which can be considered for registration with evidence of acquired distinctiveness.

For how long should such a mark have been used so that it could be credited with the status of "acquired distinctive character"? In this regard, there is no fixed period of use. Extensive use over a shorter period may well be sufficient. Use should be continuous, though impressive sales after a gap may well establish that the distinctiveness acquired before the gap has not been lost.

Market share held by the mark, intensiveness, geographical reach and long-standing use of the mark, the amount invested by the owner in promoting the mark, the number of people who, because of the mark, identify the goods as originating from the particular owner and statements from chambers of commerce and industry or other trade and professional associations, etc. could be taken into account in assessing the acquired distinctive character of a mark.

The purpose of the evidence is to demonstrate that, despite the objectionable nature of the mark, it had in fact, prior to the application for registration, become identified, in the minds of the public, with a particular trader's goods or services. That is what is meant by "distinctive character". Proof of extensive or exclusive use or extensive promotion alone may not satisfy the requirement of establishing "distinctive character" on a highly descriptive or common place mark. Additional evidence of public or trade recognition is necessarily required. Whether the mark has acquired a distinctive character also depends on degree. The onus rests on the applicant to prove the case. Applicants may uplift and re-file or adopt evidence filed for the earlier mark to assist in proving acquired distinctiveness.

Public Policy Objections in Registering Marks

According to Section 9(2), TMA, 1999 a mark shall not be registered as a trademark if it is of such nature as to deceive the public or cause confusion. That means even if a mark has qualified to be distinctive under Section 9(1), still if its nature is such which might deceive the public upon its usage then it will not be registered. This provision places public interest higher than any private interest of the applicant in the mark. The types of deception that could lead to an objection under this subsection are not specified. Clearly they would include marks which give rise to an expectation which will not be fulfilled. For example, if the composition of goods does not go with the mark then it should not be registered under this provision. When the mark 'pure' is appended to juice when it contains synthetic materials then the case could squarely fall under this head.

If a mark contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India or comprises or contains scandalous or obscene matter or its use is prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950, then it cannot be registered.

2.5.2 Relative Grounds for Refusal of Registration

Where there exists a likelihood of confusion with an earlier trademark there can be relative grounds for refusal of registration. As per Section 11(1), TMA, 1999, this occurs when an identical trademark is to be used on goods or services which are similar to the earlier registered mark or where a similar trademark is to be used on goods or services which are identical or similar to an earlier registered trademark.

Objections to registration under Section 11 can only be taken if the conflicting mark is an "earlier trademark". An earlier trademark means a registered trademark or a trademark which, on the date of the application for registration of the trademark in question, or where appropriate, of the priority claimed in respect of the application, was entitled to protection as a well-known trademark.

Even if there is only a "slight" difference in the visual appearance, the marks are not identical. In *IDG Communications Ltd's TM Appln* [2002] RPC 283 the court held that "DIGIT" was not identical to digits because of the absence of the letter 's'. Where the mark seeking registration is identical to an earlier mark but the goods or services are merely similar to those for which the earlier mark is protected, registration will only be refused if the use of the later mark in relation to its specified goods is likely to cause confusion on the part of the public. The same test applies where the later mark is similar to the earlier mark and the

goods or services are either identical or similar to those for which the earlier trademark is protected.

Likelihood of confusion refers to confusion as to the origin of the goods or services in question. Carelessness or indifference on the part of consuming public should not to be regarded as synonymous with confusion or likelihood of it. The assessment of "likelihood of confusion on the part of the public" includes the "likelihood of association" with an earlier mark.

2.5.3 Honest Concurrent User

According to Section 12, TMA, 1999, in the case of honest concurrent use or of other special circumstances which in the opinion of the Registrar, make it proper so to do, he may permit the registration by more than one proprietor of the trademarks which are identical or similar (whether any such trademark is already registered or not) in respect of the same or similar goods or services, subject to such conditions and limitations, if any, as the Registrar may think fit to impose.

2.6 PROCEDURE FOR REGISTRATION OF TRADEMARKS

At the national level an office is established for the purposes of registration of trademarks. In India, the office of the Registrar of Trademarks has been established for the maintenance of trademark registry. The Controller General of Patents and Designs is also the Registrar of Trademarks. The Registrar of Trademarks contains the record of all registered trademarks with names and addresses of the proprietors and registered users of trademarks. The procedure of registration is as follows:

2.6.1 Application for Registration

Any person claiming to be the proprietor of the trademark is entitled to obtain registration by filing a request in the prescribed manner and by paying the requisite fee. The application may be made in the name of an individual, the partners of a firm, a company, a government department, a trust or any other entity having legal personality. Two or more persons may also make a joint application.

The application has to be filed in the office of the Trademarks Registry within whose territorial limits the principal place of business in India of the applicant or in the case of joint applicants the principal place of business in India of the applicant whose name is first mentioned in the application as having a place of business in India, is situate. Where the applicant or any of the joint applicants does not carry on business in India, the application shall be filed in the office of the Trademarks Registry within whose territorial limits the place mentioned in the address for service in India as disclosed in the application, is situate. (Section 18, TMA, 1999).

The application may be accepted absolutely or subject to some amendments, modifications, conditions or limitations or it may be rejected by the Registrar. In the case of a refusal or conditional acceptance of an application, the Registrar shall record in writing the grounds for such refusal or conditional acceptance and the materials used by him in arriving at his decision. It is possible that after acceptance of application but before registration some errors are detected. In

that case the Registrar has the power to withdraw his acceptance. The Registrar may also, on such terms as he thinks just, at any time, whether before or after acceptance of an application for registration permit the correction of any error in the application or permit an amendment of the application.

The application is numbered as per seriatim and date. The application number and date of filing ultimately become the registration number and date of registration, if the application is able to overcome the objections as may be raised by the Registrar under Section 9 and/or Section 11 of The Trademarks Act, 1999 and the opposition proceedings, if any, initiated by third party.

2.6.2 Advertisement and Opposition

After an application has been filed, it is then advertised in the trademark journal by the Registrar together with the conditions or limitations, if any, subject to which it has been accepted. This advertisement provides the public to oppose the registration of the trademark concerned.

Any person may, within three months from the date of the advertisement of an application for registration or within such further period, not exceeding one month in the aggregate, as the Registrar, on application made to him allows, give notice in writing in the prescribed manner to the Registrar, of opposition to the registration. The Registrar thereafter serves a copy of the notice on the applicant for registration and, within two months from the receipt by the applicant of such copy of the notice of opposition, the applicant shall send to the Registrar a counterstatement of the grounds on which he relies for his application, and if he does not do so he shall be deemed to have abandoned his application. If the applicant sends such counter-statement, the Registrar shall serve a copy thereof on the person giving notice of opposition.

The Registrar, after hearing the parties, if so required, and considering the evidence, decides whether and subject to what conditions or limitations, if any, the registration is to be permitted, and may take into account a ground of objection whether relied upon by the opponent or not.

2.6.3 Registration and Certification

When an application for registration of trademark has been accepted and either the application has not been opposed and the time for notice of opposition has expired or the application has been opposed and the opposition has been decided in favour of the applicant, the Registrar shall register the said trademark.

On the registration of a trademark, the Registrar shall issue to the applicant a certificate of the registration thereof, sealed with the seal of the Trademarks Registry.

Where registration of a trademark is not completed within twelve months from the date of the application by reason of default on the part of the applicant, the Registrar may, after giving notice to the applicant in the prescribed manner, treat the application as abandoned unless it is completed within the time specified in that behalf in the notice.

2.6.4 Date of Registration

The proprietor's exclusive right exists from the date of registration. The trademark when registered shall be registered as of the date of the making of the said application and that date shall be deemed to be the date of registration. That means the priority of the right dates back to the date of filing for registration. While it is true that the application is not normally a sufficient basis for bringing an infringement action against a later right, it must be a valid basis for an opposition procedure. And, even more importantly, the date of the application for registration will be decisive in a later court case. The time that passes before an application leads to registration varies a great deal, and in certain cases can be very long. A later application can for various reasons lead to registration sooner (for instance where the earlier application was refused by the examiner and finally granted on appeal). Clearly, the owner of the earlier application must have the prior right in relation to the owner of a later application.

