

TRADEMARKS

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INTRODUCTION

Trademarks serve mainly three purposes viz. (i) encourage the production of quality products; (ii) reduce the customer's costs of shopping and (iii) help the customer to make decisions on purchasing products.

Trademarks help promote economic efficiency. If trademarks are not allowed to be registered with the manufacturers it may eventually take away the incentive of trademark owning manufacturers to make investments in quality control. There would thus be no healthy competition among the manufacturers leading to the loss of vitality of the economy. If we do not have a system of having trademark, a manufacture would get nothing by improving his product's quality. And consumers would not be in a position to identify high or low-quality products. In such a situation a manufacturer who reduce the price by reducing quality may pocket the benefit of the market. The consequence would be attempts to produce inferior quality products rather than competition to produce better-quality products.

Today the uniformity of quality of products in the marketplace is the result of the use of trademarks rather than the inherent nature of production or the reflection of altruistic motives of manufacturers or distributors.

In a system wherein trademarks are allowed to be infringed, all may take a free ride on the successful sellers trademark and reputation, there would be no incentive to distinguish one's own goods and services.

Trademarks reduce the customer's cost and agony of acquiring information about products and service. Information the procedure and the time required to acquire is not without expenditure. If a person knows by his experience or experience of others that a product is of good quality he would go for that brand without much ado. With reference to the question of new trademarks if the customers are willing to pay for the new brand to establish itself through advertising then the rational potential entrant will have incentive to enter the market and enjoy success. It is for the customers to do the needful.

Trademarks are universal phenomena. The legal systems of free market economies as well as that of the socialists' economies recognize some form of identification of the source and quality of goods.

The law of trademark is a branch of unfair competition or unfair trade practices. In other words, trademark law is a part of the generic law of unfair competition. However,

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trademark infringement law and unfair trademark law are different. The essential element of a trademark is the exclusive right of its owner to use a word or device to distinguish his products. On the contrary a claim of unfair competition consider the total physical image given by the product and its name together.

In a sense the law of trademarks reflects the societal view that certain forms of competitive behaviour in business practices are unfair. Today there is consensus that gaining customers by the use of confusingly similar to trademarks is contrary to all concepts of commercial morality ethics and fairness.

The logic underlying protection of trademarks seems to be the fairness involved in the first user being given the recognition as he is the first to appreciate the value of the mark who had gone through the efforts necessary to establish the mark as a meaningful symbol. To permit others to exploit the first user's efforts is unjust. From the customers' standpoint this conduct is an unfair trade practice inasmuch as it deceives the purchaser. In that sense, it is a fraud on the public, which acquires a right in course of time to get a particular brand.

It is argued by many that trademarks actually create a barrier to entry to the market. It does not appear to be correct. In fact when consumers have the benefit of advertising retail prices are dramatically lower than without advertising. Advertising may reduce, not raise the cost of products/services. However, when such barriers exist it may be noted that they exist because consumers prefer the brand with the favourable representation and are willing to pay a higher price for them.

“Trademarks, indeed, are the essence of competition because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trademarks encourage the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates. To protect trademarks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not....” (S. Rep. No. 1333 79th Cong. 2d. Session. (1946) US CCAN 1275).

Trademark confers a ‘right to exclude’ – a limited exclusive right. In this view it can be said that trademark is a form of property. The property parameters of a trademark are defined very differently from any other kind of property. The exclusive property right in the trademark is defined by customer perception. Trademark owners has a property right only in so far as is necessary to prevent customer confusion as to who produced the goods and to facilitate differentiation of the trademark owner's products. As a “property right” marks can be alienated like any piece of property. Trademarks can be bought, sold and licensed.

