Making Way for Foreign Trade Marks:
The New Trade Mark Law in India

ABSTRACT

Following the requirements of the General Agreement on Trade and Tariff (GATT), India enacted the Trade Marks Act, 1999, replacing the Trade and Merchandise Marks Act of 1958. The new law has come into effect only from September 2003. The Act of 1958, in the context of India's thrust to create an isolated economy to protect and promote Indian industries, discouraged foreign trade marks. The new Act has reversed this and given special protection to foreign trade marks. The paper reviews the changes which have been brought about towards strengthening rights of foreign trade marks. A trade mark could not be registered unless it had goods bearing the mark in the Indian market. Due to import restrictions, the goods of foreign firms could not be in the Indian market and, thus, the marks could not be registered. The new Act has taken away this constraint for 'well known trade mark'. Trade marks which are well known in any part of the world, can be registered even if there are no goods in the Indian market. Further, no Indian mark can be registered if it detracts in any manner from the value of a 'well known trade mark'. A registered trade mark, not used for five years, could be removed from the register. This provision has been diluted in favour of foreign trade marks. Only the Central government, considering interests of domestic industries and prevention of trafficking in trade marks, could permit licensing of foreign trade marks. The new Act has removed these constraints.

Making Way for Foreign Trade Marks: The New Trade Mark Law in India

Akhileshwar Pathak[*]

An Indian company styled itself as Toshiba Appliances Co. and proceeded to use trade name 'Tosiba' for electric appliances. The Toshiba Corporation of Japan objected to this (mis)appropriation. Toshiba Corporation, like several other foreign corporations, in the context of import restrictions prevailing in India till 1990s, could not put its goods in the Indian market. The Calcutta High Court in 1993, with reference to the trade mark law in India, ruled in favour of the Indian company[1]:

> Now, if there are no goods at all in physical existence, there can be no use of the mark in relation to those. It is the same, if the goods are in physical existence somewhere else than in the Indian market. For, however, big the foreign market of a trader might be, and however famous his trade mark might be all over the world, yet to qualify for use of the mark in relation to the goods within our Trade and Merchandise Marks Act of 1958, such use must be made in India and not abroad.

It was argued that putting the mark in circulation through advertisement is also 'use' of the trade mark. The court disagreed:

> ... a mere use of the mark in advertising or other publication media is insufficient as 'use'. This is quite understandable, because if it were not so, trafficking in trade marks could be legally indulged in, for a mark could be registered and then kept alive merely by advertising without ever putting any goods into the market.

[*] Associate Professor, Indian Institute of Management, Ahmedabad.

[1] See Calcutta High Court's judgement, Toshiba Corporation v. Toshiba Appliances Company, 1994 (1) ARBLR 231.

Describing such appropriation of reputed trade names by domestic parties as 'unpreventable hazard', the High Court noted:

> The trade mark law is a national code and not an international treaty... If a country blocks international trade within itself, international names only cannot be registered and preserved in the blocked market. This would mean allowing international names to hold the market totally without goods, or give international marks a copyright value, and both these are impermissible and against the first principle of trade mark law.

While the Calcutta High Court was pronouncing its judgement, an entirely opposite scheme of things was already put in place through the General Agreement on Trade and Tariff (GATT), of which India was a signatory. The position in Toshiba case represents India's attempts to build a closed economic system based on promotion of local industries. GATT required India to make legislation to give strong protection to foreign trade marks. A Trade Marks Bill, to give effect to the requirements of GATT, was tabled in the Parliament in 1995 itself. The bill could not be passed due to the dissolution of the Parliament. It finally got enacted in 1999 and has come into effect from September 2003.

This paper reviews the changes which have been brought about by the new law in relation to protection to foreign trade marks. The new law is yet another instrument to transition India to a liberalised-globalised economy. An understanding of the nature of changes would be important for research, business practices and public policy. We would first briefly describe the development and working of the trade mark law.

