

# **Changing Context of Trade Mark Protection in India: A Review of the Trade Marks Act, 1999**

## **ABSTRACT**

With liberalisation and globalisation of the Indian economy, it has become possible for anyone to get into production and services in most of the sectors. This has led to rampant misuse and appropriation of trade marks. In an insulated economy, with monopoly markets, law protecting trade marks had a limited role. In the changed context, however, trade mark law will be a field of much interest for academics and practitioners. Towards this, the paper explores the formation of trade mark law in India. India has made a new trade mark law, the Trade Marks Act, 1999, which has come into effect from September 2003. This replaces the Trade and Merchandise Marks Act, 1958. The Act of 1958 had provided for registration of a trade mark in relation to particular goods falling in a specific class. A registered owner could prevent unauthorized use of the trade mark. The new Act has taken note of changes in trade and business practices. For example, it has included service marks and collective marks for registration; expanded the definition of a mark; and expanded the scope of 'infringement' of trade marks. While the previous Act discouraged protection to foreign marks, the new one has reversed this by giving special protection to 'Well known trade marks'. Further, foreign trade marks can be assigned and registered with very few restraints. In addition, the Act has strengthened civil and criminal liabilities for misusing trade marks.

# Changing Context of Trade Mark Protection in India: A Review of the Trade Marks Act, 1999

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## Introduction

With liberalisation and globalisation of the Indian economy, it has become possible for anyone to get into production and services in most of the sectors. In the changed context, laws dealing with protection of trade marks have become important. In the pre-liberalisation period, the state was the largest deployer of capital. It had created a monopoly for itself in several sectors. In other sectors, entry of private capital into production was dependent on accessing the bureaucratic-political alignment of the state to secure requisite permits and licenses. However, for those who could secure this access, a market was relatively secured.<sup>1</sup> This was possible by limiting competition by allowing only a few in. As only a limited number of firms could get into production, infringement of trade marks was not a pressing issue.

Dismantling of the requirements of seeking license has changed the entire context. Firms are free to get into production in most of the sectors. The unscrupulous have misused the brand image and reputation of the established firms by producing counterfeit goods and deceptively similar packages. The menace of trade mark violation has acquired alarming dimension in the past decade. A large number of cases on trade mark violations have been flooding the courts. The administrative system has been getting choked too. The number of applications filed for registration has multiplied many times over. The number of applications made in 1967-68 was 6,867. It became ten times in 1999-2000. In fact, the number of application

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<sup>1</sup> On political economy of the Indian state in pre-liberalisation period, see Bardhan, Pranab, (1984): *Political Economy of Development in India*, Oxford University Press, New Delhi; Kaviraj, Sudipta, (1988): *A Critique of the Passive Revolution in India*, *Economic and Political Weekly*, Special No., Vol. 23, Nos. 45-47, November, 1988; and Patnaik, Prabhat, (1985) *Political Economy of Liberalisation in India*, *Social Scientist*, Vol 13, No. 146-147.

has doubled in the past 7 years. The number of applications received during 1996-97 was 43,234. It climbed up to 94,120 by 2002-03.<sup>2</sup>

The Parliament enacted the Trade Marks Act, 1999, replacing the Trade and Merchandise Marks Act, 1958. The new Act was put into effect from September, 2003. The new law takes into account the changes which have taken place in the economy and business practices and it would provide better protection to trade marks. The thrust for its hurried enactment in December 1999, however, lay in the commitments made by India as signatory to the Trade related to intellectual Property (TRIPS) agreement under the General Agreement on Trade and Tariff (GATT). India was obliged to give effect to its obligation by the end of 1999. If the Act of 1958 was 'nationalist' in reducing the presence of foreign trade marks and guarding marks of domestic firms, the new law, understandably, has reversed to give overwhelming protection to foreign trade marks.

This paper is a review of the changes which have taken place in the trade mark law. It aims to serve three objectives. One, as mentioned earlier, as India transitions to a liberalised-globalised economy, law dealing with trade marks will become extremely relevant. Academics and practitioners in the field of market research, consumer behaviour, advertising, sales and distribution and corporate planning would increasingly have interfaces with trade mark law. The paper aims to familiarise practitioners and academics with the organisation of the trade mark law in India. Two, there is a voluminous body of court judgements on the subject of trade mark. However, there is no other literature placing trade mark law in the context of Indian economy and business practices. While court judgements are insightful and a treasure of information and knowledges, these are written and organised towards a specific purpose- settling a specific and particular dispute between contesting parties. We need to develop other kinds of literature on the subject. This paper intends to be a beginning by arranging the developments in the field of trade mark law in a sequence. And three, as a part of a larger work on law, liberalisation and globalisation, the paper explores the interests which have got imprinted in the new law.

