

TRADEMARK LICENSING : BANGLADESH PERSPECTIVE

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Introduction

Any sign including personal name, letters, numerals, figurative elements or any combination of signs or colours, capable of distinguishing the goods or services of one undertaking from other undertakings, shall constitute a trademark.¹ A trademark indicates trade origin and any use of the mark by anyone other than the registered owner will lead to deception of the public as it indicates the goods originating from a particular source when it really does not. Relying on this principle, the common law does not permit the owner of a trademark, registered or unregistered, to give license to others to use his trademark in relation to goods not connected with him. However, persons other than the proprietor are permitted to use registered trademarks through registration. This process is technically called 'trademark licensing'.² In legal jargon it is defined as the permission of use of his trademark by the proprietor to another person with the effect that where this is done, the mark is to be treated as still used only by the proprietor.³ License to use a registered mark does not confer any proprietary interest but amounts to permission to use, which prevents any allegation of infringement.⁴ The Trade Related Aspects of Intellectual Property Agreement 1994 (herein referred to as the TRIPs Agreement 1994) has permitted licensing of trademark subject to the conditions imposed by the States.⁵

In Bangladesh the Trademarks Act 1940 (herein referred to as the 1940 Act) or the Rules framed under the Act has not defined trademark

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1. Article 5 of Trade Related Aspects of Intellectual Property Agreement 1994 (herein referred to as the TRIPs Agreement 1994).
 2. Kerly, Duncan Mackenzie, Sir, *Law of Trademarks and Trade Names*, 12th Edition, (1986), p 251.
 3. Osborn's Concise Law Dictionary, 7th Edition, (1983), p 205.
 4. Cornish, W.R, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, Sweet & Maxwell / Universal Book Traders, 2nd Edition, New Delhi, (1993), p 580.
 5. Article 21 of the TRIPs Agreement-1994 says: Members (Parties to the Agreement) may determine conditions on the licensing and assignment of trademarks, it being understood that the compulsory licensing of trademarks shall not be permitted and that the owner of a registered trademark shall have the right with or without the transfer of the business to which the trademark belongs.

licensing. On the face of it, the Act neither expressly prohibits the licensing of trademarks whether registered or unregistered nor affects the provision of licensing. In fact, the cases where the license was duly registered should be deemed not to be cases of licensing at all. The common law courts, however, have taken the matter much further holding that any licensing arrangement which could properly be registered is legitimate whether registered or not. In Bangladesh Sections 39-45 of the Trademarks Act, 1940 read with the Rules 60-64 of the Trade Marks Rules, 1963 permit the use of a registered trademark by third person under a scheme of registered users. The provisions for registration as registered users include elaborate precaution to prevent abuse of the privilege of permitted use granted under the Act.⁶ No use of a registered trademark by a person other than registered proprietor or registered user is expressly permitted or recognized under the Act. However, such use is also not prohibited under the Act.⁷

Example of Trademark Licensing

The licensing contract may well be exemplified taking the COCA-COLA Company in Atlanta, Georgia, in the United States of America, which owns the trademarks COCA-COLA, COKE and many other marks for its beverages. It has licensed many companies all over the world like Tabani Beverage Company Limited in Bangladesh to use the mark on. The respective licensee fills the bottles and cans with syrup supplied by the US Company and local water. The trademark owner requires particular care in making of these beverages, sends inspectors around, and has had quite remarkable success in providing the public throughout the world with its COCA-COLA, which tastes more or less the same everywhere. Consumers would be seriously upset when the quality of COCA-COLA would be dissimilar from Country to Country, from licensee to licensee.

Conditions for Trademark Licensing

Most trademark systems that permit the licensing of trademarks impose certain conditions, which are designed to preserve their origin and guaranteed functions and to prevent deception of the public. These conditions may vary according to the nature of the goods for which the trademark is used. The conditions are generally such as follows:

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6. Chowdhury, A. W., *Manual of Trademarks, Merchandise Marks and Patents & Designs*, Nadeem Law Book House, Lahore, (1998), pp15-18.
 7. Section 39 of the Trademarks Act, 1940 deals with registered user by providing that a person other than the proprietor of trademark may be registered as a registered user.

1. The license contract is required to be in writing and shall require the signatures of the contracting parties. This facilitates proof. Thus, the formal requirements are the same as for the assignment of applications and registrations,
2. It needs to stipulate whether the license being granted is exclusive or non exclusive. In the absence of any provision to the contrary in the license contract, the grant of a license shall not prevent the licensor from granting further licenses to third parties or from using the marks himself. The grant of an exclusive license shall prevent the licensor from granting further licenses to third parties and in the absence of any provision to the contrary in the license contract, from using the mark himself,
3. It requires specifying the royalty to be paid by the licensee for the use of the trademark. Such royalty or remuneration may be either a single payment (Lump sum) or a periodical payment, which is calculated in accordance with the amount of use, for example, the number of units produced or marketed by the licensee under the trademark,
4. It has to specify the trademark and the products or services for which the trademark may be used by the licensee,
5. It has to specify the duration of the license,
6. It has to specify the applicable territory,
7. It may specify the transfer of technology from trademark owner to the licensee, in particular the communication of know-how which ensures that the licensee can produce in accordance with the same quality standards as the trademark owner and
8. It must provide for effective quality control over the goods or services for which the use of the mark is licensed.