Trademark has no existence apart from the goodwill of the product or service it symbolizes. In a sense a trademark is a “property” only in the sense that it is a symbol of the goodwill. When an article bearing a trademark is sold, the goodwill that trademark

signifies is a factor in making the sale. The goodwill's existence is in the minds of the buying public. In fact goodwill is a business interest that reflects the basic human tendency to continue purchasing things from a seller who has offered goods that the customer develops a liking in course of time. The goodwill together with its symbol the trademark -- are classified as property. It is non-tangible and non-physical. When alienated together, trademarks and their goodwill are subject to ownership like any other form of intangible property rights. Even though trademarks and goodwill are forms of non-physical property they can be carried on in the books as an asset of the company.

While free competition is a goal, it does not override protection for the goodwill established by a user for though the goodwill name and reputation of the producer remains his private property and may not be traded upon and exploited by the competitors.

REGISTRATION OF TRADEMARK

Registrability of the Mark as Trademark:

Any mark, which is not hit by the definition and section 9, qualifies for registration. However, a mark qualified under section 9 has to meet the positive objections under section 11 to be finally registered. Section 11 is the qualification of section 9. Mark having crossed the threshold under section 9 is capable of getting the protection of the Trademark Act subject to section 11. It deals with prohibition on registration but does not hit the inherent capability of mark as to its registrability. The marks prohibited under section 11 may not be desirable based upon public policy considerations.

Under The Trademark Act, 1999, trademark is defined as to mean *inter alia*, a mark, which can be represented graphically and is **capable of distinguishing the goods or services of one person from those of others**. The definition itself prescribes two features to be present in any mark to be a trademark:

- Capability of being represented graphically;
- Capability to distinguish the goods or services of one person from those of others.

Absolute Grounds for Refusal of Registration under Section 9

Whereas Section 9 of The Act lays down the ground for on the basis of which, the registration of the mark can be denied absolutely. One of the grounds is 'if the mark is devoid of distinctive character'¹. The phrase 'distinctive character' implies the 'capability of the mark to distinguish' the goods or services of one person from that of the others. It also implies that the mark in itself should be distinctive in certain cases. For example, common word of dictionary or the name of the place can not be registered unless it is shown that the common word or the name has become distinctive of his goods or services

¹ Section 9(i)(a)

in the mind of the purchasing public, but if he succeeds, then he will be entitled to protect his mark by registration.²

Another ground³ for refusal to register the mark is that the mark should not indicate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of services or other characteristics of the goods or services. In addition to these, a mark stands disqualified from registration if represents the shape of goods results from the nature of the goods themselves or shape of the goods necessary to obtain a technical result or shape which gives substantial value to the goods.⁴

Yet another ground⁵ is that the mark must not be consisted of the marks or indications, which have become customary in current language or in the bona fide and established practices of the trade it is not desirable to monopolize such marks.

These are the grounds, which are specific to the mark that means, if the mark is affected by any of these characteristics, it cannot be registered. But this is not the end. The mark not affected by any such disqualification, has to pass what can be called as the effect test. That means, the mark should not deceive the public or cause confusion or hurt the religious susceptibilities of any class or section of the citizens or be scandalous or obscene.⁶ The section 9 lays down the pre-requisites of qualification for the protection of trademark law.

Section 9 (2) (a) seeks to prevent the registration of marks, which are of such nature as likely to deceive the public or cause confusion. Generally deception or confusion might arise by reason of similarity between the proposed mark and another existing mark or might result from the nature of the mark itself or nature of the use of the mark.⁷ For example, deception in the nature of the Mark may be in the form of misrepresentation as to the characteristics of the goods or services or to the effect that they were made in a specified geographical region or place, when in fact not so made. Deceptive use may involve where mark contains false or misleading information. E.g. use of word Regd. when the mark is actually not registered.

Section 9(2)(a) is intended to apply where the deception or confusion arises from the nature of the mark itself⁸ and not to the questions based upon the similarity of the mark with other existing mark which is a ground of refusal under section 11 which deals with relative grounds of refusal for registration. Hence, a mark not deceptive or confusing may

² K. C. Kailasam/Ramu Vedaraman, *Law of Trademarks and Geographical Indications* (Wadhwa and company, Nagpur) 2003 at 91

³ Section 9(1)(b),

⁴ Section 9(3)

⁵ Section 9(1)(c)

⁶ Section 9(2)

⁷ K. C. Kailasam/Ramu Vedaraman, *Law of Trademarks and Geographical Indications* (Wadhwa and company, Nagpur) 2003 at 150

⁸ This is in consonance with the heading of section entitling "absolute grounds for refusal".

qualify for registration even if the mark has resemblance or identity with other mark but is distinct.

