Trademark Licensing & Franchising: Trends in Transfer of Rights

Vernika Tomar†
Chamber No. 206, New Lawyers' Chambers, Bhagwandass Road, New Delhi 110 001

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A revolution has ushered in the field of trademarks with the change in the treatment to licensing under the new Trademarks Act, 1999. The replacement of the old Trademarks Act 1958, which referred only to 'permitted use' and 'registered user' with the new Act has enlarged the scope of the term 'permitted use'. The effect, which has sought to be achieved with this change is, that now trademarks could be licensed to third parties without the need to register the licensee as the 'registered user'. The requirement that a license be recorded with a Government Agency, i.e. the Trademark Office has been done away with and the failure to registration does not render a license invalid. Over the past fifty years, the law governing trademark licensing has changed drastically in response to the pressures of new commercial methods of distributing goods and services. With the gradual change in approach towards licensing, it slowly began to be accepted and now is in fact encouraged as a commercial phenomenon in the law. One cannot deny that licensing in trademarks has become a regular commercial practice. But at the same time the law has provided for fulfillment of certain conditions, viz. 'quality control' or 'connection in course of trade', which need to be complied with as the trademark holder decides to enter into a license arrangement. And it is suggested that a trademark owner should avoid an exclusive license because it may be read as an assignment. Also, even though the system of keeping records of registered users of the trademark is no more prevalent, registration continues to carry additional advantages for a trademark owner under the current scheme of the Act also. Section 53 of the Indian Trademark Act, 1999 creates an incentive for registration by depriving the unregistered licensees of the right created by virtue of Section 52.

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The revolution in the new Trademarks Act, 1999, as compared to the old Trademarks Act 1958, regarding the expression 'permitted use' includes the use of a trademark (registered) not only by a third person as a 'registered user' but also use of the trademark (registered) by the third person with the consent of registered proprietor in a written agreement without registering that person as a 'registered user'. In view of these developments, it is worth reviewing the manner and extent to which licensing has come to be accepted, recognized and to some extent encouraged by Indian Trademark Law.

Licensing as an Indisputable Phenomenon of Economic Liberalization

After the adoption of the New Economic Policy in 1991, the flow of foreign investment has increased in India and licensing has been one of the ways the foreign entities have followed of entering into the Indian market. Licensing and franchising both are treated as indispensable methods of harnessing intellectual property for strategic competitive advantage.

Licensing is an important mechanism in the success of a trademark as it extends the geographic range and also the product range of the trademark. Being an effective business tool and strategy it helps in expansion of the existing business territory and also the nature of the business. It is therefore, not surprising that licensing has become a routine market transaction for those proprietors of trademarks who have already built up a big market for themselves and also for those who want to build one.

It is also submitted in support of licensing that since marketers are always in need of reputed trademarks, this need can be fulfilled by obtaining the right to use a trademark by licensing, and otherwise persons may be forced to pass-off their goods under similar marks or even pirate a trademark or put up counterfeit goods in the market. Thus, quite interestingly, licensing has begun to be seen as a means of preventing duplication of goods in the

†Email: vernikatomar@gmail.com
market, though therein exists a rider, i.e. ‘quality controls’ are to be retained by the mark’s proprietor.

Similarly, the phenomenon of franchising has developed and grown simultaneously with that of licensing. Franchising refers to a business situation where a franchisor controls and supervises the exploitation of a trademark while he allows the use of trade name, its reputation and the get-up.

Licensing of a Trademark Different from other IP’s: A Legally Regulated Practice

Under the Patent regime, a patent holder is at the liberty to draw the benefits of the invention solely by licensing it. The multinational company, IBM followed it as a standard practice to license its inventions and earn revenue by way of obtaining royalty payments. In patents, the inventors are often motivated to assist in the process of generating licensable intellectual property.

But licensing in trademarks is treated differently and is not allowed except on the fulfillment of certain conditions. That licensing in trademarks is permitted only as a normal business operation and otherwise the law discourages development of a trademark solely for the purpose of licensing.

