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**THE LAW AND PRACTICE OF TRADEMARK TRANSACTIONS: A GLOBAL AND LOCAL OUTLOOK**, edited by Irene Calboli & Jacques de Werra. Elgar, 2016. 617 pp., Hardcover, \$310.00

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Properly calibrating trademark protection requires encouraging the mark owner to use the mark to send consistent signals about source and quality through the medium of the mark. Too little trademark protection can discourage the creation of source signifying meaning and externalize search costs on to consumers. Too much trademark protection can raise barriers to entry against potential competitors. None of this meaning making and source signifying occurs in a vacuum. A well-tuned trademark regime must account for how consumers use trademarks to economize search costs (and how those consumers repurpose the mark). A trademark regime that ignores consumer perception will at best accidentally facilitate consumer welfare on those occasions when a court reaches a result favoring the litigating party whose interests align most closely with the largest proportion of consumers.<sup>1</sup>

When a trademark changes hands, there is a danger that consumers accustomed to the mark will be confused or deceived by the transfer. If one has become accustomed, for example, to the features of the Hostess snack cake, one might be disappointed if a new firm purchases the old Hostess marks but somehow fails to obtain old recipes, machinery, connections with ingredient sources, and the other essential elements that make a Twinkie a TWINKIE<sup>®</sup>.<sup>2</sup> Indeed, trademark law in the United States once barred assignments of trademark rights in most cases out of concern that an assignment could not help but deceive consumers, unless the assignee obtained the assignor's entire business lock stock and barrel. Licensing relationships were likewise forbidden, due to the harm anticipated if the licensee wasn't using the licensor's physical facilities to produce its mark-bearing goods. Those bars on assignments and licensing have been relaxed, internationally as well as in the U.S. International rules for trademark transactions are the topic of a recent volume edited by Irene Calboli and Jacques de Werra, **THE LAW AND PRACTICE OF TRADEMARK TRANSACTIONS**.

Overall, this book highlights the ongoing propertization of trademarks, a process that

unfortunately is somewhat divorced from what many courts and scholars identify as the *raison d'être* of trademark protection: ensuring the use of the mark to inform consumers about the source and quality of mark-bearing products, and enabling consumers to rely on that mark to economize search costs. This review cannot capture the rich accounts of trademark transactions made by the chapters in this volume. Indeed, unlike the review of a book written by a single author, the multiplicity of voices makes impossible an exhaustive treatment of the various topics covered. But I provide a few highlights, with an eye toward how consumers might respond to trademark transfers and related transactions.

The book is organized into two major parts. The first thirteen chapters of the volume lay out general principles governing trademark transactions, organized into four sections. The first section provides a general international framework for trademark transactions with chapters by Daniel Gervais<sup>3</sup> and Marcus Höpferger.<sup>4</sup> The second section discusses strategic considerations. Chapters include Jane Ginsburg's discussion of how copyrighted works become trademarks and vice versa;<sup>5</sup> Cédric Manara's analysis of transactions for domain names;<sup>6</sup> a chapter from Gregor Bühler and Luca Dal Malin on how trademark portfolios are split between two or more owners;<sup>7</sup> and Shubha Ghosh's insightful discussion of the competition issues implicated by trademark protection in comparison with other intellectual property regimes.<sup>8</sup> A third section considers how trademarks are valued. Roy D'Souza discusses trademarks as a target for acquisition.<sup>9</sup> Jean-Frédéric Maraia explains tax strategies for trademark transfers.<sup>10</sup> Robert Burrell and Michael Handler expound how competing trademark and securities registries complicate secured interests in trademarks in Australia.<sup>11</sup> Xuan-Thao Nguyen describes uncertainties that plague licensing agreements when the licensor declares bankruptcy.<sup>12</sup> A final section discusses alternative dispute resolution and settlement mechanisms. Neil Wilkof examines the benefits and drawbacks of trademark consent agreements, which allow potentially confusing marks to coexist in the market.<sup>13</sup> Dai Yokomizo reviews international choice of law rules.<sup>14</sup> Jacques de Werra considers alternatives to litigation for solving trademark disputes, focusing on mediation, the Uniform Dispute Resolution Procedure for transferring rights in trademark-related domain names, and arbitration.<sup>15</sup>