Section 39 of the 1940 Act permits licensing of trademark with or without conditions or restrictions but it has not specifically mentioned anything as to their nature and scope.⁸

Control by the Registered Proprietor

If a trademark license is granted, the public may believe that the products offered by the licensee come from the trademark owner. In order to shun the risk for misleading the public, many laws necessitate that the trademark owner must apply a quality control with respect to the

8. Farani, M., *Manual of Trademarks, Merchandise Marks and Patents & Designs*, Lahore Law Times Publications, 1988, pp 89-93.

products manufactured and/or marketed by the licensee. Such a quality control does not completely eliminate possible misunderstanding in the public on the source of the products or services offered by the licensee. It can at least avoid the public being misled as to the quality of the products or services since the intention of the quality control is to ensure that the licensee applies the same quality standards as the trademark owner.⁹

The trademark license contract is registered only if the registered proprietor exercises proper control over the use of the mark by the registered user. Control may be exercised or presumed to be exercised in various ways:

1. In some cases the relationship between the registered proprietor and registered user will imply sufficient degree of control,
2. Where the registered user is a wholly owned subsidiary of the registered proprietor company or vice versa, the control is complete,
3. Where the proprietor owns only the majority of the equity shares of the registered user company, the degree of control is considered sufficient so long as such a position is maintained,
4. Sometimes by virtue of financial or administrative control both registered user and the registered proprietor companies are completely controlled by another company,
5. The registered proprietor sometimes exercises control by inspecting the goods and methods of manufacturing them at the premises of the registered user. In such cases and in all other forms of control the registered user should manufacture the goods conforming to the specifications, formulae and standards of quality prescribed from time to time by the registered proprietor.¹⁰

There may be different forms of control exercised by the registered proprietor over the use of the marks by the registered user. Quality control is intended in the register as one and the most important of the conditions of permitted use.¹¹

Where the control is effective, it is not necessary that the owner uses the trademark himself: use by the licensee can be deemed to be use by the

9. *Model Law for Developing Countries on Marks, Trade Names and Acts of Unfair Competition*, BIRPI, (1967), p 53.

10. *Ibid.*

11. *Ibid.*

licensors.¹² It is essential to emphasize that the control over the use of a trademark must be effective. It is recommended that the owner should not only take power to control but also exercise it. Arrangements that are designed to pacify official requirements merely as a sham, not only fail to maintain the function of a trademark, they wipe out it. Accordingly, such cases are likely to render the license contract as a whole null and void.¹³

Effects of Effective Control

1. Effective control over the use of the trademark secures the registration from attack on the grounds of non-use.¹⁴
2. The effective control over the mark prevents licensee from claiming rights in the trademark by virtue of his use of it.¹⁵

Sanctions for Lack of Quality Control

If the requirement of quality control is not complied with, several possibilities for sanction may arise:

1. The contract may be invalidated if it does not contain clauses requiring the quality control.
2. The contract may terminate if the trademark owner, in fact does not exercise the required quality control.
3. Moreover, there exists the possibility of suing both the trademark owner and the licensee because of misleading practices, which constitute an act of unfair competition.¹⁶

Invalid Clauses in License Contracts

The following clauses in the license contract are deemed to be invalid:

1. The trademark license contract must avoid the inclusion of clauses, which improve upon its use restrictions, on the grounds that:
 - a) they are not derived from the rights conferred by the registration of the trademark or
 - b) they are unnecessary for safe-guarding those rights. For example, clauses should be avoided in the license contract, the

12. Ibid.

13. Ibid.

14. *Background Reading Material on Intellectual Property*, WIPO, (1988), p 178.

15. Ibid.

16. *Model Law for Developing Countries on Marks, Trade Names and Acts of Unfair Competition*, BIRPI, (1967), p 53.

effect of which would prohibit the licensee i) from buying or selling goods or rendering services under different trademarks, or ii) from buying or selling goods or iii) rendering services which have nothing to do with the goods or services for which the license is being granted.¹⁷

2. Clauses in license contract or relating to such contract are null and void in so far as they impose upon the licensee, in the industrial or commercial field, restrictions not deriving from the rights conferred by the registration of the mark or unnecessary for the safeguarding of these rights.¹⁸

The following in particular shall be deemed not to constitute such restrictions:

- a) limitations as to the scope, extent, territory, or duration of use, of the mark, or the quality or quantity of the goods or services in connection with which the mark may be used;
- b) limitations justified by the requirements of the effective control provided for under Section 23 of Model Law i.e. the license contract shall be null and void in the absence of relations or stipulations between the registered owner of the mark and the licensee, ensuring effective control by the registered owner of the quality of the goods or services of the licensee in connection with which the mark is used;
- c) the obligation imposed upon the licensee to abstain from all acts capable of prejudicing the validity of the registration of the mark.

This provision forbidding invalid clauses in license contracts prevent the licensor from imposing the licensee restrictions in the industrial or commercial field, which are not based on the exclusive rights conferred by the registration of the mark.

In spirit, this provision is a provision of anti-trust or anti-monopoly statutes that are enough to prevent or strike down the potentially harmful restrictions of free competition included in license contracts concerning the marks. It may eliminate this banning provision from the Law as superfluous. Other countries, however, would find it useful to maintain it. With respect to this proscriptive provision, a distinction should be made between what clauses in license contract may or may not stipulate.

17. Paragraph 68 of *Guide on the Industrial Property Activities of Enterprises in Developing Countries*, WIPO, (1963).

18. Section 24 of *Model Law for Developing Countries on Marks, Trade Names and Unfair Competition*, BIRPI, (1967).

In principle, licensor may place any limits to any contractual license granted by him. As the registered owner of a mark, he is under no obligation to grant licenses, and whenever he does so, he should be able to limit their scope, as he deems enviable. Such limitations do not entail any unjustified restriction or competition because, without a license, no competition at all could exist under the mark involved.¹⁹

Similarly, it is important that the licensor should not misuse his position by imposing, in or in relation to license contracts, further limitations, in the industrial or commercial field, which are outside the scope of his exclusive right to the mark and unnecessary for the safeguarding of his right.²⁰

Unlawful restrictions would generally be conditions to the effect that the licensee may not buy or sell goods or render services under entirely different marks, or buy or sell goods or render services, which have nothing to do with the goods or services, for which the license has been granted.²¹

Restrictions originating from the right conferred by the registration of the mark, such as those relating to the territory or durations for which the license is granted, are lawful. The same is true with respect to restrictions, which are essential for the safeguarding of the right to the mark. The registered owner of the mark should, for instance, be allowed to forbid the use, by the licensee and during the term of the contract, of other marks resembling the mark whose use is licensed, in order to prevent a weakening to the distinctive power of the mark.²²

It is to be mentioned that fixing of prices is not an example of lawful restriction. The rationale is that the question of pricing is not relevant in trademark law and should be left to the general laws governing competition and prices.²³

It was contended in the Second Model Law Committee that Trademark Office would probably not be equipped to deal with the difficult question of anti-trust law involved in the application of the section under consideration. Its application should therefore be left to the courts.²⁴

19. *Model Law for Developing Countries on Marks, Trade Names and Acts of Unfair Competition*, BIRPI, (1967), pp 55-65.