Trademarks are treated as source indicators, which make an implied reference to quality and reputation. This function of source indication is believed to get prejudiced if the trademark owner licenses another enterprise to use his trademark. For this reason, which is actually rooted to the very nature of trademarks as an intellectual property, licensing under trademarks requires relatively higher supervision and control and is therefore legally regulated practice.

Principles/Theories in Trademark Licensing

From the case law, which has evolved over the issue of trademark licensing both in United Kingdom and in India, some principles and theories are deducible from the court’s handling of the matters of trademark licensing.

Principle of ‘Source Indication’

The primary purpose, which a trademark is thought to be achieving, is that of indication of the source of the product. All the goodwill and reputation which is attached to a mark is enjoyed by the owner of the mark and knowledge of the link between the owner (source) and the mark saves the search-costs of the consumers.

Based on this principle, it should not be permissible for the trademark owner, registered or unregistered, to allow others by way of licensing to use his trademark in relation to goods not connected with him. Therefore, in order to preserve the source-indication function, the licensing activity is permitted only under certain fact situations.

Thus, in the early common law, trademarks were thought to represent to the consumer solely as the physical source or origin of product or service with which the trademark was used. Under this early ‘source theory’ for protection, trademark licensing was viewed as philosophically impossible, since licensing meant that the trademark was being used by persons not associated with real manufacturing ‘source’ in a strict, physical sense of the word. However, since the modern day trademark exercises more than just the function of source-indication and is seen as a symbol of certain quality standard as well, the rules as to the licensing have also been accommodated, accordingly. This has been the trend, particularly, in United States as is reflected from the judicial decisions from there.

Principle of ‘Quality Control’

With the expansion of the market, the original concept of a trademark as a strict symbol of source has been abandoned. Now, trademark licensing is a widespread commercial practice and has resulted in the development of a new rationale for trademarks, i.e. representations of product quality.

While the real purpose of trademark remains that of distinguishing the goods and services of the owner from those of the competitors, with the changing trend, the proprietor can now license the goods and ensure uniformity in the quality of goods being sold under his trademark/brand. Interestingly, Trademark Law also does not require the proprietor to maintain any particular or declared quality. The proprietor can validly compromise the quality to make good the losses in market.

Principle of ‘Connection in the Course of Trade’

In United Kingdom, till the case of Coles Proprietary Ltd v Need, because of the risk of public deceit, the courts were reluctant to allow the licensing of trademarks. Then a committee named Goschen Committee analysed this issue and informed that such licensing would be beneficial especially for companies/firms, which are separate entities in law, but are controlled by a parent company. In the course
of time, evolved the theory of ‘connection in course of trade’ which shares a lot common with ‘quality control’ theory of allowing licensing of trademark but is slightly different too.

In India, in the Dristan case, Judge, S K Mukherjee noted this principle of ‘connection in course of trade’ in the following words:

‘In my judgment, if a trademark is used in such a manner that the connection between the proprietor of the trademark and the goods in relation to which the trademark is used is maintained and the public is not deceived or confused as to the origin and character of the goods there will be honest bonafide trade use of the trademark’.

Thus, under the prevalent position under law as clarified also by the decision in Gujarat Bottling Co v Coca-Cola Co, so far a connection in the course of trade with the trademark continues to exist between the goods and the proprietor of the mark, licensing of trademarks registered or unregistered may be permitted.

Considering the trends, it would not be an exaggeration to state that it was the development of ‘quality theory’ that paved the way for modern licensing and franchising. The quality theory permits a trademark owner to license the mark and allow licensees to buy supplies from anyone, provided the licensor maintains quality control over products reaching consumers under the mark.