The second half of the book offers chapters that are regionally or nationally focused. Martin Senftleben describes trademark transactions in the EU.<sup>16</sup> Laura Anderson considers those transactions under the UK's relatively liberal approach.<sup>17</sup> Axel Nordemann and Christian Czychowski describe how the German trademark system has shifted in a pro-transaction direction.<sup>18</sup> Nicholas Binctin discusses how the French concept of *fonds de commerce* – those physical and intangible elements that enable a merchant to engage in commerce – informs trademark transactions.<sup>19</sup> Irene Calboli describes rapidly dwindling U.S. limits on assignment and licensing.<sup>20</sup> José Carlos Vaz e Dias discusses Brazilian permutations.<sup>21</sup> Finally, four chapters consider trademark transactions in Asia. He Guo discusses how the relatively new Chinese trademark regime handles transfers of trademark rights.<sup>22</sup> Shinto Teramoto shares perspectives on a putative Japanese expansion of the right to transfer marks.<sup>23</sup> Susanna Leong compares trademark transaction rules among the member nations of

the Association of Southeast Asian Nations (ASEAN).<sup>24</sup> Raman Mittal concludes the volume by discussing trademark transactions in India.<sup>25</sup>

These chapters show how different regimes balance the need for private ordering against consumer protection when determining how much to encourage the transfer of rights in a trademark. My initial reference point for trademark transfers is the United States trademark regime. Historically, assignment or licensing stripped protection from the mark. Free alienation of trademarks is reasonably perceived as somewhat inconsistent with the dominant consumer protection rationale for trademark law (Calboli, Chpt. 18, pp. 440-41). Courts in the early part of the 20th century denied priority to assignees and licensees to avoid “a fraud on the purchasing public who reasonably assumes that the mark signifies the same thing, whether used by one person or another”<sup>26</sup> (Calboli, p. 444, n.26). I pause here to note the peculiar circumstance created when addressing assignment in gross and licensing without control by deeming the mark forfeited. That remedy leaves those same consumers the law sought to protect from the fraud perpetrated by assignment in gross or naked licensing to suffer a similar fate at the hands of an appropriator whose relationship to the former mark owner is even more tenuous, or in fact nonexistent.<sup>27</sup>

While the consequences of making the wrong sort of assignment or carelessly licensing a mark remain grave, the requirements for valid transfers and licenses have been relaxed. Courts no longer expect consistency with regard to physical source. A mark may be assigned without elements of the associated business like the physical plant, machinery used to make the product, connections with suppliers, or employee know-how (Calboli, p. 442). Indeed, the TRIPS agreement forbids member countries like the U.S. from requiring the mark be sold with the underlying business (Calboli, pp. 446-47). U.S. courts now require only that the mark is assigned with its underlying goodwill. Unfortunately, defining goodwill is a challenge (Calboli, p. 446). The modern U.S. rule has thus relaxed requirements for assignments in a way that leads to significant potential uncertainty for assignees and licensees, while simultaneously failing to account for consumer perception and protection.

One might hope that the inquiry into goodwill might consider how consumers respond or are likely to respond to the assignment at issue, to properly balance the needs of consumers with the needs of assignors and assignees and competitors selling similar products. Courts attempt to approximate consumer perception in the assignment context by asking whether the assignee has access to the assignor’s physical or intangible resources (inputs) and whether the assignee’s goods or services are similar to those previously offered by the assignor under the mark (outputs). A mismatch can forfeit priority in the assigned mark. For example, in *PepsiCo, Inc. v. Grapette Co.*, the assignee’s use of the assignor’s mark Peppy for a cola-flavor beverage, when the assignor had used the mark only on a pepper-flavored beverage, amounted to a fatal misalignment (*Cf.* Calboli, p. 445).<sup>28</sup> More recent cases embrace a relatively relaxed standard, allowing the assignee to retain priority if the assignee’s goods are in the same relative product category, irrespective of differences in quality. For example, in *Bambu Sales, Inc. v. Sultana Crackers, Inc.*, the court declined to hold that the assignee forfeited its priority when it offered

cigarette paper of a distinctly lower quality than that of assignor.<sup>29</sup>

Assignment rules in the U.S. provide imperfect measures of consumer perception, but looking at both inputs and outputs is better suited to discover consumer opinion than the licensing rules, which look only at one type of input – the putative existence of a licensor’s quality control measures. Courts don’t always require actual exercise of control by licensors; the existence of a contractual provision allowing the licensor to exercise control is sometimes treated as sufficient evidence that the licensee’s quality will match that of the licensor.<sup>30</sup> What rises to a sufficient amount of quality control is ill defined, and thus cases are inconsistent on this point (Calboli, p. 454). Even more troubling, courts rarely consider actual differences in quality in the absence of quality control measures. For example, in *Eva’s Bridal Ltd. v. Halanick Enterprises, Inc.*,<sup>31</sup> the licensor forfeited its ability to rein in a runaway licensee based on the lack of quality control, even though there was no evidence of confusion or inconsistency as to quality. Indeed, the licensees were relatives of the licensor, and the stores shared the same dress designer.<sup>32</sup>

