

Analysis of the Mysterious Element of Quality Control in Trademark Licensing*

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This article is about the practice of trademark licensing done without an exercise of quality control which in the legal parlance is known as 'naked licensing'. The article explores the meaning, origin, forms and rationale of quality control which as per the law, the proprietor of a trademark must exercise on the activities of his licensee. There are two kinds of provisions in the Trademarks Act, 1999 as to requirement of quality control. One, direct provisions found in Sections 49(1)(b) and 50(1)(d) mandate a registered proprietor to exercise quality control over the registered user. Two, the provisions mandating quality control are implicit in other provisions of the Act such as Section 57 read with Section 9. The paper seeks to analyse the relevance of these provisions and develops an argument that the direct provisions have lost their relevance and should be taken out of the statute book while maintaining that the implicit provisions continue to be meaningful.

Keywords: Licensing, trademark licensing, naked licensing, quality control, trafficking, character merchandising

Quality control is a special feature of trademark licensing which distinguishes it from other forms of intellectual property licensing.¹ A copyright owner, a patent owner, or a trade secret owner does not have to enforce quality control provisions under their respective licenses.

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. The level of quality may be altered by the proprietor from time to time in accordance with the licence contract.² There are, however, no set provisions for quality control, the details vary depending on complexity of licence, the commercial value of trademarks and the business requirement of the parties. Therefore, the standard of quality control varies on a case by case basis. In *Barcamerica International USA Trust v Tyfield Importers Inc et al.*³, it was stated:

It is important to keep in mind that 'quality control' does not necessarily mean that the licensed goods or services must be of 'high' quality, but merely of equal quality, whether that quality is high, low or middle. The point is that the customers are entitled to assume that the nature and quality of goods and services sold under the mark at all licensed outlets will be consistent and predictable.

There is no definition of quality control in the Trademark 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 manner by:

- Specification of the formulae, standards, methods, directions, instructions, etc. to be followed by the licensee;
- Inspection of manufacturing processes, facilities, products, packaging, services, advertising, etc. of the licensee;
- Analysing the samples of the licensee's products.

Quality control provisions under the trademark law are indeed mysterious. There is no obligation on the proprietor of a trademark to produce his goods/services so as to conform to any particular quality. He is at liberty to improve or deteriorate the quality of his goods/services at his sweet will. A proprietor need not control the quality of goods

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that he produces but the law expects him to control the quality of goods that are produced by his licensee. The public has no right to demand goods of a particular quality from a licensor, but the public has a right to demand that the goods of the owner's licensee must match with the quality of goods produced by the owner himself.

The Origin of Trademark Licensing and Theory of Quality Control

In the beginning of trademark law there was no room for licensing and quality control was the basis on which trademark licensing was actually permitted for the first time.

Licensing not Permitted under Single Source Function

Before the advent of modern commerce, small individual businesses, personally owned and personally managed, were the rule rather than an exception. At that time, the sole function that a trademark was understood to perform was to indicate to the consumer the source of the goods. The purchaser understood, relying on the trademark that the goods emanated from a single source. Because the sole function of a trademark was to indicate the source of origin of the goods, a license of it to another entity i.e. a different source, would be deceptive and confuse the consumers. Therefore, licensing was considered conceptually inconsistent with the basic function of trademarks and hence it was not permitted.⁴

In the early days of the 19th century no one supposed that a proprietor of a trademark could sell the right to use his mark. A trademark was personal.⁵ If a person licensed his trademark, it was seen as abandonment of rights in that trademark because it resulted in multiple sources of same goods or services. Under the common law, licensing was customarily prohibited based on the assumption that if licensed, a mark could no longer serve its function as an indicator of origin, and consumers could be confused. This principle was also incorporated in successive statutes relating to trademarks in the UK.⁶ This single source theory was the dominant view prior to 1930s.⁷ So, under the single source theory, licensing in the modern sense was not philosophically possible, because a licensee is often selling products and services which do not directly emanate from the trademark proprietor.