In US, these shifts in law were noted in the case of K Mart Corp v Cartier, Inc as under:

‘…Not until the 1930’s did a trend develop approving of trademark licensing…And not until the passage of the Lanham Trademark Act in 1946 did that trend become the rule…’

**Trends in Trademark Licensing**

Correspondingly, over the past fifty years, the law governing trademark licensing has changed drastically in response to the pressures of new commercial methods of distributing goods and services. With the gradual change in approach towards licensing, it slowly began to be accepted and now is in fact encouraged as a commercial phenomenon in the law.

**From ‘Unlawful to Lawful’**

The historical conception of trademarks as symbols indicating the physical source of the goods led a number of early courts to conclude that the owner of a trademark could not license others to use the mark without destroying the significance of the designation as an indication of source. Licenses were sometimes declared invalid (unlawful) as a fraud on the public, and the licensors risked forfeiture of their rights in the mark through a finding of abandonment.

The early twentieth century case of Bowden wire illustrates this approach of the courts, where the Court held that if a registered trademark is licensed it may become invalid if it ceases to show a connection in the course of trade with the registered proprietor or otherwise becomes deceptive by the act of the registered owner. A licensed trademark loses its distinctiveness and fails to impart its most important function of distinguishing the goods of the owner from the goods of others.

However, the trend of licensing could not be completely overlooked as the businesses expanded and in the course of time courts adopted an attitude of tolerance towards it by creating principles and conditions for it to prevail. Licensing, therefore, is no more treated as per se unlawful.

**From ‘Registered Users’ to ‘Unregistered Users’**

The system of registration of the licensees came into place with the change in the Trademark Law and now the licensing of trademark required that the owner of a registered mark leaves in the records of Trademark Registry, the particulars of the license agreement and of the parties involved. From here started the concept of ‘registered users’ as was there under the Indian Trade and Merchandise Act, 1958.

In the economic era of globalization, liberalization and foreign investment, licensing has been looked as one of the most rewarding aspects of intellectual property creation. And in view of the economic developments, the law has also been adjusted and now a trademark could be licensed to ‘unregistered users’ also. A step further, under the Trademarks Act, 1999, ‘permitted use’ means not only the use by a third person of a registered trademark as registered users but also the use by a third person of a registered trademark by the consent of the registered proprietor in a written agreement without registering that person as registered user.

**New Yardsticks in Licensing with the Evolution of Law**

Now therefore, as one author notes, gone is the system of the recordal of registered users. In its place, now there is a provision for the registration of a
trademark license to protect the interests of legal transparency with respect to the transaction and to provide a statutory right of action, albeit not identical, for exclusive and non-exclusive licensees, respectively.\textsuperscript{10} But the question whether a sufficient trade connection exists between the proprietor of the trademark and the goods remains a question of fact and degree in each individual case.

Thus, a proprietor of a trademark who does not himself manufacture the marked goods nor apply the mark, but retains for himself the power to control the activities of the trader who actually applies the mark; or retains the power to ensure compliance with manufacturing specifications; or standards of quality that he lays down is said to be sufficiently connected in the course of trade with the goods to which the mark is applied to be properly registered.\textsuperscript{11}

But it cannot also be said with confidence that ‘as a matter of rule the mere ability to control quality is always to be sufficient to establish connection in the course of trade because mere quality control is not enough where the licensee used the mark upon goods having no connection with the proprietor’.\textsuperscript{12}

It is observed by McCarthy in his book, ‘Trademark and Unfair Competition’ that under the understanding of the quality theory the consumer assumes that products sold under the same trademark will be of equal quality regardless of the actual physical source or producer of the goods.\textsuperscript{13} But again, as McCarthy explains ‘this does not necessarily mean high quality, but merely equal quality, whether that quality is high, low or mediocre’. One may accurately state that quality theory is merely a facet of the older source theory. That is, the source theory has been broadened to include not only manufacturing source, but also the source of standards of quality of goods bearing the mark. Thus the rise of quality theory does not mean that the source theory is superseded, only that it is supplemented.