The Trade Mark Act and Passing off

The development of trade mark law is founded in the common law of England. Starting from the medieval period, as traders brought disputes before the courts, the courts settled the cases and formulated the law. The courts recognised very early that 'nobody has any right to represent his goods as the goods of somebody else'. This came to be known as a passing off action. A particular kind of passing off was when a trader used an identical or deceptively similar trade mark to one existing before it. The one who had started using a mark first, was recognised to have a right over it. As more and more cases came before the courts, the courts came to consider a trade mark as a property in its own right. In a trade mark infringement case, a person had to prove that he had a right in the trade mark by prior user and then 'to show that the trade mark has been taken'.[2]

To facilitate trade, the United Kingdom enacted a trade mark Act in 1875. The Act provided for registration of trade marks. Registration became the proof of ownership in all court action for trade mark infringement. This reduced the cost of litigation a great deal. A trader could get a mark registered only if it fulfilled certain criterion. The Trade Mark Act of 1875 was repealed and substituted by the Patents, Designs and Trade Marks Act, 1883. This Act was substituted by the Trade mark Act, 1905. The next re-enactment was the Trade Marks Act, 1938. Thus, the law on registration of trade marks and protection against infringement developed through statutory enactments. Parallel to this, all non-registered trade marks and other cases of appropriation of goodwill could seek remedy under the common law of passing off.

India borrowed the British Trade Marks Act of 1938 and made the first Act on the subject, the Trade mark Act of 1940. In Independent India, the Trade and Merchandise Marks Act, 1958 replaced the Act of 1940. The Act was in operation till September, 2003. The operative law now is the Trade mark Act, 1999. Alongside, the Indian courts continued to develop the remedy under 'passing off'.

The Trade and Merchandise marks Act, 1958 made provisions for registration of a trade mark. A trader could get his mark registered with the Registrar of trade marks. Registration was done in relation to specific goods falling in a specific class. The Act and Rules categorised goods into 34 classes. The proprietor of a

---

[2] A British case, Singer Manufacturing Co. v. Wilson(1876), referred to in Shavaksha, K. S. (1974), *The Trade and Merchandise Marks Act, 1958: With a Commentary, Critical and Exhaustive*, N M Tripathi Private Limited, Bombay: p xxxiv

trade mark could restrain an unauthorized use of the trade mark in relation to the class and goods in relation to which the trade mark was registered.

The Trade and Merchandise Act, 1958 was informed by reports of two Committees, Shavaksha and Ayyangar Committees.[3] Like other legislative reforms in the post Independent India, the Act was guided by the policy of developing local industries by insulating them from competition from foreign firms. The provisions of the Act, on their own, were not very different from the Trade mark Act prevailing in the UK, on which the previous Indian Act was based. However, in the context of restrictions on joint ventures and import of goods, the provisions of the Act could deny the benefit of its protection to foreign trade marks. We would see how different provisions worked together to create this result.

Registration of Foreign Trade marks

A trade mark had to meet several criterion for it to qualify to be registered. The law recognised a strong monopoly right in trade mark and exclusive use by its owner. At the same time, law's concern was that recognition of this right should not be to the detriment of others. Towards this, the law stipulated that words describing the good or its qualities would not be registered. Registration of such marks would have meant that a rival trader would not be able to describe the quality of his goods by using those adjectives. It would amount to one person appropriating certain adjectives belonging to language for exclusive use. Similarly, surnames, names of places and geographical names would ordinarily not be registered.

There were, however, counter-claims to this. Historically, businesses identified themselves with family name of the owner, place of manufacturing or the very good which was being manufactured. The traders may have invested for long in their business. It would have been unfair to give them no protection. The rival contentions got balanced by developing the concept of 'distinctiveness'. Law

[3] See Supreme Court's judgement, American Home Products Corporation v Mac Laboratories Private Limited, 1986 AIR(SC) 137.

recognised rights over descriptive words, surnames and names of geographical places, only if the trader could show that their use was so extensive that these had become 'distinct' of the goods of the trader. That is, in the minds of the buying public, the word's primary meaning had got lost and it had come to 'distinguish' the goods of the trader.[4] The applicant would need to establish that with user, the mark has become distinctive of the trader.