Licensing Permitted under Quality Function

With the passage of time, the source function, in its narrow construction, was unable to keep pace with modern commerce. As trade and commerce developed, the consumer became more interested in finding whether a particular trademark could be relied upon as an indicator of a certain quality than as a source of goods. This led to a development in the trademark law as such where a trademark began to be seen as signifying and guaranteeing uniform quality standards in all goods sold under a particular mark in addition to symbolizing the physical source of goods. This created an expectation of a certain quality with which the consumer associated. This does not necessarily mean high quality, but merely equal quality, whatever the standard of that quality might be.

With the emergence of this quality theory, trademark licensing was no longer considered anathema to the philosophy of trademark law and hence was permitted subject to some provisions of quality control over the licensee.

The test of this quality function was controlled by the proprietor of a trademark over the use of it. If some form of such control was exercised, the expectation of the consumer as to quality would be satisfied. For example, a consumer would not mind consuming a particular soft drink produced by a licensed bottler provided the proprietor of the trademark exercised proper quality control. Similarly, a tourist who ate in a 'Sagar Ratna' restaurant in Chennai assumes that the food and service in Sagar Ratna's restaurant in Delhi will be of the same nature and quality. He gets complete assurance when he sees the same trademark and should not be bothered about enquiring as to who is the manager of the restaurant and in which capacity he works, i.e. as agent, franchisee, employee or an independent contractor. The proprietor could then continue to be deemed as the source of the goods. Thus the source function of the trademark became interwoven with the notion of control.⁸ Now it did not matter whether the goods originated from the proprietor or from anyone under his control.

The quality theory is in fact a development of the earlier source theory, the difference being that the source theory has been broadened to include not only manufacturing source, but also the source of standards of quality of goods/services bearing the mark. In other words, judicial decisions and

legislative endeavours, accepted that trademarks could indicate commercial origin not only as actual product sources, but also in terms of consumers' expectations by guaranteeing that all products bearing the same mark shared the same quality regardless of the manufacturer.⁹

Forms of Quality Control

Quality control could be exercised in the following two manners: (i) Financial control and (ii) Contractual control.

Financial Control

It signifies various forms of financial relationship between the licensor and licensee whereby the licensor is in a position to control the activities of the licensee. This is based on the relationship between the parties where they have a mutual interest to maintain the quality of goods bearing the mark. Such control is there when the licensee is a wholly owned subsidiary of the licensor but does not have to be necessarily so. Control is there where the licensor holds equity control over the licensee company. But this position is true only till the proprietor retains such equity control. There may be cases where the licensor and licensee are companies and both are controlled or held by another company.

Contractual Control

Contractual control signifies quality control envisaged through the mechanism of contract between unrelated licensor and licensee. However, even related parties may provide for contractual control.

The licensor of a trademark may exercise such quality control either himself or through his agent who is so qualified.¹⁰ When appropriate industry or government standards are applicable, the licensor may delegate the quality oversight function to a third party who is competent to ensure compliance with fixed standards. A licence will not be held to be a 'naked' one if 'the licensor is familiar with and relies on the licensee's own efforts to quality control.'³ Courts have also repeated that minimal control can satisfy the quality control requirement and that evidence of actual control is sufficient to prove a license valid regardless of the contractual language.¹¹ Even evidence of actual control has been held to make up for absence of quality control provision in the written in contract.¹²

Rationale of Quality Control

What is the reason behind introducing provisions of quality control in the trademarks law? Is quality control ultimately intended to protect the public against deception, or to enhance the property value of the licensor's trademark? As demonstrated below, quality control furthers the self interest of the parties as well as public interest.

