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Phenomenon of Trademark Bullying in India

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ABSTRACT

Trademark protection legislation was enacted to give trademark owners exclusive proprietary rights, a monopoly over their trademarks, and safeguard the public's goodwill. It was designed to prevent the sale of counterfeit goods under a well-known brand name, but when these owners go above and beyond their legal rights to defend their mark, the term "trademark bullying" is used. Trademark bullying takes place when one party attempts to threaten another party by alleging that the other party has infringed upon the aggrieved party's trademark. Such allegations are supported using vague and baseless claims. The aggrieved party may intimidate the other party by initiating legal proceedings against them or by sending cease and desist legal notices. The practice of a proprietor being overprotective of their mark and enforcing trademark rights beyond the required limit and scope of trademark law is called Trademark Bullying.

When large corporations aim to eliminate competition from markets, they send out a standard cease and desist letter that includes legal threats of trademark infringement and dilution. They also indicate that they have had success litigating other businesses that use identical trademarks, and then they file an opposition action against the small business. The effect on small businesses that lack financial or legal backing is that they seek a settlement in which they are asked to remove their marks, which is accepted by the small businesses. Because of the litigation, small businesses have to pay a lot of money for rebranding, removing products from the market, and losing their reputation.

Keywords: *Trademark Bullying, Trademark Infringement, Legal Threats, Trademark Protection, Monopoly, Goodwill.*

I. INTRODUCTION

The United States Patent and Trademark Office (USPTO) has defined trademark bullying as "the act where the trademark owner that uses its trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow."

Trademark bullying is an illegal means to a legal end.

This article will examine the notion of trademark bullying, as well as how huge firms interfere

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with small businesses' brand building and IPR registration processes, and whether this leads to oppression and bullying of such small organizations.

The objectives of this study are to examine the phenomenon of trademark bullying in India. And the extent to which Big Brands exercise their dominance on smaller brands and startups.

II. TRADEMARK BULLYING: INDIAN LEGAL SCENARIO

The danger of such misappropriation had been anticipated by Indian legislators, who established section 142 of the Trademarks Act, 1999, which gives protection against false legal threats. The provision reads as follows:

“Where a person, by means of circulars, advertisements or otherwise, threatens a person with an action or proceeding for infringement of a trademark which is registered, or alleged by the first-mentioned person to be registered, or with some other like proceeding, a person aggrieved may, whether the person making the threats is or is not the registered proprietor or the registered user of the trademark, bring a suit against the first-mentioned person and may obtain a declaration to the effect that the threats are unjustifiable, and an injunction against the continuance of the threats and may recover such damages (if any) as he has sustained, unless the first-mentioned person satisfies the court that the trademark is registered and that the acts in respect of which the proceedings were threatened, constitute, or, if done, would constitute, an infringement of the trademark.”

An injunction might be given in the aggrieved party's favour to prevent the other person from making further threats and to recover damages. Only those whose trademarks have been registered are eligible for this action. The Copyright Act of 1957, the Patent Act of 1970, and the Designs Act of 2000 all provide provisions for this.

The provision states that when a person through circulars, advertisement, or otherwise threatens another person with an action or proceeding for infringement of a registered or alleged to be registered trademark, the aggrieved person may bring a suit against such person and obtain a declaration to the extent that such threats are unjustified.

The available legal remedy for such threats is that an injunction may be issued in favour of the aggrieved party to restrain the other person from the continuance of such threats and also to recover damages. This remedy is available for only those whose trademarks are registered.

The practice of a proprietor being overprotective of their mark and enforcing trademark rights beyond the required limit and scope of trademark law is called Trademark Bullying.

For instance when a powerful company or a big MNC like Amazon or Apple, that has immense

funds, files a suit against local or smaller companies for infringement. Legal proceedings have a huge cost attached to them and cannot be afforded by everyone. A small company that does not have adequate finances to fight a legal battle tends to budge under the influence of these powerful companies and give up on using their mark along with the products and services used under the mark, which they are legally entitled to. However, these threats are more than often groundless and baseless.

