Published on e-First 24 August 2017

Book Review

THE LAW AND PRACTICE OF TRADEMARK TRANSACTIONS*

Irene Calboli & Jacques de Werra eds

TAN Tee Jim SC
LLB (University of Singapore), LLM (University of London);
Senior Partner, Lee & Lee.

1 It is a pleasure to welcome this timely compendium by a constellation of distinguished scholars and practitioners on the many fascinating facets of trademark transactions. As its editors (who also belong to this group) rightly observe at the outset:[1]

> The importance of intellectual property transactions has grown exponentially in the past decade as a result of the increasing financial value of intellectual property assets. For many companies including those operating in high technology and patent-heavy industries, trademarks are often among the, if not *the* most important assets of the business. [emphasis in original]

2 The reasons are not difficult to fathom. They stem from the nature and function of a trademark. A trademark is any word, name, logo or sign which is capable of distinguishing the goods or services of a trader from that of another trader. It conveys the trade origin or source of the goods or services in relation to which it is used and, in effect, operates in the marketplace to protect consumers against the risk of deception or confusion as to the origin or source of the goods or services. This distinguishing function has the concomitant effect of denoting the quality and other attributes of the goods or services bearing the mark. This enables consumers to make informed purchasing decisions with relative ease and relieves them from having to spend an inordinate amount of time and effort to find suitable alternative goods and services. In economic terms, the consumers' "search costs" are reduced.

3 The distinguishing function of a trademark also has the beneficial effect of inducing traders to improve the quality of their goods and services so as to retain consumer loyalty and goodwill. This may be demonstrated by reference to a situation in which all goods in the marketplace have no trademarks ("no brand goods"). Consumers would, thus, be unable to differentiate or distinguish between different

---

* Edward Elgar Publishing, 2016.
1 See p xxx.

goods of different traders. The probable effect of the anonymity is that the traders are unlikely to have the incentive to innovate or improve the quality of their goods.

4 As pointed out by Daniel Gervais in his opening chapter "TRIPS, Trademarks and Trademark Transactions", the major legal systems as well as international agreements have embraced the distinguishing function as a cornerstone of trademark protection. This is, for instance, evident from Art 15.1 of the Agreement on Trade-related Aspects of Intellectual Property Rights[2] ("TRIPS Agreement"), which provides that a mark is registrable as a trademark only if it is distinctive in the sense that it is capable of distinguishing the relevant goods or services of a trader from those of another trader and that if it is not inherently distinctive, it must be distinctive through use. This, in turn, has spawned a number of intractable issues highlighted by him, including: what will be the impact on the protection of a trademark if its owner transfers the mark? Will there be consumer deception or confusion as well as loss of distinctiveness of the trademark if the owner transfers the mark without also transferring the business or goodwill in relation to which the mark has been used?

5 This particular issue is of practical importance because, according to Susanna Leong in her chapter on "Trademark Transactions in ASEAN", trademarks have become "an important part of a firm's intellectual property portfolio" and trademark transactions "are featured with increasing significance in a firm's overall corporate strategies". The strategies include:[3]

(a) using the trademark to better protect the trader's market share (that is, his profits) by barring others from using an identical or similar mark in relation to identical or similar goods or services;

(b) licensing the trademark for use by third parties for commercial returns (for instance, through a franchise);

(c) selling the trademark outright for a specified value (for instance, in a company acquisition); and

(d) using the trademark to obtain credit (for instance, as collateral for a loan).

2 The Agreement on Trade-related Aspects of Intellectual Property Rights ("TRIPS Agreement) is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization (signed 15 April 1994, Marrakesh, Morocco). The TRIPS Agreement was amended on 23 January 2017.

3 See para 22.03, p 538.

She points out that the most common form of trademark transactions is either an assignment or a licence of the use of the mark by the trademark proprietor.

6 The issue is addressed in Art 21 of the TRIPS Agreement, which provides that member countries may determine the conditions on the licensing and assignment of trademarks and that the owner of a registered trademark has the right to assign the trademark with or without the transfer of the business to which the trademark belongs. Thus, it is left to the countries to decide. Gervais notes that the omission of the term "goodwill" in Art 21 is to be contrasted with its presence in Art 6 *quater* of the Paris Convention for the Protection of Industrial Property[4] ("Paris Convention") and opines that the omission cannot have been unintentional. It would, therefore, appear that member countries of the TRIPS Agreement and the Paris Convention have a choice as to whether to require an assignment of a trademark to be accompanied by the transfer of the business or the goodwill (or both) as a condition for accepting the assignment. In other words, an individual country can provide that the trademark would not lose its distinctiveness or cause deception or confusion even if it were untethered from the relevant business or goodwill in the assignment.