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<sup>2</sup> See the Report of the Trade mark office at the internet site <http://www.tmrindia.com>

The Trade Marks Act, 1999, in addition to giving protection to foreign trade marks, is a crystallisation and reinforcement of ideas and principles developed over the past 150 years. The best way to understand the new law is to explore how it has come to evolve.

Affixing of marks on merchandise to indicate their owner or source was a practice long in use. An example is the seals of the Indus Valley Civilisation. Such marks were for the purposes of identifying the source of product for taxation, levies, and shipment. However, trade marks in the contemporary sense, as creating a property right, owes its origin in common law of England. As the Indian trade mark law 'merely reproduces the English Law with only slight modifications'<sup>3</sup>, we would need to begin from development of trade mark law in the United Kingdom.

## **Trade marks in Common Law**

First, let us understand what is meant by 'common law'. Early in England's history, judges decided cases on the basis of usage and custom of the community and prevailing notions of equity and justice. Judges in deciding cases relied on prior judgements. As similar cases were decided alike, the reasoning and principles came to be formulated. The courts, thereafter, followed these principles as the law. Through this process of precedence, in several fields, a body of judge made law came to develop to be called common law. Common law is contrasted with statutory law. Statutory law was the written directives issued by the kings. Later, king was replaced by legislature as the source of statutory law. For example, the Trade mark Act, 1999, is a statutory law, enacted by the Parliament.

With the formation of 'new world' common law was taken to America, Canada, and Australia. Later, this was taken to the colonised countries, including India. With passage of time, enactment by legislatures incorporated the common law. Thus, progressively, the domain of common law has shrunk while statutory law has come to provide most of the details. This process is still on.

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<sup>3</sup> See Supreme Court's judgement, Registrar of Trade Marks v. Ashok Chandra Rakhit Limited 1955 AIR(SC) 558.

No one should steal another's property is an ancient dictum. With the expansion of trade and commerce, no one should appropriate the goodwill of another became its corollary. British courts came to establish it very early. In *Southern v. How*, case, 1617, a prior case was summarised where a clothier had gained great reputation. He started putting his mark on clothes made by him. Another clothier used the same mark to deceive and make profits. The courts gave him a remedy.<sup>4</sup> Thus, it came to be established long back that nobody should appropriate the reputation of another. The dictum came to be expressed in the proposition by the mid 1800s as 'nobody has any right to represent his goods as the goods of somebody else' and 'nobody has the right to pass off his goods as the goods of somebody else'.<sup>5</sup> Another formulation, as early as 1842 was, 'a man is not to sell his own goods under the pretence that they are the goods of another man'.<sup>6</sup>

Towards understanding the manifestations of this principle, we need to bear in mind the general trend of development in relation to use of marks. To begin with, craftsmen and traders put their name or a mark on their merchandise. The way out for another person to appropriate the goodwill and reputation was to copy the mark or use a similar mark. In providing relief, the courts asked the question as to who started the use of a mark first. It was the other person who was passing off the first user of a trade mark. The courts further developed this by recognising that the person using a mark first had come to acquire a right in it. The position of the courts was, thus, explained:

A merchant who affixed a mark on his goods obtained a property right in the mark which he so affixed and the property thus acquired like all other property was under the protection of law and for the invasion of the right of the owner of such property the Chancery courts afforded a remedy similar in all respects to that by

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<sup>4</sup> Lord Halsbury in *Magnolia Metal Co. v Tandem Smelting Syndicate Ltd*, quoted in *British Telecommunications Plc v. One in a Million Ltd*, a decision of the Court of Appeal, UK. Citation: 1998 (4) AllER 476.

<sup>5</sup> Lord Parker summarising prior cases in *A G Spalding Bros v. A W Gamage Ltd*, see in *British Telecommunications Plc v. One in a Million Ltd*, a decision of the Court of Appeal, UK. Citation: 1998 (4) AllER 476.

<sup>6</sup> *British Telecommunications Plc v. One in a Million Ltd*, a decision of the Court of Appeal, UK. Citation: 1998 (4) AllER 476.

which the possession and enjoyment of all property is secured to the owner.<sup>7</sup>

The point was explained:

... a trader acquired a right of property in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and of the extent of his trade and that such right of property would be protected by an injunction restraining any other person from using the mark.<sup>8</sup>

Thus, the courts came to consider a trade mark as a property in its own right. The courts recognised that in the case of a trade mark, 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'.<sup>9</sup> Once the courts developed the concept of monopoly right in trade mark and exclusive use by its owner, several related issues became important. An important consideration was the name adopted by a trader.