The course of action for entities that suspect infringement should be to verify whether the rival mark is actually similar to the proprietors' mark. The next step would be to understand the trade circle, the market area and the similarity in the goods and services and further understand whether there is actual infringement or dilution. Similarly, one needs to determine whether there is a likelihood of confusion that might arise when a man with average intelligence looks at the rival marks. After the conclusion of the said due diligence, the proprietors would be in a position to understand whether they need to proceed with a legal action.

(A) Trademark Infringement Based on Unfounded Claims of “Famous Trademarks”

One can also be called a bully if it bases the case on unfounded claims of a “famous trademark” to allege dilution of its trademarks. Unlike the United States, which not only requires proof of a mark being famous in the niche area but also being well known to the general public, the Indian Trademarks law does not mandate the latter to establish a case of trademark dilution. This leaves the window open for corporates to base their unsubstantiated and self-serving claims of a famous or well-known trademark.

It is however understandable that a company that has acquired its reputation and goodwill towards its brand through immense marketing, advertising and providing exceptional goods/services would go an extra mile to protect its brand from being used by any third party with a malafide intention to earn profits from the name of a well reputed brand.

In order to decipher whether there is an actual infringement, or the mark is being bullied, we need to understand if the dominant mark is really being affected economically as well as if its reputation is being tarnished and if there is any confusion caused by the use of the rival mark in the said market. If these are not affected and the dominant mark is trying to establish a monopoly in the market, then it is considered Trademark Bullying.

(B) Modus Operandi of Bullying and the Effect on Small Entities

Big companies have been observed to follow a similar pattern when they try to eradicate their competition out of the markets. They send out a common cease and desist notice which contains threats in legal language alleging trademark infringement and dilution. They also mention that

they have been successful in prosecuting other enterprises using similar trademarks and then initiate either opposition proceedings or rectification proceedings against the small enterprise.

The effect on the small enterprises that do not have any economical or legal support is they sit for a settlement wherein they are asked to withdraw their marks and the same is accepted by the small enterprises. The small enterprises tend to incur a huge financial cost of rebranding, removal of products from the markets, and loss of reputation because of the suit.

One of the first case that may be identified as bullying in India is *Milmet Oftho Industries and Ors v. Allergan Inc* [(2004)12 SCC 624], wherein the Indian Pharmaceutical company Allergan sold a drug named 'Ocuflux'. The Appellant, an international pharmaceutical company sold a drug with a similar name in different countries and therefore sought a passing off suit against Allergan.

The Supreme Court held that *"if multinational companies do not have any intention of coming to India or introducing their products in India, they should not be allowed to throttle Indian Companies if the Indian Company has been genuinely using their mark in India and developed the product and was the first in the market"*.

Another notable case is *Jones Investment Co v. Vishnupriya Hosiery Mills* [2015-4-L.W.30], where the Appellant was an American company which had been using the trademark 'Jones New York' internationally for manufacturing and producing clothing, hosiery and footwear. The respondent on the other hand was a small textile firm based in Erode, a city in Tamil Nadu. The Respondent had filed an application for their mark 'Jones' in relation to the textile products, which was opposed by the Appellant and the Registrar of Trademark had dismissed the same which gave rise to an Appeal.

The Appellants contended that they had transborder reputation and that the respondents did not have enough sales of their products and therefore, would not be able to compete with the Appellant. However, the IPAB took a similar stand which was taken by the Supreme Court in the previous cited case and stated that *"a multinational company cannot claim infringement of trademark by a local Indian company purely based on international presence, unless they can expressly establish that their presence extends to India or precedes that of the Indian company."*

The recent dispute between BigBasket and DailyBasket is an example of India's trademark bullying problem. BigBasket, India's largest online grocery retailer, issued a cease-and-desist order against Daily Basket, a small business, citing trademark infringement.