Furthermore, the applicant can claim the priority of his national registration under Article 4 of the Paris Convention if the application in the foreign country is made within six months of the filing date of the first application.

2.6.5 Publication and Access to the Register

It is important for owners of prior rights and the public that all relevant data contained in the register, concerning applications, registrations, renewals and changes of name, address and ownership, should be published in an official gazette. This enables owners of prior rights to take the necessary steps, including opposition (if provided for) or an action for cancellation.

2.7 REMOVAL OF THE TRADEMARK FROM THE REGISTER

The rights to a trademark can be lost through abandonment, improper licensing or assignment, or genericity. A trademark is abandoned when its use is discontinued with an intent not to resume its use. Such intent can be inferred from the circumstances. Moreover, non-use for three consecutive years is prima facie evidence of abandonment. The basic idea is that trademark law only protects marks that are being used, and parties are not entitled to warehouse potentially useful marks.

Trademark rights can also be lost through improper licensing or assignment. Where the use of a trademark is licensed (for example, to a franchisee) without adequate quality control or supervision by the trademark owner, that trademark will be cancelled. Similarly, where the rights to a trademark are assigned to another party in gross, without the corresponding sale of any assets, the trademark will be cancelled. The rationale for these rules is that, under these situations, the trademark no longer serves its purpose of identifying the goods of a particular provider.

Trademark registration is not an end in itself. Even though trademark laws generally do not require use as a condition for the application for trademark registration, or even the actual registration, the ultimate reason for trademark protection is the function of distinguishing the goods on which the trademark is

used from others. It makes no economic sense, therefore, to protect trademarks by registration without imposing the obligation to use them. This is especially true in the light of the fact the trademark registration does not give an absolute monopoly to the registrant over the mark. Unused trademarks are an artificial barrier to the registration of new marks. There is an absolute need to provide for a use obligation in trademark law.

The cancellation of a trademark registration is a serious matter for its owner, as it leads to a loss of his rights under the registration. As a matter of facts, there are a number of grounds on which a trademark can be removed from the register.

2.7.1 Removal for Failure to Renew

It has been shown that, for administrative reasons, a trademark is registered for a certain period of time. If the owner fails to renew his trademark registration and more specifically fails to pay the renewal fee, this leads to the removal of the trademark from the register. Registries generally allow a period of grace for payment of the renewal fee (usually with a surcharge).

If the law permits renewal of the trademark registration for just some of the registered goods (to be encouraged as a means of removing "deadwood" from the register), this leads to a partial cancellation of the trademark registration for all the goods in respect of which it is not renewed.

2.7.2 Removal at the Request of the Registered Owner

The registered owner can himself, at any time, renounce his registration for either all or some of the goods for which the mark is registered. At the request of the registered owner, therefore, the authorities will in principle remove the mark from the register either wholly or in part.

2.7.3 Removal for Failure to Use

If the owner of a trademark fails to use his mark within the grace period provided for in the law, any interested party can, in principle, ask for its cancellation. If the owner cannot justify the non-use, removal of the registration is ordered by the court. If the owner can prove use or justify the non-use, but only for some of the registered goods, the court orders partial cancellation. Partial cancellation extends either to all registered goods for which use can cannot be proved or at least to all those not similar to the goods that the registered owner has used.

This does not mean that the registered owner's rights would be strictly limited to the goods used, or even to a single product on which his trademark has been used. Even if his registration is cancelled for all but the one product for which he can prove use, he can still defend his exclusive right to his registered trademark against the registration.

2.7.4 Cancellation on Account of Nullity

If a trademark consists of a sign that should not have been registered, it can be declared null and void by the court at the request of any interested party. Sometimes trademark laws also provide an *ex officio* procedure for that purpose. As a consequence of the declaration, the trademark is removed from the register.

If the grounds for invalidity exist only with respect to some of the registered goods the registration is removed for those goods only. Normally, removal from the register is ordered only if the grounds for invalidity already existed when the trademark was registered. Moreover, even if the trademark should not have been registered owing to lack of distinctiveness, its cancellation is not permitted if in the meantime it has become distinctive by use. Such acquired distinctiveness cannot, however, prevent the removal from the register of trademarks that consist of generic or deceptive terms. And yet there can be exceptional cases in which the deceptive meaning that would have prevented trademark registration at the outset has been lost in the meantime.

2.7.5 Removal of a Mark that has Lost its Distinctiveness

If the registered owner has provoked or tolerated the transformation of a mark into a generic name for one or more of the goods or services in respect of which the mark is registered, the mark becomes liable for removal from the register. A mark may become liable for removal from the Register if the registered owner has provoked or tolerated its transformation into a generic name for one or more of the goods or services in respect of which the mark is registered, so that, in trade circles and in the eyes of the appropriate consumers and of the public in general, its significance as a mark has been lost. Basically, two things can cause genericness: namely, improper use by the owner, provoking transformation of the mark into a generic term, and improper use by third parties that is tolerated by the owner.

Trademarks such as FRIGIDAIRE, CELLOPHANE and LINOLEUM became generic terms because they were the only product in their category, and no additional name was given to the category by its proprietors.

2.8 SUMMARY

- Trademark rights could be acquired on the basis of either use or registration. Both systems have developed historically; however, the 'use' system predates the 'registration' system.
- In India, registered trademarks are governed by the Trademarks Act, 1999 and common law whereas unregistered trademarks are governed by the law of passing off which is a part of common law.
- Registration of trademarks is not compulsory in India. Nevertheless, trademark registration brings forth certain advantages which are not available to a trade over a trademark obtained under common law.
- A time limit is generally provided for which a single act of registration is valid, but it is possible to renew registrations when this time limit expires.
- The registration of a trademark shall, if valid, give to the registered proprietor of the trademark the exclusive right to the use of the trademark in relation to the goods or services in respect of which the trademark is registered and to obtain relief in respect of infringement of the trademark.
- The right to use means the right of the proprietor of the mark to affix it on goods, containers, packaging, labels, etc. or to use it in any other way in relation to the goods or services for which it is registered.

- Trademarks which are devoid of any distinctive character, that is to say, not capable of distinguishing the goods or services of one person from those of another person are not registrable.
- Trademarks which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or service cannot be registered.
- Trademarks which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade cannot be registered.
- A trademark shall not be refused registration if before the date of application for registration it has acquired a distinctive character as a result of the use made of it.
- Where an identical trademark is to be used on goods or services which are similar to the earlier registered mark or where a similar trademark is to be used on goods or services which are identical or similar to an earlier registered trademark, the latter trademark shall not be registered.
- In the case of honest concurrent use or of other special circumstances, the Registrar may permit the registration by more than one proprietor of the trademarks which are identical or similar in respect of the same or similar goods or services.
- The rights to a trademark can be lost through abandonment, improper licensing or assignment, or genericity.

2.9 TERMINAL QUESTIONS

1) What are advantages that stem from trademark registration?
2) Describe the procedure for registration of trademarks.
3) What are the absolute grounds for refusal of trademark registration?
4) How and in which circumstances a trademark can be removed from the register?

2.10 ANSWERS AND HINTS

Self Assessment Questions

1) Refer to Sub-section 2.4.1
2) Refer to Sub-section 2.4.5
3) Refer to Sub-section 2.5.1

Terminal Questions

1) Refer to Section 2.4
2) Refer to Section 2.5
3) Refer to Sub-section 2.5.1
4) Refer to Section 2.7

UNIT 3 PROTECTION OF TRADEMARKS IN INDIA-II

Structure

3.1 INTRODUCTION

Trademark registrations only cover the country in which they are filed. So an Indian trademark application will only bestow trademark rights in the territory of India and not beyond. Therefore, in order to protect a trademark in other countries, one needs to file trademark applications in multiple countries. Similarly, a foreign trademark will have to acquire trademark rights in India either by use or registration in order to enforce itself in India. The concept of well-known trademarks is an exception to this generally accepted principle of trademarks law.

The legal term of "well-known trademark" first appeared in the *1883 Paris Convention for the Protection of Industrial Property*, which sets forth the principles for granting special protection to well-known trademarks. Following the adoption of the concept in TRIPS Agreement, well-known trademarks have now been introduced in all the member countries of these international conventions.