Traders, often, carried business under their family names or name of the town in which the business was located. In a particular context, this must have been a way of indicating and identifying the craftsmen and origin of goods. However, recognising the property right of a particular trader over a surname or geographical name would amount to preventing all others who have the same surname or whose businesses may be located in the same place from doing business under than name. This would be appropriation by one of what belonged to a group of people. Similarly, a trader while giving a mark to its product tended to give a name which described the good or highlighted the value of the product. Recognising property in such marks would have meant that a rival trader would not be able to describe the quality

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<sup>7</sup> Shavaksha, K. S. (1974), *The Trade and Merchandise Marks Act, 1958: With a Commentary, Critical and Exhaustive*, N M Tripathi Private Limited, Bombay: p xxxiiv

<sup>8</sup> As stated by Justice Lawrence in *Nicholson & Sons Ltd. Application* (1931) 48 RPC 227, see in *British Telecommunications Plc v. One in a Million Ltd*, a decision of the Court of Appeal, UK. Citation: 1998 (4) AllER 476.

<sup>9</sup> 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

of his goods by using those adjectives. It would amount to one person appropriating certain adjectives belonging to language for exclusive use.

Thus, no trader should have been allowed to appropriate surnames, geographical locations, and descriptive and laudatory words. On the other hand, the traders may have invested for long in their business, and like every one, deserving of protection. The rival contentions had to be balanced. These claims got balanced by developing the concept of distinctiveness. Courts recognised rights over descriptive words, surnames, 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.<sup>10</sup>

We could now see the kind of concerns the courts had in dealing with different themes in this category. A case had been filed for infringement of trade mark 'Nourishing' for stout. The right in trade mark was not recognised. The court stated, '... there must be something to go beyond a mere English adjective describing the quality of the material'.<sup>11</sup> The position of the courts was thus summarised:<sup>12</sup>

... no mark was protected unless at the time of alleged infringement it was being used for the purpose of distinguishing and was capable of distinguishing the goods of owner from the goods of other people.

Some words were inherently not capable of distinguishing, like best, supreme, good and perfect. These could not be registered. The hesitation of the courts

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<sup>10</sup> 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.

<sup>11</sup> Judgement of a British court, *Raggett v. Findlater* (1873) LR 17 Eq 29, cited 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 xxxvii

<sup>12</sup> Judgement of a British court, *Philippart v. William Whitley Ltd.* (1908) 25 RPC 565, cited 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 xxxvii.

in recognising right over descriptive words was thus expressed, 'attempts made by wealthy traders who are habitually eager to enclose part of the great common of the English language and to exclude the general public of the present day and of the future from access to the enclosure'.<sup>13</sup>

Another apprehension the Courts had was, thus, stated:<sup>14</sup>

... the large and wealthy firms with whom the smaller folk are unwilling to litigate, could by a system of log-rolling.... divide among themselves all the ordinary words of description and laudation in the English language.

The same apprehension was in relation to recognising trade mark rights over names of places. In a case attempting to get a right over the trade mark 'Liverpool Cables', the court noted:<sup>15</sup>

Liverpool is one of the largest trading centres in the United Kingdom, and it is to my mind not to be thought of that a manufacturer of or dealer in goods... should be allowed to monopolise words which simply denote that the goods come from that centre.

Recognising right in the trade mark would,

... embarrass traders who are either already trading in cables in Liverpool, or who may hereafter so trade, and such traders would

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<sup>13</sup> See Shavaksha, K. S. (1974), *The Trade and Merchandise Marks Act, 1958: With a Commentary, Critical and Exhaustive*, N M Tripathi Private Limited, Bombay: p xi.

<sup>14</sup> Justice Farwell in Joseph Crosfield and Sons Application 26 RPC 837, Shavaksha, K. S. (1974), *The Trade and Merchandise Marks Act, 1958: With a Commentary, Critical and Exhaustive*, N M Tripathi Private Limited, Bombay: p xxxix.

<sup>15</sup> See Liverpool Cables case (1929) 46 RPC 99 cited 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 52-53.



have a difficulty in describing their own goods, if prevented from using the words 'Liverpool cables'. :<sup>16</sup>

If on the one hand, it was important to recognise the right of an individual who had started using a trade mark, on the other hand, this right deprived others of that word or mark. Thus, there had to be an economy of marks on which rights could be recognised by the courts. Towards this, the courts formulated that the right on trade mark should be confined to the same or similar goods manufactured by a trader. This was understandable in the context of late Nineteenth century. Firms produced goods in specific areas in which these had historically acquired skills and knowledges. Use of the same mark on a dissimilar good was not going to create a misimpression for the public. Thus, the courts came to recognise the right over trade mark only for similar goods.