Public Interest

Quality control is emphasized by law because without it there is a possibility that the quality of two products sold under the same mark might vary. This eventually may become a source of confusion and deception in the mind of the consumer. Such a possibility of confusion and deception is sought to be avoided by the trademark law. In *SA CNL-Sucal v HAG GF AG*¹³, the European Court of Justice described the essential function of a trademark as giving to the consumer or ultimate user 'a guarantee of the identity of the origin of the marked product by enabling him to distinguish, without any possible confusion, that product from others of a different provenance'.

Self Interest of the Parties (Licensor and Licensee)

Both the proprietor and the licensee have a deep commercial interest in maintaining the value of a brand name. The pursuance of this self interest leads to the exercise of quality control by the proprietor, if he fails to enforce quality control, the brand value of the trademark will decline. The value of a trademark is ultimately dependent on its reputation with the public. If the proprietor tolerates uncontrolled use of his trademark the value of this property will be diminished.

Thus, in relying on trademark consumers, rely, not only on a legal guarantee of quality, but on the proprietor of a trademark having an economic interest in maintaining the value of his mark. It is normally contrary to a proprietor's self-interest to allow the quality of the goods sold under his banner to decline. Therefore, necessity of quality control is a function of legal requirements (aimed at protecting public interest) and safeguarding self interest.

Consequences of Absence of Quality Control—A Naked Licence

Merely the provision for payment of royalty in the contract without any clause to quality control would turn the licence into a naked licence.¹⁴ Scholars have also pointed out that without the

quality control; unscrupulous licensors or licensees could change product quality and take advantage of unwary consumers.¹⁵

First, without a provision as to quality control, the licence contract will not be registered by the Registrar.¹⁶ Under the Trademarks Act, 1999, the grant of registration as 'registered user'¹⁷ is subject to the exercise of proper control by the registered proprietor over the use of the mark by the registered user. The relationship subsisting or proposed between the licensor and the registered user and the degree of control supposed to be exercised by the licensor has to be furnished to the Registrar at the time of registration of the licensing contract. 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...'.¹⁸ The Act, however, does not specify what is meant by degree of control. The reason may be that it is difficult to provide clear definition of quality control in the abstract.¹⁹ But this much is clear that the licence contract cannot remain silent and has to contain an express provision about the control to be exercised by the licensor over the use of the mark by the licensee.

Second, it is not enough to simply write such terms into the licence 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 own or on an application by any person, may cancel the registration of the licence agreement.²⁰ Thus, the Registrar may *suo motu* cancel the registration of licence if quality control has not been enforced by the licensor. But the Registrar may not have any work force dedicated to check whether quality control is being enforced by all the licensors, so practically this action would be taken on a complaint by somebody. In pioneer *Hi-Bred International Inc USA v Pioneer Seed Co Ltd*²¹, the plaintiff was a US company owning the trademark 'pioneer' for seeds as it was into research, development, production and marketing of hybrid seeds. The plaintiff had licensed the trademark to the defendant, an Indian entity, to sell seeds. The plaintiff successfully sought an injunction against the use of the licensed trademark by the defendant licensee because the defendant had not allowed the licensor to test the quality of seeds produced by the licensee.

Third, absence of quality control could 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 for revocation. Section 57 of the Act states:

Power to cancel or vary registration and to rectify the register : (1) 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.

(2) Any person aggrieved by the absence or omission from the register of any entry, or by any entry made in the register without sufficient cause, or by any entry wrongly remaining on the register, or by any error or defect in any entry in the register, may apply in the prescribed manner to the Appellate Board or to the Registrar, and the tribunal may make such order for making, expunging or varying the entry as it may think fit.