7 Irene Calboli informs that US trademark law has historically forbidden trading trademarks "in gross", that is, trademarks must be assigned with the associated goodwill of the business. Thus, it provides that, in licensing agreements, licensors must control the quality of the products produced by the licensees. She further discloses that the decisions of the courts have, however, been inconsistent, due to the lack of clarity as to what constitutes "trademark goodwill" and "quality control". Consequently:[5]

> [B]ecause of the ambiguity surrounding these concepts, the courts have *de facto* moved away from a strict application of these rules and have instead assessed the validity of trademark transactions based primarily on whether the quality of the products at issue remains consistent and whether or not the public is confused as to this quality.

8 He Guo reports that although the transfer of business, together with the registered trademark, is not a compulsory requirement for the validity of a trademark assignment in the People's Republic of China ("PRC"), the assignor remains responsible for controlling the quality of the goods in respect of which the trademark is used. Failure to control the quality of the goods constitutes an offence. As regards trademark licences, it is the obligation of the licensee to guarantee the quality of the

---

4 Concluded on 20 March 1883.
5 See para 18.01, p 440.

goods in respect of which the trademark is used and the licensor's obligation is to supervise the quality. Interestingly, to protect the interests of consumers, Art 43 of the Trademark Law of the PRC[6] mandates that the names of the licensor and licensees must be indicated on the goods that bear the registered trademark.

9 Leong's comprehensive review of the legal position in each of the ASEAN countries is likely to attract the interest of the practitioner in Singapore. She reports that "subtle differences" exist in the ASEAN countries. This is perhaps an understatement, given that the countries are at different stages of economic development and have quite different legal systems and traditions. Harmonisation of the intellectual property laws has been elusive. The silver lining is that they all consider a registered trademark to be a property right.

10 In Singapore, a registered trademark is assignable and transmissible in the same way as any other personal or movable property and is so assignable or transmissible either in connection with the goodwill of a business or independently.[7] This represents a significant change from the earlier law which had dictated that a trademark was "an adjunct of the goodwill of a business and incapable of separate existence dissociated from that goodwill".[8] The underlying concern was that of consumer confusion. This necessitated the requirement to advertise an assignment of a trademark if the assignment was unaccompanied by the goodwill of the assignor's business. Under the Trade Marks Act,[9] there is no such requirement.

11 Leong considers the absence of the requirement to be a "liberal approach", which raises concerns of public confusion. Her advice is that the assignee should make the necessary arrangements with the assignor to ensure that the trademark will continue to be exclusively indicative of one trade origin or source (namely, the assignee) after the assignment. It appears that the liberal approach is also adopted in Vietnam and the Philippines, where the laws merely indicate, respectively, that: (a) the assignment must not cause confusion as to the trade origin of the goods or services concerned; and (b) if it is liable to mislead the public as to, for instance, the nature and characteristics of the goods or services, it shall be null and void. Leong also reveals that, in Malaysia, the requirement is preserved.

6 As amended up to Decision of 30 August 2013 of the Standing Committee of National People's Congress on Amendments to the Trademark Law of the People's Republic of China.
7 See s 38(1) of the Trade Marks Act (Cap 332, 2005 Rev Ed).
8 *GE Trade Mark* [1972] 1 WLR 729 at 742.
9 Cap 332, 2005 Rev Ed.

12 The distinguishing function of a trademark is also the foundation for its perpetual protection. Specifically, registration of the trademark may be renewed indefinitely as long as it is able to fulfil that function. This is unlike copyright protection, which generally subsists for 70 years. This durational disparity between trademark and copyright protection is the subject of an insightful piece by Jane Ginsburg. She highlights that the disparity gives rise to an issue which is of considerable importance to book publishers and film producers: can trademark rights still be asserted in respect of visual characters (such as Mickey Mouse) whose copyrights have fallen into the public domain?

13 In the case of *Dastar Corp v Twentieth Century Fox Film Corp*[10] ("*Dastar*"), the producer of a World War II film instituted an action for reverse passing off to prevent the defendant from making and distributing videocassettes of the film under the defendant's name. The copyright in the film had expired and the producer was, in effect, seeking to obtain protection under the trademark regime. The US Supreme Court dismissed the attempt as it ruled that reviving the protection of expired copyright works through trademark law would create "a species of mutant copyright law" which limits the public's right to freely copy and use such works.