Thus, the British courts came to evolve the principles for recognising rights in trade marks. This came to be known as a common law action for infringement of trade marks. As trade and commerce developed, deceptive use of trade marks was not the only way in which a trader could sell his goods as if it belonged to another. It could happen through identical packaging, get up of the package and other representations. All these did not involve a question of trade mark infringement but still were instances of appropriation of goodwill and repudiation. The courts recognised such disputes, and gave remedies, as 'passing off'. Thus, common law came to develop two kinds of law, trade mark infringement and passing off.

To facilitate trade, a trade mark Act was enacted in 1875. It codified the formulations courts had made in relation to property in trade mark. It recognised the principle of a right developing in a trade mark with usage. The Act provided for a register of trade marks. A trader using a mark could get it registered. Registration could be secured only on proof of user and fulfilment of criterion whether the trade mark distinguished the goods of the trader or not. Once a registration was secured, it became a proof of ownership in all court action for trade mark infringement. This reduced the cost of litigation a great deal. The British trade mark Act, 1875 was repealed and substituted by

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<sup>16</sup> See Liverpool Cables case (1929) 46 RPC 99 cited 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 52-53.

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. The British courts continued to formulate and elaborate their law on passing off.

India borrowed the British Trade Marks Act of 1938 and made the first Act on the subject as the Trade mark Act of 1940. The law provided for registration of trade marks and their protection from infringement. The Indian courts had already started giving remedy under common law of passing off. A new Act was brought in Independent India as the Trade and Merchandise Marks Act, 1958. The Act was in operation till September, 2003. The operative law now is the Trade mark Act, 1999.

The successive enactments have consolidated the law in the context of changes in trade, commerce and business practices. The different Acts also had different thrusts. While the Act of 1958 protected domestic industries, the new Act has done away with this and given protection to foreign trade marks. The best way of understanding the existing law would be highlight the salient features and working of the law which was in effect for the past 45 years, the Trade and Merchandise Marks Act, 1958; and development of 'passing off' action in the past 50 years. On this bedrock, we could explore the changes which have been brought about by the Trade Marks Act, 1999.

### **Salient Features of the Act of 1958**

The Trade and Merchandise Marks Act, 1958 provides for the creation of a Trade mark Registrar. Individuals and firms could get their trade mark registered by making an application to the trade mark registry. The head office of the registry is based in Mumbai with zonal offices in Ahmedabad, Chennai, Bangalore and Kolkata. The Act provides detailed grounds for registration and refusal to register a mark. A key concern was that it must be distinctive of the origin of the goods. A trade mark could be registered only in relation to specific goods falling in a specific class of goods. We first explore the concept of 'class of goods' in relation to trade mark registration.

## **Class of Goods**

The trade mark Act, along with rules, creates 34 classes. A class covered similar and related goods.

While making an application, the person had to specify the good in relation to which the trade mark was being used and the class to which the good belonged. The registration was done for only a particular class. Thus, a right of trade mark infringement would arise only if a person used the same mark or similar mark in relation to the same good. For example, Amul is registered in class 29 as a dairy product. Class 29 reads as follows:

Class 29. Meat, fish, poultry and game, meat extracts, preserved, dried and cooked fruits and vegetables, jellies, jams, eggs, milk and other dairy products, edible oils and fats, preserves, pickles.

If another manufacturer used the same name or deceptively similar mark, like 'Anul' in relation to a dairy product, it would be a case of a trade mark infringement. As Amul is a registered proprietor of the trade name, a relief by stopping from using the trade mark would come immediately. If a manufacturer, however, started selling mineral water with the trade name Amul, it would not be a case of trade mark infringement, as Amul is not registered in Class 32. Class 32 has the following entries:

32. Beer, ale and porter, mineral and aerated waters, and other non-alcoholic drinks, syrups and other preparations for making beverages.

It can only be a case of passing off, that a manufacturer is selling mineral water and creating an impression that its origin is in the firm owing the famous trade name Amul. In a passing off action, the court has to satisfy as to who is passing off whom, if at all there is a case of passing off. Thus, a relief is not always immediate and forthcoming.

