

ASSIGNMENT OF TRADEMARK AND THE ANALYSIS OF THE PROCEDURE

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ABSTRACT

Trademark is defined as "Any sign that individualizes the goods of a given enterprise and distinguishes them from the goods of its competitors." This definition comprises two aspects, which are sometimes referred to as the different functions of the trademark, but which are, however, interdependent and for all practical purposes should always be looked at together: In order to individualize a product for the consumer, the trademark must indicate its source.

Keyword: trademark, goods, goodwill, legal, registrar, act,

1. INTRODUCTION

This does not mean that it must inform the consumer of the actual person who has manufactured the product or even the one who is trading in it: the consumer in fact often does not know the name of the manufacturer, still less the geographical location of the factory in which the product was made. This is not necessary for the trademark to fulfil its purpose of indicating origin. It is sufficient that the consumer can trust in a given enterprise, not necessarily known to him, being responsible for the product sold under the trademark.

The origin function as described above presupposes that the trademark distinguishes the goods of the given enterprise from those of other enterprises; only if it allows the consumer to distinguish a product sold under it from the goods of other enterprises offered on the market can the trademark fulfil its origin function. This shows that the distinguishing function and the origin function cannot really be separated. For practical purposes one can even simply rely on the distinguishing function of the trademark and define it as "A sign which serves to distinguish the goods of one enterprise from those of other enterprises."

Assignments are the most common form of change of ownership. They are normally, but not necessarily, part of a purchase contract, whereby trademarks are sold against payment of a certain amount of money. The law of some countries allows trademark assignment only together with the goodwill related to the mark. It is argued that consumers are accustomed to the product sold under the trademark, so that an assignment without transfer of the enterprise, or part of the enterprise, using the mark would deceive consumers. Nevertheless, there is a clear tendency towards allowing free assignments of

trademarks. Trademarks that are assigned without goodwill have often been unused for many years.

Apart from that, companies often have a complicated legal structure and, when one company is taken over by another, it may well be that the trademarks are transferred to the new parent company while the factories in which the products sold under those trademarks are manufactured remain the property of the company taken over. As long as the new parent and trademark owner ensures that the consistent quality of the products sold under the assigned trademarks continues, consumers will then not be deceived. There is therefore no absolute need to link the assignment of trademarks to the goodwill related to them. It is sufficient, and at the same time necessary, to ensure that consumers are protected against deception. This is the approach of Section 21 of the Model Law, whose paragraph (1) allows the assignment of trademark registrations or applications independently of the transfer of all or part of the enterprise using the mark, but which provides in its paragraph (2) that such assignment is null and void if its purpose or effect is liable to mislead the public.

It should be added that such cases are very rare in real life, especially where trademark registrations are assigned as a whole. Partial assignments are more problematic. In order to avoid confusion of the public in such cases, trademark laws sometimes allow transfers only where the goods involved are not similar to those remaining with the former owner. Confusion of the consumer is thus clearly avoided, as the two trademarks could have been registered by different owners from the very beginning.

In principle, a change of trademark ownership takes effect without any recording. This is clear in the case of the foreign owner's death or bankruptcy or a merger. Even a voluntary change of ownership by means of assignment

does not, in principle, need to be recorded to become effective, at least inter parties. Nevertheless, trademark laws generally provide for the recording of changes of ownership for two reasons: - The new owner cannot normally exercise his trademark rights if he is not the recorded owner. - In principle, the transfer is not binding on third parties as long as it is not recorded.

This principle cannot be applied without restriction: if the new owner has completed all the necessary formalities, that is, if he has submitted the necessary documents to the office for registration of the change of ownership, he must be able to take action to defend his trademark against infringement. The recording procedure is sometimes very long and drawn-out, and some jurisdictions do not permit recording of pending applications. In such cases, the new owner would often be totally blocked, as the former owner might no longer exist, or at least might no longer be interested in proceeding against infringements of his former trademark rights.