A mark could become distinctive only 'in the course of trade' and 'use of trade mark'. As foreign goods could not be brought in due to import restrictions, there was neither any trade nor 'use of trade mark'. Thus, any trade mark which was a surname or a laudatory word, no matter how well known abroad, could not be registered in India. Several worldwide famous brands were surnames, like Sears, Lauder, Honda, Suzuki and Adidas.

Trafficking in Trade mark

Foreign firms, restricted from doing business in India, could have contracted the right to use their trade mark to Indian firms. The trade mark law, however, since its inception, has seen such 'trafficking in trade marks' as a 'cardinal sin'.[5] Let us understand why has this been a sin. In the course of development of trade mark law, it came to be recognised that a trade mark:

> ... is an indication of origin, and if you transfer the indication of origin, without transferring the origin itself, you are transferring a right, if any right at all, to commit a fraud upon the public.[6]

---

[4] See judgement of the Delhi High Court, Globe Super Parts v. Blue Super Flame Industries, dated November 11, 1985, printed in Agarwal, K. L. and Sahni, K. L., (1997), *Cases and Materials on Trade Marks and Allied Laws*, Om Law Book House, Delhi: p 138 for an elaboration on primary and secondary meaning of a trade mark.

[5] See review of In Re American Greetings Corp's Application ((1983) 2 All ER 609 in Supreme Court's judgement, American Home Products Corporation v Mac Laboratories Private Limited, 1986 AIR(SC) 137.

[6] A British case, Pinto v. Badman, 1891, cited in Narayanan, P. (1971), '*The Law of Trade Marks and Passing Off*', Eastern Law House, Calcutta: p228.

Trade mark could not be separated from the origin of business and the goodwill of that business.[7] Thus, a trade mark could not be assigned on its own without the manufactory of the goods. To deal in a trade mark on its own, without association with any business or goodwill, came to be known as trafficking in trade mark. This was prohibited in the trade mark laws in UK till 1938.

With changing business practices, however, goodwill and trade mark came to have overlaps. As the Goschen Committee Report, 1933, noted:

> Under modern conditions of trading the tendency is for the business to be built up around the trade mark, and the commercial view today is that the goodwill of a business frequently is inherent in the trade mark itself.[8]

In other words, trade mark itself had become the shorthand for goodwill and origin. Transfer of trade mark was itself another form of transfer of goodwill. Thus, in the Trade Mark Act of UK of 1938, which gave effect to the Goschem Committee Report, the changed circumstances were recognised. The Act made it possible to transfer trade mark on its own, subject to certain restrictions. The restriction was that the transfer should not result in more than one person with the right to use the mark. This was a necessary corollary of the findings of the Goschem Report. If trade mark was an indication of origin, origin could not be in more than one place. Thus, the person transferring it must do it entirely and to only one person. This restriction gave rise to another category of transfer, called 'registered user'.

As the function of a trade mark is to indicate trade origin, allowing any person to use a mark, not connected with the owner, would lead to deception of the public. However, business practices required legal recognition where know-how and technology was being shared between firms. Thus, provisions were made where a registered trade mark could be licensed for use to another person by making an application to the Registrar. The application had to be accompanied

[7] A British case, Reuter v. Mulhens, 1953, cited in Narayanan, P. (1971), '*The Law of Trade Marks and Passing Off*', Eastern Law House, Calcutta: p229.

[8] Quoted in Narayanan, P. (1971), '*The Law of Trade Marks and Passing Off*', Eastern Law House, Calcutta: p229.

with a user agreement between the parties. In this, the owner had to exercise effective control over the use of the mark by the registered user, particularly in relation to quality. No application for registration as registered user was entertained unless the registered user agreement complied with the conditions preventing trafficking in trade marks. The Registrar was to be the judge of this requirement in the Act. These provisions, incorporated in the UK Act of 1938, were borrowed in the first Indian trade mark Act of 1940.

