

## PROTECTION OF TRADE MARKS SOME ISSUES AND STRATEGIES

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**T**RADE mark is an important element of intellectual property. It is sought to be protected by statutory measures in almost all the countries of the world. This paper seeks to analyse and evaluate the major provisions of the protection of trade marks in India, which have recently undergone a comprehensive review and subsequent modification. Certain problems faced by trade mark proprietors in protecting their mark are identified and discussed and appropriate strategies for effective protection of such marks are suggested.

**Key Words:** Trade Marks; Legal protection; Infringement; Internet.

Trade mark is a form of property. In common parlance, the term 'property' usually refers to resources (or assets) of some sort, physical, tangible, material or otherwise, over which someone can exercise some justified control. Any property which is acquired with some intellectual exercise is referred to as 'intellectual property'. Intellectual property mainly includes patents, copyrights, trade marks, and designs.

Trade mark is considered intellectual rather than commercial property, but can be highly valuable to its owner. It was once remarked that if all the plants and inventories of Coca-Cola Company were to go up in smoke overnight, the company could acquire funds to rebuild the same by using the goodwill of its trade mark alone as security. Thus, trade marks are of immense value to their owners (Cohen, 1986, 1991).

The magnitude of intellectual capital in the form of trade marks is shown in Table 1.

**Table 1: World's Highest-Valued Trade Marks**

Rank	Trade Mark	1992 Value (bn \$)	Rank	1995 Value (bn \$)
1	Marlboro	39.47	1	44.6
2	Coca-Cola	33.45	2	43.4
3	Intel	17.81	10	10.5
4	Kellogg	9.68	7	11.4
5	Nescafe	9.17	9	10.5
6	Budweiser	8.24	8	11.0
7	Pepsi-Cola	7.50	14	8.9
8	Gillette	7.15	11	10.3

**Source:** Ove Granstrand, *The Economics and Management of Intellectual Property – Towards Intellectual Capitalism*, Edward Elgar Publishing, Cheltenham, UK, 2000, p.9

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As the value of intellectual property increases, the need to protect and promote the owner's rights also increases.

The paper seeks to analyse and evaluate the major statutory provisions for the protection of trade marks as intellectual property, to assess their effectiveness and to suggest appropriate strategies for effective protection of trade marks, in India.

### **Concept of Trade Mark**

A trade mark is a legal title granting to its owner, the right to sell a product under a specific name or symbol by stopping others from using that name or symbol. Trade mark is a brand that is given legal protection because it is capable of exclusive appropriation. A trade mark protects the seller's exclusive rights to use the brand name and/or brand mark. As defined in Section 2(zb) of the Trade Marks Act, 1999, a "trade mark" is a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others, and may include shape of goods, their packaging, and combination of colours.

Further, according to Section 2(m) of the Act, the term "mark" includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colours, or any combination thereof.

A trade mark performs the following functions.

1. It provides an identification symbol for the product or service of a particular seller.
2. It provides an assurance of a consistent quality of the product or service.
3. It can be used to advertise the product or service.
4. It creates an image for the product or service.

### **Trade Mark Law in India**

Earlier, the legal provisions for registration and protection of trade marks of goods were contained in the Trade and Merchandise Marks Act, 1958. In view of the developments in trading and commercial practices, particularly in the wake of economic liberalisation and globalisation of industry and trade, the need to encourage transfer of technology, and to give effect to some major judicial decisions on the subject, a comprehensive review of the law was made.

Consequently, the Trade and Merchandise Marks Act, 1958, was repealed and replaced by the Trade Marks Act, 1999, which came into force on 15<sup>th</sup> September, 2003. The legislative provisions of the 1999 Act have been supplemented and elaborated by the Trade Marks Rules, 2002, the Trade Marks (Applications and Appeals to the Intellectual Property Appellate Board) Rules, 2003, and the case law on the subject.

The law of trade marks in India has two basic objectives.