Trademark laws generally provide that the registrar refuses to record an assignment that in his opinion is liable to deceive consumers. If the assignment really does deceive the consumer, it is usually automatically null and void and therefore cannot be validly recorded. However, the registrar should not refuse to record assignments if in his opinion there is only a risk of confusion for the public. Such cases obviously depend on factual circumstances that go beyond what he knows from the file, such as how the new owner will use the trademark, whether consumers will really be deceived, and so on, which establish that the deception of consumers is not inherent in the assignment.

2. LEGAL FORMALITIES

In the interest of legal security, assignments should be evidenced in writing. The application for recording of the assignment must also be made in writing, either by the assignor or by the assignee. If it is the assignor who applies, a simple written request signed by himself or his legal representative should be sufficient. If on the other hand it is the assignee or any other new trademark owner who asks for the change of ownership to be recorded, the request generally needs to be accompanied by supporting documents (the contract of assignment signed by the assignor, or any other proof of the change of ownership). However, in such cases the mere signature of the demand for change of ownership by the new trademark owner or his legal representative should also be sufficient, without

any need for authentication, legalization or other certification.

A mark may be assigned or transferred to another entity in any of the following manners:

I. Complete Assignment to another entity-

The owner transfers all its rights with respect to a mark to another entity, including the transfer of the rights such as right to further transfer, to earn royalties, etc. (E.g. X, the proprietor of a brand, sells his mark completely through an agreement to Y. After this X does not retain any rights with respect to the brand)

II. Assignment to another entity but with respect to only some of the goods/ services-

The transfer of ownership is restricted to specific products or services only. (E.g., P, the proprietor of a brand used for jams and jellies and dairy products. P assigns the rights in the brand with respect to only dairy products to Q and retains the rights in the brand with respect to jams and jellies.) This is called partial assignment.

III. Assignment with goodwill-

Such assignment is where the rights and value of a trademark as associated with the product is also transferred to another entity. (E.g., P, the proprietor of a brand "Shudh" relating to dairy products, sells his brand to Q such that Q will be able to use the brand "Shudh" with respect to dairy products as well as any other products it manufactures.)

IV. Assignment without goodwill-

Such assignment also referred to as gross assignment, is where the owner of the brand restricts the right of the buyer and does not allow him to use such brand for the products being used by the original owner. Thus, the goodwill attached to such brand with respect to the product already being sold under such brand, is not transferred to the buyer. (E.g., P, the proprietor of a brand "Shudh" relating to dairy products, sells his brand to Q such that Q will not be able to use the mark "Shudh" with respect to dairy products but can use this brand for any other products being manufactured by it. In such case the goodwill which is associated with brand "Shudh" for dairy products is not transferred to Q and Q will be required to create distinct goodwill of brand "Shudh" for any other product or service like Restaurant wherein Q proposes to use this brand.). In many jurisdictions like United States, assignment of mark without goodwill is not allowed at all. India on the other hand allows assignment without goodwill.

Further, in case of registered Trademarks, the Trademark Act 1999 also puts certain restrictions on the assignment of a registered trademark wherein there exist possibilities of creating confusion in the mind of public/users. Such restrictions are:

- Restriction on assignment that results in the creation of exclusive rights in more than one person with respect to the same goods or services, or for same description of goods or services or such goods or services as associated with each other.
- Restriction on assignment that results in different people using the trademark in different parts of the country simultaneously.

3. WHO CAN ASSIGN

As per section 37 of the Trademarks Act, 1999, the person entered in the register of trademarks, as the proprietor of a trademark, shall have power to assign a trademark and to give effectual receipt of for any consideration for such assignment.

ASSIGNABILITY OF REGISTERED OR UNREGISTERED TRADEMARK:

As per section 38 of the Act, a registered trademark can be transferred with or without the Goodwill of the business concerned either in respect of all the goods or services in respect of which the said trademark is registered or of some of the goods or service.

Moreover, as per section 39 of the Act, an unregistered trademark may be assigned with or without the Goodwill of the business concerned.