Therefore, if because of lack of quality control the mark becomes deceptive or misleading or generic it may come in conflict with requirements of Section 9 of the Act and hence liable to be revoked.²² Where the character and name 'King Kong' was permitted to be used by multiple licensees for forty five years without subjecting the use to any supervision or control, the court held it to be an abandonment of the trademark.²³

Fourth, lack of exercise of quality control can be equated with allowing misuse of one's mark. It is incumbent on the trademark proprietor to enforce its mark against misuse and if he fails to do so, he risks being deemed to have abandoned the mark and thus may lose his rights to the mark. The same principle would apply when a mark's owner licenses the mark for use to another party. In *Barcamerica International USA Trust v Tyfield Importers Inc et al.*³, it was held that:

Uncontrolled or 'naked' licensing may result in the trademark ceasing to function as a symbol of quality and controlled source.... Consequently, where the licensor fails to exercise adequate quality control over the licensee, 'a court may find that the

trademark owner has abandoned the trademark, in which case the owner would be stopped from asserting rights to the trademark.'

The trademark owner may lose his rights over his trademark by virtue of his actions or inactions and the intention of the owner is not directly relevant. In other words, rights can be lost even though it was not the intention of the mark's owner to abandon the rights in the mark.²⁴

Fifth, if the proprietor does not exercise required quality control and allows the quality of products under the licensee's mark to decline, he may be made liable under product liability claims.²⁵

Relevance of Direct Quality Control Provisions

There are two kinds of provisions in the Trademarks Act, 1999 as to quality control. Firstly, direct provisions found in Sections 49(1)(b) and 50(1)(d) which mandate a registered proprietor to exercise quality control over the registered user.^{16,18} Secondly, the provisions mandating quality control are implicit in other provisions such as Section 57 read with Section 9.²² This part analyses the relevance of these provisions and develops an argument that the direct provisions have lost their relevance and should be taken out of the statute book. The second set of implicit provisions will definitely remain meaningful as they seek to prevent deception in consumers.

Is Use of a Mark by a Licensee under a Naked Licence Objectionable as Inherently likely to Deceive?

Though in the past it was considered so but for the present the House of Lords in *Scandecor Development AB v Scandecor Marketing AB*²⁶ reasoned:

What is the message which a trademark conveys today? What does a trademark denote? It denotes that goods bearing the mark come from one business source: the goods of one undertaking, in the words of Section 1(1) of the 1994 Act. That much is clear. But what does the mark denote about that source? Must the source be the proprietor of the trademark? On this the Act is silent. But so to read the Act would accord ill with the statutory power to grant licences. Customers are well used to the practice of licensing of trademarks. When they see goods to which a mark has been affixed, they understand that the goods have been produced either by the owner of the mark or by someone else acting with his consent. A trademark is not

usually to be understood as a representation regarding the identity of the source, namely, who is in control of the business in which the mark is being used. Rather, with the changes in trade, a trademark can 'fairly be held to be' only a representation that the goods were manufactured in the course of the business using the mark, without any representation as to 'the persons by whom that business was being carried on': see *Romer L J in Thorneloe v Hill* [1894] Ch 569, 574. During the licence period the goods come from only one source, namely, the licensee, and the mark is distinctive of that source.

So, the House of Lords held that a bare license is not inherently likely to deceive or mislead. Further, in the opinion of the court, it is not necessary that the trademark must connote that the goods emanate from the proprietor of the mark only. As long as consumers believe that goods come from only one source whether it is the proprietor or the licensee, the mark remains distinctive and is not deceptive. The nub of its reasoning was that the 1994 Act (UK) was intended to be highly permissive in relation to licenses and the public have become used to marks being used under licenses, even naked licenses, provided a mark is used by only one trader at a time, it serves the proper function of a trademark, and is not deceptive inherently.

In India, the Trademarks Act, 1999 has no requirement that a trademark must indicate only one source. Section 2(1)(zb) of the Trademarks Act, 1999 which defines a trademark is as follows:

'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.²⁷

It is clear that the legislature has not intended the trademark to signify only one source as under Section 2(1)(zb), the source could either be the proprietor of the mark or the licensee. Therefore, the practice of naked licensing, i.e. without express quality control provisions, is not inherently deceptive.

Is it Possible for the Proprietor of a Trademark to Monitor the Quality in Modern Licensing Practices like Character Merchandising?