20. *Ibid.*

21. *Ibid.*

22. *Ibid.*

23. *Ibid.*

24. *Ibid.*

Contractual clauses inserting prohibited restrictions should be null and void. They do not, as a rule, invalidate the other clauses of the contract. However, in order to render the clauses null and void, it may be so essential to the contract that without them, it cannot stand. In such situations, the whole contract may be declared null and void on the basis of the general rules of the law of contracts. It has to be kept remembered, however, that it is in the interest of the security of commercial relations in the country concerned not to annul contract too lightly but to uphold their validity whenever possible and to the greatest possible extent.

Section 39(1) of the 1940 Act says that in a license contract restrictions are imposed, but not infringing the right derived from the registration of the trademark. In order to ensure that clauses such as these are not included, the legislation of certain countries as in the case of patent licensing provides for the examination and registration of license contracts.²⁵

Procedure for Registration

There are hardly laws which do not require the license contracts to be recorded by the office and to be published in the Official Gazette. Thus, the fact of the license is disclosed to the public at large. Some laws stipulate that license contract which has been recorded have no effect *vis-a-vis* third parties.

Section 22(3) of Model Law says that the license contract or an appropriate extract thereof shall be recorded in the Trademark Office on payment of a fee fixed by the Rules; the license shall have no effect against the parties until so recorded.²⁶

The commentators have said that sub-section (3) of the Model Law provides for the mandatory recording of licenses in the Trademark Office. However, it is not indispensable to file the entire license contract for recording; an appropriate extract thereof, containing the clauses which determine the scope of the license and specify the control to be effected by the registered owner of the mark, is sufficient for recording. It is the duty of that Trademark Office to ascertain whether an extract of a license contract, presented for recording, is correct.²⁷

Recording to licenses at the Trademark Office is wanted in order to enable the government and the third parties to control whether Sections

25. *WIPO Model Law for Developing Countries on Inventions, Volume 1, Patents, Geneva, (1979),-p 25.*

26. *Model Law for Developing Countries on Marks, Trade Names and Acts of Unfair Competition, p 54.*

27. *Ibid.*

39 and 41 and any order issued under the Rules framed under Section 84 of the 1940 Act, have been complied with. Lack of recording does not affect the validity of the license between licensor and licensee:²⁸ it only makes the license ineffective against third parties. If the license is recorded and thus effective against third parties, the following will be among the consequences of the recording:

1. The recorded license will remain valid even after the licensor has assigned the registration of the mark to another person or enterprise;
2. If the recorded license is exclusive further licenses will be null and void;
3. The registered owner will not be able to renounce the registration without the consent of the recorded licensee;
4. The recorded licensee will, in certain cases, be able to introduce legal actions in his own name against infringers.

To add, some laws require a trademark license contract be registered after an examination as to substance and provide that the license contract is not valid if it is not registered.

The examinations as to substance, in particular, covers the requirements of a quality control and any restrictive clauses in the contract which would be undesirable for economic reason, for example, an obligation imposed on the licensee to acquire certain raw materials from the trademark owner where this is not required in order to maintain the applicable quality standard.

Section 39 of the 1940 Act enables a person other than the registered proprietor to be registered as a registered user of a trademark (other than a defensive trademark or a certification trademark) in respect of all or any of the goods for which it is registered and either with or without conditions or restrictions.²⁹ The Registrar has a wide discretion whether he will register users of a mark. The procedure for application for registration as the registered user is laid down in Section 41 of the 1940 Act.

Section 41(1) of the 1940 Act read with Rule 60(1) says that an application to the Registrar for the registration under Section 41 of a person as a registered user of a registered mark shall be made by that person and the registered proprietor on Form TM- 28.³⁰

28. Ibid

29. Kerly, *Supra*, p 256.

30. Farani, M., *Supra*, pp 89, 129.

Under the provisions of Section 41 of the 1940 Act the application for registration of a user must be made jointly by the proprietor and the proposed user and the proprietor must furnish (in the form a statutory declaration):

1. particulars of the relationship between the parties and of the extent of the proposed permitted user,
2. the statement of the goods in respect of which registration is proposed,
3. the statement of any conditions or restrictions proposed with respect to the characteristic of the goods, to the mode or place or place of permitted use or any other matter, and
4. the statement whether the permitted use is to be for a period or without limit of period, the duration thereof and by such further documents, information or evidence as may be required by the Registrar as may be prescribed.

Before accepting the application the Registrar, must be satisfied that:

1. the use of the mark as proposed would not be contrary to the public interest,³¹
2. he must refuse the application if he thinks that accepting it would not tend to facilitate trafficking in a trademark,³²
3. the use does not result in causing confusion or deception among the public;
4. it does not destroy the distinctiveness of the mark; that is to say, the trademark, before the public eye, continues to distinguish the goods connected with the proprietor of the mark from those connected with others,
5. a connection in the course of the trade consistent with the definition of trademark continues to exist between the goods and the proprietor of the mark.

The connection between the goods and the proprietor exists even through the trade relationship breaks down. The use of a foreign importer's mark may prevent importing and start local manufacture by using the same mark and the 'registration will not be refused to such user; or the use may not be considered deceptive'.