The quality theory purports that the trademark signifies quality along with identifying the source of the good. For instance, a consumer who ate at NIRULA’s restaurant in one part of Delhi believes that the food and service of NIRULA’s elsewhere in another part of the city shall be of the same quality. Thus, modern consumers see this type of franchised mark as a symbol of equal quality and they are oblivious to the physical source of the goods. Also, they are indifferent to the exact relationship between the trademark owner and the persons who run the outlet. Meaning thereby, that as per the expectations of the modern consumer, the legal form of ownership and control of a trademark should not affect the consistency in the quality of goods and services sold under that mark.

Given this, it is evident as has been observed by an Indian author in this respect, that apart from the obvious case, the law of licensing of trademark is obscure and may be said to belong to the frontiers of trademark law.\textsuperscript{14} Thus, whatever be the form of control exercised by the registered proprietor over the use of the mark by the registered user, the provision of quality control has to be entered in the written agreement as one of the conditions of the permitted use between the registered proprietor and the unregistered user (third party). Out of the various stipulations in a license agreement, the stipulation relating to quality control acquires special importance with the change in the trademark law.

**New Challenges with the Changing Trends**

The philosophy of the Trademark Law does not create any legal responsibility of maintaining good or superior quality but the criteria of quality control is constantly relied upon as a condition for licensing of the same trademark. This is likely to create new challenges for the regulation of licensing in Trademark Law and certainly a bigger challenge for understanding the mechanism of trademark licensing.

**Scope of ‘Permitted Use’ and Contradiction of ‘Quality Control’**

The definition of ‘permitted use’ under Section 2(1)(r) of the new Act, allows use of a registered trademark by a person (third party) other than the registered proprietor and the registered user, by the consent of the registered proprietors in a written agreement without that party being registered as a ‘registered user’.

The improved scheme of the provisions relating to registered users show that the policy of the Act is to grant registration of registered users only if the registered proprietor will exercise proper control over the use of the mark by the registered user and the unregistered users too. Where the registered user is completely owned ancillary of the ‘registered proprietor company’, one can imagine that the control would be complete. Where, however, the proprietor owns only the majority of the equity shares of the ‘registered user company’, the degree of control are considered sufficient so long as this position is maintained.\textsuperscript{14}
It would depend upon the nature of financial and administrative control exercised by the parent company (licensor) upon the subsidiaries (licensees). It has to be stipulated that the registered user and/or unregistered user, as the case may be, should manufacture the goods only in accordance with the specifications, formulae and standards of quality prescribed from time to time by the registered proprietor. The registered proprietor can reserve the right to inspection of goods and methods of manufacturing them at the premises of the registered user; may also insist that the licensee user (registered/unregistered) should use a particular quality of raw material approved by the registered proprietor in the manufacturing process. But again, it does not make the condition of quality control as a general rule. Not always the sufficient exercise of quality control can establish the more important fact of ‘connection in the course of trade’. Under the definition of ‘permitted use’ also, there is no requirement of exercising quality control on the person permitting use of the trademark. In fact, it is surprising that the 1998 Act does not provide separately for the fulfilment of the ‘quality control’ requirement upon the licensors. However, it is also noteworthy, what Section 51(1)(d) of the Trademark Act, 1999 reads, as:

‘Registration of a registered user…
(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 and services in relation to which the trademark is to be used is either not being enforced or is not being complied with…’

Thus, even though the Act does not separately creates any obligation of maintaining quality control upon the licensor, Section 51(1)(d) could be evoked to cancel the license on the same ground.

It is noted by one of the authors on this issue that the stage is set for permitting use of the trademarks on payment of royalty without any real responsibility on the part of proprietor of the trademark to exercise of quality control which shall amount to renting of the trademarks.1 The Act is silent on the question of licensing of an unregistered trademark. But the courts have declared such licensing as common law licensing and lawful. It is therefore contended that it has become difficult to effectively regulate licensing in trademarks after the sweeping changes, which have come with the new trademark law. It can be alleged that the scope of ‘permitted use’ has been enlarged too much without considering whether or not the Trademark Registry will be able to effectively supervise or the courts will be able to prevent the evasion of ‘quality control’ requirement by the licensor who may be looking for sheer expansion of business.