Protection of well-known trademarks is a key driver of success in the global marketplace. It is through the well-known status of its marks that multinational corporations seek to build global brands and do international trade. If a well-known mark is infringed, or a third party with similar products attempts to register the mark in a country in which it is not already registered, the issuing offices or courts of that country are confronted with complex legal issues. This unit attempts to demystify the concept of well-known international trademarks.

3.2 OBJECTIVES

After studying this unit, you should be able to:

- describe the concept of well-known trademarks;

- explain the advantages of achieving the status of well-known for a trademark;
- explain the factors that determine the well-known status of a trademark; and
- describe the international system of protection of well-known trademarks.

3.3 THE NEED FOR WELL-KNOWN TRADEMARKS

Well known international trademarks such as Coca-Cola, Microsoft, Tata, IBM and Google surpass the boundary of marks known only in single countries. It is now generally accepted that these well-known marks should be given protection against later registration by third parties – although laws to offer this protection are still being developed.

In the earlier stage of trademark law trademarks were protected only within their national boundaries. But, in the global economy of today the reputation of the trademark is not limited to the territory of a country in which it is registered or used. In the globe trade stage, people always travel around. Further, with the technology's development in the field of communications marked by the Internet, the satellite television and the spillover advertisement, some trademarks which are known in a given geographical area are known almost throughout the world. Therefore, through international conventions the protection of trademarks was propagated internationally if they have achieved the status of a well known trademark.

In today's world, for the sake of the protection of consumers' interests and trademark owner's reputation, the enhanced protection of well-known trademarks has become the international trend. International strengthening of the protection of the well-known marks has contributed not only to the benefit of the trademark owner, but has also been very important in ensuring the stable and fair development of international trade. The well-known character of a trademark contains the exclusive and legitimate right to own the mark beyond borders, requesting the application of international principles of loyalty in the commerce assuring at the same time the good faith of consumers. This concept of notoriety is a category not limited only to a certain territory or location since such well-known character deserve to be considered by the time the trademark has gained this quality in the country of origin. The effects of well-known trademarks extend to unrelated field in comparison with the original goods or services the trademarks are used.

Self Assessment Question **(Spend 3 minutes)**

1) What is the need for trademarks.

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3.4 INTERNATIONAL PROTECTION OF WELL-KNOWN TRADEMARKS

The international protection of well-known marks is recognized in two multilateral treaties: the Paris Convention for the Protection of Industrial Property (the Paris Convention), to which 154 states are party, and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), by which 134 states are bound. The relationship between TRIPS Agreement and the Paris Convention is regulated by Article 2 of TRIPS, which incorporates all substantive provisions of the Paris Convention, and makes these binding on contracting parties who are not members of the Paris Convention.

3.4.1 Protection of Well-known Trademarks under the Paris Convention

Paris Convention for the protection of Industrial Property is the oldest multilateral industrial property treaty. The Paris Convention provides the protective principles of well-known trademarks in Article 6bis which for the first time incorporated the concept of a well-known trademark in 1925, and has been applying universally. It specifies the principles of protection of well-known trademarks in the countries of Paris Union in the following manner:

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

2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

The concept of a well-known mark was developed in the context of Article 6 bis of the Paris Convention to provide owners of marks, which were widely known in the marketplace but not registered, with a measure of protection against later registrations of the same mark by others. The unauthorized registration and use of trademarks that constitute the reproduction, an imitation or a translation of well-known trademarks, which are the clear standards, the competent authority of the country where the protection of well-known trademark is sought has to refuse, cancel or prohibit such trademarks. Well-known trademarks should be well known and used in the country where the protection is sought. The existence of actual confusion or a risk of confusion is necessary for the protection of well-known trademarks as a result of infringement.

3.4.2 Protection of Well-known Trademarks under the TRIPS Agreement

The TRIPS Agreement makes the enhanced protection of well-known trademarks in Article 16(2) and (3) as follows:

1) Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is well known, account shall be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in that member obtained as a result of the promotion of the trademark.

2) Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

Article 16(2) and (3) make a big improvement on the Article 6bis of the Paris Convention and extend the scale of protection of well-known trademarks. TRIPS lays down the criteria for determining whether the trademark is well known. It requires that member states should take account of the knowledge of the trademark in the relevant sector of the public, and this knowledge can be obtained as a result of the promotion of the trademark. So the member states can take the knowledge of the trademark as an important element of determining recognition in their legislations or practices.

3.5 PROTECTION OF WELL-KNOWN MARKS UNDER COMMON LAW IN INDIA

Before the coming into force of the Trademarks Act, 1999 the previous statute, i.e. the Trade and Merchandise Marks Act 1958 did not have any provision concerning well-known trademarks. Therefore, a complex situation took place in the commercial field as a result of a fraudulent misappropriation of international famous trademarks. However, several cases were decided by various high courts in India in which well-known trademarks were protected even in the absence of statutory protection. Such protection was conferred under the common law of passing off.

In ***Kamal trading Co. v. Gillette UK Limited*** (1998 IPLR 135) injunction was sought against the defendants who were using the mark 7'O Clock on their toothbrushes. The Bombay High Court held that the plaintiff had acquired an extensive reputation in all over the world including India by using the mark 7'O Clock on razors, shaving creams. The use of an identical mark by the defendant would lead to the customer being deceived. In ***Aktiebolaget Volvo v. Volvo Steels Limited*** (1998 PTC 47) it was held that the plaintiff had established a reputation in India in relation to its mark Volvo. It was advertised in various international magazines having circulation in India and the plaintiff had also registered the

mark in India. The defendant had adopted the mark with fraudulent intentions to benefit from the reputation of the plaintiff. An injunction was granted to the plaintiff. In ***Whirlpool Co. & Anr. v. NR Dongre*** (1996 PTC 415) the plaintiff's mark was Whirlpool and they had registered the same in India in 1977. However the mark had not been renewed. The plaintiff's mark had a world wide reputation and the defendant was using the mark on washing machines. The plaintiffs had sold machines in a limited number to the US Embassy in India. However they had also advertised in a number of international magazines having circulation in India. The court held that the mark Whirlpool had established a transborder reputation in India and hence the defendants were injuncted from using the mark Whirlpool for there goods. In ***Daimler Benz Aktiengesellschaft v. Hybo Hindustan*** (AIR 1994 Del. 239) an injunction was sought by the manufacturers of the Mercedes Benz Car against the defendants who were using the three pointed star in the circle and the word Benz on their apparels. An injunction was granted against the defendants who were using the mark Benz on their underwear apparel.

These were a few cases in which the courts in India granted protection to well known international trademarks under the law of passing off without there being any statutory requirement or mandate for the same. However, in many cases the courts in India denied protection to such trademarks. An Indian company styled itself as Toshiba Appliances Co. and proceeded to use the trade name 'Tosiba' for its electric appliances. The Toshiba Corporation of Japan objected to this appropriation. Toshiba Corporation, like several other foreign corporations, in the context of import restrictions prevailing in India till 1990s, could not put its goods in the Indian market. The Calcutta High Court in ***Toshiba Corporation v. Toshiba Appliances Company*** [1994 (1) ARBLR 231, 1993] denied injunction to the foreign proprietor of the trademark and ruled in favour of the Indian company. The court stated: "Now, if there are no goods at all in physical existence, there can be no use of the mark in relation to those. It is the same, if the goods are in physical existence somewhere else than in the Indian market. For, however, big the foreign market of a trader might be, and however famous his trademark might be all over the world, yet to qualify for use of the mark in relation to the goods within our Trade and Merchandise Marks Act of 1958, such use must be made in India and not abroad." Describing such appropriation of reputed trade names by domestic parties as 'unpreventable hazard', the court stated: "The trademark law is a national code and not an international treaty... If a country blocks international trade within itself, international names only cannot be registered and preserved in the blocked market. This would mean allowing international names to hold the market totally without goods, or give international marks a copyright value, and both these are impermissible and against the first principle of trademark law."

Apart from the fact of granting or refusing protection to such foreign well-known trademarks, certain courts were using the term 'well known' in relation to trademarks as a general expression of the language, without being mindful of its peculiar meaning and precise import. Thus, after India became a member of Paris Convention and TRIPS Agreement, the Trademarks Act, 1999 incorporated substantive provisions for the protection of well-known international trademarks in India.