With continuing advancement in modern commerce, the trademark which hitherto identified the trader has itself become a merchantable commodity. A trademark is understood to have independent value beyond that of identifying and distinguishing the goods and services of the trademark proprietor. This can be seen as a consequence of customer's behaviour in either identifying himself with the source of the mark or because the mark itself brings some kind of status or prestige with it. When one purchases a T-shirt having an emblem of a college printed on it, he is wishing to identify himself with it. When a child insists on buying his water bottle having a picture of his favourite cartoon character, he is doing so not because of source or quality of the product but because he wants to possess the mark or be identified with it. Here, the trademark is no longer facilitating the sale of goods but is selling itself. The proprietor of such an attractive trademark would like to derive commercial advantage of this situation by adopting different licensing models which have come to be known as character merchandising. Various jurisdictions are increasingly accepting character merchandising as another form of trademark licensing.²⁸

While practising character merchandising, the proprietor licenses his mark to be used on goods/services from which he is far removed. For example, the owner of a film cartoon character may license his mark (a famous cartoon) to be put on coffee mugs or T-shirts. Now, the owner is a cartoon film maker and he may have no expertise to lay down quality control provisions in the licence contract. So, it may be practically impossible to monitor quality in modern practices like character merchandising.

Will Absence of Direct Quality Control Provisions allow Unbridled Trafficking in Trademarks?

Trafficking can be considered as 'treating the mark itself as a source of income without any reputation attached to the mark for goods concerned'. Lord Brightman in *Holly Hobby* case described trafficking as, 'Trafficking in the trademark context conveys the notion of dealing in a trademark primarily as a commodity in its own right and not primarily for the purpose of identifying or promoting merchandise in which the proprietor of the mark is interested. If there is no real trade connection between the proprietor of the mark and the licensee or his goods, there is room for the conclusion that the grant of the license is a trafficking in the mark.'²⁹

Under the Trade and Merchandise Marks Act, 1958 the Central Government of India had been vested with the power to regulate the licensing of trademarks. Trafficking in trademarks had been explicitly mentioned as something prohibited.³⁰ But the present Trademarks Act of 1999, which has repealed the above stated Act of 1958, has done away with any requirements as to the approval of the Central Government or any other authority in matters of licensing. The Act of 1999 has removed any explicit reference to a prohibition against trafficking also. The licensor and licensee are absolutely free to enter into a licence contract and if it satisfies the form, even the Registrar has no objection, he has to register it.³¹ It can be inferred from this change in law that Trademarks Act, 1999 marks a shift in the policy behind trademark licensing and trafficking has become acceptable now. The underlying tenor of the 1999 Act is that trademarks may be dealt with as commodities in their own right.³² The upshot of the analysis is that the owner of a trademark can license the same to the extent to which it could sustain the mark itself.

Popular commercial practices like character merchandising, which definitely involve elements of trafficking, are gaining acceptability in trademark jurisprudence worldwide. Removal of direct provisions as to quality control will only facilitate such practices of merchandising. But that will not lead to unbridled trafficking in trademarks. Because it is in the interest of the licensor himself to preserve and strengthen his mark, therefore, pursuing his own self interest he will not allow his mark to become deceptive.

Is it Practical for the Registrar to Monitor Quality Control?

First, the law only requires that certain quality control should be mentioned in the licence agreement to be registered.¹⁶ But the law does not mention what should be the extent, scope and measure of such quality control. In this situation, the findings of the Registrar are likely to be non-uniform in different cases. Second, the Registrar may not have any workforce that is dedicated to finding out whether quality control has actually been exercised in a particular instance or not. This questions the relevance of granting the Registrar the power to *suo motu* take an action if quality control has not been exercised.²⁰

What are the Drawbacks of Keeping Direct Quality Control Provisions in the Trademarks Act?

Any person may approach the Registrar and seek cancellation of a licence on the ground that proper quality control has not been exercised.²⁰ This provision will encourage competitors to challenge the validity of the licence and thereby derailing the business of both the licensor and the licensee. This may happen even when the consuming public is not deceived.