1. ***Provision for registration and protection of trade marks of goods and services:*** The registration of trade mark protects the goodwill of the firm selling goods and providing services. The protection of a firm's goodwill will motivate it to maintain and improve the quality of its products and services. Trade mark also protects the sellers and service-providers from the loss of their customers and reputation through unauthorised use of the mark. This is a very important gain to business firms.

2. ***Prevention of the use of fraudulent marks:*** The trade mark law protects the interest of consumers who buy products and hire and use services. The consumers are saved from the confusion arising out of any fraudulent trade mark.

Consumer also benefits from the registration of trade marks in that it results in the reduction of his 'search costs' (Landes and Posner, 1987).

Thus, the legal system for protection of trade marks is beneficial to the business world, the consuming public, and to the society at large.

***Reforms in the Trade Mark Law:*** The Trade Marks Act of 1999 is an improvement over the earlier enactment - the Trade and Merchandise Marks Act, 1958. The following are some of the important changes that have been made in the trade mark law by the new enactment and the rules framed thereunder.

1. Registration of trade marks for services, in addition to goods.
2. Increasing the duration of registration and renewal from seven years to ten years.
3. Enlargement of the concept of trade mark to include the shape of goods, packaging and combination of colours.
4. Provision for protection of well-known trade marks.
5. Simplification of registration of trade mark with equal rights to all registrants, by doing away with the system of maintaining registration of trade marks in Part A and Part B with different legal rights.
6. Provision for the registration of a "Collective Mark" used by members of an association of persons, which is the proprietor of the mark.
7. Prohibiting the use of the trade mark of someone else as part of the corporate name or the name of a business concern.
8. Widening the scope of infringement by including the use of registered marks not only in relation to goods which are similar, but also those which are different from the goods covered by registration.
9. Providing enhanced punishment for the offences relating to trade marks.
10. Setting up of the Intellectual Property Appellate Board for speedy disposal of appeals and rectification of the Register of Trade Marks, which earlier used to be done by the High Courts.

### **Protection of Trade Mark**

Once the company has chosen the trade mark and has begun using it for its product or service, the firm must guard against its unauthorised use by others. Failure to do so can result in the loss of a valuable intellectual property.

Justice Frankfurter of the U.S. Supreme Court made the following comments on the importance of trade mark protection to the marketer:

"The protection of trademarks is the law's recognition of the psychological function of symbols... The owner of the mark exploits this human propensity (of purchasing goods by symbols) by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. If another poaches upon the commercial magnetism the symbol has created, the owner can obtain legal redress." (Posch, 1988, p.107-108)

Trade mark protection is sought to be achieved through registration. The registration of a trade mark gives to the registered proprietor the exclusive right to the use of the mark in relation to the goods or services for which the mark is registered and to obtain relief in the case of its infringement.

### **Registration of Trade Mark**

Any person desirous of registering a trade mark has to apply in writing to the Registrar of Trade Marks in the prescribed manner. The application is to be filed in the office of the Trade Marks Registry within whose territorial limits the principal office of the applicant is situated. The Registrar can refuse the application or can accept it absolutely or subject to such modifications or conditions as he may think fit. The application accepted by the Registrar is to be advertised by him in the Trade Marks Journal. Any person can oppose the registration within three months from the date of advertisement of the application. If no opposition is made within the stipulated time or the opposition has been decided in favour of the applicant, the Registrar registers the Trade Mark and issues a certificate of registration. The Register of Trade Marks is kept at the head office of the Trade Marks Registry (at Mumbai), which contains particulars of all registered trade marks, including the names, addresses and description of the proprietors and the registered users, conditions and limitations.

Initially, the registration of a trade mark is valid for a period of ten years, but may be renewed from time to time in accordance with the provisions of the Act. The Act also provides for any modification of a registered trade mark in any manner not substantially affecting the identity of the mark.

***Special Provisions for Textile Goods:*** The Act contains special provisions for textile goods, which include the following.

1. No mark consisting of a line heading alone can be registered as a trade mark.
2. A line heading is not deemed to be capable of distinguishing.
3. The registration of trade mark shall not give any exclusive right to the use of a line heading.