Self Assessment Question **(Spend 2 minutes)**

2) Explain the case of 'Kamal trading Co. v. Gillette UK Limited'.

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3.6 PROTECTION OF WELL-KNOWN TRADEMARKS UNDER THE TRADEMARKS ACT, 1999

The Trade and Merchandise Marks Act of 1958, in the context of India's thrust to create an isolated economy to protect and promote Indian industries, discouraged foreign trademarks. The Trademarks Act of 1999 has reversed this and given special protection to foreign trademarks. Under the old Act, a trademark could not be registered unless it had goods bearing the mark in the Indian market. Due to import restrictions, the goods of foreign firms could not be in the Indian market and, thus, the marks could not be registered. The new Act has taken away this constraint for 'well-known trademark'. Trademarks which are well known in any part of the world, can be registered even if there are no goods in the Indian market. Further, no Indian mark can be registered if it detracts in any manner from the value of a 'well-known trademark'. The new Act has given statutory protection to well known Trademarks which were protected under the Common law earlier.

In this sense, the legal adoption of the well-known character of a trademark supposed a remarkably advance in the process of establishing a legal frame for those licensees of famous trademarks that found benefit from the legitimate circulation of original goods and related foreign investment. The substitution of the local regulations for the innovated International Legislation changes the old view of inobservance of the well-known concept. The rigorous application of such concept leaves behind the background of bad faith by dishonest third parties. The chase and hunting of prestigious trademarks has thus been stopped.

3.6.1 Definition of Well-known Trademark

The definition and protection of well-known trademarks is still a grey area internationally. Despite general recognition that protection should be given to well-known marks, the national laws implementing the Paris Convention Art *6bis* at present give variable protection depending upon jurisdiction. Further, there are no particularly helpful definitions of a well-known mark in either Article 6*bis* of the Paris Convention or Article 16 of TRIPS. So the interpretation of whether a trademark can be considered well known is interpreted on an independent, national scale. Therefore, it is possible that well-known marks in one jurisdiction will not be found to be well-known in another.

According to Section 2(1)(zg) "well-known trademark", in relation to any goods or services, means a mark which has become so to the substantial segment of the public which uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services.

The first feature of this definition is that it is not necessary that in order to be a well-known trademark it should be known to every member of public. It is sufficient if it is known to a 'significant segment of the public'. Next, public here means only the consuming public, i.e. those members of the public who consume such goods or services that are supplied under the trademark in question. The expression 'become so' means that to begin with every trademark is an ordinary trademark and well-known is a status that is achieved through the life of the mark by using it. The consequence of a trademark achieving the status of well-known is that its use in relation to other goods and services by a stranger is likely to establish a trade connection between such goods and the well-known trademark. For example, trademark "XYZ" is a well-known trademark which is used by its proprietor on edible oil. If it is used by a stranger on some other goods say, clothes is likely to be establish a trade connection between such clothes and the proprietor of "XYZ".

3.6.2 Special Characteristics of Well-known Trademarks

a) ***Exception to Territoriality***

The principle of territoriality means that the protection of a trademark in a certain country depends exclusively on the law of that country, and that the effects of a trademark ownership by use or by registration in a country do not reach beyond the borders of that country. Well-known trademarks form an exception this principle. Once a trademark reaches the status of being well-known it has to be accorded the protection in accordance with the principles of Paris Convention and TRIPS Agreement by the member countries even if the trademark concerned has not been registered or used in that country.

b) ***Exception to Specialty***

The principle of specialty stipulates that trademarks can only be protected in relation to the same or similar goods or services covered by their registration or use. But according to Article 16(3) of the TRIPS Agreement, in certain circumstances, a trademark can be granted extended protection to non-competing goods or services. So, Section 16(3) of the TRIPS Agreement makes a legal basis available for the protection of well-known marks on non-competing goods or services. Protection is afforded in relation to goods or services which are not similar provided that the use of the mark on such dissimilar goods or services would indicate a connection with the owner of registered trademark, and the interests of the registered trademark owner are likely to be damaged by such use. Thus, the extended protection of the well-known trademarks to non-competing goods or services constitutes an exception to the principle of specialty.

A mark which is identical or similar to a well-known trademark cannot be registered. Section 11(2) of TMA states that a trademark which is identical with

or similar to an earlier trademark; and is to be registered for goods or services which are not similar to those for which the earlier trademark is registered in the name of a different proprietor, shall not be registered if or to the extent the earlier trademark is a well-known trademark in India and the use of the later mark without due course would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier trademark. According to Section 11(5), TMA a trademark shall not be refused registration on the ground that it is similar or identical to a well-known trademark unless objection on any one or more of those grounds is raised in opposition proceedings by the proprietor of the well-known trademark. That means the proprietor of a well-known trademark must oppose the registration of a similar mark. In the absence of such an opposition the Registrar of Trademarks will have to register the mark as he has no power to act suo motu.

This feature means that while an ordinary trademark is enforceable for only those goods or services in relation to which it is used or registered but a well-known trademark is enforceable for all goods or services. In other words, a well-known trademark must be recognized as such no matter the class of product, good or service to which is applied.

c) ***Exception to Registration***

In certain countries the right in a trademark arises out of appropriation and use and in others, a person may apply for registration of a trademark, when claiming that he is entitled to be registered as the proprietor. As to the unregistered marks, they are protected only under the passing off action. In other countries, where use or bona fide intent to use the mark at the time of the filing of the application is not required, registration is determinative as to proprietorship, except that the existence of good faith or absence of fraud is a condition precedent to registration.

Both the Paris Convention and the TRIPS Agreement establish protection for well–known trademarks whether or not they are registered in the country in which the protection is sought. Thus in the country where the prerequisite for protection is registration, the protection of the well-known trademark constitutes an exception to the principle of registration.

Self Assessment Question **(Spend 3 minutes)**

3) What are the characteristics of well known trademark?

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3.6.3 Factors Relevant in Determining Well-known Status of a Trademark

Article 6*bis* of the Paris Convention is silent on what constitutes a well-known mark. The matter is left to the national laws and that way the appreciation of whether a mark is well-known is left to the "competent authority" of the country where the illegitimate registration or use occurs. Article 16.2 of TRIPS Agreement provides a non-exhaustive guide to the competent authorities of countries in appreciating whether a mark is well known. In this respect it provides that, in "determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark."

Section 11(6), TMA provides elaborate guidance to the Registrar to determine the well-known status of a trademark. It says: The Registrar shall, while determining whether a trademark is a well-known trademark, take into account any fact which he considers relevant for determining a trademark as a well-known trademark including -

i) the knowledge or recognition of that trademark in the relevant section of the public including knowledge in India obtained as a result of promotion of the trademark;

ii) the duration, extent and geographical area of any use of that trademark;

iii) the duration, extent and geographical area of any promotion of the trademark, including advertising or publicity and presentation, at fairs or exhibition of the goods or services to which the trademark applies;

iv) the duration and geographical area of any registration of or any publication for registration of that trademark under this Act to the extent they reflect the use or recognition of the trademark;

v) the record of successful enforcement of the rights in that trademark, in particular, the extent to which the trademark has been recognised as a well-known trademark by any court or Registrar under that record.

The knowledge or recognition in the relevant section of public depends on:

i) the number of actual or potential consumers of the goods or services;

ii) the number of persons involved in the channels of distribution of the goods or services;

iii) the business circles dealing with the goods or services, to which that trademark applies.

The list provided in Section 11(6) is not an exhaustive enumeration of the factors. The Registrar is competent to go beyond these. However, the Registrar shall not require as a condition, for determining whether a trademark is a well-known trademark, any of the following, namely:

i) that the trademark has been used in India;

ii) that the trademark has been registered;

iii) that the application for registration of the trademark has been filed in India;

iv) that the trademark -

a) is well known in; or

b) has been registered in; or

c) in respect of which an application for registration has been filed in, any jurisdiction other than India; or

v) that the trademark is well-known to the public at large in India.

