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## Q245

### Taking unfair advantage of trademarks: parasitism and free riding

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#### I. Current law and practice

1) Do the laws of your jurisdiction provide for protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or

yes

Please comment:

Taking "unfair advantage" of a trade mark is characterized as a kind of dilution. Section 29 (4) of the Trade Marks Act, 1999 is reproduced hereunder:

**"29 (4).** *A registered trade mark is infringed by a person who not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which -*

*(a) is identical with or similar to the registered trade mark and*

*(b) is used in relation to goods or services which are not similar to those for which the mark is registered and*

*(c) the registered trade mark has a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to the distinctive character or repute of the registered trade mark."*

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

Please comment:

Dilution.

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

This definition of dilution has been developed through case laws. Though the provision of Section 29(4) ear marks "taking unfair advantage" (free riding or parasitism), "detrimental to the distinctive character" (blurring), "detrimental to the reputation" (tarnishment), the courts have interpreted all three as dilution and have applied the said doctrine in cases of use of identical/similar trade marks in context of dissimilarity of goods. Examples of such cases are:

In **Caterpillar Inc v. Mehtab Ahmed & Ors. 2002 (25) PTC 438 (Del.)**, a Single Judge of the Delhi High Court observed as under:

*"16. So far as doctrine of dilution is concerned, it is an independent and distinct doctrine. Th underlying object of this doctrine is that there is presumption that the relevant customers start associating the mark or trademark with a new and different source. It results in smearing or partially affecting the descriptive link between the mark of the prior user and its goods. In other words the link between the mark and the goods is blurred. It amounts to not only reducing the force or value of the trade mark but also it gradually tapers the commercial value of the marks slice by slice. Such kind of dilution is not a fair practice that is expected in trade and commerce."*

*"17. Another kind of dilution is by way of sullyng or impairing distinctive quality of a trade mark of a senior user. This in common parlance is known as dilution by tarnishment. The object of such an invasion is to tarnish, degrade or dilute the distinctive quality of a mark....."*

In **Daimler Benz v. Hybo Hindustan AIR 1994 Del 239**, a Single Judge of the Delhi High Court ruled as follows:

*"15. In my view, the Trade Mark law is not intended to protect a person who deliberately sets out to take the benefit of somebody else's reputation with reference to goods, especially so when the reputation extends world wide..."*

*"18. In the instant case, "Benz" is a name given to a very high priced and extremely well engineered product. In my view, the defendant cannot dilute that by user of the name "Benz" with respect to a product like underwears."*

In **William Grant & Sons Ltd. v. McDowell & Co. Ltd. 1994 FSR 690**, a Single Judge of the Delhi High Court ruled as follows:

"Also apt are the observations contained in the aforesaid judgment at page 673 to the effect that the exclusive reputation (which the plaintiff's Glenfiddich whisky and the associated bottle label enjoys) would be impaired if a similar label is used in connection with a product which is not the same as the product of the plaintiff's whisky, the impairment being gradual debasement, dilution or erosion of what is distinctive..."

"Mr. F. S. Nariman for the defendant has repeatedly emphasized that the defendant's product is Single Malt Whisky made by the defendant at Ponda in Goa (India). (This being so, the defendant could have named its whisky as "Ponda", but did not). It is sold at a much lower price than the plaintiff's whisky wherever the same is sold. It does not taste like the plaintiff's Glenfiddich whisky. If this be so anybody who takes the defendant's whisky in India, or elsewhere from out of a bottle to which the label of the defendant, which is objected to by the plaintiff is affixed, would carry it in his mind and memory consciously or unconsciously, and the inevitable result would be that the plaintiff's reputation would be impaired, gradually debased and goodwill diluted, and what is distinctive shall be eroded."

**Bloomberg Finance LLP v. Prafull Saklecha 2013 (56) PTC 243 (Del.)**

In the instant case, a Single Judge of the Delhi High Court explained the distinction between Sec. 29(4) and Section 29(1) to (3) of the Trade Marks Act as under:

"Section 29(4) is also distinct from Section 29(1) to (3) of the TM Act in another important aspect. The element of having to demonstrate the likelihood of confusion is absent. Perhaps to balance out this element, the legislature has mandated the necessity of showing that (a) the mark has a reputation in India (b) that the mark has a distinctive character (c) the use by the infringer is without due cause. In other words, the legislative intent is to afford a stronger protection to a mark that has a reputation without the registered proprietor of such mark having to demonstrate the likelihood of confusion arising from the use of an identical or similar mark in relation to dissimilar goods and services. The words 'detriment' in the context of the 'distinctive character' of the mark brings in the concept of 'dilution' and 'blurring'. In the context of 'repute' they are also relatable to the concept of 'tarnishment' and 'degradation'. The words "takes 'unfair advantage'" refers to 'free-riding' on the goodwill attached to mark which enjoys a reputation. The disjunctive 'or' between the words 'distinctive character' and 'repute' is designedly inserted to cater to a situation where a mark may not have a distinctive character and yet may have a reputation."