Also, the legitimate claims of infringement are likely to be responded by unfounded claims of naked licensing. For example, the mark 'A' is being used by a licensee in a particular area where it is also subject to infringement. When the owner of mark 'A' would bring an action of infringement, the infringer is likely to take up a plea of lack of quality control, which will take the proceedings to a different direction. The licence in this situation could be cancelled even if the consuming public are not deceived. As a result, if the infringer succeeds, more confusion will be created in the consuming public.

Will the Consuming Public be Adversely Affected by the Proposed Amendment in Trademarks Act, 1999?

First, it is in the interest of the proprietor of trademark to exercise quality control. Second, quality control requirement is implicit in other provisions of the statute and courts have alternative and better tools to protect the consuming public. In this way, absence of quality control will not invalidate the license but if absence of quality control results in causing confusion and deception to the public, then the mark itself can be declared invalid. So, there is no chance of the public being adversely affected because of removing direct quality control provisions from the Trademarks Act.

Will the Licensor stop Exercising Quality Control once the Direct Provisions are Removed from the Statute?

No, licensor has and will continue to exercise quality control over the use of the mark by the licensee. It is the responsibility of the proprietor, not the Registrar, to prevent the devaluation of his own property. The inducement to do so will come from commercial considerations rather than from any direct legal requirements as such. The licensor and the licensee have a mutual commercial interest in maintaining the value of a brand name. It is the self interest of the owner and the licensee that the consumer relies on when he buys goods of a brand name. They think that the owner must have granted the licence only after due deliberations and upon suitable terms guaranteeing quality. To quote from the *Scandecor* judgment:³³

Nor does the wider interpretation undermine the protection which a trademark is intended to afford customers. For their quality assurance customers rely on the self-interest of the owner. They assume that if a licence has been granted the owner can be expected to have chosen a suitable licensee and imposed suitable terms. They also assume that during the currency of any licence the licensee, as well as the owner, is likely to have an interest in maintaining the value of the brand name. Customers are not to be taken to rely on the protection supposedly afforded by a legal requirement that the proprietor must always retain and exercise an inherently imprecise degree of control over the licensee's activities.

Conclusion

It is proposed that the Trademarks Act, 1999 should be amended so as to do away with the direct provisions of quality control contained in Sections 49(1)(b) and 50(1)(d). This change will not adversely affect consumers, for the courts have alternative and better tools to protect the consuming public. Additionally, it will prevent superfluous legal actions initiated by competitors whose ultimate goal is not to safeguard consumers, but to control the course of trade. Trademark proprietors will also enjoy more flexibility and variety in conducting their licensing activities and they will not be burdened by unfounded claims of naked licensing in response to their legitimate claims of infringement. The proposed amendment will make the validity of licensing directly dependent on whether the consuming public has been deceived or not. This will provide a much

clearer guideline for trademark proprietors compared to the non-uniform interpretation of quality control by the courts and the Registrar under the present provisions. Moreover, Indian Trademarks Act is based on the UK Act of 1994 and if we apply the reasoning of the *Scandecor*³³ judgment, it seems that there is no need for the direct provisions of quality control as they have become redundant.

