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The issue of what constitutes trademark infringement, especially if it is in a country different from its origin, has spurred several legal debates

- Anuradha Maheshwari & Priyam Ravindran

The recent trademark controversy surrounding the European furniture store IKEA, a well-known interiors and furniture brand from Sweden, with a Chandigarh-based home décor store by the same name has stirred up a few legal debates about the trans-border reputation of trademarks and issues relating to their protection across nations.

An Indian Company, IKEA Home Decor Private Limited, has been registered with the Registrar of Companies at Chandigarh since July 2011. Lawyers generally abreast of the issues were of the opinion that the famous IKEA Group of Sweden could approach Indian courts and seek an injunction against the operations of the Indian company, citing violation of trademark of the brand 'IKEA'. Additionally, IKEA (Sweden) could state the Indian firm was exploiting the fame and goodwill of the global brand to sell its own goods.

## Reputation & Goodwill: Brand Protection

The insidious winds of globalisation along with the communication/advertising blitzkrieg have ensured burgeoning brand awareness amongst the people of India; consumers and non-consumers alike. It was unthinkable a decade or two ago, for small town Indians to shop at swanky malls for trendy international brands while enjoying a 'cappuccino' at an outlet of a renowned foreign chain of QSRs and equally unthinkable for us to imagine them doing so. Some, like the bitten apple in the Apple logo, the colourful and stylish 'M' in McDonalds, the 'swoosh' in the Nike logo, the Samsung and Nokia word marks enjoy both recognition and reputation even amongst the rural and economically backward population of India. Such marks are often recognised even without the association of their popular trade names or knowledge of the businesses or products they endorse. Needless to say, that in today's competitive brand dominated environment, urban consumers have developed not only a keen awareness of product trademarks and

logos but also a fair understanding of the intellectual property rights issues of the businesses owning them.

Moreover, the aura of exclusivity surrounding these branded products makes them awe-inspiring and highly sought after. However, it is exactly this 'exclusivity generated demand' which is overturned by unscrupulous traders who engage in manufacturing and selling deceptively and confusingly similar products bearing similar marks often in the home market in a bid to mislead and deceive the unwary consumer to their advantage. On the streets of Mumbai, the duplication of the Tommy Hilfiger, Playboy, Calvin Klein, Guess and Gucci brands is legendary.

The aura of exclusivity is clearly a direct outcome of the reputation and goodwill surrounding the product or business and is always a key factor in determining and measuring acts of passing off and infringement. Since there are no statutory definitions of the terms 'reputation' and 'goodwill' under the Indian Trade Marks Act, 1999 the same is left entirely to judicial interpretation, which again may vary from case to case. It is also observed that the expressions 'reputation' and 'goodwill' are used synonymously and inter-changeably. Nonetheless, there exists a thin but definite line of distinction between the two.

On the question of 'reputation' in the famous case of **Leahy v. Glover (1893, UK RPC)**, it was observed by Lord Herschell that, 'In order to succeed in an action for passing off, the first essential is on the plaintiff to prove the existence of a business in which there is a goodwill and that the goodwill or a part of it resides in exclusive association of the name, mark or other indicators/indices associated with the business.'

'Goodwill' as we know is an intangible asset that is entitled to protection under the civil laws of the land. However, goodwill generally follows reputation as it is impossible to enjoy goodwill in the absence of reputation. In the Anheuser Busch Inc. (1984, UK, FSR 413) case, it was observed that goodwill cannot exist in a 'vacuum', whereas reputation 'frequently does exist without any supporting local business.'

It may be inferred from the discussions above that reputation is earned by virtue of being well-known in a class of people, whereas goodwill is built when that class of people insist on purchasing the products with which they have associated reputation. Thus, for reputation to subsist, it is not entirely necessary that the product bearing the trademark is available or accessible to the consumers at large, whereas, for goodwill, it is necessary that the consumers habitually purchase the products bearing the said trademark. Thus, goodwill associated with the mark may be territorial but reputation subsisting in it is clearly beyond borders.



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## Territoriality of Trademarks vis-à-vis Trans-border Reputation

Territoriality of a trademark stems principally from the fact that the protection of the mark in question is valid and enforceable only within the geographical limits of that territory, which is obviously extended to the goodwill subsisting in the same, and dependent on which, the goods bearing the mark are purchased by the consumers. Hence, while a product or brand may enjoy enormous reputation in a market where it is not even available, it cannot earn any goodwill among the consumers for the simple reason that the consumers have never purchased it.