The provisions relating to objection and prohibition of trafficking in trademarks have also been omitted from the 1999 Act. It may be impossible to bring to light and take any action against licensing which is done without actual exercise of quality control by the proprietor. And this matter directly affects the interest of the consumers because if the licensees are permitted to overlook or compromise with the quality of the product, these are likely to be deceived.

**Imbalance in the Interest Protection of Licenser and Licensee**

Licensing enables the licensor an easy entry and penetration into the market; and for the licensee, market power of the owner of the trademark gets translated into actual sales. The owner gets access to the market through an established local entity. There is interdependence between the two, the licensor and the licensee and to achieve a successful licensing arrangement, it is suggested that there is proper meeting of minds. Their relationship is defined properly/improperly through the license agreement. For this reason, the drafting stages of the agreement is crucial for the purpose of deciding their conduct or non-conduct, the impact of the same on the relationship and decide the matters in advance. A usual license agreement includes clauses relating to granting of rights, payment/royalty, rights and obligations, dispute resolution, and termination etc.

The relationship of trademark owner and a licensee is a result of commercial arrangement or bargain. The choice of the person for use of a trademark and other terms and conditions of the license agreement are to be negotiated and settled between the proprietor of the trademark and the proposed user. Now that under the Trademarks Act, 1999, licensor can enter into a license agreement with both a registered user and an unregistered user, it is deducible that the principles, which govern an agreement with registered user, shall be followed as a natural analogy for the agreements with unregistered users of a trademark also. By virtue of Section 48(2) and Section 2(1)(r) of the 1999 Act,
there is clear recognition of Common Law Licenses. But the 1999 Act is silent about the necessity of quality control. Thus, for the purpose of determining the rights and liabilities of the licensor and the licensee, the courts would fall back on the license agreement. The relationship between the proprietor and licensee would be governed by the following:

(i) Statutory obligations and the law emerging from the provisions of the 1999 Act;

(ii) The terms and conditions in relation to matters prescribed and those governing the relationship of licensor and licensee in the agreement between them; and

(iii) The stipulation that the licensee must operate and apply the trademark on the goods and services under the overall quality control of the proprietor.

However, with the law ostensibly tilting in favour of the licensor, some authors observed the existence of an imbalance in the protection of interests of the licensors and the licensees. Problem arises from Section 50(1)(d) of the Trademark Act, 1999, which provides that in an event of fault of the proprietor of failing to maintain the quality control upon the licensee, the Registrar can in his own action or on an application by any person, can cancel the registration of a registered user. This may, in some instances, actually go against the interest of the licensees who may have to pay for something, which the licensor omitted to do. Related apprehensions have also been expressed in the United Kingdom with the change in the Trademark Law there. It is observed as a more problematic question whether all benefits of a passing-off action can also be enjoyed by the franchisee also.

**Relaxation in Competition Rules to accommodate Licensing phenomenon in Intellectual Property**

After realizing that the whole set-up under the MRTP Act had become anachronistic, Parliament passed the Competition Act 2002 based on the recommendations of S V S Raghvan Committee. The provisions of the Competition Act treat IPRs as an exception to the general scheme of controlling and regulating competition. Section 3(5) of the Competition Act excludes ‘licensing agreements’ with respect to IPRs from the purview of regulating anticompetitive agreements. It states that the provisions relating to anti-competition agreements will not restrict the right of any person to impose such reasonable conditions as may be necessary for the purposes of protecting any of his rights which have been or may be conferred upon him under the following intellectual property right statutes, The Copyright Act, 1957; The Patents Act, 1970; The TradeMarks Act, 1999; The Geographical Indications of Goods (Registration and Protection) Act, 1999; The Designs Act, 2000; and The Semi-conductor Integrated Circuits Layout-Design Act, 2000. Such an exception has been created in the interest of creativity and innovation.