Section 9 (2) (b) forbids registration if the mark contains or comprises of any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India. But this does not forbid the use of name or pictures of God or Goddess or religious heads as trademarks that are not offending. Examples of offending use may be use of Hindu Gods in respect of beef or meat or Muslim Saints for port products etc. however, the perception and the practice is that usually symbols relating to religion, gods or goddesses, place of worship should not be registered even if it is not hurting but because these are part common heritage and should not allow any monopolization.

Section 9 (2) (c) prohibits the registration of mark if it is scandalous or obscene. Whether the mark is scandalous or obscene or not depends upon the current religious, social and family values.

In addition to all these ground for refusal of registration of a mark under section 9(3) on the ground of shape will not be entertained for registration. The shape of the goods resulting from its nature⁹ or giving substantial value to goods or shape of goods necessary to obtain technical results¹⁰ would disqualify the mark for registration. Whereas the definition of the mark itself provides that mark includes shape of goods or packaging. However generally the shapes would not be allowed registration unless it is shown that the shape is distinctive of the goods or services.

Relative Grounds for Refusal of Registration under Section 11

While Section 9 provides for absolute grounds for refusal of an application for registration of trademark, section 11 provides for relative grounds for refusal to register any trademark. Subsection (1) of section 11 provides that a mark shall be refused registration if it is identical with an earlier trademark covering similar goods or services as are covered by earlier trademark. Also refusal can come if the mark is similar to the earlier trademark covering identical goods or services as are covered by the earlier mark. The registrar is under obligation to refuse the registration on the ground of 'likelihood of confusion' on the part of the public. Earlier trademark need not necessarily be registered. If the trademark is having earlier priority date or is entitled to protection by virtue of being well-known trademark, it would sufficiently be an earlier mark for the purposes of this section.

So the Registrar before refusing the register a mark that has come up for registration has to function at three levels. One, he must find out the identity or similarity of mark. Two he must look for identity or similarity of goods or services to which the mark is going to be applied. And three, he must check out whether there is any likelihood of confusion on the part of the public.

⁹ Philips Electronics v Remington [1999] RPC 309

¹⁰ Philips Electronics v Remington [1999] RPC 80; *Proprietary (PTY) Ltd v Beecham Group PLC* FSR [2001] 583.

Likelihood of confusion [Section 11(1)]

Section 11(1) of the Trade Marks Act 1999 says that if because of the identity or similarity of marks or goods or services, there exists a **likelihood of confusion on the part of the public**, which includes the **likelihood of association with the earlier trademark**, the mark shall not be registered save as otherwise provided in section 12.

Laying down the test in Amritdhara Pharmacy case¹¹ the Supreme Court observed: *“for deceptive resemblance two important questions are: (1) who are the persons whom the resemblance must be likely to deceive or confuse, an (2) what rules of comparison are to be adopted in judging whether such resemblance exists. As to confusion, it is perhaps an appropriate description of the state of mind of a customer who, on seeing a mark thinks that it differs from the mark on goods, which he has previously bought, but is doubtful whether that impression is not due to imperfect recollection... the question has to be approached from the point of view of a man of average intelligence and imperfect recollection.”*

The risk of likelihood of confusion is considered as the most in cases where both the mark and goods and services are identical of the existing mark and lesser where either of them is identical. Whereas in the instance of similarity of mark and good or services risk is considered lesser than in case of identical marks.

Procedure for Registration

1. Application for Registration

Section 18 of the Trade Marks Act 1999 says that any person, claiming to be the proprietor of a trademark used or proposed to be used by him, who is desirous of registering it shall apply in writing to the registrar in the prescribed manner for the registration of the mark.