After Independence, the Government of India appointed the Ayyangar Committee to make recommendation for enactment of a new trade mark Act. The Report observed that of the then 2262 registered users in respect of trade marks, 2156 were foreign proprietors and only 106 by persons of Indian domicile including Indian Companies.[9] The Committee found this undesirable in giving encouragement to local industries. Following the recommendations, the Act of 1958, in addition to the earlier provisions preventing trafficking in trade marks, introduced measures to protect and encourage local industries.

The Registrar, after securing all relevant documentation from the parties, had to forward applications for registering as a registered user to the Central government. In addition to preventing trafficking in trade marks, the Central Government had to consider the interests of 'the general public and the development of any industry, trade or commerce in India'. After the Central Government has taken its decision, the Registrar was to dispose of the application in accordance with the directions issued by the Central Government.

The Central Government, exercising its powers under the Act, refused permission to foreign trade marks to give rights of registered user in India. In addition, the Foreign Exchange Regulation Act of 1973 stipulated that foreign concern shall not 'permit any trade mark, which it is entitled to use, to be used by any person or company for any direct or indirect consideration without the approval of the Reserve Bank of India'. The Reserve Bank had made a

[9] Chandiramani, Nilima (1996), 'Trade Marks Bill, 1995: A Mark of Disaster', Mainstream, January 13, 1995.

notification setting out that the permission for doing this was to be given only in the cases where goods were exclusively meant for exports out of India.[10]

Trafficking in Trade Marks: Non-user Clause

The other forms of trafficking were to get marks registered without any intention of using them. Law recognised this also to be a form of trafficking. It was formulated that getting a name registered without having the goods in the market was mischievous. As the courts in early period described it,

> ..... one cannot help seeing the evils that may result from allowing trade marks to be registered broadcast, if I may use the expression, there being no real intention of using them, or only an intention possibly of using them in respect of a few articles. The inconvenience it occasions, the cost it occasions, is very large, and beyond that I cannot help seeing that it would lead in some cases to absolute oppression, and to persons using the position they have obtained as registered owners of trade marks (which are not really bona fide trade marks) for the purpose of trafficking in them and using them as a weapon to obtain money from subsequent persons who may want to use bona fide trade marks in respect of some classes in respect of which they find those bogus trade marks registered.[11]

The law, thus, made provisions for removal of marks from the register.

Removal from Register

A registered trade mark could be renewed by paying a required fee. Thus, a mark, once on the register, could be kept alive in perpetuity. However, the trade

[10] Judgement of the Calcutta High Court, Hardie Trading Limited and Anr v. Addisons Paints and Chemicals Limited, 1995 (S) ARBLR 513.

[11] Romer, J., in In re the Registered Trade Marks of John Batt & Co. and In re Carter's Application for a Trade Mark ((1898) cited in American Home Product Corporation v. Mac Laboratories Private Ltd., AIR 1986 SC 137

mark law has had provisions for removal from register on the grounds of non-user. A registered trade mark could be taken off the register by making an application to the Registrar or a High Court 'by any person aggrieved' on any of the following two grounds:

> (a) that the trade mark was registered without any bona fide intention on the part of the applicant for registration that it should be used in relation to those goods by him.... or
>
> (b) ... a continuous period of five years or longer had elapsed during which the trade mark was registered and during which there was no bona fide use thereof in relation to those goods ...

Let us explore how these provisions have worked in relation to foreign trade names.