Under Article 40 of TRIPS Agreement, the control of anticompetitive practices in contractual licenses is also permitted. TRIPS does not prevent countries from specifying in their legislation licensing practices or conditions that may in practice constitute an abuse of IPRs having an adverse effect on competition in the relevant market. However, the Competition Act does not permit any unreasonable condition forming a part of protection or exploitation of intellectual property rights. Licensing arrangements likely to affect adversely the prices, quantities, quality or varieties of goods and services will fall within the contours of competition law.

In this respect, it has been suggested that since often it has been experienced that IPR relationship between two firms ends up in cartels or anticompetitive conducts, Competition Commission of India (CCI) is required to keep an eye on such relationships as a part of its proactive role.

It is matter of concern that while the old Act, MRTP Act on the issue of regulating Competition stands repealed, the new Act, Competition Act, 2002
is miserably delayed. This is a sad instance of the Indian legal system failing to organize the competition prevailing in its economy while on one hand it has been quite quick in bringing the changes with the Trademarks Act, 1999 of facilitating licensing of trademarks.

Ineffective Regulation of Licensing Activities Affects Organization of Competition

Over the course of time, two types of restraints on trade have come to be identified, viz. ‘vertical’ and ‘horizontal’ restraints on trade. A restraint in an agreement is ‘vertical’ when it involves firms that are in an upstream/downstream relationship (e.g. a buyer/seller relationship) in a relevant market; and, a restraint in an agreement is ‘horizontal’ when it involves firms that either are rivals in a relevant market or would-be rivals but for the agreement. Vertical agreements are usually not subjected to rigorous scrutiny of competition law. However, where a vertical agreement has the character of distorting or preventing competition, it will be placed under the surveillance of the law. For instance, the following types of agreements, inter alia, have been recognized as likely to be subjected to the ‘rule of reason’ test if not under a strict, *per se* approach under the recently contemplated Competition Law in India: Tie-in arrangement; exclusive supplies agreement; exclusive distribution agreement; refusal to deal; resale price maintenance, and so on.

It has been observed that the Court takes a far stricter and less favourable view of covenants entered between employer and employee than it does of similar covenants entered between vendor and purchaser or in partnership agreements and accordingly, a restraint may be unreasonable as between employer and employee which would be reasonable as between the vendor and purchaser of a business. A franchise agreement is like lease of the franchisor’s goodwill and is closer to the vendor/purchaser type of case than to employer/employee type and therefore any covenant in it is needed to satisfy a far less stringent test of reasonableness than is required of an employer/employee case.

A license agreement must not create restraints on trade and if it does so, then they must be reasonable. Some of the regular instances of restraints on trade are:

(i) Grant back requirement;
(ii) Fixing prices for the licensee to sell;
(iii) Territorial and customer restriction; and
(iv) Package licensing (coercing to take licenses in IP even if he does not need them).
(v) The restraint must be shown to be reasonably necessary for the purpose of the freedom of trade and must also protect the interest of both the covenantor and covenaneees.

India as a developing economy with interests of a large number of small and medium enterprises has at stake with the advent to multinationals in the market. Often, they are unable to face the might of the global giants from outside, as the MNCs are able to engage in activities detrimental to the host country enterprises. Thus, a proper legal framework is urgently needed to correct the imbalance in the equity.

Internationally also, there exists as what is called a widespread acceptance of the twin notions that IPR should be respected and that licensing is useful and pro-competitive. What remains is to harmonize and strengthen prosecutorial strategies regarding serious cases of cartels masquerading as license or cross-license agreements.

License agreements can restrict competition and the competition law is the right mechanism to interfere with objectionable licensing arrangements. But, it can be concluded that licensing or franchising as an activity is seen as a beneficial commercial activity and the competition law only tries to stop the undue restrictions to competition which are not the rule, but clearly the exception.