Essential Ingredients for registration:

- (i) Any person
 - (ii) Claiming to be proprietor
One may acquire proprietorship by assignment, inheritance, by use in case of unregistered mark, the designer or the originator will be the proprietor in case of any controversy.
 - (iii) Used or proposed to be used (Definite and present intention to use the mark as on the date of the application.)
2. Withdrawal of Acceptance
 3. Advertisement of Application
 4. Opposition to Registration
 5. Registration

¹¹ Amritdhara Pharmacy v Satyadeo Gupta AIR 1963 SC 449.

PASSING OFF

With the tremendous growth in trade and commerce, the competitors or other traders tend to imitate the well known or reputed trademarks by imitating colour scheme or get up or packaging with a view to pass off such goods as goods of the genuine owner. In cases of registered trademarks, the owner can move the court under this Act for the infringement whereas in cases of the unregistered trademarks, the Act recognizes the Common Law remedy of passing off. The tort of passing off is based upon the principle that “no man is entitled to represent his goods as being the goods of another man; and no man is required to use any mark, sign or symbol, device or means, whereby without making a direct representation himself to a purchaser who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate purchaser.”¹²

The plaintiff, in an action of passing off, has to establish that his business or goods has acquired the reputation and that his mark has become distinctive of his goods among the public at large. He has to establish that there is likely hood of deception or confusion in the minds of the public. He, however, does not have to establish the fraudulent intention on the part of the defendant. Thirdly, he has to establish that confusion is likely to cause damage or injury to the reputation, goodwill and fair name of the plaintiff. He need not prove the actual loss or damage in an action of passing off.

The probability of deception is a question of fact, which depends upon a number of factors as held by Supreme Court in *Cadila Healthcare* case¹³:

- (i) Nature of the mark
- (ii) Degree of resembleness between the marks.
- (iii) Nature of goods in respect of which they are used
- (iv) Similarity in the nature, character and performance of the goods of the rival traders.
- (v) Class of purchasers, who are likely to buy the goods bearing the marks, their education and intelligence and a degree of care they are likely to exercise.
- (vi) Mode of purchasing
- (vii) Any other surrounding circumstances which may be relevant.

INFRINGEMENT UNDER THE ACT

The registration gives the proprietor exclusive right to use the trademark in relation to goods or services in respect of which the registration is being made under section 28 of the Act.¹⁴ This right of exclusive use shall be subject to conditions and limitations with which the registration is made. A registered trademark is infringed when a person, not

¹² *Singer Manufacturing Co. v Loog* (1880) 18 Ch. D. 395, p. 412.

¹³ *Cadila Healthcare Ltd. v Cadila Pharmaceutical Ltd.* (2001) 5 SCC 73. Other important case is: *Mahendra and Mahendra Paper Mills Ltd. v Mahindra and Mahindra Ltd.* AIR 2002 SC 117.

¹⁴ Important case on this point is *Revlon Inc. and another v Hosiden Laboratories (India) and others* 2001 PTC 595.

being a registered proprietor or permitted user, uses in the course of trade, a mark, which is identical with or deceptively similar to the registered trademark, in relation to goods or services in respect of which the trademark is registered.¹⁵ Section 29 gives instances of what shall constitute infringement. The gist of the offence of infringement is that the mark is deceptively similar and is likely to cause confusion on the part of the public.

In cases of infringement, the plaintiff does not have to prove that he is the user. Mere registration on his part is enough to give him the right to sue unlike in cases of passing off wherein the plaintiff has to prove that he is user of the mark, which has become distinctive of his product.

In cases of infringement, there may be instances whereby the defendant does not use the exact mark but the get up is similar that he is likely to be deceived, such circumstances would warrant for an injunction is a recognized way back in 1970 by the Supreme Court in *Ruston case*.¹⁶ In *Torrent Pharmaceuticals*¹⁷ the Court held that the test to determine the two mark identical or resemble each other or is likely to deceive or cause confusion is the test of an average person with imperfect recollection.