Reynolds 'Now' Cigarette Case

Reynolds was an American Tobacco Company who had the registration of its trade mark NOW in nearly 80 countries including India. It got the mark registered in India in July 1975 but could not import cigarettes into India. There was a ban on the import of cigarettes since around 1957. The cigarette sold in large number of countries in the world. The India Tobacco Company (ITC) launched a brand of cigarette named 'NOW' and applied for registration. It was refused registration as the mark was already registered with Reynolds. The ITC applied for removal of NOW from the register claiming that the registration was without any intention of using the mark in relation to goods. Reynolds argued that there was a genuine intention of using the mark while registering it. The intention was that cigarettes could be imported as and when the Government of India relaxed its policy. The Delhi High Court relied on an earlier ruling of the Supreme Court:[12]:

[12] American Home Product Corporation v. Mac Laboratories Private Ltd., AIR 1986 SC 137

> The intention to use a trade mark sought to be registered must be, therefore, genuine and real ... the fact that the mark was thought to be something which some day might be useful would not amount to any definite and precise intention at the time of registration to use that mark. The intention to use the mark must exist at the date of the application for registration and such intention must be genuine and bona fide.

The Court, thus, ruled in favour of the ITC. The case was significant, as the restrictions imposed by the government could not be taken as the basis for not being able to have the 'intention' to put goods in the market at the time of registration.[13]

Hardie Trading Ltd. Case

Hardie trading Ltd., an Australian company, was the registered proprietor of trade mark Spartan for paints. In December 1976, Addison Paints and Chemicals Ltd. applied for registration of the mark Spartan in its name. It was refused registration as the mark Spartan was registered in the name of Hardie Trading Ltd.

Addison Paints and Chemicals Ltd. applied for removal of Spartan mark from the trade mark register as the mark had not been used in India for more than 5 years. However, Section 46 (3) states that rectification will not be granted if the non-use of the trade mark is 'due to special circumstances in the trade and not to any intention to abandon or not to use the trade mark in relation to the goods'. Hardie Ltd. argued that the products could not be imported as import restrictions had made it economically unviable. The Court did not accept this as a 'special circumstances in trade' and the mark could be removed from the register. This was a significant decision in stipulating that restrictions imposed by government in import of goods could not be a ground for not removing a name from the register.

[13] R. J. Reynolds Tobacco Company v. I. T. C. Limited, judgement of the Delhi High Court, decided on November 13, 1986.

Thus, within the earlier law, on the one hand, it was difficult to get foreign trade marks registered. On the other hand, even the foreign marks which were on the register, were removed from the register on the grounds of non-user. The Trade Marks Act, 1999, which has come into effect from September 2003, has changed all this.

The New Trade Mark Act

The Trade Marks Act, 1999 has been enacted to give effect to the General Agreement on Trade and Tariff (GATT), and creation of the World Trade Organisation from January 1, 1995. The new law has several features which take stock of developments and changes in the business practices. This includes inclusion of service marks, increasing period of validity from 7 to ten years, and expanding the scope of trade mark infringement. However, the Act has significant reversals in giving protection to foreign trade marks. This has been done by making the following changes.

Requirements for Registration

Within the trade mark law, surnames, proper names and words describing goods or its quality could be registered only if with use the mark had become distinctive of the trader. The new Act has further elaborated the requirement. It stipulates, the following as the 'absolute grounds for refusal of registration'.

1. Trade marks which are 'devoid of any distinctive character'. This includes proper names and surnames.

2. Trade marks which designate the 'kind, quality, intended purpose, values, geographical origin or the time of production'.[14]

The above marks, in the new law, as in the earlier laws, could be registered only if the mark has 'acquired a distinctive character'. This could happen only with the use of the mark in relation to goods in the Indian market.

[14] Section 9, Trade Marks Act, 1999

The new Act, however, has introduced the concept of a 'well known trade mark'. The Act provides that a well known trade mark can be registered ignoring all the above requirements. The Indian courts had taken the position that 'use' of trade mark in connection with 'trade' could only be by applying it to goods. Merely advertising a trade mark could not be 'use' in connection with 'trade'. In other words, a trade mark could not acquire 'distinctive character' merely by advertising a mark, without the goods being there in the market. However, in the new law, a mark can be a 'well known trade mark' even if there are no goods in the Indian market. Familiarity through advertisement is adequate to constitute a trade mark as a well known trade mark. Further, a mark to qualify as a well known trade mark does not have to be known to the public at large. It needs to be known only to the segment of the population that buys/uses those goods. The concept of well known trade mark has given very wide and unconditional protection to foreign trade names.