References

- 1 'Licence' is a permission to use certain property given by the owner of that property to other person. Black's Law Dictionary defines a 'licence' as a 'revocable permission to commit some act that would otherwise be unlawful.' *Black's Law Dictionary* 743 (7th edn 1999).
- 2 *Bostitch Trademark* [1963] RPC 183.
- 3 *Barcamerica International USA Trust v Tyfield Importers, Inc et al.* 289 F.3d 589, 595-98 (9th Cir.2002).
- 4 *MacMahan Pharmacal Co v Wahl Co*, 113 F.468 (8th Cir. 1901).
- 5 *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 122, para 22 HL.
- 6 Section 22 of the UK Trademarks Act of 1905.
- 7 Thomas McCarthy, *McCarthy on Trademark and Unfair Competition* § 18:39 (1999).
- 8 Wilkof, Neil J, and Burkitt Daniel, *Trademark Licensing* 31 (Thomson, II Ed. 2004).
- 9 Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 18:55 (4th edn, 2007).
- 10 *Ritz Hotel v Charles of Ritz Hotel* [1988] FSR 549.
- 11 *Oberlin v Marlin Am Corp*, 596 F.2d 1322, 1326-27 (7th Cir. 1979).
- 12 *Embedded Moments Inc v Int'l Silver Co*, 648 F. Supp. 187, 194.
- 13 *SA CNL-Sucal v HAG GF AG* [1990] 3 CMLR 571, 608.
- 14 *Ritz Associates v Ritz-Carlton Co* 134 USPQ 86 (SDNY 1962).
- 15 *Dawn Donut*, 267 F.2d at 367.
- 16 Section 49(1)(b), Trademarks Act, 1999.
- 17 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 licence contract is registered under the Trademarks Act, the licensee is known as 'registered user'. Hence, all registered users are licensees but all licensees are not registered users.
- 18 Section 49(1)(b)(i), Trademarks Act, 1999.
- 19 This in turn has brought the judiciary to define control and quality on a case-by-case basis. Not surprisingly, such an approach has led to uncertainty as to how to interpret the requirement and ultimately to judicial inconsistencies; Calboli Irene, The sunset of 'quality control' in modern trademark licensing, *American University Law Review*, 57(2) (2007) 364.
- 20 Section 50(1)(d), Trademarks Act, 1999.
- 21 *Hi-Bred International Inc USA v Pioneer Seed Co Ltd* 1990 IPLR 17.
- 22 Section 9(1)(a), Trademarks Act, 1999: 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. Section 9(2)(a), Trademarks Act, 1999: A mark shall not be registered as a trademark if it is of such nature as to deceive the public or cause confusion.
- 23 *Universal City Studios Inc v Nintendo Co Ltd* 578 F. Supp. 911 (SDNY 1983).
- 24 Hoffman Ivan, 'Naked' licensing of trademarks, <http://www.ivanhoffman.com/naked.html> (10 May 2010).
- 25 Under product liability, a manufacturer, distributor, supplier, retailer, and anyone else who makes a product available to the public is held responsible for the injuries that product causes. Such product liability cases are quite common in the US. Some US courts have held the licensor liable under the theory of 'apparent manufacturer' which means that the licensor by allowing the use of his mark that represents his goodwill and by controlling the quality of goods represents to the consumers that the goods are of adequate quality. Where the product is identified only by the mark of the licensor, the licensor is in fact holding itself out to the consumers as the manufacturer of the product. Where there are adequate indications that the licensor is not the manufacturer of the product, his chances of being made liable are less.
- 26 *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 122, para 39, 41, 24 HL.
- 27 Section 2(1)(zb), Trademarks Act, 1999.
- 28 *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 34 IPR 225; *Tony Blain v Splain* [1994] FSR 497 (HC (NZ)); *Shoshana Pte Ltd v 10th Cantanae Pty Ltd* (1988) ATPR 40-851; *National Football League Properties v New Jersey Giant* 637 F.Supp. 507 (DNJ 1986); *IPC Magazines Ltd v Black* [1983] FSR 348.
- 29 *In re Holly Hobby* [1984] RPC 329 at 356.
- 30 Section 48, Trade and Merchandise Marks Act, 1958 and Rule 85, Trademark Rules, 1959.
- 31 Section 49(1), Trademarks Act, 1999.
- 32 Comparing Indian position with UK, the 1938 Act of UK had similar provisions restricting trafficking but the 1994 Act of UK had omitted any reference to trafficking. Indian law seems to be following the UK law in this regard.
- 33 *Scandecor Development AB v Scandecor Marketing AB* [2002] FSR 122, para 42 HL.