31. Section 41(2) of the Trade Marks Act, 1940.

32. Section 41(3) of the Trade Marks Act, 1940.

In *Bostitch* case³³ where the proprietor was a US concern, which during and after the war had allowed its British distributor to manufacture to its designs (paying royalties in some cases) and to apply its registered mark, Bostitch, to the British-made goods. There was no registration of the British Company as user. After this position had continued for some 15 years, the proprietor determined the agreement between the parties. The British company continued to use the mark and there ensued an action for the infringement of the mark and a motion to expunge it from the Register on the ground that the mark was now distinctive in this country of the British Company's goods and its registration was consequently deceptive the Court held on the one hand that the reputation in the mark remained with its American proprietor, and on the other hand that (so far as any use of the mark known to the proprietor was concerned) there was by the use of the proprietor's designs and know how a sufficient 'connection in the course of trade' between the British Company's goods and the proprietor for that use not to be deceptive.

In *Manu's* case³⁴ a foreign manufacturer, Manus A/B and their British importers, contemplating the cutting off by war of supplies of the foreign made goods, agreed that in order to keep the manufacturer's name before the British public the importers, who would be manufacturing themselves under the license, should place the mark 'Manus' on the British-made machines. When after the war the foreign manufacturer sought to return to the pre-war position, the British Company contended that the agreement has invalidated the mark. The court, however, held otherwise, pointing to fact the Manus A/B's intention had been to preserve their reputation on the mark.

Section. 41(4) of the 1940 Act says that the information supplied with the application is kept confidential by the Registrar, if the parties so ask, apart from those particulars of the permitted use that are entered on the Register.

Section 41(5) of the 1940 Act read with Rule 60 provides that there is no provision for opposition to registration of a user; the remedy of any one aggrieved by such a registration is to apply to cancel it or to attack the mark. There is power for notifications of the registration to other registered users, but it has not been exercised.³⁵

33. (1963) RPC 183.

34. (1948) 65 RPC 329.

35. Section 41(5) of the 1940 Act provides that the Registrar shall issue notice –
(a) of the registration of the person as a registered user, to any of the registered user of the mark;

Rule 60(2) of the 1940 Act says that the entry of a registered user in the register shall set forth, in addition to the particulars mentioned in Section 41(1), his address for service, if an application by him on Form TM-50 therefor has been accepted, and date on which the entry is made. A notification in writing of the registration of a registered user shall be sent to the registered proprietor of the trademark, to the registered user and to every other registered user whose name is entered in relation to the same registration of a trademark and shall be inserted in the Journal.

Effects of Registration

Licensing to foreign countries especially in developing countries is always unsafe and risky. However, licensing of trademarks with proper supervision and control may lessen the element of risk to a large extent.³⁶

After a few years of use, the licensee may seize the mark as his own for lack of control on the part of the licensor. The licensee may go a step further by moving to register the mark in his own name by making the licensor merely a silent spectator; he may even claim the past use of the mark as his own in spite of a clause mentioned in the license agreement to do so.

This principle can be clarified by referring to *McGregor* Trademark case,³⁷ where the word 'McGregor' was registered in the name of MCG for articles of clothing, and an exclusive license for the use thereof was granted to S, who was subsequently also made a registered user. After some years' use of the mark on dressing gowns by S himself, he sought to rectify the register on the ground of non-use. The main allegation was that the use by S did not comply with the conditions and restrictions to which the registration was subject, and in fact, there was no use of the mark by MCG during that period. Mr. Justice Whitford of High Court, United Kingdom stated: 'As there were never any direction given the registered proprietor as to materials and method of manufacture, the use by the Applicants (for rectification) did not comply with the conditions and restrictions to which the registration was subject, and consequently was not 'permitted use' within the meaning of Section 28 (the Trademarks 1938 of the United Kingdom) as there had been no use by MCG themselves during the relevant period, the mark was open to rectification.'

(b) of an application under Section 42 of our Act, to the registered proprietor, and each registered user (not being the applicant) of the trademark.

36. Sarkar, J. S., *Trademarks Law and Practice*, 3rd Edition, New Delhi, (1997), p 567.

37. (1979) RPC 26.

This case has made the following observations:

1. Trademark licensing permits a licensee enterprise to capitalize on the generally pre-established reputation of a trademark owned by the licensor and permits the licensor enterprise to gain additional markets for the goods or services for which its mark is registered.³⁸
2. The registered user has a right to use the registered mark subject to the conditions and restrictions entered on the register.
3. Use of the mark by the licensee shall be deemed to be used by the registered owner of the mark.³⁹
4. Section 28(3) of the 1938 Act entitles the registered user to institute proceedings in his own name for infringement of the trademark.

Section 40 of the 1940 act has enunciated these principles when it says that i) a registered user of a trademark shall be entitled to call upon the proprietor thereof to take proceedings to prevent infringement thereof, and if the proprietor refuses or neglects to do so within three months after being so called upon, the registered user may institute proceedings for infringement in his own name as if he were the proprietor, making the proprietor a defendant and ii) a proprietor so added, as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.⁴⁰

Section 39(2) of the 1940 Act says further that the permitted use of a trademark shall be deemed to be used by the proprietor thereof, and shall be deemed not to be used by a person other than proprietor, for any purpose for which such use is material under this Act or any other law.

Now question whether use by license is use by proprietor for application purpose is answered in the words that use by a licensee of the proprietor's

38. *Guide on the Industrial Property Activities of Enterprises in Developing Countries*, p 18.

39. Kerly, *Supra*, p 254.

40. Section 40 of the 1940 Act says:

- (1) subject to any agreement subsisting between the parties, a registered user of a trademark shall be entitled to call upon the proprietor thereof to take proceedings to prevent infringement thereof, and if the proprietor refuses or neglects to do so within three months after being so called upon, the registered user may institute proceedings for infringement in his own name as if he were the proprietor, making the proprietor a defendant.
- (2) Notwithstanding anything contained in any other law, a proprietor so added, as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.

mark may be use by the proprietor for the purposes of proving distinctiveness.

Registered user agreement may be executed in respect of REGISTERED trademarks only. Consequently, the application will fail in cases of UNREGISTERED trademarks and the word 'use' may well be interpreted to extend to the use by the proprietor's agents or servants, who may in turn be a kind of licensee. In this modern world of trade complexities this type of use should be considered favourably provided there is no deception of the public, and the requirement of the term 'used by him' may be tempered accordingly. This view has been supported in the *American Home Products v. MaC Laboratories*⁴¹ wherein it was decided: 'That the words proposed to be used mean proposed to be used by the applicant himself, or by his SERVANTS or AGENTS whose use in the eye of law can be regarded as the act of the APPLICANT HIMSELF.'