For firms with international trademark portfolios, or firms looking to purchase or license a mark used internationally, there is a general shift in the direction of freer transfer and licensing of trademarks, but there is as yet no harmonization. Some regimes are quite permissive. For example, the UK regime takes freedom of contract as a foundational principle (Anderson, Chpt. 15, p. 359). Such a focus results in relatively permissive rules about assignment or licensing. For instance, well-known fashion designer Elizabeth Emanuel sold off her company, which kept using her name as the mark. The Court of Justice held that even though consumers might reasonably conclude that Emanuel was still involved in designing the marked product, that mistake on the part of consumers did not rise to a level of deceit sufficient to invalidate the transfer (Anderson, p. 362).<sup>33</sup> Similarly, in a licensing case, *Scandecor Development AB v. Scandecor Marketing AB*, the House of Lords ruled that licensing without licensor control is not inherently deceptive (Anderson, p. 375-76).<sup>34</sup> Singapore is similarly liberal in its approach to assignment, moreso than other ASEAN members (Leong, Chpt. 22, p. 542).

Other regimes have different mechanisms to police problematic transfers, with at least an eye toward preventing consumer deception or confusion. For example, the Office for Harmonization in the Internal Market, an agency of the European Community, will refuse to register a Community trade mark (CTM) – which would otherwise qualify for protection throughout the European single market – if the CTM is likely to mislead the public with regard to the “nature, quality, or geographical origin of the goods or services for which it is registered” (Senftleben, Chpt. 14, pp. 329). The Philippines also rejects assignments found likely to mislead the public, due to inconsistencies between the products of assignor and assignee, with regard to “nature, source, manufacturing process, characteristics, or suitability for ... purpose” (Leong, p. 543).

States also bring different tools to bear to discourage licensing without control. Some states, like India, use multiple mechanisms. The licensee’s right to use the

mark may be questioned. In addition, the licensor may forfeit the mark due to genericness or misuse. The licensor may even be responsible for faulty or injurious products pursuant to a product liability claim (Mittal, Chpt. 23, pp. 571-72).

States also adopt unique solutions to notify consumers of shifting ownership. For example, in Malaysia, another ASEAN member, the assignee must advertise the assignment to notify consumers of the new relationship (Leong, p. 543). Other regimes instead use mandatory recordation with the national trademark or patent office to provide notice to interested third parties. For instance, a license is unenforceable in Japan against non-contracting parties until it is registered with the Japan[ese] Patent Office (Teramoto, Chpt. 21, p. 532). Similarly, a license in China becomes binding on third parties only upon recordation with the Chinese Trademark Office (Guo, Chpt. 20, pp. 502-03).

Mark owners will sometimes split off a portfolio of products sold under a given mark, while retaining a separate portfolio of products also sold under that mark. Splitting the market will frequently require the parties to clearly designate their respective rights. For example, if the priority in each subset of the portfolio stems back to a singular first use in commerce, then the parties may not be able to sort out their legal rights in a market through a standard priority inquiry. In such a case, the parties must necessarily contract around the conflict (Bühler & Dal Malin, Chpt. 5, pp. 103-04). Privately ordering the market in this way through some sort of coexistence deal leaves open the possibility that consumer confusion will follow in its wake (Wilkof, Chpt. 11, pp. 262, 269). Some regimes manage this risk by putting limits on the ability to split a market. For example, splitting markets is not permitted in China or Malaysia (Guo, p. 497; Leong, p. 543). Other states dictate how parties must handle split markets. For example, in Japan, the law recognizes that “simultaneous representations” may potentially confuse consumers, so one mark owner may be required to provide an extra indication or affixation with products sold in order to prevent confusion (Teramoto, pp. 532-33.)

These international regimes provide a slightly different balance between rights to contract and consumer protection. Uncertainty leads to suboptimal guidance for firms with international portfolios. The editors of this volume predict an ongoing shift in the direction of greater harmony between the various national trademark transaction regimes. Harmonization has not yet arrived but the trend line clearly favors low restrictions and freer transactions.

Advocates for more open transfer of trademarks might argue that consumer goodwill often lies fallow in the hands of a current mark owner due to inattentiveness or misuse, and repurposing or reappropriating the mark for which consumers feel nostalgia will certainly benefit those consumers, compared to the status quo. That depends in part on the approach of the firm appropriating a forfeited mark, purchasing a mark, or taking a license. Consumers can certainly be drawn to inactive or underutilized brands, and firms can capitalize by acquiring the mark and taking advantage of that pathway to consumer custom (D’Souza, Chpt. 7, p. 156). Some might wonder whether a failed brand can retain consumer goodwill, but the failure of

a firm as an ongoing concern cannot always be attributed to consumer disinterest. For example, Linens ‘n Things was dissolved as a going concern when its corporate operators aggressively leveraged the company. Brands fail in part due to “quantifiable economic factors as well as subjective factors such as public perception” (D’Souza, p. 159).