In *Dyechem Ltd.*¹⁸ case the Supreme Court traced the legal principles applicable to cases of infringement with reference to the dissimilarities in essential feature of a mark.¹⁹ The Apex Court observed that the question of resemblance of two marks could be determined by considering the **leading characters** of each. Yet the sameness of most leading elements in each may give very different impression. On the other hand, critical comparison of the two marks might disclose numerous points of difference and yet the impression which would remain with any person seeing them apart at different time might be the same. Thus it is clear that a mark is infringed if the essential features or essential particulars of it are copied. It is more so, when any distinctive arrangement or unusual features of the common elements are copied.²⁰ The apex court further recognized that under other laws, emphasis is laid on the common features rather than on essential features and held that “where common marks are included in the rival trade marks, more regard is to be paid to the parts not common and the proper course is to look at the marks as a whole but at the same time not to disregard the parts, which are common.”

Thus the Supreme Court lays down three-prong test to determine the infringement:

- (i) Is there any special aspect of the common feature, which has been copied?
- (ii) Mode in which parts are put together differently, i.e. whether dissimilarities are sufficient to make the mark dissimilar?
- (iii) Paying more regard to the parts, which are not common while at the same time not disregarding the common parts.

¹⁵ Section 29.

¹⁶ *Ruston & Hornby Ltd. Zamindara Engineering Co. Ltd.* AIR 1970 SC 1649

¹⁷ *Torrent Pharmaceuticals Ltd. v The Wellcome Foundation Ltd.* (guj) 2001 (2) CTMR 158.

¹⁸ *S. M. Dyechem Ltd. v Cadbury (India) Ltd.* (2000) 5 SCC 573

¹⁹ *K. C. Kailasam/Ramu Vedaraman, Law of Trademarks and Geographical Indications* (Wadhwa and company, Nagpur) 2003 at 397.

²⁰ *S. M. Dyechem Ltd. v Cadbury (India) Ltd.* (2000) 5 SCC 573

WELL-KNOWN TRADEMARK

Article *6bis* The Paris Convention provides for protection of well-known mark by mandating the member countries to prohibit the use of a trademark, which constitutes a reproduction, an imitation, or a translation liable to create confusion of a mark considered by the competent authority of the country of registration or use to be well-known mark in that country as being already the mark of a person entitled to the benefits of the convention.

Neither the Paris Convention nor TRIPS agreement contains any definition of well-known mark, which is defined, for the first time, under Section 2 (1) (zg) of Indian Trade Marks Act 1999. Section 2 (1) (zg) defines:

Well-known trademark in relation to any goods or services, means a mark which has become so to the substantial segment of the public which uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services.

Section 11 (6) to (11) deals with the matters relating to Well-known trademark. Subsection (6) lays down the list of factors to be taken into account by the Registrar while determining Well-known trademark. It is mandatory for the registrar to look into these aspects, which includes:

- (i) Knowledge or recognition of that mark in the relevant section of public including knowledge in India obtained as a result of promotion of the trademark.
- (ii) Duration, extent and geographical area of use of that mark
- (iii) Duration, extent and geographical area of any promotion of the mark, including advertising or publicity and presentation, at fair or exhibition.
- (iv) Duration and geographical area of any registration of or any publication for registration of that mark, to the extent they reflect the use or recognition of the mark.
- (v) Record of successful enforcement and the extent to which the mark has been recognized as a Well-known trademark by any court or Registrar.

It must be mentioned here that these factors are only indicative and illustrative and by no means exhaustive. Registrar is not precluded from taking into consideration other factor, if found relevant. Also it is not necessary that all the criteria mentioned in the subsection (6) must be complied with. However, it is mandatory for the Registrar to take into consideration all these factors and cannot ignore any.

The protection afforded to a well-known trademark is on territorial basis. So the person seeking protection and enforcement of well-known trademark has to adduce evidence regarding duration, extent and geographical area of any use of the well-known trademark. The kinds of evidence may include consumer surveys and opinion polls, promotion of the mark through advertising in both print and electronic media etc.