Thus, a right accrued for a registered trade mark only for the class(es) for which it was registered. As noticed earlier, the idea of recognising rights for

only specific goods and classes has its origin in common law prior to enactment of the first trade mark Act in 1875. The 'class of goods' was in the context of trade and commerce then, where firms tended to work in specific areas of skills. With expansion of businesses, however, firms have come to work in different kinds of sectors. The basis of the classes now stands out of context. The Indian courts, however, following the written law have even further narrowed the right within a class. Vazir Sultan Ltd. had Charminar as its registered name for class 34. It was manufacturing cigarettes. Class 34 read as 'Tobacco, raw or manufactured, smokers' articles, matches'. Another company started trading in Charminar Quam and chewing tobacco. The Supreme Court ruled that even if a registration has been given for a class, the right is confined to only the related goods which the person was trading in.<sup>17</sup> The Supreme Court ruled that as Vasir Sultan was only making cigarettes, its right over the trade mark was confined to 'smoker's articles'. The principle was emphasised in the Borosil case.<sup>18</sup>

### **Requirement for Registration of a Mark**

A trade mark could be registered only if it met certain criterion. It could not be registered in the following situations.

1. **Use Contrary to law:** Different laws may prohibit or restrict use of certain names and marks. For example, the Prevention of Use of National Emblems Act prohibits unauthorised depiction of the national flag, national emblem etc. The Bureau of Indian Standards Act prohibits unauthorised use of the ISI mark. Such marks cannot be registered as trade marks.

2. **Descriptive or laudatory words:** Descriptive or laudatory words cannot be registered. This is best described in the new trade mark Act in the following terms:

The trade marks ... which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time

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<sup>17</sup> See judgement of the Supreme Court in Vishnudas Trading v. Vazir Sultan Tobacco Company Limited Hyderabad AIR(SC) 2275.

<sup>18</sup> See judgement of the Delhi High Court in Borosil Glass Works v. O. P. Batra, 1998 (1) ARBLR 211

of production of the goods or rendering of the service or other characteristics of the goods or services ... shall not be registered.<sup>19</sup>

The principle behind this had been formulated in common law itself and was introduced since the first Act. Over a period of more than 100 years, the courts have further elaborated it. If earlier, the most suited name for conducting business were name, family name, place or locality of business, now it has tended to be the one which describes or highlights the good. The above provision takes account of possible ways in which this could happen.

**3. Confusion and deception:** Another requirement for registration of a mark is that it should not 'deceive or cause confusion'. This is another way of insisting on distinctiveness. This takes care that no one gets a trade mark registered which was likely to interfere with the property in trade mark which was already registered. Towards this, the trade mark registry goes through the register in the class for which an application for registration is made and satisfies that the mark applied for does not infringe the rights of a registered trade mark. After the Registrar clears an application for registration, the application is advertised in a trade mark journal. This is to give an opportunity to the public to oppose registration on the grounds that the mark is likely to deceive or cause confusion. The courts have frequently pronounced the criterion to be use in deciding whether a mark is 'likely to deceive or cause confusion' or not. A passage which is often quoted was formulated by Lord Parker as far back as in 1906 in Pianotist Co. Ltd.'s application as follows:

You must take the two words. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the surrounding circumstances, and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks. If, considering all those circumstances, you come to the conclusion that there will be a confusion, that is to say, not necessarily that one man will be injured and the other will gain illicit benefit, but that there will be a confusion in the mind of the public which will lead to confusion in

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<sup>19</sup> Section 9 (1) (b), th Trade Marks Act, 1999.

the goods - then you may refuse the registration, or rather you must refuse the registration in that case.<sup>20</sup>

The Indian Supreme Court in James Chadwick case elaborated the principle for registration:

The principles of law applicable to such cases are well settled. The burden of proving that the trade mark which a person seeks to register is not likely to deceive or to cause confusion is upon the applicant. ... The real question to decide in such cases is to see as to how a purchaser, who must be looked upon as an average man of ordinary intelligence, would react to a particular trade mark, what association he would form by looking at the trade mark, and in what respect he would connect the trade mark with the goods which he would be purchasing.<sup>21</sup>

### **Non-user Clause**

In most of the cases, a trade mark could be registered only if it was already in use. Descriptive words, surnames or proper names could be registered as trade marks only if it was established that it had become distinctive of the goods of the trader. In these cases, prior user was the only way this could happen. Even in the case of invented words, one should have started to use the mark. Registration of a mark without intention to use was not possible. Nobody could merely register words and marks to get a right over them.

To purge the register of marks which were not in use, the Act provides for removal of a mark from the register. Within the trade mark law, registration of a mark is valid for seven years. Thereafter, the registration can be renewed and kept alive for ever by paying the requisite fee every seven years. A registered trade mark, however, could be taken off the register on an application to a High Court or the Registrar on the grounds of no-user. Section 46 of the Act provides that if a mark were not used for a period of 5

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<sup>20</sup> Quoted in Supreme Court's judgement, Kaviraj Pandit Durga Dutt Sharma v. Navaratna Pharmaceutical Laboratories, 1965 AIR(SC) 980.