3.6.4 Earlier Trademarks in Conflict with Well-known Trademarks

Section 11(11), TMA states that where a trademark has been registered in good faith disclosing the material information to the Registrar or where right to a trademark has been acquired through use in goods faith before the commencement of this Act, then, nothing in this Act shall prejudice the validity of the registration of that trademark or right to use that trademark on the ground that such trademark is identical with or similar to a well-known trademark. In ***JVC Industrial Corporation v. Victor Company of Japan Limited & Anr.*** 2005 (31) PTC 315 (IPAB) it was held that the burden of proof in such cases is very heavy and the registration would be denied where the applicant does not present a strong case for registration.

3.7 SUMMARY

- In the global economy of today the reputation of the trademark is not limited to the territory of a country in which it is registered or used. Therefore, through international conventions the protection of trademarks was propagated internationally if they have achieved the status of a well known trademark
- International strengthening of the protection of the well-known marks has contributed not only to the benefit of the trademark owner, but has also been very important in ensuring the stable and fair development of international trade.
- The international protection of well-known marks is recognized in two multilateral treaties: the Paris Convention for the Protection of Industrial Property, and the Agreement on Trade-Related Aspects of Intellectual Property Rights.
- Before the enactment of Trademarks Act, 1999 several cases were decided by various high courts in India in which well-known trademarks were protected even in the absence of statutory protection. Such protection was conferred under the common law of passing off.
- Well-known trademarks function as exceptions to the concepts of territoriality, registration and specialty.
- The knowledge of consumers about the mark, the duration, extent and geographical area of its usage and its successful enforcement are the key factors upon which the status of well-known is determined by the competent authorities.

- For determining whether a trademark has become well-known or not the competent authority cannot demand that the trademark has to be registered in India or used in India or the trademark is known to public at large in India.
- The trademarks which were adopted honestly before the commencement of Trademarks Act, 1999 and are similar to well-known trademarks are saved.

3.8 TERMINAL QUESTIONS

1) What are well-known trademarks?
2) Describe the international system of protection of well-known trademarks.
3) What are the factors that are instrumental in determining the well-known status of trademarks?

3.9 ANSWERS AND HINTS

Self Assessment Questions

1) Refer to Section 3.3
2) Refer to Section 3.5
3) Refer to Sub-section 3.6.2

Terminal Questions

1) Refer to Section 3.3
2) Refer to Section 3.4
3) Refer to Sub-section 3.6.3

UNIT 4 TRADEMARK ASSIGNMENT AND LICENSING

Structure

4.1 INTRODUCTION

Trademarks are a species of property the ownership of which can change for different reasons and in different ways. Trademark rights may, on a natural person's death, pass to his heir. Similarly, a trademark may pass to a new owner in the case of bankruptcy. Another automatic change of ownership may result from the merging of two companies. No automatic change takes place, however, in the case of a company takeover effected by the acquisition of shares, or when certain assets of a company, including the intellectual property rights, are acquired.

Assignments and licenses represent that kind of change of ownership of trademarks which is contractual in nature. Assignment is similar to selling a mark while a license can be analogised with renting a mark. Assignment and licensing is possible in case of both registered and unregistered marks. This unit explains the legal requirements of these instruments together with various business practices that are dependant on trademark licensing.

4.2 OBJECTIVES

After going through this unit, you should be able to:

- elaborate the meaning and process of trademark licenses;
- explain the importance of trademark assignment and the requirements involved therein;

- describe the concept and importance of franchising;
- describe different types of structures for carrying out franchising;
- explain the concept and types of merchandising; and
- describe how licensing of trademarks is important for technology transfer.

4.3 LICENSING AND ASSIGNMENT IN GENERAL

Assignment and licensing are two forms of transfer whereby the proprietor of a trademark can invite others to exploit his trademark. The common feature of both these transfers is that the legal instrument used in both these transfers is contract. In other words contract is the means by which a license or assignment is effected. These assignments and licenses are interpreted in substantially the same way as any other contract. This makes it important that all the legal requirements for a binding and enforceable contract are complied with.

The word license has been derived from the Latin term *'licentia'* meaning freedom or liberty. To license or grant license is to give permission. So, a license is the formal granting of permission by someone who owns rights to someone else to use them. A license is a promise not to sue a party for actions that would otherwise constitute infringement. In other words, a license is permission to make use of another's trademark under carefully laid out conditions and terms. A license, therefore, passes no interest but merely makes lawful that which would otherwise be unlawful.

A license is that transfer of trademark which does not affect the monopoly of the owner, except by stopping him from exercising his prohibitory powers in derogation of privileges conferred upon licensee. As a matter of law, a license is a grant of rights that represent less than all of the rights which would accompany full ownership. In a license there is no transfer of proprietary interest because by licensing the owner retains ownership to the rights to that intellectual property and thus retains proprietary control over it. Simply put, a license grants the licensee rights in property without transferring ownership of the property.

Modern licensing practices often entail many active commitments by the licensor and equally dynamic expectations by the licensee regarding his ability to use the licensed trademark. Accordingly, the extent of rights granted in a license may span from a mere permission to use the licensed property in some limited manner (non-exclusive license) to all but ownership of property (exclusive license). So, licenses can be exclusive or non-exclusive. In the case of an exclusive license the trademark proprietor is not allowed to license the mark to any other person in the territory and cannot even use the mark himself. In the case of a non-exclusive license, of course, the proprietor may use the mark himself and even allow others to use it. In the case of multiple licenses, very strict quality control is necessary in the interest of the consuming public. Exclusive as well as non-exclusive licenses can be concluded for the whole territory of a country or part of it, and they can cover all or some only of the goods for which the trademark is registered.

It is common practice for a trademark owner to license third parties to use the trademarks locally in the country where they exercise their own business. However the main importance of the possibility of licensing the use of trademarks lies in its usefulness in international business relations. Licensing is indeed the principal

means whereby the trademarks of foreign companies are used by local businesses. Because of the diversity in its scope, it may be difficult to quantify the extent of this activity, but it definitely is a multi-billion dollar activity that pervades the ways in which goods and services are manufactured and marketed both domestically and internationally.

The term 'assignment' is defined as a transfer or making over to another of the whole of any property, real or personal, in possession or in action, or of any estate or right therein. What assignment is to trademarks, sale is to tangible property — in that sense they can be analogised. Trademarks are transmissible by assignment as personal or movable property. By assigning his trademark to another, the owner transfers his legal title to the assignee. In assignment the ownership rights of the trademark pass from seller to buyer and it is a one-time activity.

Usually, assignment involves compensation in the form of a lump sum payment in one go but it might also be deferred to be made dependant on certain factors, such as the success of the commercialisation of the transferred intellectual property. A license is usually compensated by payment of periodic payments called royalties over the term of license. However, there is no hard and fast rule as to that; so, at times, a licensor may get lump sum and an assignor may get royalties.

Self Assessment Questions **(Spend 4 minutes)**

1) Define Licensing?

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2) Define Assignment?

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4.4 TRADEMARK LICENSING

Under license the owner of trademark is giving permission to place his mark on manufactured goods or services belonging to someone else. The licensor continues to own the mark and the use of it by the licensee inures to the benefit of the

licensor. While copyright and patent laws are intended to encourage creativity in art and innovation, the primary function of trademark law is to protect consumers from possible confusion or deception if use of trademarks were unregulated. A trademark indicates the source or origin of a product or service and hence allows consumers to make generalisations regarding their quality. In the process trademarks serve as business identifiers and become a valuable property of the owner. This dual function of trademarks as an indicator of source and as a valuable property goes to define the structure of trademark licensing.

The Trademarks Act, 1999 is the law governing trademarks in India. A trademark owner's ability to license out the use of his trademark has been explicitly incorporated in the Trademarks Act. This aspect of licensing could be appreciated by dividing it into two parts, viz. licensing of registered trademarks and licensing of unregistered trademarks. While the Trademarks Act contains elaborate provisions as to licensing of registered trademark, it is silent about licensing of an unregistered trademark. But courts have declared such licensing to be valid and covered by common law (***S, Gujarat Bottling Co Ltd. v. Coca Cola Co.***, AIR 1995 SC 2372).