They argued that simply mentioning or referring to a name including the term "basket" in word

or logo form for any E-commerce firm or related products would lead the relevant class of customers to believe that the company was associated with BigBasket.

Since the use of words like 'Basket,' 'Cart,' and 'Pantry' by food stores has become prevalent, this trend has enraged a number of people.

However, except for the phrase 'basket,' there are no other similarities in the marks used by the two firms in this case. Be it their websites, app interfaces, or the respective sector of clients, there seem to be considerable variances. However, in this particular case, Daily Basket adopted an inventive way of vengeance. They retaliated by launching bbisabully.com, an interactive website where they posted the legal notification, "BigBasket is bullying dailybasket.com with Cease & desist letter," where they strongly refute each of BigBasket's charges, concluding with a note to spread the information, which, needless to say, has spread like wildfire.

In such circumstances, Indian courts have always made rulings on a case-by-case basis.

In this scenario, the likelihood of BigBasket's asserted confusion between their company and that of the start-up Daily Basket in terms of mark utilization appears to be slim. Apart from the term 'basket,' there is no similarity between the two marks, and the color, font, visuals, and overall mix of brand names are vastly different. The confusion should be real and proximate, not far away, to the point where both marks are indistinguishable to the registered owner's clients. That is to say, secondary distinctiveness is required. The use of a common word like 'basket' in a different context, on the other hand, does not imply a secondary distinction.

III. THE PHONEPE BHARATPE CASE

It is not uncommon for market competitors to find themselves in a courtroom confrontation over trademark infringement cases. PhonePe Private Limited v Resilient Innovations Private Limited is a matter between parties who had previously approached the court regarding their marks. In this case, PhonePe (Plaintiff) is a popular digital payment and financial technology company. It provides a mobile payment platform that allows users to transfer money, pay bills, recharge mobile phones, book flights and hotels, and more. It has gained significant popularity in India due to its user-friendly interface, ease of use, and wide acceptance across various online and offline merchants. On the other hand, New Delhi-based Resilient Innovations Private Limited (Defendant) is a relatively new company known for its brand BharatPe. They also operate a Buy Now and Pay Later (BNPL) mobile app called 'PostPe'. The Plaintiff and Defendant were parties engaged in a legal dispute where the Plaintiff claimed that the Defendant's trademark 'PostPe' infringed upon their trademark 'PhonePe'. On April 6, 2023, the Bombay High Court made a decision in favour of the Defendant that rejected Plaintiff's plea for interim relief.

Background of the Case

In 2018, PhonePe sent *a cease and desist notice* to the Defendant, requesting that they cease using the brand name with the ‘Pe’ component written in the Devanagari script. BharatPe subsequently modified its brand name to ‘BharatPe’ without the word ‘Pe’ in the Devanagari script. In 2019, PhonePe filed an injunction order plea against BharatPe, alleging that the use of the suffix ‘Pe’ had acquired distinctiveness and sought legal intervention to prevent BharatPe from using it.

In 2021, the Plaintiff filed an opposition against the Defendant’s registration of the mark ‘PostPe’. They also filed a suit claiming that the Defendant’s use of the trademark ‘PostPe’ amounted to trademark infringement.

Dispute concerning the word ‘Pe’

The parties involved in this dispute have an enduring and unresolved disagreement pertaining to the usage of the suffix ‘Pe.’ This disagreement revolves around the interpretation of the ‘Pe’ suffix within their respective trademarks. In 2019, PhonePe submitted a request to the Delhi High Court for an injunction order against BharatPe, specifically related to the use of the suffix ‘Pe.’ At that time, PhonePe asserted that the ‘Pe’ suffix had gained a unique and recognizable quality to the extent that consumers would consistently associate it with PhonePe. The purpose of the plea was to prevent BharatPe from using the ‘Pe’ suffix, emphasizing PhonePe’s claim of distinctiveness and the likelihood of consumer confusion. PhonePe contended that BharatPe was trying to establish some form of exclusivity or distinctiveness solely for the ‘pe’ component of its mark.