<sup>21</sup> Supreme Court's judgement, James Chadwick and Bros. Limited v. Registrar of Trade Marks, 1953 AIR(SC) 357

years and one month continuously, on an application from a person, it could be taken off the register. The provision was introduced to prevent trafficking in trade marks. It had a strong effect on the foreign trade marks.

### **Registration of Foreign marks**

The thrust of Independent India was to promote domestic industries. Accordingly, the Trade and Merchandise Marks Act, 1958 introduced provisions which discouraged foreign trade names and encouraged India one's. We would see how the provisions of law, in conjunction with the surrounding legal and economic context, created this effect.

The government of India discouraged foreign investment and joint ventures. Import of goods was heavily regulated to protect the domestic producers. This included banning of imports, regulations of quantum of imports and steep custom duties to make it unprofitable to import.

Foreign firms faced several hurdles in finding legal protection for their trade marks. Within the trade mark Act, as in other countries, surnames could be registered only if it had become distinctive. This could happen only through use of the trade mark. As goods could actually not be in the Indian market, the criterion of distinctiveness could not be fulfilled. As a result, surnames could not be registered. Several famous brands were surnames, like SEARS, Lauder, Honda, Suzuki, Adidas. These, without proof of substantial user, could not have qualified to be registered.

Further, even the marks which were on the register, could be removed on the grounds of non-user. For instance, R J Reynold, an American Company, was the registered proprietor of the trade mark 'Now' in nearly 80 countries including India. It sold cigarettes in many countries but not in India. Imports of cigarettes into India were banned. A rival Indian company, Indian Tobacco Company (ITC), introduced brand 'Now' in the market and applied for rectification of the register to get the name 'Now' removed from the register. The ITC succeeded in getting 'now' removed from the register.<sup>22</sup>

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<sup>22</sup> R. J. Reynolds Tobacco Company v. I. T. C. Limited, judgement of the Delhi High Court, decided on November 13, 1986. Printed in 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 97.

Similarly, 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 the import restrictions prevailing in India till 1990s, did not have its goods in the Indian market. The Indian company succeeded in getting Toshiba removed from the register on the grounds of non-user.<sup>23</sup> Similarly, in the Addison case, the court refused to recognise the non-profitability of imports as a 'special circumstance' for letting the trade mark remain on the register without goods being in the Indian market.<sup>24</sup>

## **Developments in the field of passing off**

Trade mark Act only provided registration to trade marks in a certain specified class. For unregistered marks, use of marks in relation to goods in other classes, or appropriation of goodwill other than by way of misuse of trade mark, the common law remedy of passing off was available. While in the case of a trade mark infringement, registration itself is a right over trade mark, in the case of a passing action, the person has to prove that by user the mark, package or get up has become distinguishing of the trader and there is a likelihood of the purchasing public associating the goods with him. The kinds of cases on which the Indian courts have ruled are the followings:

1. A trader uses a reputed registered trade mark in relation to goods falling in other classes. Example of this are use of Fiat for electrical appliances<sup>25</sup>, Amul for vests, and Yera for perfumes<sup>26</sup>. The courts applied the criterion of passing off on the basis of likelihood of confusion.

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<sup>23</sup> See Calcutta High Court's judgement, Toshiba Corporation v. Toshiba Appliances Company, 1994 (1) ARBLR 231.

<sup>24</sup> Judgement of the Calcutta High Court, Hardie Trading Limited and Anr v. Addisons Paints and Chemicals Limited, 1995 (S) ARBLR 513.

<sup>25</sup> See judgement of the Bombay High Court, Meerani Electricals v. The Registrar of Trade Marks, 1982 PTC 51.

<sup>26</sup> See judgement of the Delhi High Court, Surjit Singh v. Alembic Glass Industries Ltd., decided on Feb 17, 1987.



2. A trader uses a reputed trade name as its company name or uses the name of a reputed company as its trade name. For example, Apple Computer education following the trade name Apple<sup>27</sup>, Ellora Industries Ltd. on Ellora trade name<sup>28</sup>, Mahindra, following Mahindra jeep<sup>29</sup>, and Escorts following Escorts<sup>30</sup>. The courts have applied the principles of passing off and provided relief to the parties.

A significant development in the field of passing off in the past decade has been in the field of foreign trade marks. For years, foreign trade marks could not pursue passing off action in India, as their trade marks was not 'in use' in India. The courts held that 'use' of a trade mark could only be by affixing it to the goods and putting the goods in the Indian market.<sup>31</sup> The courts, however, reversed their position in the 1990s and recognised advertisement in foreign magazines to which Indian people had access as 'in use' thus creating the basis for 'trans-boarder reputation'. In the Whirlpool case, the Delhi High Court framed:

If plaintiff was not having any sale in India but was having sales in the trade mark WHIRLPOOL in other countries/geographic regions of the world, can the plaintiffs have the benefit of 'trans-border reputation' so as to maintain passing off action in India or should their goodwill/reputation be treated confined to territories in which they have proved actual user of the trade mark in the market?"