- 3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

Protection against taking unfair advantage of a registered trade mark is available under Section 29(4) of the Trade Marks Act, 1999 as well as under the common law i.e. tort of passing off and unfair competition.

- 4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?

The elements that need to be established are:-

- i. That the mark must be well-known or have reputation in India;
- ii. The impugned mark must be identical with or similar to the earlier well-known/reputed trade mark;
- iii. The adoption of the impugned mark must be in bad faith and without due cause;
- iv. The similarity of the trade marks must be such as to create an association between the two marks;
- v. The use of the impugned mark must lead to either taking unfair advantage or be detrimental to the distinctive character or reputation of the earlier well-known trade mark.

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

The degree of reputation in a trade mark required to be established is amongst the relevant section of public subscribing to such goods/services and it need not be well-known to the public at large in India. The reputation must not be limited to any limited territory and must arise from substantial and genuine commercial use.

b) who bears the burden of proof regarding the requirements?

The burden of proof is on the claimant to establish that its trade mark has acquired a reputation in India.

c) must the use at issue cause confusion?

no

Please comment:

d) can the protection be invoked in case of both similar and dissimilar goods/services?

yes

Please comment:

Although, Section 29 (4) of the Trade Marks Act envisages such situation in context of dissimilar goods, in **William Grant & Sons v. McDowell & Co. Ltd. (Glenfiddich Case) 1994 FSR 690**, the doctrine of dilution was applied in case of similar goods i.e. whisky.

e) are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

The degree of inherent or acquired distinctiveness of the trade mark and exclusivity of use thereof by the claimant are also relevant factors.

6) Are there any defences against and/or limitations to the protection?

yes

If so, what are they, and what are the elements of such defences/limitations?:

The defences are as follows:-

- i. The trade mark is not exclusively used by proprietor and there is already use of same trade mark by

- different proprietors for different goods and each are well-known in their sphere;
- ii. There is a valid explanation and bona fide adoption of the trade mark;
  - iii. The trade mark has descriptive connotation. This may be linked to plea of "due cause" justifying use by other traders. For example in **Dhiren Krishna Paul v. Health & Glow Retailing 2013 (53) PTC 355 (Mad) (DB)**, the Madras High Court held as under:-

*"26...The name "Health and Glow" has been adopted by appellants/defendants only to indicate the medical services rendered by appellants/defendants. It cannot be said that the appellants/defendants had adopted the name "Health and Glow" without undue cause. It cannot be said that by using the name "Health and Glow" in their clinics in West Bengal, the appellants/defendants have taken unfair advantage or the adoption of the mark is so detrimental to the mark of respondent/plaintiff. We are of the view that Respondent/Plaintiff has not prima facie proved the pre-requisites of Section 29(4) of the Trade Marks Act. Hence, Respondent/Plaintiff is not entitled to any injunction."*

Similarly, the High Court of Delhi in *Nestle India Limited v. Moods Hospitality Private Limited*:- 2010 (42) PTC 514 (Del.) held as under:-

*"41. The next question which requires to be considered in the context of Clause (c) is this - has the appellant used the mark "Yo" without due cause? In other words, is there a tenable explanation for the use of the mark "Yo" by the appellant? It must be remembered that we have already concluded, prima facie, that the mark "Yo" has not been used by the appellant as a trade mark. In fact, the word "Yo" has been used as part of the expressions "Masala Yo!" and Chilly Chow "Yo!". The appellant has explained that the word "Yo" has been used in both expressions to invite the attention of the customers (and, particularly the younger customers who are prone to use the word "Yo" in their day-to-day conversations) to the flavours "masala" and "chilly chow". This, to us, is a plausible explanation. Consequently, it cannot be said that the mark "Yo" was used without due cause. Mere use of the mark "Yo" would not bring it within the mischief of Clause (c) of Section 29(4). Because if that was the intention of parliament then the expression "without due cause" would not have been used."*

- 7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

It is a matter of shifting burden of proof. Initially, it is for the claimant to establish that the adoption of the impugned trade mark is without "due cause" upon which the burden shifts on the defendant to rebut and explain justification for adoption of the trade mark complained of.