Further, licensing of registered trademarks has two aspects — one where the license contract is registered under the Trademarks Act and the other where the license contract is not so registered. Section 2(1)(r) of the Act defines the expression 'permitted use' which includes use of a trademark by both registered and unregistered licensees. Where the license contract is registered under the Trademarks Act, the licensee is known as 'registered user'. Registration of a licensee as a registered user is not compulsory under the Act and the licensing of a registered trademark without registering the licensee as registered user is governed by the provisions of the Trademarks Act as well as common law. The recordation of license in this manner is permissive rather than mandatory. But significant advantages stem out of such recordal of the license.

4.4.1 Purpose of Trademark Licensing

The licensor may have limited resources but through licensing out he can venture in fresh woods and new pastures exposing his mark to newer national and international markets. Moreover, owners of well known marks can venture out in newer product areas in which they had no experience. Through licensing the licensor can expand the territory in which the mark is used and hence become eligible for expanded protection. Form the licensee's perspective a license allows the licensee to ride on the goodwill of the trademark and offers him an opportunity to benefit from the licensor's reputation in attracting and convincing consumers and to market his products and services. The licensee is, therefore, spared the expenses of establishing brand awareness.

4.4.2 Procedure for Registration as Registered User

The procedure for registration as registered user under a trademark license is provided under Section 49(1) of Trademarks Act which is as follows:

Registration as registered user-

Where it is proposed that a person should be registered as a registered user of a trademark, the registered proprietor and the proposed registered user shall jointly

apply in writing to the Registrar in the prescribed manner, and every such application shall be accompanied by—

a) the agreement in writing or a duly authenticated copy thereof, entered into between the registered proprietor and the proposed registered user with respect to the permitted use of the trademark; and

b) an affidavit made by the registered proprietor or by some person authorised to the satisfaction of the Registrar to act on his behalf,-

   i) giving particulars of the relationship, existing or proposed, between the registered proprietor and the proposed registered user, including particulars showing the degree of control by the proprietor over the permitted use which their relationship will confer and whether it is a term of their relationship that the proposed registered user shall be the sole registered user or that there shall be any other restriction as to persons for whose registration as registered users application may be made;

   ii) stating the goods or services in respect of which registration is proposed;

   iii) stating the conditions or restrictions, if any, proposed with respect to the characteristics of the goods or services, to the mode or place of permitted use, or to any other matter;

   iv) stating whether the permitted use is to be for a period or without limit of period, and, if for a period, the duration thereof; and

c) such further documents or other evidence as may be required by the Registrar or as may be prescribed.

The provision typically requires:

- a joint application by the registered proprietor and the proposed licensee,
- a written contract entered into between the parties specifying the conditions under which the registered proprietor proposes to permit the use of the mark, and
- an affidavit by or on behalf of the registered proprietor providing details as to:
  - relationship subsisting or proposed between the parties,
  - the degree of control to be exercised by the proprietor over permitted use,
  - the fact of sole registered user or multiple registered users,
  - goods/services in respect of which the use of the trademark is being permitted, and
  - the term of the license.

The Registrar is the final authority for granting the status of registered users. Once the conditions prescribed under Section 49(1) have been complied with, the Registrar is duty bound to register the licensee as registered user.

4.4.3 Variation or Cancellation of Registration as Registered User

The Registrar has the power to vary or cancel the registration of registered user in accordance with Section 50 of the Trademarks Act which is reproduced below:

50. Power of Registrar for variation or cancellation of registration as registered user.-

1) Without prejudice to the provisions of Section 57, the registration of a person as registered user-

   a) may be varied by the Registrar as regards the goods or services in respect of which it has effect on the application in writing in the prescribed manner of the registered proprietor of the trademark;

   b) may be cancelled by the Registrar on the application in writing in the prescribed manner of the registered proprietor or of the registered user or of any other registered user of the trademark;

   c) may be cancelled by the Registrar on the application in writing in the prescribed manner of any person on any of the following grounds, namely:-

      i) that the registered user has used the trademark otherwise than in accordance with the agreement under clause (a) of sub-section (1) of Section 49 or in such way as to cause or to be likely to cause, deception or confusion;

      ii) that the proprietor or the registered user misrepresented, or failed to disclose, some fact material to the application for registration which if accurately represented or disclosed would not have justified the registration of the registered user;

      iii) that the circumstances have changed since the date of registration in such a way that at the date of such application for cancellation they would not have justified registration of the registered user;

      iv) that the registration ought not to have been effected having regard to rights vested in the applicant by virtue of a contract in the performance of which he is interested;

   d) may be cancelled by the Registrar on his own motion or on the application in writing in the prescribed manner by any person, on the ground that any stipulation in the agreement between the registered proprietor and the registered user regarding the quality of the goods or services in relation to which the trademark is to be used is either not being enforced or is not being complied with;

   e) may be cancelled by the Registrar in respect of any goods or services in relation to which the trademark is no longer registered.

2) The Registrar shall issue notice in the prescribed manner in respect of every application under this section to the registered proprietor and each registered user (not being the applicant) of the trademark.

3) The procedure for cancelling a registration shall be such as may be prescribed: Provided that before cancelling of registration, the registered proprietor shall be given a reasonable opportunity of being heard.

On an application by the registered proprietor, the Registrar can vary the registration of the registered user in respect of the goods/services or in respect of any condition subject to which the registration has been granted. Such conditions of use would also include the duration or term of use which can be varied by the Registrar thereby bringing about a renewal of the license. Cancellation of the registration as registered user can be effected by the Registrar on an application by the registered user or the registered proprietor or by any other person or on his own motion in accordance with Section 50.

4.4.4 Scope of Trademark Licensing

There are certain conditions which the Trademarks Act, 1999 has laid down for the purpose of licensing. Licensing is the result of a contract and the contract has to be in writing. Though a contract of trademark license has to be in writing, the law prescribes no specific form for making such a contract.

There is no fixed term for the grant of license under the Trademarks Act and the same is dependent on the terms of license contract entered into between the licensor and the licensee. So, licensing may be for a particular period of time or it may be forever. A licensee has no right to continue using the licensed trademark beyond the term of license or after the license has been cancelled or revoked. The territorial limits within which the licensed trademark must be used by the licensee have to be determined by the parties to the license contract. The territorial scope is, however, limited to the territorial scope of the registered trademark. So, it cannot be broader than the territorial scope of the trademark but it could be narrower.

The use by a licensee must comply with any conditions or restrictions to which the registration of licensed trademark is subject. Otherwise, the Registrar has the power to cancel the registration of license on an application by any person. Further, the use by the licensee is subject to the license contract which may include such conditions as manufacturing processes, marketing methodology, branding style, promotional expenditure, advertising domains, after-sale services, policing the mark, etc.

Self Assessment Questions **(Spend 3 minutes)**

3) What is meant by trademark licensing?

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4) What is the scope of trademark licensing?

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4.4.5 Quality Control by Licensor Over Use of Mark by Licensee

Quality control by the proprietor of trademark over the use of the licensed mark is an independent requirement, both under common law and statutory law, as to trademarks. Under this requirement the licensor is required to control the quality of the products/services of the licensee. Quality control does not mean that the licensee has to achieve the best possible quality standards.

There is no definition of quality control in the Trademarks Act, 1999. The Act only requires quality control and leaves it completely undefined beyond that requirement. As per general practice of trade, quality control could be achieved in the following manners:

- By specification of formulae, standards, methods, directions, instructions, etc. to be followed by the licensee
- By inspection of manufacturing processes, facilities, products, packagings, services, advertising, etc. of the licensee
- By analysing the samples of the licensee's products

Control does not mean that the licensor must always be physically present at the business premises of the licensee and conduct all possible inspections. The critical point here is that the licensor must orchestrate or provide methods for assuring himself that the goods or services are of quality that the mark signifies to the public that they have. Licensor's obligation is simply to exercise reasonable control.

Without the quality control requirement unscrupulous licensors or licensees could change product quality and take advantage of unwary consumers. The consequences of lack of quality control by the proprietor is that without a provision as to quality control, the license contract will not be registered by the Registrar. Under the Trademarks Act, the grant of registration as registered user is subject to the exercise of proper control by the registered proprietor over the use of the mark by the registered user. The Act requires that the licensor must furnish an affidavit indicating the relationship, existing or proposed, between the registered proprietor and the proposed registered user, including particulars showing the *degree of control* by the proprietor over the permitted use which their relationship will confer.