Appropriations of inactive marks can also raise barriers to entry, compared to a situation where the abandoned mark has not yet been appropriated. For example, when Borders declared bankruptcy, Barnes & Noble bought the trade names and intellectual property of its now defunct competitor. Why purchase those marks? Likely with an eye to preventing a new entrant from rebranding Borders and enjoying an accelerated development of goodwill by capitalizing on consumer interest (D’Souza, pp. 158-59).

As I have argued elsewhere, the U.S. regimes are too focused on the relationship between former and current mark owners, and between incumbents and new entrants, and focused too little on the relationship between the mark and the consumer.<sup>35</sup> A properly aligned transfer regime would not only give lip service to the needs of consumers, but would also develop tools to measure whether consumers would benefit more from liberal transfer or some brakes on trademark alienation and licensing.<sup>36</sup> Perhaps tools used to value intellectual property could be brought more directly to bear on how consumers value and use marks in the hands of assignees, licensees, or post-forfeiture appropriators (*Cf.* D’Souza, pp. 152-56).

Calboli and de Werra take a decidedly agnostic approach to the correct balance between freedom of contract and the consumer protection, instead embracing a “diversity of opinions” with the goal of offering “a unique blend of doctrinal and critical interpretation of the rules related to trademark transactions” (Introduction, *xxxi*). They have reached and surpassed that goal: Those who hope for a streamlined summary of how trademark transactions operate in various national and international jurisdictions will find the volume worthwhile.

I am, however, left with the impression that the volume would have benefitted from a normative capstone. It would admittedly be difficult to provide a unified theory to synchronize the varying approaches described in each chapter. Nonetheless, an attempt to articulate lessons that could be gleaned in light of varying justifications for trademark protection would have been a welcome addition to an otherwise successful endeavor. Perhaps this review will provide the reader with a useful – if slightly critical and altogether too brief – summation of the field of trademark transactions.

## ENDNOTES

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<sup>1</sup> Michael Grynberg, Trademark Litigation as Consumer Conflict, 83 N.Y.U. L. Rev. 60 (2008).

<sup>2</sup> Reg. No. 0717273 (June 20, 1961).

<sup>3</sup> Daniel J. Gervais, TRIPS, Trademarks, and Trademark Transactions: A Forced

Reconciliation, in *THE LAW AND PRACTICE OF TRADEMARK TRANSACTIONS: A GLOBAL AND LOCAL OUTLOOK*, at 5 (Calboli & de Werra, eds., 2016) [hereinafter *TRADEMARK TRANSACTIONS*].

<sup>4</sup> Marcus Höpferger, Trademark Transactions and the Normative Framework of the World Intellectual Property Organization, in *TRADEMARK TRANSACTIONS*, at 29.

<sup>5</sup> Jane C. Ginsburg, Licensing Commercial Value: From Copyright to Trademarks and Back, in *TRADEMARK TRANSACTIONS*, at 53.

<sup>6</sup> Cédric Manara, The Complexities of Domain Name Transactions: Contracts for a Market Where Value Increases with Time, in *TRADEMARK TRANSACTIONS*, at 82.

<sup>7</sup> Gregor Bühler and Luca Dal Malin, How to Make Two Out of One: The Ins and Outs of Trademark Portfolio Splitting Transactions, in *TRADEMARK TRANSACTIONS*, at 98.

<sup>8</sup> Shubha Ghosh, Competitions, Markets, and Trademark Transactions, in *TRADEMARK TRANSACTIONS*, at 121.

<sup>9</sup> Roy P. D'Souza, Brand Differentiation and Industry Segmentation: Drivers for Trademark Valuation in Corporate Transactions, in *TRADEMARK TRANSACTIONS*, at 149.

<sup>10</sup> Jean-Frédéric Maraia, Trademark Transactions and International Tax Strategies, in *TRADEMARK TRANSACTIONS*, at 171.

<sup>11</sup> Robert Burrell and Michael Handler, Registering Security Interests Over Trademarks in Australia: Theory and Practice, in *TRADEMARK TRANSACTIONS*, at 197.

<sup>12</sup> Xuan-Thao Nguyen, The Intersection of Trademarks, Licenses and Bankruptcy: Ending Uncertainties in the Law, in *TRADEMARK TRANSACTIONS*, at 220.