Moreover, piece goods manufactured or processed in a factory, which are ordinarily sold by length or by the piece, must be stamped in international form of Indian numerals. On each piece its length in standard yards or meters, and the name of the manufacturer, processor or the wholesaler must be indicated. Similar provisions exist for cotton yarn and thread.

### **Benefits of Registration**

The registration of a trade mark offers to the registered owner of the trade mark the following benefits.

1. The registration is a *prima facie* evidence of ownership and confers the right of exclusive use on the registered proprietor of the trade mark in relation to the goods or services concerned.
2. The registered proprietor of the trade mark can obtain relief in respect of infringement of the trade mark.
3. The registration is a constructive notice of the registrant's ownership claim, that is, everybody is presumed to know about the exclusive right of the registered proprietor to use the trade mark.
4. Registration enhances the reputation of the owner of the trade mark.
5. It provides protection against imports which causes infringement.
6. Infringement of a registered trade mark entails serious consequences to the erring person resulting in the imposition of fine, imprisonment, or both.

## Refusal of Registration

The Trade Marks Act does not allow registration of trade marks on certain grounds.

**Absolute Grounds for Refusal:** As provided in Section 9 of the Act, the registration of a trade mark can be refused on the following grounds:

1. If the mark is devoid of any distinctive character, that is, it is not capable of distinguishing the goods or services of one person from those of another person.
2. If it consists exclusively of marks or indication which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin, or the time of production of the goods, or rendering of the service, or any other characteristics of the good or service.
3. If it consists exclusively of marks or indications which have become customary in the current language or in the *bona fide* and established practices of the trade.
4. If the trade mark is likely to deceive the public or to cause confusion among the public.
5. If it contains any matter likely to hurt the religious susceptibilities of any class or section of the citizens of India.
6. If it contains any scandalous or obscene matter.
7. If its use is prohibited under the Emblems and Names (Prohibition of Improper Use) Act, 1950, e.g., U.N.O., W.H.O., Rashtrapati, Mahatma Gandhi, etc.
8. If its shape is such which results from the nature of the product itself.
9. If its shape necessitates obtaining a technical result.
10. If its shape gives substantial value to the product.

**Relative Grounds for Refusal:** The registration of a trade mark can also be refused on some other grounds, which include the following.

1. If, because of its identity with an earlier trade mark, there exists a likelihood of confusion on the part of the public of its association with the earlier trade mark (Section 11).
2. If the name is declared by the World Health Organization as an international proprietary name.
3. If the name represents any single chemical element or any single chemical compound in respect of a chemical substance or preparation (Section 13).
4. If a trade mark falsely suggests a connection with any living person, or a person whose death took place within twenty years prior to the date of application for registration of the trade mark, unless the written consent of the living person or the legal representative of the deceased person has been obtained (Section 14).
5. If its use in India is liable to be prevented by virtue of any law, including the copyright law (Section 11).

## Trade Mark Infringement

When a registered trade mark is used by a person who is not entitled to use such a trade mark, it constitutes an infringement. A registered trade mark is infringed in the following cases.

1. The mark used by a person is identical to the registered trade mark and is used in respect of similar goods or services and such use is likely to cause a confusion, or is likely to be taken to have an association with the registered trade mark.

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2. The mark is used in relation to goods or services which are not similar to those goods and services for which the trade mark is registered, and
3. The registered trade mark has a reputation in the market and its use, without any authorisation, shall be detrimental to the repute of the registered trade mark.

Under the Trade Marks Act, any person who unauthorisedly uses a registered trade mark for the following purposes shall be guilty of infringement.

1. Affixing the trade mark to any product or its label or package.
2. Offering any product for sale or supplying any services under the registered trade mark.
3. Importing or exporting any product under the registered trade mark, and
4. Using the registered trade mark on any business paper or in advertising.

Various cases of trade mark infringement can be studied under the following heads.

- Counterfeiting
- Dilution
- Infringement on the Internet

## **Counterfeiting**

Counterfeiting involves an intentional use of a mark, which is identical or substantially similar to a registered trade mark, on similar goods or services.