Further, it is not enough to simply write such terms into the license and leave it at that. It is incumbent upon the proprietor to *enforce* proper quality control as per the contract over the use of licensed trademark. If the proprietor fails to do

so, the Registrar, either on his on motion or on an application by any person, may cancel the registration of the license agreement. The absence of quality control could also bring into question the very validity of the trademark. This is because in the absence of quality control the trademark ceases to perform its essential function as an identifier of source of goods. The trademark then could be said to be deceptive, misleading or generic. In these situations the mark is open to be revoked. Section 57(1) of the Act states:

Power to cancel or vary registration and to rectify the register: On application made in the prescribed manner to the Appellate Board or to the Registrar by any person aggrieved, the tribunal may make such order as it may think fit for cancelling or varying the registration of a trademark on the ground of any *contravention*, or failure to observe a condition entered on the register in relation thereto.

4.5 ASSIGNMENT OF TRADEMARKS

Assignment of trademarks may be discussed in relation to registered trademarks and unregistered trademarks. As per Section 2(1)(b) of the Trademarks Act, 1999 an assignment of a trademark has to be in writing. That means in India the trademark law recognises only written contracts for the purposes of assignment in respect of both registered and unregistered trademarks. Though a contract of assignment has to be in writing, the law prescribes no specific form for making such a contract. The form and manner is, therefore, left to be decided by the parties.

The simplest kind of assignment is that of the whole of a trademark and all interests in it, but it is not the only possibility. The Trademarks Act allows for partial assignments as well, which may be limited so as to apply to only some of the goods or services for which the mark is registered. There is also a possibility to split up the mark and assign it territorially with some restrictions.

As per the Trademarks Act, the trademark and goodwill of a business need not necessarily be assigned simultaneously. However, the vast majority of assignments include the transfer of goodwill. There is usually a specific reason if goodwill is omitted: frequently taxation, or price. If the goodwill is simply left to atrophy in the hands of the assignor of the trademark, the assignee is likely, in practical terms, to gain the benefit of it. If that is so, it is preferable to assign it in a formal sense as well.

The proprietor of a registered trademark could obtain a certificate as to the validity or invalidity of the proposed assignment by submitting to the Registrar a statement setting out the circumstances of assignment. The certificate so issued by the Registrar is subject to appeal and unless it is shown that it was obtained by fraud or misrepresentation, it is conclusive as to the validity or invalidity of the assignment.

The assignee of a registered trademark has to make an application to the Registrar together with proof of his title to the assigned trademark in accordance with section 45 of the Trademarks Act which is reproduced below:

Registration of assignments and transmissions.-(1) Where a person becomes entitled by assignment or transmission to a registered trademark, he shall apply

in the prescribed manner to the Registrar to register his title, and the Registrar shall, on receipt of the application and on proof of title to his satisfaction, register him as the proprietor of the trademark in respect of the goods or services in respect of which the assignment or transmission has effect, and shall cause particulars of the assignment or transmission to be entered on the register.

Provided that where the validity of an assignment or transmission is in dispute between the parties, the Registrar may refuse to register the assignment or transmission until the rights of the parties have been determined by a competent court.

Upon application by the assignee and satisfaction as to proof of his title, the Registrar is bound to register him as the proprietor of the trademark and make a recordal of particulars of the assignment. An application for registration of assignment was treated as abated as the applicant did not respond to the Registrar's objections (***Forward Auto Industries v. Brakes International***, 1999 PTC 787). Such registration by the assignee is compulsory in the light of Section 45(2) of the Act which is as follows:

Except for the purpose of an application before the Registrar under Sub-section (1) or an appeal from an order thereon, or an application under Section 57 or an appeal from an order thereon, a document or instrument in respect of which no entry has been made in the register in accordance with Sub-section (1), shall not be admitted in evidence by the Registrar or the Appellate Board or any court in proof of title to the trademark by assignment or transmission unless the Registrar or the Appellate Board or the court, as the case may be, otherwise directs.

An unregistered trademark can be assigned with or without the goodwill of the firm. But if an unregistered trademark is assigned without goodwill, the assignee will get no rights to enforce it without either building his goodwill around the mark or registering the mark. This is because in the absence of goodwill no action for passing off will lie. The assignment of an unregistered trademark is subject to the same restrictions as those for a registered trademark in order to avoid the creation of multiple exclusive rights.

4.6 BUSINESS DIMENSIONS OF TRADEMARK LICENSING

Trademark licensing is the basis of numerous business practices and in many of these practices licensing of trademarks is hybridised with licensing of other tools of intellectual property. The business practices potentially involving a trademark license are technology transfer, franchising, character merchandising and personality merchandising.

4.6.1 Technology Transfer

Trademark licenses play an important role in the transfer of technology between partners, whether they are in developed or developing countries. Naturally, for developing countries in particular they play an especially important role. They are not normally simple trademark licenses, but general contracts including the licensing of patents, trademarks, knowhow and possibly other intellectual property rights, as well as technical assistance to be given to the licensee. These contracts

are a key factor in the economic development of developing countries and are usually characterized by the transfer of technology, the creation of jobs and the use of local raw materials.

Often a licensor would wish to restrict how a licensee may use the licensed technology. A technology transfer license may include the right or obligation to use a trademark along with rights to make, use, sell, advertise, distribute and/or import a technology which is protected by patents and trade secrets. This amounts to limit the exploitation of the licensed technology in the hands of the licensee.

It is the practice of many proprietors of technology to refuse any technology transfer in case the product is not sold under the trademark belonging to them. Such a kind of technology transfer which is necessarily tied to trademarks can keep the licensee dependant on the licensor for ever. That means, even when the patents protecting the technology have expired and the trade secrets are no longer secrets, the licensee will have no market of his own in the absence of his own trademark. The licensee, on his part, may also require using the trademark of the licensor because he may not have a competing brand to market the product.

4.6.2 Franchising

Franchising is familiar to most consumers and they are also familiar with the results of franchising. The most widely known results of franchising appear to be fast-food restaurants, hotels or cosmetic retail shops. Franchising extends, however, to industries as diverse as the hiring of formal wear, schools and dentistry. In short, it may apply to any economic activity for which a system can be developed for the manufacture, processing and/or distribution of goods or the rendering of services. It is this 'system' that is the subject matter of franchising. In developed market economy countries, the sale of goods and services through franchising has grown remarkably since the 1950s, and can account for a very large proportion of all retail sales in certain countries including India.

This rapid growth and success of franchising has been attributed to a number of factors, the most basic one being perhaps that franchising combines the depth of knowledge and the strength of one entity, the franchisor, with the entrepreneurial spirit of a businessman, the franchisee.

Franchising could be described as an arrangement whereby one person (the franchisor), who has developed a system for conducting a particular business, allows another person (the franchisee) to use that system in accordance with the prescriptions of the franchisor, in exchange for compensation. The relationship is a continuing one, as the franchisee operates in accordance with standards and practices established and monitored by the franchisor and with his continuing assistance and support. The franchised system is a package comprising intellectual property rights relating to one or more marks, trade names, industrial designs, inventions and works protected by copyright, together with relevant know-how and trade secrets, to be exploited for the sale of goods or the provision of services to end users.

Trademark licensing is at the core of any franchising relationship and can blend, almost imperceptibly, into franchising which essentially combines trademark license with the provision of marketing or promotional assistance and controls over the manufacturing methods employed by the franchisee.

Franchising relationship could be of various kinds. One of them is *business format* franchising. This broad category, of course, comprises a number of variations. Such variations may consist of changes in the nature of the franchised system, the scope and content of the license granted, the nature or object of the ongoing relationship and the scope and degree of supervision exercised by the franchisor over the manner in which the franchise is exercised.

A business format type of franchise has been described as being characterized by an ongoing business relationship between franchisor and franchisee that includes not only the product, service and trademark, but the entire business format itself- a marketing strategy and plan, operating manuals and standards, quality control, and continued two-way communications.