On the other hand, the growing economic activity and the nearly seamless world markets have fostered the phenomena of 'trans-border' reputation of trademarks. The law on trademarks in India is clear on the fundamental concept that nobody may be allowed to carry on trade in a manner so as to falsely induce the consumers to believe that his business has a connection with that of a well-known business of some other entity or that his goods emanate from that well known entity. A well-known mark means a mark which has become so (**well known**) to the substantial segment of the public which uses such goods or receives such services, that the use of such mark in relation to other goods or services would likely to be taken as **indicating a connection in the course of trade or rendering of services** between those goods or services and a person using the mark in relation to the first mentioned goods or services. Well-known trademarks therefore, are marks that are widely known to the general public and enjoy a relatively high domestic as well as international reputation, beyond perhaps the territories of their conception and usage. Trademarks like 'Benz', 'Charlie', 'Honda', etc. have been proclaimed as well known trademarks by the Courts of India in various decisions.

It is now settled law as far as this Court is concerned, that if the Plaintiff's trademarks/logos enjoy a trans-border reputation, they are entitled to be protected against infringement and passing off in India

Hon'ble S.J. Vazifdar, J of the Bombay High Court in **Pizza Hut International LLC and Ors. v. Pizza Hut India Pvt. Ltd.** (2002) held that: "It is now settled law as far as this Court is concerned, that if the Plaintiff's trademarks/logos enjoy a trans-border reputation, they are entitled to be protected against infringement and passing off in India... There are a variety of ways in which trans-border reputation may be developed in India even though the goods may not actually be sold in India. Even if the Plaintiff's restaurants and food products are not advertised in India, the Plaintiff have developed a trans-border reputation in India for the reasons and in the manner aforesaid... It is obvious that anyone would connect the trade mark PIZZA HUT and PIZZA HUT logo with the Plaintiffs..." The Hon'ble Court placed reliance on the ratio laid down in **Poddar Tyres Ltd. v. Bedrock Sales Corporation Limited** and in **Aktiebolaget Volvo v. Volvo Steels Limited** decided by the Bombay High Court earlier in 1992 and 1997 respectively.

In yet another Supreme Court case, **Milmet Oftho Industries & Ors v. Allergan Inc.** (2004), the Learned Division Bench of the Apex Court comprising of Hon'ble S.N. Variava, H.K. Sema, JJ. had to deal with the question of infringement of pharmaceutical trademark with trans-border reputation. Hon'ble S.N. Variava, J in his judgement observed: "The Court has to keep in mind the possibility that with the passage of time, some conflict may occur between the use of the mark by the applicant in India and the user by the overseas company. The Court must ensure that public interest is in no way imperiled. It must also be remembered that nowadays goods are widely advertised in newspapers, periodicals, magazines and other media which is available in the country. This results in a product acquiring a worldwide reputation. Thus, if a mark in respect of a drug is associated with the Respondents worldwide, it would lead to an anomalous situation if an identical mark in respect of a similar drug is allowed to be sold in India. The ultimate test should be **who is first in the market?** The mere fact that the Respondents have not been using the mark in India would be irrelevant if they were first in the world market..."

In view of the above, the ongoing litigation pertaining to trademark infringement involving The Times Publishing House Ltd. (TPHL) and Financial Times Ltd. (FTL), London pending before a Division Bench of the Hon'ble Supreme Court deserves special mention. The battle over FTL's globally registered title and

trademark began in 1993 when FTL filed a civil suit against the infringement of its mark in Bengaluru. Another plea relating to the use of the mark 'Financial Times' and 'Financial Times Ltd.' was decided by the Intellectual Property Appellate Board (IPAB) in April in 2012 whereby, the Board cancelled the trademark registrations of both the entities, while the rectification application for the mark "**Financial Times Limited**" was cancelled on the grounds that despite contending trans-border reputation since 1948 the same could not be established by FTL; the application to cancel the registration of the mark "**Financial Times**" registered in the name of TPHL was allowed on the grounds that no evidence of distinctive use or even reputation was adduced. An appeal against the IPAB order is currently pending before the Hon'ble Delhi High Court.