By drawing an analogy the same principle may apply to the word 'use'. The Division Bench of Calcutta High Court, constituting Mr. Justice, A. Mukherjee and Mr. Justice, T.K. Basu. in *Caprihans (India) Pvt. Ltd. v. Registrar of Trademarks*,⁴² also drew this 'analogy' and held that: 'For the purpose of registration of a trademark, any person claiming to be a proprietor of a trademark used by him may well mean any person claiming to be a proprietor of an unregistered trademark using it through a common law licensee. It is necessary to remember that when an application for registration is made on the basis that the proprietor proposes to use the mark by himself, use must be proprietor's own use as contemplated by the statute, because the relevant time when the mark is proposed to be used is after it has been registered. When the basis on which the application for registration is made is actual use by the proprietor, the relevant time when the mark has been used is after it has been registered. When the basis on which the application for registration is made is actual use by the proprietor, the relevant time when the mark has been used is before the mark has been registered. Therefore, use of a mark by a proprietor through a Common Law LICENSEE may very well suffice FOR THE PURPOSE OF APPLICATION.'

Under English law, if a mark is proposed to be used through a USER by the Applicant on the date of application, he has to file a Registered User Application together with his application for registration under Section 29(1)(b) of the Trademarks Act, 1938. Therefore, for the purpose of an application, the courts in England may well interpret the words 'proposed

41. 75 CWN 118.

42. (1970) 80 CWN 222.

to be used by him' as proposed to be used by either the APPLICANT or the REGISTERED USER and no one else. But since the 1940 Act does not provide for a corresponding Section to that of 29(1)(b) of the said English Act, it is open for the courts to interpret 'him' of Section 41(1) accordingly.⁴³

Moreover, even in England, the courts as well as the Registrar have taken quite a lenient view while interpreting the term 'use by licensee' for opposition and other purposes.⁴⁴

In the *Zing v Ping* case⁴⁵ the British Registrar stated: 'That since at all times, the owner of the mark had complete control over the design and quality of the goods manufactured by the LICENSEE, he was subject to the same control as if he were a REGISTERED USER and, accordingly, reputation established in the mark by the licensee insured to the Opponent.'

Again in the *HERMES* case,⁴⁶ while interpreting the term 'use in the course of trade' the High Court of the United Kingdom. held: 'Steps to relaunch watches was used when admittedly there was No SALES in the relevant period... The phrase in the course of trade must be wide enough to embrace the steps necessary for the production of goods as well as the actual placing of them in the market.'

In the absence of any provision to the contrary in the license contract, the licensee shall be entitled to use the mark during the whole duration of the registration including renewals, in the entire territory of the country, and in respect of all goods or services for which the mark is registered.

In the absence of any provision to the contrary in the license contract, a license under Section 43 of the 1940 Act shall not be assignable to third parties and the licensee shall not be entitled to grant sub-licenses.

Trafficking and Licensing

Trafficking in mark means dealing in a mark 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.⁴⁷ If there is no real trade connection between the proprietor of the mark and the licensee or his goods, the grant of license is a trafficking in the mark.

43. Sarkar, *Supra*, p 659.

44. *Ibid*.

45. (1978) RPC 47.

46. (1983) RPC 63.

47. Kerly, *Supra*, p 258.

In *Bowden Wire v. Bowden Brake*⁴⁸ where the plaintiffs, owners of a patent for the application of an article, known as Bowden Wire, to bicycle brakes, sold to the defendants that portion of their business which consisted of making Bowden cycle brakes and all trademarks, if any connected therewith, and granted to the defendants an exclusive, subject to certain then existing licenses, under the patent for the purpose of cycle brakes, the license being subsequently limited to brakes for cycles propelled solely by the rider. Subsequently, the plaintiff registered a trademark for brakes for velocipedes and other road vehicles and licensed the defendants to use it on cycle brakes made and sold under the patent license. The plaintiff manufactured brakes for motorcycles and other accessories both before and after the registration of the license, and used the mark in connection with them. After the expiration of the patent and the licenses, the defendants continued to use the trademark in connection with their push-cycle brakes, and they claimed the right to use it also on other articles and the plaintiffs brought the action to restrain infringement of the trademark and of a similar trademark registered for accessories other than brakes. It was contended that the plaintiffs had so dealt with their marks that they had lost all right to them and by reason of this there was real trade connection between the proprietor of the mark and the licensee or his goods, the grant of license was a trafficking in the mark; and that the defendants had the right to use them generally in their trade. The defendants were held to be successful.

Section 45 of the 1940 Act deals with use of trademark for export trade and use when form of trade connection changes:

1. The application in Bangladesh of a trademark to goods to be exported from Bangladesh and any other act done in Bangladesh in relation to goods to be so exported which, if done in relation to goods to be sold or otherwise traded in within Bangladesh would constitute use of a trademark therein, shall be deemed to constitute use of the trademark in relation to these goods for any purpose for which such use is material under this Act or any other law.
2. The use of a registered trademark in relation to goods between which and the person using the mark any form of connection in the course of trade subsists shall not be deemed to be likely to cause deception or confusion on the ground only that the mark has been or is used in relation to goods between which and the person using the mark or any predecessor in his business different form of connection in the course of trade subsisted or subsists.

48. (1913) 30 RPC 45.