Franchises could be categorized into three principal types on the basis of their function: processing franchises, distribution franchises and service franchises. In a processing franchise the franchisor supplies an essential ingredient or technical knowledge to a processor or manufacturer. The franchisor will grant the franchisee authorization to manufacture and sell products under the marks of the franchisor. In certain instances the franchisee may further be licensed to use trade secret information or patented technology held by the franchisor, apart from which he may be provided with training and/or information relating to the marketing, distribution and servicing of the product. Such franchises are common, for example, in the restaurant and fast-food industry. In a service franchise, the franchisor develops a certain service which is to be rendered by the franchisee, under the terms of the franchise agreement, to his customers. An example of a service franchise would be one involving the provision of automobile tuning or repair services, or the provision of credit card services. In a distribution franchise, the franchisor manufactures the product and sells it to the franchisees. The franchisees then sell the products to customers, under the franchisor's trademark, in their own geographical areas. For example, the distribution of automobile fuel, cosmetics or consumer electronics can be carried out under franchises.

Various structures could be chosen for carrying out franchising. Making a choice between the different possible structures depends very much on the particular circumstances of the franchisor and the franchisee and the nature of the franchise. Important structures are unit franchising, territorial franchising, franchise development and master franchise. Unit franchising is the most straightforward way in which franchising can be carried out, because it involves direct relations between the franchisor and the franchisee, whereby the franchisor enters into a franchise agreement directly with the franchisee. In domestic situations-where the franchisor and franchisee are in the same country unit franchising is the most commonly used structure. Franchise agreements which aim at covering a substantial territory or geographical area by setting up, simultaneously or successively, a number of units, shops or outlets, over an agreed period of time, may be referred to as 'territorial franchising'. Two forms of territorial franchises are the 'franchise developer agreement' and the 'master franchise agreement'.

A franchise developer agreement links the franchisor directly with the franchisee, who is expected to open and operate several units. This franchise will include a 'development agreement' whereby the franchisee is required to develop the

assigned territory by establishing a number of franchise units or outlets which he will usually own directly. In this case the franchisee will not sub-franchise out to third parties. Generally this contract will include a schedule setting out the time frame for establishing the franchise units and developing the assigned territory. The individual units opened by the franchisee under this type of structure would not have independent legal standing, and could be divisions or branches of the franchisee's enterprise. In a master franchise agreement the franchisor grants another party, usually called the 'master franchisee', rights for a given geographical area. The master franchisee is given the right, by the franchisor, to grant franchises to third parties, usually called 'sub-franchisees', to exploit fully the potential business opportunities in the larger geographical area. It may be agreed that some of those sub-franchisees will run more than one franchise unit, in which case the sub-franchise agreement is called a 'multi-unit franchise'.

4.6.3 Character Merchandising

Character merchandising refers to the licensing of characters such as words, names, titles, symbols, designs, fictional characters, college insignia, logos of sports teams, etc. for use in association with products or services. The term 'character' covers both fictional humans (for example, Krish, Tarzan or James Bond) and non-humans (for example, Donald Duck or Bugs Bunny).

Character merchandising is the secondary exploitation of the character by the owner of a fictional character. Such secondary exploitation will be entirely a different way of using the character than its primary use or activity; though it will be dependent on such primary use or activity in a way that without the primary use the secondary is impossible.

Character merchandising involves the licenses relating to copyright, trademarks and industrial designs. In case of unauthorised use of characters, recourse could be made to any of the following laws depending on individual protection status of the character in question. It is important to bear in mind that each such form of protection has its own limitations and should a dispute go to court, the parties would naturally like to rely on all the tools which support their cause.

The characters that are subject to merchandising are copyright works. Character merchandising is concerned with matter originating from copyright protected works in particular films, television serials and literary and artistic works. Therefore, copyright licensing is required for character merchandising. Industrial design protection is mainly relevant for cartoon characters represented in the form of aesthetic designs for three dimensional articles which mainly belong to the toy and jewellery fields. Prominent examples include dolls, robots, puppets, action figures, brooches, pins, etc. which generally originate in cartoons but sometimes in real persons as well. Therefore, licensing of industrial designs is involved in merchandising of such characters which are to be used for giving shape to articles. Trademark is perhaps the most important form of intellectual property implicated in character merchandising. Subject to the mark fulfilling the conditions of registrability, most of the essential features of a character can be subjected to trademark protection. The specific rendering of a character, the names of fictional characters like Tarzan, Batman, Krish, their appearance in the

form of drawings or photographs, an organisation's logo, etc. can be registered as trademarks.

Self Assessment Question **(Spend 3 minutes)**

5) Define character merchandising.

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4.6.4 Personality Merchandising

The practice of identifying various goods and services with a famous personality so as to increase their marketability is what personality merchandising is all about. In personality merchandising the celebrity licenses his persona to be used in connection with certain goods or services so as to enhance their image in the estimation of the consuming public. The term persona refers to those elements or characteristics which make up a person's outward being and by which third parties identify an individual and it may include a person's name, abbreviated name, nickname, pseudonym, signatures, image, voice, likeness, look-alikes, caricatures, gestures, distinctive appearances, characteristic phrases, characteristic dress, etc. Films, music, media, sports and business are generally the sources where real persons take up a secondary role as merchandisers of their personalities.

In personality merchandising laws such as privacy, defamation, trademark, copyright and unfair competition are implicated. In case of unauthorised use of a celebrity's persona, recourse could be made to any of these laws depending on the facts of the case. A celebrity's persona acquires trademark significance. Subject to the requirements of registration, certain attributes of a person may be subject to trademark registration. For example, the name, the signatures, the appearance, etc. can be registered as trademarks. If anyone wants to use the persona of a celebrity which is subject to trademark protection, he has to obtain a trademark license. Certain aspects of persona of a person are subject to copyright protection as well. Though name of a person is not subject to copyright protection but his signatures are protected as an artistic work together with his photograph, image and caricatures. Certain characteristic phrases which go to form the persona of an individual may also be protected as literary works.

Anyone who wishes to use the persona of somebody in connection with a product or service has to obtain consent, or license of endorsement from that person.

Therefore, the licensee, in order to commercially exploit the persona of a personality, must obtain a license with respect of the relevant intellectual property rights together with a release and waiver of all claims, such as invasion of the right to privacy and defamation that the licensor could have brought against the licensee but for the license. Whatever right is transferred, should a dispute arise, the basis would be the use of the plaintiff's identity for the defendant's advantage.

4.7 SUMMARY

- Assignment and licensing are two forms of transfer whereby the proprietor of a trademark can invite others to exploit his trademark.
- Contract is the means by which a license or assignment is effected.
- In a license there is no transfer of proprietary interest because by licensing the owner retains ownership to the rights to that intellectual property and thus retains proprietary control over it.
- Licenses can be exclusive or non-exclusive. In the case of an exclusive license the trademark proprietor is not allowed to license the mark to any other person in the territory and cannot even use the mark himself. In the case of a non-exclusive license, of course, the proprietor may use the mark himself and even allow others to use it.
- The term 'assignment' is defined as a transfer or making over to another of the whole of any property, real or personal, in possession or in action, or of any estate or right therein.
- Where the license contract is registered under the Trademarks Act, the licensee is known as 'registered user'. Registration of a licensee as a registered user is not compulsory under the Act.
- Through licensing the licensor can expand the territory in which the mark is used and hence become eligible for expanded protection.
- Quality control by the proprietor of trademark over the use of the licensed mark is an independent requirement, both under common law and statutory law, as to trademarks. Under this requirement the licensor is required to control the quality of the products/services of the licensee.
- Trademark licensing is the basis of numerous business practices such as technology transfer, franchising, character merchandising and personality merchandising.

4.8 TERMINAL QUESTIONS

1) What do you understand by licensing? What are the legal formalities that are required to be complied with for effecting a trademark license?
2) What is meant by assignment? What are the differences between a trademark license and an assignment?
3) What are the quality control obligations in trademark licensing?
4) Which business practices depend on trademark licensing?

4.9 ANSWERS AND HINTS

Self Assessment Questions

1) Refer to Section 4.3
2) Refer to Section 4.3
3) Refer to Section 4.4
4) Refer to Sub-section 4.4.4
4) Refer to Sub-section 4.6.3

Terminal Questions

1) Refer to Section 4.3 & 4.4
2) Refer to Section 4.3
3) Refer to Sub-section 4.4.5
4) Refer to Section 4.6.

NOTES

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