<sup>13</sup> Neil Wilkof, Out of the Shadows: The Unique World of Trademark Consent Agreements, in *TRADEMARK TRANSACTIONS*, at 255.

<sup>14</sup> Dai Yokomizo, Choice-of-Court and Choice-of-Law Clauses in International Trademark Transactions, in *TRADEMARK TRANSACTIONS*, at 276.

<sup>15</sup> Jacques de Werra, Alternative Dispute Resolution Mechanisms for Solving Trademark Disputes (Mediation, UDRP, Arbitration), in *TRADEMARK TRANSACTIONS*, at 293.

<sup>16</sup> Martin Senftleben, Trademark Transactions in EU Law: Refining the Approach to Selective Distribution Networks and National Unfair Competition Law, in *TRADEMARK TRANSACTIONS*, at 327.

<sup>17</sup> Laura Anderson, UK Perspectives on Trademark Transactions: A Liberal Approach, in *TRADEMARK TRANSACTIONS*, at 358.

<sup>18</sup> Axel Nordemann and Christian Czychowski, Trademark Transactions in Germany: A Continental European System Moves Towards Common Understanding with the U.S., in *TRADEMARK TRANSACTIONS*, at 387.

<sup>19</sup> Nicolas Binctin, French Perspectives on Trademark Transactions: From the Civil Code to the Business Law?, in *TRADEMARK TRANSACTIONS*, at 410.

<sup>20</sup> Irene Calboli, Trademark Transactions in the United States: Towards a de facto Acceptance of Trading in Gross?, in *TRADEMARK TRANSACTIONS*, at 439.

<sup>21</sup> José Carlos Vaz e Dias, *New Dress Code for Business Transactions in Brazil: Essentials and Peculiarities of Trademarks in the Spotlight*, in *TRADEMARK TRANSACTIONS*, at 462.

<sup>22</sup> He Guo, *Chinese Trademark Law and Trademark Transactions: a Law in Transition in the Global Economy*, in *TRADEMARK TRANSACTIONS*, at 485

<sup>23</sup> Shinto Teramoto, *Japanese Perspectives on Trademark Transactions: Is Expansive Trademark Practice Prevailing Over the Conservative Stoicism?*, in *TRADEMARK TRANSACTIONS*, at 511.

<sup>24</sup> Susanna H. S. Leong, *Trademark Transactions in ASEAN: Convergences and Divergences in Emerging Markets*, in *TRADEMARK TRANSACTIONS*, at 537.

<sup>25</sup> Raman Mittal, *Trademark Transactions in India: Exploring the Genre, Scope and Consequence*, in *TRADEMARK TRANSACTIONS*, at 558.

<sup>26</sup> *Marshak v. Green*, 746 F.2d 927, 930 (2d Cir. 1984). See also *Macmahon Pharmacal Co. v. Denver Chem. Mfg. Co.*, 113 F. 468, 474–75 (8th Cir. 1901) (“A trade-mark cannot be assigned, or its use licensed, except as incidental to a transfer of the business or property in connection with which it has been used.”).

<sup>27</sup> Jake Linford, *Valuing Residual Goodwill After Trademark Forfeiture*, 93 *Notre Dame L. Rev.*, 811, 835 (2017).

<sup>28</sup> *PepsiCo, Inc. v. Grapette Co.*, 416 F.2d 285, 290 (8th Cir. 1969).

<sup>29</sup> *Bambu Sales, Inc. v. Sultana Crackers, Inc.*, 683 F. Supp., 899, 907 (E.D.N.Y. 1988).

<sup>30</sup> See, e.g., *Robinson Co. v. Plastics Research & Development Corp.*, 264 F. Supp., 852, 864 (W.D. Ark. 1967) (“[I]t is the right to control rather than the actual exercise of control which determines whether or not a license [sic] is valid ....”).

<sup>31</sup> 639 F.3d 788 (7th Cir. 2011).

<sup>32</sup> See also Linford, 93 *Notre Dame L. Rev.*, at 832.

<sup>33</sup> Case C-259/04, *Emanuel v. Continental Shelf 128 Ltd.* [2006] E.C.R. I-3089.

<sup>34</sup> *Scandecor Development AB v. Scandecor Marketing AB and Others and One Other Appeal* [2001] UKHL 21, [34], [2001] All E.R. 29 (H.L.) [38] (appeal taken from Eng.).

<sup>35</sup> Linford, 93 *Notre Dame L. Rev.*, at 833.

<sup>36</sup> For the author’s attempt to develop such a tool, see Linford, 93 *Notre Dame L. Rev.*, at 851-56.

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