In this present case, the Defendant put forth a persuasive argument, contending that the term *‘PostPe’ was intentionally coined to convey the concept of deferred payment. Their assertion emphasized that customers using their service could make purchases and settle the payment at a later time.* Further, the Defendant asserted that their service was distinct and discernible from the payment service provided by PhonePe. By presenting these arguments, the Defendant aimed to establish a clear **differentiation** between their offering and PhonePe’s payment service, thereby challenging the allegations of trademark infringement.

Consequently, the court dismissed Plaintiff’s request, finding PhonePe’s arguments regarding customer confusion between the services provided by Plaintiff and Defendant’s company lacking credibility and persuasiveness. The court did not agree with Plaintiff’s assertion that there was a likelihood of confusion among customers regarding the offerings of the two companies. Due to the distinct and discernible meanings associated with the terms “PhonePe”

and “PostPe,” it is improbable for consumers to be confused between the two. The clear differentiation in their respective connotations diminishes the likelihood of any potential confusion or misconception among consumers. The **court dismissed PhonePe’s argument** that there was a phonetic or structural similarity between the two trademarks, emphasizing that such similarities did not exist.

Despite the fact that India currently has a framework in place for such threats, the statute does not precisely describe what constitutes a groundless or baseless threat.

But the Indian courts are clear on a few elements, such as whether the marks are actually similar and cause confusion, whether international companies have an intention to bring their product into the country, first to use over first to file, and so on, which have been taken into account when determining whether the same is to be considered bullying or infringement. The Indian judiciary did not hesitate to penalize MNCs and other major enterprises when it became clear that the infructuous cease and desist notices being issued to local firms were harming them erroneously and illegally.

(A) Factors considered in referring an infringement suit as trademark bullying

The concept and factors of trademark bullying have been developed through several instances of trademark bullying in the past, as there is no statutory provision stating the factors per se.

1. Likelihood of Confusion

In a landmark case of *Monster v. Vermonster*, the trademark holder of the energy drink "Monster" filed a suit against the beer brewery "The Vermonster".

It was argued that the name would confuse consumers. However, it was held that there was no likelihood of confusion and one was an energy drink, and another was a beer. This case triggered concerns for the issue of trademark bullying.

This instance points out the importance of likelihood of confusion as a factor means that the marks should not be deceptively similar. This well-established principle of trademark infringement means similarity between the trademarks that is likely to deceive general public of to believe that the mark in question is connected to well-known or registered trademark.

2. Nature of Business

In a case before the Singapore court, a small company Future Enterprises Pvt. Ltd., was allowed to use the prefixes 'Mac Chocolate', 'Mac Tea', 'Mac Noodle' because their business type was different than that of McDonald's. They supplied packaged products with the prefix to supermarkets and were not in restaurant business. Therefore, type of business is a factor to be

considered.

3. Generic Nature of the Trademarks Challenged

For as mostly seen, the cases of trademark bullying are related to some word, phrase, and combination of words, which are essentially generic in nature. The courts look into whether the generic term has gained distinctiveness through secondary meaning or usage. This could also be a factor considered in trademark bullying case. For instance, recently "BigBasket" the online grocery store sent a cease and desist notice to a newly opened small business, Daily Basket, similar to Big Basket asking them to close down their operations and hand over their domains (business) to BigBasket. The main target here was on the word "Basket" being included and its likelihood of causing confusion. Even though another business with name "Natures Basket" exists since a longer time than BigBasket.

The lines between 'inherently distinctive', 'descriptive' and 'generic marks' are vague. Even though common or generic, if the mark has gained distinctiveness through secondary meaning and usage, it can be protected. When consumers' minds are able to identify a trademark distinctly with a particular product over a period of time and this association of trademark with the said product gives the mark a secondary meaning. Therefore, generic nature of mark challenged can be taken into consideration as a factor but it will be considered in light of distinctiveness gained.