REGISTRATION OF ASSIGNMENT OF TRADEMARK:

1. A person (subsequent proprietor) who becomes entitled by way of assignment, shall apply for registration of assignment before the Registrar of trademarks. (Section 45)
2. After due satisfaction of the Registrar of trademarks, the Registrar shall enter the details of the assignee (subsequent proprietor) as the proprietor of the trademark assigned to him in respect of goods or services for which the assignment has been made. (Section 45)
3. Where the validity of assignment is in dispute between the parties, the Registrar may refuse to register the assignment until the rights of the parties are determined by the competent court. (Section 45)

4. Registrar of trademark shall dispose of the application for registration of assignment of trademark within a period of 3 (three) months from the date of receipt of application. (Rule 76 of Trademarks Rules, 2017)
5. Registrar may, where there is reasonable doubt about the veracity of any statement or any document furnished, may call upon any person who has applied to be registered as proprietor of a registered trademark to furnish such proof or additional proof of title as the Registrar may think fit. (Rule 77 of Trademarks Rules, 2017)
6. Where in the opinion of the Registrar any document produced in proof of title of a person is not properly or sufficiently stamped, the Registrar shall impound and deal with it as per Chapter IV of the Indian Stamp Act, 1899 (Rule 78 of Trademarks Rules, 2017)
7. Where the Registrar has allowed the registration of assignment, then there shall be entered in the register the particulars as follows (Rule 84 of Trademarks Rules, 2017): -
 - a. the name and address of the assignee.
 - b. the date of assignment.
 - c. where the assignment is in respect of any right in the trademark, a description of the right assigned.
 - d. the basis under which the assignment is made; and
 - e. the date on which the entry is made in the register.

RIGHT OF THE ASSIGNOR ON ASSIGNMENT OF TRADEMARK:

The assignor terminates to have his rights, title or any interest in the trademark, the moment assignment deed is executed in favour of the assignee, irrespective of the fact that the name of the assignee has not been updated in the record of the Registrar of trademarks.

In the matter of Classic Equipments Pvt. Ltd. Vs. Johnson Enterprises, 2009 (41) PTC 385 (Del), it was observed as follows:

“Once an Assignment Deed has executed, the Assignor ceases to have any right, title or interest in the property assigned. It is not open to the Assignor to cancel the assignment by means of communication”.

RIGHTS OF THE ASSIGNEE: WHEN ASSIGNMENT IS COMPLETE BUT REGISTRATION IS PENDING:

Though as per section 45 of the Act, it is mandated that the assignee shall apply before the Registrar of the

trademarks to register his title. But this does not mean that recording of assignment of registered trademark asserts all rights or titles or interest in the assignee.

The reason behind this understanding are the opening words of section 45 of the Act, which says “where a person becomes entitled by assignment or transmission of a registered trademark.”. Therefore, the first condition is entitlement of rights, title or interest by way of assignment or transmission of a registered trademark followed by registration of assignment of a registered trademark. Thus, right in assignee does exist even before the registration of assignment.

In the matter of M/S. Modi Threads Limited vs M/S. Som Soot Gola Factory on 4th December 1990: AIR 1992 Delhi 4, 1992 (22) DRJ 24 was observed as follows:

“It is true that the plaintiff’s application for getting transferred the registered trademark in its name in the office of the Registrar is still pending but that does not debar the plaintiff to protect the violation of the aforesaid trademark at the hands of unscrupulous persons by filing an action in court of law for injunction. It is, prima facie, clear to me that during the interregnum period when the application of the plaintiff is kept pending for consideration by the Registrar of Trademarks the dishonest persons cannot be allowed to make use of the said trademark in order to get themselves illegally enriched earning upon the reputation built up qua that trademark by the predecessor-in-interest of the plaintiff.”

The assignee of a trademark is also entitled to file a civil suit, even though the recording of assignment of registered trademark is pending before the registrar of trademarks. Moreover, section 45 does not confer any title over the trademark assigned. Instead, the registration granted under section 45 is only proof of title of the trademark of assignee or the person who acquired it by way of assignment.

4. CONCLUSION

Assignment of trademarks allows the Proprietor thereof to en-cash their intellect, efforts, time and money. It is equally important to register the assignment of trademark, since on registration the details of the assignee are updated in the register of trademark, this serves as a notice to public at large. Moreover, preparation of assignment agreements is also important as it involves rights, entitlements, interests and obligation including the commercial terms between the assignor and the assignee.

REFERENCE

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