14 Ginsburg is, however, of the view that the ruling in *Dastar* does not foreclose the inquiry whether a visual character whose copyright has expired can still be the subject of trademark licensing so as to enable the character to continue to be commercially exploited by the owner. After exploring the judicial developments in the US concerning the inquiry, Ginsburg recommends that where the copyright relates to the character in a particular representation and the copyright has fallen into the public domain, the trademark owner may, nonetheless, retain enforceable trademark rights in other representations of the character but not in the particular representation. It is suggested that this recommendation seems reasonable if the other representations are distinctly different from the particular representation whose copyright has expired. Nonetheless, the recommendation awaits judicial endorsement.

15 Neil Wilkof reminds us that there is a paucity of professional literature in the trademark field on consent agreements. Hence, in his chapter with the striking title "Out of the Shadows: The Unique World of Trademark Consent Agreements", his purpose is to cast light on such agreements by, amongst others, identifying the various contexts in which consent agreements have arisen and considering the different forms of consent agreements that have developed in practice in response

10 539 US 23 (2003).

to the various contexts. He starts from the premise that a consent agreement is different from both an assignment and a licence – a difference which, it must be said, is likely to be lost to many. He explains that a consent agreement is different from an assignment because there is no transfer of title or rights inasmuch as the parties to the agreement remain the owners of their respective rights. It is also unlike a licence because neither party to a consent agreement grants a right to the use of its mark to the other party.

16 Wilkof claims that the bedrock upon which a consent agreement rests is that, in various contexts, two parties enter into a contractual arrangement concerning the registration or use of their respective trademarks. The contexts identified include a trademark infringement action and the trademark registration process in which rival applicants vie to register their respective trademarks.

17 At an analytical level, it may be deduced that a consent agreement in each of these contexts concerns not merely the registration or use of the trademark in question but also the intention of the parties not to jeopardise the distinguishing function of the trademark. For example, in an action for trademark infringement, it is usual for the settlement agreement to be in the form of a consent by a party to cease and desist using the offending mark to confuse the public as to the trade origin of the goods or services concerned.

18 Wilkof acknowledges that there can be an uneasy tension between private rights and public interest in a consent agreement. This is most pronounced in the context of the trademark registration process, in which the registrar is empowered to evaluate the registrability of a trademark based on "relative" grounds of refusal.[11] In such a context, public interest would prevail over the consent of the rival applicants who agree to demarcate their respective rights as to who and how the registration or use of a trademark is to be carried out.

19 The intersection between trademark transactions and bankruptcy seldom gets a "look-in" (to borrow an expression from Sir Robin Jacob, the former judge who contributed the Foreword) in intellectual property literature. Thus, the chapter by Xuan Thao Nguyen on this topic is a delightful addition. In it, he discusses the uncertainties engendered by the case of *Re Exide Technologies*,[12] which involved the corporate sale of the battery business division of a company together with the grant of right to use the trademark perpetually, exclusively and without further payment beyond the purchase price of

---

11 See, *eg*, s 8 of the Trade Marks Act (Cap 332, 2005 Rev Ed).
12 340 BR 222 (Bankr D Del, 2006).

the business division. Several years after the sale, the company filed for reorganisation under Chapter 11 of the US Bankruptcy Code[13] and sought to invalidate the perpetual and exclusive trademark right granted to the licensee (the respondent's predecessor-in-title) to use the trademark.

20 The Bankruptcy Court of the District of Delaware found that the trademark licence was an executory agreement because there were material and ongoing obligations to be performed by the parties under the agreement, such as the obligation on the company not to use the trademark in conjunction with the battery business and the obligation on the respondent/licensee to use the trademark in accordance with a quality-control standard. Accordingly, in light of the nature of the agreement, the court held that the company could invalidate the agreement and prevent the respondent from using the trademark.

21 Although this surprising (and unfair) decision was, subsequently, vacated by the Court of Appeals for the Third Circuit, Nguyen opines that uncertainties still remain for trademark licensees because the appellate court did not address whether the invalidation or rejection of a trademark licence by a bankrupt licensor would automatically eliminate the licensee's rights in the licensed trademark. To resolve the uncertainties, Nguyen submits that the courts should recognise that the transfer of the trademark is, in substance, the sale of a capital asset, rather than a licence of a right to use the trademark. It is probable that both the uncertainties and submission are unique to the quirks of the US legal system but they may well hold useful lessons for the rest of us.

22 Doubtless, this book will fulfil the editors' hope that it will serve as a source of valuable guidance and reference for scholars and practitioners alike in relation to the law and practice of trademark transactions. It should certainly be part of the assets of corporate and intellectual property lawyers involved in cross-border transactions. The editors are to be congratulated for being able to gather 24 eminent scholars and practitioners from various jurisdictions to join in a worthy cause. The publisher, Edward Elgar Publishing, must also be commended for the fine production of the book.

13 11 USC (US) (2005).