And the High Court answered:

Whirlpool associated with the plaintiff No. 1 was gaining reputation throughout the world. The reputation was traveling tran-border to India as well through commercial publicity made in magazine which are available in or brought in India. These magazines do have a

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<sup>27</sup> See Delhi High Courts judgement, Apple Computer Inc. v. Apple Leasing and Industries, 1992 (1) ARBLR 93

<sup>28</sup> See judgement of the Delhi High Court in Ellora Industries v. Banarsi Das Goel, AIR 1980 Del 254.

<sup>29</sup> Judgement of the Supreme Court, Mahendra and Mahendra Paper Mills Limited v. Mahindra and Mahindra Limited. Citation: 2001 (9) JT 525.

<sup>30</sup> See judgement of the Delhi High Court, Dalip Chand Aggarwal v. Escorts Ltd., AIR 1981 Del 150.

<sup>31</sup> See judgement of the Calcutta High Court in Toshiba Corporation v. Toshiba Appliances Company, 1994 (1) ARBLR 231

circulation in the higher and upper middle strata of Indian society. The plaintiff no. 1 can bank upon trans-border reputation of its product washing machine for the purpose of maintaining passing off action.<sup>32</sup>

The case moved to the Supreme Court in appeal and was approved by it. The case created a basis for a series of cases of foreign corporations initiating passing off action. For example, the German manufacturer Mercedes Benz car restrained selling of VIP Benz under garments.<sup>33</sup>

Another significant development in the field of passing off action has been in providing protection to domain names. The first case before the Indian courts was where a person had started a domain name Yahooindia.com. The layout of the site was also similar to the Yahoo site. The Yahoo Inc of the US initiated passing off proceeding. The court recognised that there was no reason for passing off not to apply to Internet domain names.<sup>34</sup> Thereafter, the courts in case after case have given the protection to Internet domains for passing off action.<sup>35</sup>

## **The New Trade mark Act**

Within this context of working of the trade mark law, we could appraise the provisions in the new law, the Trade marks Act, 1999.

1. **Inclusion of Service Mark:** The Trade and Merchandise Marks Act, 1958 applied only to goods. The Act and rules had provided 34 classes of goods. Trade marks used in relation to the goods could be registered for a particular class. Misuse of a marks associated with services could only be contested as a passing off action. Services have become prominent in the past two decades.

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<sup>32</sup> See judgement of the Delhi High Court, N. R. Dongre v. Whirlpool Corporation, 1996 PTC 415.

<sup>33</sup> Judgement of the Delhi High Court, Daimler Benz and Another v. Hydo Hindustan, printed in Agarwal, K. L. and Sahni, K. L., (1997), *Cases and Materials on Trade Marks and Allied Laws*, Om Law Book House, Delhi: p1.

<sup>34</sup> Delhi High Court judgement, Yahooinc v. Akash Arora, 2000 (S2) CLA 106

<sup>35</sup> See judgement of the Delhi High Court in Tata Sons Limited v. Manu Kosuri, 2001 (S2) CLA 45; judgement of the Bombay High Court, Rediff Communication Limited, Plaintiff v. Cyberbooth, 1999 (3) ARBLR 636.

The new Act has taken note of this development. The rules framed under the Act have made seven classes of services. A mark associated with a service could be registered under the Act. Service includes banking, communication, education, financing, insurance, chit funds, real estate, transport, storage, material treatment, processing, supply of electrical or other energy, boarding, lodging, entertainment, amusement, construction, repair, conveying of news or information and advertising.

2. **Procedure and Duration of Registration:** The duration for which a trade mark would be valid has been increased from 7 years to 10 years. Further, in the earlier law, a separate application had to be made for registration of the same trade mark in different classes. In the new law, a single application can be made for registration in more than one class.

3. **Expanded definition of Trade mark:** The definition of Trade mark has been expanded to include shape of goods, their packaging, and combination of colours, so long as the mark is capable of distinguishing the goods and services of one, from the goods and services of another. It was not possible to register these in the earlier law.

4. **Collective Mark:** The new Act has introduced the category of collective mark. An association could get a mark, distinguishing the goods and services of its members, registered as a collective mark. Conditions of membership of the association and regulations governing the use of the collective mark has to be furnished and approved.

