

All Things IP



Submitted by

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Licensing of Trademarks and Statutory Protection for Licensees under the Indian Trademarks Act, 1999

With the advent of FDI's in Single brand retailing and multi-brand retailing businesses saw multi-national companies and brand owners across the globe expanding their business footprint in India. Most of such expansion were through Franchising and Distribution arrangements. This trend of increase in cross border commercial and business arrangements consequentially led to licensing of trademarks and brand names in favour of third parties. In this edition we briefly explore the procedural aspects of licensing of trademarks under the Indian Trademarks Act, 1999 (the "**Act**").

Trademarks licensing in India is governed by Section 49 of the Act. The Act does't mention the term 'license' but refers to the licensee as a registered user. A license to a registered Trademark can be of two kinds:

- a) A simple license agreement which is in the nature of a permissive use;
- b) A Registered User, wherein the license agreement is registered with the Registrar of Trademarks and certain rights accrue to the licensee as per statute.

While it is not compulsory to record trademark licenses, it is advisable to register the license agreement with the Registrar of Trademarks so that the rights of the Licensor and Licensee are recorded, which shall obviate any future disputes between the parties involved.

For recordal of the license agreement under the Act, the licensor and the licensee are required to jointly apply to the Registrar along with the following particulars:

- the license agreement in writing and duly authenticated copy thereof, entered into between the licensor and the licensee; and
- an affidavit by the licensor giving the following particulars:
 - the particulars of the relationship between the licensor and the licensee and whether the license agreement is exclusive or non-exclusive;
 - a statement of the goods and services in respect of which the license is granted;
 - a statement of any conditions or restrictions under the agreement including restrictions on territory; and
 - whether the license is to be for a period and, if so, the duration thereof or if it is to be without limit of period.

The clauses in the license agreement would mainly include granting of rights, royalty payment, duties and obligations of both the parties, arbitration/mediation clauses, termination and its consequences, etc. Such an application for registration as a 'Registered User' has to be made within 6 months of date of the agreement.

During examination of the application, if all the conditions are satisfactory, the Trademark Registry shall register the user as the 'registered user' of the mark and thereafter publish it in the Indian Trademarks Journal. However, in case of any discrepancy, a hearing may be appointed where the parties will be given an opportunity to address such discrepancies.

Important things to be kept in mind while licensing your trademarks:

- i. the licensing does not result in causing confusion or deception among the public;
- ii. the distinctiveness of the trademark remains intact – the public should continue to associate the goods with the proprietor of the mark from those connected with others; and
- iii. Quality Check – It is essential to implement proper checks and controls when licensing a mark. The quality or standard of products or services should not be compromised.

Advantages of Licensing of Trademarks

- It is a source of revenue for the licensor in the form of royalties;
- Licensor retains ownership of the property in the trademark;
- It increases the geographical reach of the licensor, without having to have a place of business in the locations where it has permitted a licensee to use his brand;
- The Registered User gains the right to institute proceedings for infringement in his own name;
- The Act recognizes the use of a trademark by a registered user as “use” wherever such use is required to be established by the registered proprietor.

Cancellation of Registered User

An application for cancellation of registered user can be initiated by the proprietor or the registered user or any other registered user of the same mark, on account of the following reasons:

- violation of the written agreement;
- use of mark as to cause deception/confusion;
- misrepresentation or non-disclosure of some material fact(s) by either of the parties;
- that the circumstances have changed since the date of registration in such a way that at the date of such application for cancellation they would not have justified registration of the registered user;
- 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;

The Registrar shall issue notice to the registered proprietor and each registered user (not being the applicant) of the trademark.

We at Eshwars regularly advise our clients on various Trademark and IPR licensing, franchising and distribution models and for more information please reach out to us at: saisunder@eshwars.com.