In *Rolex Watch vs. Michel Co.* (U.S.A., 1999), it was held that the jeweler who had sold the used Rolex watches that had been repaired with non-Rolex parts, without removing the original Rolex marks, had engaged in counterfeiting.

In 2002, Nike argued before the Delhi High Court that Aggarwal Dresses and other small companies in the Gandhinagar area of Delhi were selling their goods as those belonging to Nike International. The Court held that the accused had engaged in counterfeiting and observed that if immediate steps are not taken for seizing the goods, the defendants would remove or conceal the goods and sell the same to unsuspecting customers. The Court also appointed commissioners to seize the infringed goods.

## **Dilution**

Dilution occurs when a seller uses a mark on his goods or services, which is identical or substantially similar to a famous registered trade mark. The mark is not used in respect of similar goods or services, but the value of the mark to the owner gets diminished because consumers no longer associate the mark exclusively with the original owner.

In India, the cases of dilution are decided as per the provisions of the trade mark law. However, in the U.S., there is a separate Federal Trademark Dilution Act, 1995, to handle the problem of trade mark dilution. The Dilution Act of the U.S. defines dilution as:

“the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of

1. competition between the owner of the famous mark and other parties; or
2. likelihood of confusion, mistake or deception.”

Thus, if a seller of ABC shoes advertises his shoes as “ABC shoes, the Rolls Royce of shoes”, it constitutes dilution of the famous trade mark “Rolls Royce”, even though there is no similarity between the two products - shoes and motor vehicles.

### **Trade Mark Infringement on the Internet**

The growing usage of the Internet and e-commerce has increased the number of trade mark law issues. However, the law has not yet evolved to adequately resolve the conflict in respect of the use of trade marks in domain names and other Internet applications.

A domain name is the address of a website that enables the consumers to connect to the Internet. Domain names are inherently global in reach and must be unique, that is, only one person can have any particular domain name. Disputes arise when people make unauthorized or unscrupulous use of a registered domain name.

Disputes regarding the domain names are dealt with by the World Intellectual Property Organization (WIPO), a United Nations agency. The Domain Name Dispute Resolution Service, set up by the WIPO, has a well-developed case administration system. It provides a streamlined, cost-effective and swift procedure to decide the cases filed with it. Generally, the cases are decided within 45 days after filing.

Another important organization is the Internet Corporation for Assigned Names and Numbers (ICANN), which is an international organization for registering the domain names, and has limited powers for dispute-resolution. However, an ICANN registration does not confer any intellectual property right.

Some important issues regarding the trademark infringement on the Internet are briefly discussed below.

**A. Cyber-squatting:** In order to take undue advantage of a well-known trade mark, a firm is often tempted to use that mark for its own website, in a manner so as to induce a customer to believe that there is a direct link between the website-holder and the trade mark, when in fact, there is no such connection. Such action which would surely amount to trade-mark infringement, is commonly referred to as ‘cyber-squatting’.

For overcoming the problem of cyber-squatting, the US Congress has passed the Anti Cyber Squatting Consumer Protection Act, which came into force in November, 1999. The Act prohibits the attempts to divert customers in a way that could harm the goodwill of the trade mark and the loss of sales to the owner. Through the WIPO, a person can challenge the registration of a domain name by another party.

The first cyber-squatting case under the WIPO was filed by the US-based World Wrestling Federation (WWF) in the year 2000. The Federation reported that a resident of California had registered the domain name “worldwrestlingfederation.com” and offered to sell it to WWF at a huge amount a few days later. It was held that the domain name was registered in bad faith and the defendant had no legitimate right to use the domain name.

Tata Sons, the holding company of India’s biggest industrial conglomerate, the Tata Group, filed a complaint with the WIPO against an Indian agency, in 2000, for registering 10 domain names which included ratantata.com, tatapowerco.com, tatatimken.com and jrdtata.com. The WIPO held that the domain names registered by the Indian agency were identical or confusingly similar to the trade mark belonging to Tata Sons and that the registration of a host of such domain names indicated a pattern of cyber-squatting.