Recently in April of this year, the IPAB ruled in favour of Nestlé and dismissed an appeal by Kolkata-based Kit Kat Food Products to be allowed to use the same trademark 'Kit Kat'. A Kolkata based company by the name **Kit Kat Food Products** claimed proprietary rights over the mark and argued that the name 'Kit Kat' was derived from the word 'chit chat' and there was no intent on their part to ride piggy back over the goodwill and reputation earned by the Swiss giant **Societe des Produits Nestlé S.A.** In the order, Hon'ble Justice S. Usha said that Nestlé's rights have to be protected as it was the first in the world market to use the Kit Kat mark. The tribunal noted there is no dispute about the use of the label by Nestlé in India since 1987. It was further noted that "The mark was in use since 1935 outside India and the company got it registered in 1942. The Kolkata firm has admitted that it had adopted the mark only in 1991. The marks are identical, the products are also similar and they are mainly bought by small children. When the class of customers is considered, which is the ultimate test to determine deceptive similarity; there is every possibility of confusion being caused by the user of the mark by Kit Kat Food Products."

Similarly, in Appellate proceedings before the IPAB involving English luxury cars manufacturer, **Jaguar** and Swiss watch making company **Manufacture Des Montres Jaguar S.A.**, it was held that the test should be whether the registration of the trademark in India is for a 'Class of Goods' or merely for a particular (set of) goods. Jaguar Cars had registered its trademark with respect to automobiles in India in 1945 and has earned a brand value in India since then. The mark Jaguar is recognised in India as one of the leading luxury brands. Therefore, the IPAB held that even if Des Montres was the prior applicant with respect to watches, this was an "artificially constructed and labored justification" and consequently, ruled in favour of Jaguar Cars.

## Conclusion

Going back to the IKEA controversy, it is pertinent to note that on the Ministry of Corporate Affairs/Register of Companies (ROC) portal, there exists not one but two more companies namely Hyderabad-based IKEA Constructions Private Limited (incorporated in June 2005) and Chennai-based IKEA Furniture Private Limited (incorporated in June 1997), albeit dormant as per the electronic records. As far as adoption of company names are concerned, Section 20 of the Companies Act, 1956, states categorically that no company is to be registered with an 'undesirable' name. The term 'undesirable' is further expounded in Companies (Name Availability) Rules, 2011 to expressly mean that a proposed name is considered to be undesirable if it is identical with or too nearly resembling a:

- (i) Name of a company in existence; or
- (ii) A registered trade-mark or a trademark which is subject of an application for registration, of any other person under the Trade Marks Act, 1999.

While the above is self-explanatory, it raises concern over a seeming absence of required coordination between the ROC and the Trade Marks Registry that could help stem issues like the IKEA case from surfacing. In the face of a registered trademark, the ROC must declare the Company name to be adopted as 'undesirable' and direct a change in respect of the same. It is also interesting to note that while the European furniture giant already has trademark registrations in India dating to the year 1978, which are subsisting on the Register of Trademarks,

the Chandigarh based company in question has been only incorporated in the year 2011. By all reasonable standards, especially in the world of furniture and interiors, IKEA is a distinctive and well-known name and mark. It is equally pertinent that two of the registered Indian companies using the name are in the same class of business/trade and could be considered competitors to the Swedish company, were they to launch its furniture related products in India. Hence, it is difficult to believe that the Indian companies adopting the name IKEA were doing so innocently or in ignorance of the international brand. In many countries therefore, issues of trade name and trademarks are handled by the same Registry to avoid marks/name conflicts.

The ultimate test should be who is first in the market? ...The mere fact that the Respondents have not been using the mark in India would be irrelevant if they were first in the world market...

Finally, one cannot but help refer to the following opinion of Hon'ble Justice S.N. Varaiya, in Milmet Oftho Industries & Ors. v. Allergan Inc., which assumes special significance in the context of the issues raised herein: "One note of caution must be expressed. Multinational corporations, who have no intention of coming to India or introducing their product in India should not be allowed to throttle an Indian Company by not permitting it to sell a product in India, if the Indian Company has genuinely adopted the mark and developed the product and is first in the market. Thus the ultimate test should be who is first in the market..."

Needless to say, that the role of the judiciary in interpreting the laws will be highly critical. At a stage when the Indian economy is on the threshold of emerging as one of the fastest growing economies in Asia, the intellectual property rights protection framework in the country and its adaptation is crucial to the fate of the economy. While India needs to appear and project itself as an investor friendly market to foreign investors, it is critical that the principles of justice, fair competition and spirit of the laws of the land are upheld.

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