In *Holly Hobbie*⁴⁹ manufacturers of greeting cards featuring as a character 'Holly Hobbie' sought registration of a 'Holly Hobbie' mark in some dozen clauses accompanying each application by an applicant for registration of a producer of the relevant goods as user. Held, that in spite of provisions in the user agreements for quality control, the proprietor of the mark had no trade connection with the goods and that the applications were rightly refused as trafficking.⁵⁰

Character Merchandising and Licensing

The expression 'Character Merchandising' is used to indicate the exploitation of well known invented names whereby the author or promoter of the name licenses or purports to license its use on the goods of traders who have no other connection with the licensor. Character merchandising in the sense of the exploitation of the reputation of famous marks by making them available to a wide variety of products has become a wide spread trading practice in America and Europe.⁵¹

Variation or Cancellation of Registration

Variation or cancellation of registration as registered user may be made by the Registrar on application by the registered proprietor. The registered user entry may be cancelled by the Registrar on an application made by the registered user of the trademark. Cancellation may also be effected by the Registrar on an application by any person on certain specified grounds. The Registrar may of his own motion cancel the registration on certain grounds.

Section 42 of the 1940 Act provides that the Registrar may-

- a) vary the registration of a person as a registered user as regards the goods in respect of which, conditions or restrictions subject to which it has effect, on the application in writing in the prescribed manner of the registered proprietor of the trademark;
- b) cancel the registration of a person as a registered user on the application in writing in the prescribed manner of the registered user or of any other registered user of the trademark;
- c) cancel the registration of a person as a registered user on the application in writing in the prescribed manner of any person on any of the following grounds, namely,

49. (1984) RPC 329.

50. Kerly, *Supra*, p 258.

51. Narayanan, P., *Intellectual Property Law*, 2nd Edition, New Delhi, (1997), p 159.

- (i) that the proprietor or the registered user misrepresented, or failed to disclose, some fact material to the application for the registration, or that the circumstances have materially changed since the date of the registration;
 - (ii) 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) cancel the registration of a person as a registered user in respect of any goods in relation to which the trademark is no longer registered.⁵²

Rule 61 of the 1940 Act says that an application by the registered proprietor of a trademark for the variation of the registration of a registered user of that trademark under Clause (a) of Section 42 shall be made on Form TM-29 and shall be accompanied by a statement of the grounds on which it is made and, where the registered user in question consents, by the written consent of that registered user.

Rule 62(1) says that an application for the cancellation of the registration of a registered user under Clause (b) or Clause (c) of Section 42 shall be made on Form TM-30 or Form TM-31, as the case may be, and shall be accompanied by a statement of the grounds on which it is made.

Section 41(1)(d) read with Rule 62(3) says that in case of the registration of a registered user for a period, in accordance with Clause (d) of Section 41(1), the Registrar shall cancel the entry of the registered user at the end of that period. Where some or all of the goods are omitted from those in

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52. Section 46 of the 1940 Act says: Without prejudice to the provisions of Section 46, registration of a person as a registered user
- (a) may be varied by the Registrar as regards the goods in respect of which, conditions or restrictions subject to 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 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) The proprietor or the registered user misrepresented, or failed to disclose, some fact material to the application for the registration, or that the circumstances have materially changed since the date of the registration; (ii) 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 in respect of any goods in relation to which the trademark is no longer registered.

respect of which a trademark is registered, the Registrar shall at the same time omit them from those specifications of registered users of the trademark, in which they are comprised. The Registrar shall notify every cancellation or omission under this sub-rule to the registered users whose permitted use is affected thereby and to the registered proprietor of the trademark.

Rule 63 says that the Registrar shall notify in writing applications under Section 42 to the registered proprietor and each registered user (not being the applicant) under the registration of the trademark. A person so notified who intends to intervene in the proceedings, shall within one month of the receipt of such notification give notice to the Registrar on Form TM -32 to that effect and shall send therewith a statement on the other parties, viz, the applicant, the registered proprietor, the registered user whose registration is in suit, and any other registered user who intervenes. Any such party may, within such time or times as the Registrar may appoint, leave evidence in support of his case, and the Registrar after giving the person an opportunity of being heard may accept or refuse the application or accept it subject to any conditions, amendments, modifications or limitations as he may think correct to impose.

Correction of the Register

Section 47(2) the 1940 Act says that the Registrar may, on application made in the prescribed manner by a registered user of a trademark, correct any error, or enter any change, in the name, address or description of the registered user.⁵³ Rule 64 says that application under sub section 2 of Section 47 shall be made on Form TM-16 or Form TM-33 or Form TM-34 as may be appropriate by a Registered user of a trademark or by such person as may notify the Registrar that he is entitled to act in the name of a registered user and the Registrar may require such evidence by affidavit or otherwise as he may think fit as to the circumstances in which the application is made.

Whether Licensing Applies to Unregistered Marks

The Privy Council has emphasized in *Star Industrial v Yap Kwee Kor*⁵⁴ that the statutory provisions for licensing apply only to registered marks. The current law also says that licensing of a mark is permissible if it is registered.⁵⁵

53. Farani, *Supra*, pp 94, 130.

54. (1976) FSR 256.

55. Kerly, *Supra*, p 252.

Some Further Thoughts with a View to Amending the Existing Legislation

At the age of globalisation, the trade and commerce increase day by day. A Company produces its products or goods with its trademark and supplies them not only in the country of origin but also in other countries. By supplying a product of a special quality to different countries, the company gains goodwill all over the world. Here one thing it is to be remembered that the producer of goods always keeps his attention on the matter how he will supply his goods to the consumers with a very lowest price. Keeping this view in mind the Company tries to transfer its technology to other countries so that by adopting the same formula the registered transferee company produces the same products with the trademark of the transferor by using local raw materials. This process, which is technically known as trademark licensing, is a common phenomenon in the world today. For this practice consumers of goods in the developing countries can consume various products of world wide illustrated companies with a very lowest price. If this process goes on in the developing countries, the local company taking trademark license of a famous company can produce goods by using local raw materials and ultimately the country will be beneficial as number of goods, which it imports, will be less and its currency will be saved. But to keep this process up, we need to have a good regulating body which will keep close contact with the local companies using a foreign company's trademark, by adopting good rules and regulations. The laws and rules we have already discussed in the context of Bangladesh are derived from the laws prevailing in the United Kingdom. In this sense the Trademarks Act, 1940 applicable here in Bangladesh is the carbon copy of the Trademarks Act, 1938 of the United Kingdom as replaced in 1994.⁵⁶ But we should be conscious that the laws of the United Kingdom, which are enacted for their social conditions, might not always suit in our conditions. So trademark laws of Bangladesh especially in respect of trademark licensing, should be amended up to date for only to make it compatible with the ever-changing world. The following are some of the suggestions regarding the trademark licensing provisions:

1. Section 39(1) of the Trademarks Act, 1940 which deals with Registered Users, may be revised with the proviso as follows 'Provided that the Government may, by rules in this behalf, provide that no application for registration as such shall be entertained unless the agreement between the parties complies with the conditions laid down in the rules for preventing trafficking in trademarks.'⁵⁷

56. Narayanan, P., *TradeMarks and Passing Off*, 6th Edition., Eastern Law House, New Delhi, (2004), pp 1-10.

57. See Law Commission's Proposed Trade Marks Act, 1999.

2. Section 41 of the Trademarks Act, 1940 which relates to Application for Registration as Registered User may thus be revised- (1) 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 make application in writing to the Registrar in the prescribed manner, and every such application shall be accompanied by- i) the agreement in writing⁵⁸ 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 ii) an affidavit made by the registered proprietor or by some person authorized to the satisfaction of the Registrar to act on his behalf-(a) giving particulars of the relationship, existing or proposed, between the 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

58. A standard document for license contract may run as follows:

DEED OF TRADEMARK LICENSE:

THIS DEED OF TRADEMARK LICENSE is on the day... of 19...

BETWEEN X & Co. Ltd. having its registered Office at ... (hereinafter referred to as the "licensor") of the One Part ;

ANDY & CO. Ltd., a company registered under the Companies Act, 1994 and having its principal place of business at... (herein after referred to as the "license") of the Other Part.

WHEREAS the licensor is the Owner of the Trademark No... in Class... in respect of the goods . . registered in Bangladesh as of ...The licensor also owns another unregistered trademark with the device of ... closely resembling the aforesaid registered mark (hereinafter these two marks will be referred to as "the trademarks").

AND WHEREAS the licensee wishing to use the trademarks of the licensor in Bangladesh in the manner covenants herein below.

NOW THIS DEED OF TRADEMARK LICENSE WITNESSETH as follows:

1. In pursuance of the agreement the licensor hereby grants to the licensee the non-exclusive right of trademarks in Bangladesh, without having any right of transfer or assignment to a third party whether in Bangladesh or elsewhere.
2. The use of the licensee of the trademarks should be of the goods and by way of advertisements only, in accordance with the standard and specifications set forth by the licensor. The licensee has covenanted to manufacture the goods, on which the trademarks are to be used, complying strictly with the manufacturing specifications and standards, and also to the qualities and sizes which the licensor strictly adheres to in respect of his products on which the marks are used by him.

user shall be the sole registered user or that there shall be any other restriction as to persons for whose registration as registered user application may be made; (b) stating the goods or services in respect of which registration is proposed; (c) stating the conditions or restrictions, if any proposed with respect to the characteristics of the goods or services, as the case may be, to the mode or place of permitted use, or to any other matter; (d) 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 (iii) such further documents, information or other evidence as may be required by the Registrar or as may be prescribed. (2) When the requirements of sub-section (1) of this section have been complied with, if the Registrar is satisfied that in all the circumstances the use of the trademark in respect of the proposed goods or any of them or in respect of the

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3. The licensee has acknowledged the proprietorship of the licensor of the trademarks, and pledges to refrain from doing any act directly or through a third party which may, in any way impair the said proprietorship of the licensor.
 4. The licensee agrees to give to the licensor, the right of access to his place of manufacture at all times, either by himself or through his agents or servants, for inspecting whether the licensee is maintaining the facilities and conditions for the quality-manufacture of goods in keeping with the norms and standard of the licensor's manufactures. The licensor also reserves the right to reject for sale any such product, which in his judgment is below the standard as specified.
 5. The licensee undertakes to compensate the licensor for any loss caused to the licensor for the licensee's wilful conduct or negligence. The quantum of compensation will be decided according to the local law and requirements. The licensee, therefore, agrees to use the trademarks strictly in accordance with the legal requirements in Bangladesh.
 6. Although this agreement is without any limit of period, yet it may be determined by any party herein by giving three calendar months notice to the other party in writing. Further, this license may also be revoked by the licensor, if the licensee fails to comply with any of the terms and conditions set forth in this agreement; but this revocation cannot be carried out without giving the licensee an opportunity for showing cause.
 7. The licensee further covenants that while displaying the trademarks on the products or in the advertisement/publicity, the purchasing public should be informed that the use is being made by way of permitted use as a licensee.
 8. In the event of an infringement, the licensee should inform the licensor with the details of the manner, of infringement and/or passing off, together with the documentary evidence as obtainable.

proposed services or any of them, by the proposed registered user subject to any conditions or restrictions which the Registrar may think proper, would not be against public interests, the Registrar, may, having regard to all the circumstances of the case and to the interests of the general public, and the development of any industry, trade or commerce in Bangladesh, register, subject as aforesaid, the proposed registered user as a registered user in respect of the goods or services as the case may be, as to which he is so satisfied.⁵⁹

3. The Registrar shall refuse an application under this section if it appears to him that grant thereof would tend to facilitate trafficking in a trademark.
4. The Registrar may refuse an application under this section.
5. No application under this section shall be refused or conditionally accepted by the Registrar without giving the applicant an opportunity of being heard.
6. The Registrar shall, if so requested by an applicant, take steps for securing that information given for the purposes of an application under this section (other than matters entered in the register) is not disclosed to rivals in trade.
7. The Registrar shall issue notice in the prescribed manner of the registration of a person as a registered user, to other registered users of the trademark, if any.

9. The licensee will not acquire the right of registration of the trademarks by virtue of permitted use thereof for any number of years or after the license agreement is determined by the licensor.

10. If the licensee, for the benefit of the licensor, incurs any expenditure by way of normal use of the trademarks, the licensor covenants to pay the sum thereof to the licensee.