- 8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?

If a defence is made out, a free rider can use as well as register the trade mark if it is not hit by any absolute grounds for refusal being descriptive or common to trade or indicating geographical significance.

- 9) Can the protection be invoked in:

- a) court in civil proceedings;

|                 |
|-----------------|
| yes             |
| Please comment: |

|                                |
|--------------------------------|
| b) court in other proceedings; |
| no                             |
| Please comment:                |

|                            |
|----------------------------|
| c) opposition proceedings; |
| yes                        |
| Please comment:            |

|  |
|--|
| d) any other?  |
| yes  |
| if so what, proceedings?:                                    |
| Rectification proceedings against third party registrations. |

|   |
|---|
| 10) If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements. |
| There are no different requirements.  |

## II Policy considerations and proposals for improvements of the current law

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|---|
| 11) Should there be protection against: |
|---|

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|--|
| a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or |
| yes  |
| Why?:  |

|   |
|---|
| b) use that is similar but outside the scope of the definition in these Working Guidelines? |
| yes   |
| Why?:   |

|   |
|---|
| 12) Is the basis for protection or the cause of action relevant?  |
| yes   |
| Why?:   |
| Both are relevant. Reputation is relevant as basis for protection and bad faith is relevant as cause of action. |

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|--|
| 13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above? |
| yes  |
| Why?:  |

|  |
|--|
| 14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved? |
|--|

Balance must be struck between granting protection to well known trade marks against dilution, free riding and parasitism as against bona fide user of trade marks in relation to similar or dissimilar goods and services.

### III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16) If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?

Such protection should be available globally.

17) Should there be harmonisation of the definition of:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes

If so, please provide any definition you consider to be appropriate.:

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

If so, please provide any definition you consider to be appropriate.:

18) What should the basis for protection/cause(s) of action be?

The basis of protection should be:

- i. Nature of the trade mark in terms of its inherent or acquired degree of distinctiveness;
- ii. The territorial extent, size and period of use;
- iii. The extent of exclusivity of use;
- iv. Dishonesty/bad faith should be a major factor.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

The nature of the mark, territorial extent and exclusivity of its use and investment made by the proprietor in its promotion should all be relevant requirements. Mere high sales in limited territory cannot be the sole criteria for determining issue of dilution. Otherwise, the classification of goods and services would lose their significance. Certain benchmarks or guidelines should be provided distinguishing trademarks having reputation limited in their protection to same or similar goods as distinguished from well-known trade marks justifying protection against dilution across spectrum of

goods and services. The criteria should be clearly spelt out for benefit of subsequent user of same or similar mark for different goods/services. The extent of protection against unfair advantage should be judged on the sliding scale of degree of distinctiveness vis-à-vis extent of reputation.

What constitutes taking unfair advantage should be elaborated and explained. For example, should intention or lack of it to take unfair advantage be a relevant factor? Is there any protection against bona fide adopter? Should the onus be on the proprietor to establish that it was a well-known trade mark on the date of adoption by the subsequent user?

“Due cause” is different from “intent”. Due cause pre-supposes a positive cause/reason for adopting a brand. A bona fide adoption may be without due cause arising from ignorance of a well-known trade mark. Would the law protect a bonafide adopter or would it protect a well-known trade mark against dilution is the question that needs to be answered. This situation may arise in case of arbitrary trade marks which may have become well-known.

20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

The defences that should be available are:

- i. Bona fide adoption and use;
- ii. Due cause;
- iii. Insufficient reputation to justify protection across all spectrum of goods/services;
- iv. Lack of highest degree of inherent or acquired distinctiveness justifying such protection;
- v. Use of similar trade marks for different goods/services in trade, all co-existing over a reasonable period of time;
- vi. Lack of sufficient similarity to create a linkage or association.

21) Who should bear the burden of proof in respect of any defences and/or limitations?

The Defendant/subsequent user.

22) In what type(s) of proceedings should it be possible to invoke the protection?

In all proceedings.

#### Summary

Balance must be struck between granting protection to well known trade marks against dilution, free riding and parasitism as against bona fide user of trade marks in relation to similar or dissimilar goods and services.

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of

parasitism and free riding you consider relevant to this Working Question.

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