On the one hand, it has been made possible to register a well known foreign trade mark even if there are no goods in the Indian market, on the other hand, no trade mark is to be registered if it detracts from a well known trade mark. In the new law, no trade mark can be registered in India, if it would take 'unfair advantage of or be detrimental to' a well known trade mark. This would happen even if the well known trade mark is not registered in India. Unfair advantage is a very broad term. It includes cases where there is a likelihood of confusion getting created in the minds of the buying public that the goods are associated with a well known trade mark. Any use of a well known trade mark which is not an 'unfair advantage' can always be claimed as 'detrimental to the trade mark'.

The concept of 'detriment' to a trade mark is borrowed from 'dilution' of trade mark in American law.[15] The concept of dilution is larger and different than indicating a common origin or connection with a well known trade name. Let us take a hypothetical case where a trader starts manufacturing and selling pesticides under the trade mark Amul. The buying public would not be confused

[15] Peterson Robert A.; Smith Karen H.; and Zerrillo, Phillip C (1999), Trademark Dilution and the Practice of Marketing, *Journal of the Academy of Marketing Science*, Volume 27, No. 7.

that the makers of dairy products have started manufacturing pesticides. Thus, it is not a case of 'unfair advantage'. However, the association of food with pesticides, detracts from the value of trade mark Amul and is, thus, to its detriment. The concept of detriment is very broad, and thus, well known trade names have significant opportunities in opposing an application where their trade mark is being used.

Rectification for non-user

As we saw earlier, a trade mark could be removed from the register on the grounds of non-user. The Courts had ruled that restrictions by the government to imports could not be a 'special circumstances' for exemption from removal from the register. The new law has reversed this by providing that 'special circumstance' includes 'restrictions on the use of the trade mark in India imposed by any law or regulation'. Thus, foreign trade marks cannot be removed from the register on the grounds of non-user, if the government has imposed restrictions.

Significant changes have been made in the provisions on registered users. In the earlier law, it was the Central Government which decided every application for 'registered user'. The Central Government had to prevent 'trafficking in trade marks' and keep in view 'the interests of general public, and the development of any industry, trade or commerce in India'. All these requirements have been removed. An application for registration is now to be decided by the Registrar only. In fact, the provisions do not explicitly require prevention of 'trafficking in trade marks'. From the rules framed under the Act, it can be inferred that foreign firms would be free to license their trade marks to their affiliates and subsidiaries.[16]

Conclusion

[16] see Chapter IV: Assignment and Transmission and Chapter V: Registered Users in the Trade Marks Rules, 2002.

The new Act has come into effect only recently from September, 2003. It will be interesting to see its unfolding into practices in the coming years. There are four strands to the new Act. One aspect is reiterating the principles of trade mark protection which has been formulated more than 100 years back by common law. The second aspect is incorporation of more and more aspects of what was 'passing off' in the domain of trade mark infringement. The third aspect is taking stock of emergent business practices, for example, in introducing service marks, collective marks and expanded definition of trade marks. These are interesting areas of developments for businesses to put to its advantage and courts to expound on the provisions. However, it is in the reversal of the Act of 1958 in giving protection to foreign trade marks which would have significant effect.

It is suggested that foreign firms will rush to stake their claims in all areas of goods and services. These firms will indulge in trafficking in trade marks, to the detriment of local industries.[17] This will lead to exploitation of 'Indian Industry and consumer interests'. It can equally be argued that the new law will eliminate dishonest practices in the Indian market. After all, we started with the case of an Indian company (mis)appropriating trade mark Toshiba. To assert further, at this nascent stage of the introduction of the law, would be speculative. In the coming years, we would need to detail out the working of the law and its effects in different sectors. What appears certain, however, is that the conceptual tool of dichotomising foreign industry with local industries is rudimentary. We would need to examine how foreign and domestic industries participate in a particular industry, and the effect of the new law in the management of trade marks.

[17] Chandiramani (1996).