5. **Certification Mark:** Certification Mark is another introduction for a person who is competent to certify goods or services for their origin, material, mode of production, quality, accuracy etc.

6. **Expansion of the Meaning of trade mark infringement:** In the earlier Act, a trade mark was infringed by use of identical or similar mark 'in relation to any goods in respect of which the trade mark is registered'. Thus, the benefit of registration was confined strictly to the goods in relation to which the mark was registered. As we saw in the Vazir Sultan case, the Supreme Court ruled that even if the trade mark registration has been secured for a particular class, the trade mark right exists only for certain related goods within the class. For all other cases, the trader had to go for a passing off

action. The new Act has vastly expanded the extent of protection to a trade mark. The scope of the new law is discussed under the following two heads.

a. **Similar goods in different classes:** If a person uses an identical or similar mark in relation to identical or similar goods, and such use is likely to cause confusion or likely to have an association with a registered trade mark, it would be a case of trade mark infringement. An example of this could be as follows. Amul is registered trade mark for dairy products, falling in class 29. Another trader starts using Amul trade name (or similar word like Anul, Amol etc,) for mineral water. Since mineral water is in class 32, under the earlier law, it could only have been a case of passing off. Under the new Act, as the two products are similar, both being food products, it would be a case of trade mark infringement. Thus, in the new law, trade mark protection is being given across classes.

b. **Dissimilar goods:** Trade mark infringement has been made available even in the cases of unconnected good. It covers the following situation. Often times, a reputed mark is used in relation to goods or services which are not similar or related to the registered mark. An example is Maruti tissue paper. Maruti must be a registered trade mark in the automobile category. A restraint on selling of Maruti tissue paper could only come through a passing off action. However, a passing off action may not have succeeded, as products go through different trade channels and the products are entirely unrelated. A purchaser of tissues is not actually misled into thinking that the makers of Maruti cars have started manufacturing tissue paper. And yet, the owners of Maruti trade mark could be aggrieved by the appropriation of their mark. The new trade mark law recognises this to be a case of trade mark infringement, if it can be established that the trade mark has a reputation in India.

This clause is borrowed from American law where it is called as as 'dilution' of trade mark. The concept of dilution is larger and different than passing off. Take the case of a trader who starts selling pesticides in the name of Amul. There is no case of passing off here, as no one is likely to imagine that the pesticides come from the makers of dairy product. But the use of Amul in relation to pesticides, tends to associate

food with pesticides, and reduces the worth of the trade name Amul. Thus, it 'dilutes' the worth of trade mark and thus, a cause for concern.

**c. Appropriating as Business name:** One of the ways of appropriating a registered trade name is to use it as the business name of the firm, dealing in same or related goods. The new Act recognises this as a case of trade mark infringement.

**d. Trade marks in Advertisements:** The new Act has expanded the meaning of what constitutes 'use of a registered trade mark'. In the earlier law, the dominant sense was a registered trade mark could be used if the mark was attached to goods. The new Act states that a trade mark is infringed not only by attaching it to goods but also by printing it on packaging material and using it in advertisement.

## **7. Stringent Requirements for Registration**

Corresponding to what constitutes a trade mark infringement, the new Act has introduced additional restrictions on registration of marks. A trade mark will not be registered if it is identical or similar to an earlier mark for a similar good. The similar goods may be in different classes.

## **Foreign Trade Marks**

As we have seen earlier, it had become difficult for foreign companies to find protection for their trade marks. It became difficult to get marks registered and those which were registered, could be taken off the register on the grounds of non-user. Passing off action could not be sustained unless the goods were present in the market. Further, as these trade marks were not registered, others could use these marks. The new law has changed all this. It has done this by introducing the concept of a well known trade mark.

### **Well known trade marks**

Under the Act, a well-known trade mark is a mark used over particular goods or services that has gained sufficient recognition among the consumers. The

trade mark need not be registered in India. Further, a mark can be a well known trade mark even if there are no goods in the Indian market. In other words, familiarity even through advertisement is adequate to constitute a trade mark as a well known trade mark. A mark to qualify does not have to be known to the public at large. It needs to be known only to that 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. A mark cannot be registered if it is to the detriment of a well known trade name.

In addition to the above, the new Act has broadened the concept of criminality in trade marks and enhanced penalty and punishments. Falsifying, that is, using identical or deceptively similar mark, has been made into a cognisable offence. A Police officer has been given the power to search and seize without warrant. The punishment has been fixed at 6 months to 3 years and fine at Rs. 50, 000 to 2 lakhs.

## **Conclusion**

The new Act has come into effect only 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 have 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 enhanced definition of trade marks. These are interesting areas of development 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 through the category of 'well known trade marks' that would be most challenging.