Conclusion

One cannot deny that licensing in trademarks has become a regular commercial practice. But at the same time the law has provided for fulfillment of certain conditions, viz. ‘quality control’ or ‘connection in course of trade’, which need to be complied with as the trademark holder decides to enter into a license arrangement. And it is suggested that a trademark owner should avoid an exclusive license because it may be read as an assignment. In fact, in case of a naked license, the owner runs an ever present risk of being misjudged in the legal proceeding as having abandoned the trademark. Uncontrolled licensing misrepresents the connection of the trademark owner with the goods and services that are under the control of the trademark. While the consumers may still continue to perceive the designation as a trademark, the courts may treat it as an erosion of the trademark’s function of identification.
Also, even though the system of keeping records of registered users of the trademark is no more prevalent, registration continues to carry additional advantages for a trademark owner under the current scheme of the Act also. Section 53 of the Indian Trademark Act, 1999 creates an incentive to get the registration as a registered user by depriving the unregistered licensees of the right created by virtue of Section 52. Under Section 52 of the Act, the registered user can institute the infringement proceedings against the infringers in his own name. It is as if he were the registered proprietor and the rights and obligations of such registered use in such case being concurrent with those of the registered proprietor. Unregistered user does not enjoy any such privilege. Thus, it can be said that registration of licensees continues to ensure greater credibility from the both legal and judicial point of view.

It is also clear that along the flexible licensing environment, which is in place now, a pro-competitive arrangement is urgently required. Otherwise, an extraordinary liberal approach towards licensing could prove detrimental to the interests of certain sections/sectors of the economy in absence of an effective anti-monopolistic supervision mechanism in place.

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2 In the case of MacMahan Pharmacocool Co v Denver Chemical Mfg Co in the United States, reported as 113 F 468(8th Cir 1901) it was held that the trademark could never be assigned nor licensed without the transfer of the entire business of the seller or licensor.
3 Coles Proprietary Ltd v Need (1933), 50 RPC 379.
4 AIR 1986 SC 137.
5 Gujarat Bottling Co v Coca-Cola Co 1996 PTC 89 at 96-97.
6 K Mart Corp v Cartier, Inc 486 US 281.
8 Bowden Wire v Bowden Brake (1913) 30 RPC 45 at 580; (1941) 31 RPC 385 (HL).
9 Section 2(1)(r) of Indian Trademark Act, 1999.
10 Wilkof Neil J, Same old tricks or something new? A view on trademark licensing and quality control, European Intellectual Property Review, 18 (5) (1996) 261-270. In this article, he has pointed out at the change in the UK Trademarks Law with the 1994 enactment.
15 Bansal Ashwini Kumar, Law of Trademarks in India, 2nd edn (Centre for Law, Intellectual Property and Trade, New Delhi), 2006, 390. The author says, ‘If the proprietor fails to exercise quality control, the registration of the user should not be cancelled and instead if the quality is not in order, the registered proprietor should be penalized for not exercising quality control’.
16 Holyoak & Torreman, Intellectual Property Law, 4th edn (Oxford University Press, London), 2005, p. 568: ‘…Consider a far more plausible scenario; the Kentucky Fried Chicken, fast food store outlet in Liecester suddenly finds its business in serious decline because a rival operation has started trading selling similar products and using logos and other promotional material sufficiently similar to that of the Kentucky Fried Chicken that an action in passing-off appears viable. In such a situation, the franchisee is protected but the loss is more likely to fall on the franchisee, whose immediate income will be reduced but who may, depending on the precise terms of the franchise agreement, still have to pay fixed sums, perhaps based on pre-agreed turnover calculations for the franchisee. Authority on the specific issue of franchisee’s rights of action in passing-off appears non-existent…’.
21 Dyno-Rod Plc v Reeve (1999) FSR 148 (ChD).