11. In an infringement action, the licensor will have the right to determine whether the licensee will be made a party to the suit, nevertheless the licensee should be willing to co-operate with the licensor for bringing the suit to a satisfactory conclusion. The right of compromise with the parties concerned in these types of suits or actions shall be the monopoly of the licensor.

IN WITNESS WHEREOF the licensor and the licensee have hereunto set and subscribed their hands and seals, the day, month and year first above written.

Sd/ (witness) SEAL

Sd/ (Licensor) SEAL

Sd/ (Licensee) SEAL

59. Ibid.

8. Section 40 of the Trademarks Act, 1940 which relates to Power of Registered User to take proceedings against infringement, may be revised in the following way—(1) Subject to any agreement subsisting between the parties, a registered user of a trademark shall be entitled to call upon the proprietor thereof to take proceedings to prevent infringement thereof and if the proprietor refuses or neglects to do so within three months after being so called upon, the registered user may institute proceedings for infringement in his own name as if he were the proprietor, making the proprietor, a defendant. (2) Notwithstanding anything contained in any other law, a proprietor so added as defendant, shall not be liable for any costs unless he enters an appearance and takes part in the proceedings.⁶⁰
9. Section 42 of the Trademarks Act, 1940 which relates to Power of Registrar to vary or cancel Registration as Registered User may be revised like this- (1) Without prejudice to the provisions of section 46 of this Act, the registration of a person as a registered user- (a) may be varied by the Registrar as regards the goods or services in respect of which, or any conditions or restrictions or restrictions subject to 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 of the following grounds, namely; (i) that the registered user has used the trademark otherwise than by way of the permitted use, or in such a 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 the registration, or that the circumstances have materially changed since the date of the registration; (iii) 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; (a) may be cancelled by the Registrar in respect of any goods or services, as the case may be, in relation to which the trademark is no longer registered; (b) may be cancelled by the Registrar of his own motion or on application in writing in the prescribed manner of 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

60. Ibid.

not being complied with. (2) The Registrar shall issue notice in the prescribed manner of every application under this section to the registered proprietor and each registered user (not being the applicant) of the trademark.⁶¹

10. Section 43 of the Trademarks Act, 1940 which relates to Registered User not to have right of assignment or transmission may be revised like this- Nothing in this Act shall confer on a registered user of a trademark any assignable or transmissible right to the use thereof. Explanation 1- The right of a registered user of a trademark shall not be deemed to have been assigned or transmitted within the meaning of this section in the following cases namely: i) where the registered user being an individual enters into a partnership with any other person for carrying on the business concerned; but in any such case the firm may use the trademark, if otherwise in force, only for so long as the registered user is a member of the firm; ii) where the registered user being a firm subsequently undergoes a change in its constitution; but in any such case the reconstituted firm may use the trademark, if otherwise in force only for so long as any partner of the original firm at the time of its registration as registered user, continues to be a partner of the reconstituted firm. Explanation 2- For the purposes of this section 'firm' has the same meaning as in the Partnership Act, 1932.⁶²
11. Section 44 of the Trademarks Act, 1940 which deals with use of associated or substantially identical trademarks equivalent to use of another, may be revised like this- (1) Where under the provisions of this Act use of a registered trademark is required to be proved for any purpose, the Tribunal may, if and so far as it shall think right, accept use of registered associated trademark, or the trademark with additions or alterations not substantially affecting its identity, as an equivalent for the use required to be proved. (2) The use of the whole of a registered trademark shall for the purposes of this Act be deemed to be also a use of any trademark being a part thereof and registered in accordance with sub-section (1) of Section 11 of this Act in the name of the same proprietor.⁶³
12. Section 45 of the Trademarks Act, 1940 which deals with use of trademark for export trade and use when form of trade connection changes, may thus be revised- (1) The application in Bangladesh of a trademark to goods or services to be exported from Bangladesh and any other act done in Bangladesh in relation to goods or services

61. Ibid.

62. Ibid.

63. Ibid.

to be so exported which, if done in relation to goods or services, as the case may be, to be sold or otherwise traded in within Bangladesh would constitute use of a trademark therein, shall be deemed to constitute use of the trademark in relation to those goods or services, as the case may be for any purpose for which such use in material under this Act or any other law. (2) The use of registered trademark in relation to goods or services between which and the person using the mark any form of connection in the course of trade subsists shall not be deemed to be likely to cause deception or confusion on the ground only that the mark has been or is used in relation to goods or services, as the case may be, between which and the persons using the mark or any predecessor in his business a different form of connection in the course of trade subsisted or subsists.⁶⁴

Conclusion

A trademark licensing is, strictly speaking, simply an agreed immunity from a passing off action capable of being brought by the licensor.⁶⁵ Trademark licensing is very important since it provides other enterprises with the right to use the trademark as registered users. This permits the exploitation of the trademark outside the owner's own country.⁶⁶ Trademark licensing plays a crucial role in the developing countries like Bangladesh facilitating the transfer of technology and commercial know-how.

Trademark licensing contract is hardly found to be concluded in a greater extent in the third world countries like Bangladesh. Here the multinational companies with famous trademarks get frightened to give license to local companies, since the local companies while using their trademarks very often deteriorates the quality of the products and destroys their goodwill. Moreover, copying of trademark goes in rampage in the developing countries as there is no effective law or where there is law, there is no effective application of it. Bangladesh is not an exception to this practice. Bangladesh has enacted some provisions in respect of trademark licensing but as trademark-licensing contract is executed very rarely, the case laws are yet to be developed. If the copying of trademark is tried to be prevented, trademark-licensing contract needs to be executed in a greater extent. To make effective trademark licensing law in Bangladesh, some penal provisions along with higher pecuniary compensation should be inserted in the Trademarks Act, 1940 so that the local company can never use the trademark of a renowned company without adopting trademark licensing.

64. Ibid.

65. Charlesworth, *Business Law*, p 621.

66. *Background Reading Material on Intellectual Property WIPO*, p177.