In yet another case filed with the WIPO, a US company, Infospace.com which offers various commercial services to on-line customers, complained against a resident of Bhopal for registering the domain name

“Indiainfospace.com”. It was held that the addition of the word ‘India’ would only induce the users to believe that the site was of an Indian affiliate of the US company. Therefore, it was considered to be a registration in bad faith and the claim of the US company was upheld.

Thus, the WIPO is performing a significant role in resolving disputes regarding the domain names on the Internet. However, cyber-squatting practices should be monitored internationally. International community should explore ways and means for developing and enforcing effective statutory measures to control cyber-squatting.

**B. Typo-piracy/Typo-squatting:** There is no end to human ingenuity. People are coming up with new ways of making unscrupulous use of some famous websites to make money. Some websites try to take advantage of common typographical errors that the users might make in typing a web address to direct users to a different website. Such people who try to take advantage of some popular websites to generate accidental traffic for their websites are called ‘typo-pirates’, and this practice is referred to as ‘typo-piracy’. The typo-pirates sell advertising space on their websites to those who want their banners to be noticed by the accidental traffic generated. This unscrupulous use of the famous websites to make huge sums of money clearly amounts to trade-mark infringement.

**C. Metatags:** ‘Metatags’ are the keywords that can be inserted into the source code of websites. Metatags usually cannot be seen by the users, but search engines can read them. A search engine uses various algorithms to rank order the web pages for a particular search. This order may be based on the domain name, text on the websites, metatags, and other things. Some search engines give more weight to metatags in search results. In such cases, websites with particular metatags will be ranked higher in search results.

Thus, if a firm places the trade mark of its competitor in the metatags of its own site, it would amount to trade-mark infringement.

In addition to the above, there are many other issues of trade mark infringement on the Internet and with the growing importance of the Internet they are expected to be on the rise. The Indian legal system, however, is still not equipped to deal with all such issues.

## **Consequences of Trade Mark Infringement**

The trade mark law provides for severe penalties, including imposition of fine and imprisonment, for infringement of trade marks and other violations of the legal provisions.

In addition to the above, the unauthorized user of the trade mark will pay indirectly for the destruction of the image of the trade mark in the public eye. Since all such decisions are reported in newspapers and journals, it washes away the reputation of the unauthorized user. This might result in loss of sales, loss of profits, loss of customers, lowering of employee morale, and, in extreme cases, it may even precipitate the closure of the company.

## **Strategies for Better Protection**

A seller must take the following steps to ensure effective protection of his trade mark.

1. Getting the trade mark registered in accordance with the legal provisions.
2. Creation of a Trade Mark Department in the organization or retaining a Trade Mark Attorney to maintain requisite records and documents.
3. Setting up a media-monitoring programme to keep track of the infringement of his trade mark by any person.

4. Keeping a check over telephone directories (like yellow pages), competitors' catalogues, and major trade journals, to trace cases of infringement.
5. Becoming aware of the Internet environment where his trade mark might be used (or abused).
6. Being vigilant about any likely typo-piracy around his website.
7. Running searches with his trade mark to determine whether the competitors are using it in metatags.
8. Taking immediate action when any case of infringement is detected. Failure to do so would amount to an acquiescence or tacit approval for the unauthorized use of the registered trade mark.

## Conclusion

In view of the foregoing analysis and discussion, it appears that India has a sufficiently comprehensive legal framework and a rich body of decided cases pertaining to the protection of trade mark. The interest of not only the honest traders and service-providers is well-protected but the consumers and other buyers have also been well-protected. With the coverage of services by the trade mark law, the large and growing service sector has immensely gained by the new statutory measures.

However, with the growing use of the Internet in international business, it is necessary to devise the mechanism for the protection of trade marks used on the Internet. As a first step towards the long-term goal of the protection of trade marks used in international business, it is proposed that an international registration system be established for trade marks used on the Internet. This registration system would supplement current national trade mark rights and registration.

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