4. Well Known Marks dominating the market

In many cases, dominant players in the relevant market who hold IPR such as companies like Microsoft, Intel and Monsanto were alleged for abusing their position in the relevant market.

IV. COMPARATIVE ANALYSIS OF JUDICIAL APPROACH IN INDIA AND USA

While trademark bullying occurs less frequently in India, it occurs significantly more frequently in the United States. The Trademark Act's text does not explicitly prohibit such a mercenary focus. It specifies that if a registered mark is violated, the plaintiff is entitled to recover the following:

1. the defendant's profits;
2. any damages suffered by the plaintiff; and
3. the action expenses.

The following are some recent examples in which US courts have taken a new look at the concept of trademark bullying:

In **Apple v. Prepear** (2020): Apple, as a major producer and distributor of electronic goods, tried to force a small company, Prepear, a recipe-sharing app, to release their trademark. Prepear's and Apple's logos are easily distinct, with Prepear's showing a half-eaten apple with the leaf pointing upward and Apple's featuring a sketch of a pear outlined in green against a white backdrop with the leaf pointing downward. In addition, the goods and services offered were dissimilar.

Prepear utilized social media to fight back against the bullying, pointing out how Apple had done the same with other companies who had made fruit logos. Prepear also claimed that they had to fire a number of employees because they couldn't afford to pay their wages while defending the costly litigation

While in India the cases which surround the issue of trademark bullying are still fewer, the instances are much higher in the United States. Here are a few cases that helped the courts of the United States to look at the situation of trademark bullying from a different perspective.

In *Monster v. Vermonster*, the manufacturer of a renowned energy drink "MONSTER", Hansen Beverage Co., sent a cease-and-desist notice to Rock Art Brewery for using "Vermonster" to market its brewed beer. Rock Art Brewery was a small company that sold its beer in a few states in the United States of America. Hansen asserted a likelihood of confusion over the term Vermonster for beer and Monster for an energy drink.

Even though the marks were completely dissimilar and unique in their own way, Rock Art was asked to comply with the notice, however, the proprietors of Rock Art stood against the bullying and issued a public statement and started advertising as well as marketing their product. They also took to social media which persuaded Hansen to back down and come to a settlement.

After this particular case the U.S. Commerce department in coordination with the USPTO came up with a report which addressed the wrongful harassment of small entities by big companies.

V. THE ROAD AHEAD

Every legal notice of cease-and-desist would not amount to trademark bullying. The dynamics of each case are different, making the court re-think every scenario and look-out for the issue of trademark bullying or to check whether the plaintiff is seeking an injunction to avoid the actual consequence of an infringement. The primary purpose of the provision under the trademark act was to make sure that small entities and local businesses do not lose out on what they are legally entitled to own. However, there are ways in which the issue could be further curbed i.e. by providing resources to small entities including legal aid camps, creating

awareness, law firms taking initiative and handling more pro bono cases etc. Small entities off late have sought some respite by resorting to social media wherein their plight is understood by a community of like-minded people who support through backlash at bigger companies which harms their reputation and goodwill gained over the years. While the laws in US on standard of proof for claims of trademark dilution shows a way to restrain trademark bullying on superficial claims of famous and well-known trademarks, the laws in India are still not clear on how far a litigant may go on such unfounded claims before being termed as a bully.

VI. CONCLUSION

With a lack of clarity under the law, fewer precedents for defining trademark bullying, and fewer resources available to smaller businesses, public opinion and social media support have become a typical way out for these businesses, as evidenced in the examples above. Unlike the USPTO report, which defined “trademark bullying” and what constituted aggressive behaviour, Indian trademark rules have yet to do so. Furthermore, the terms “baseless and groundless” threats under section 142 are less defined, making the distinction between a bona fide act and a bullying act murky.

Despite the fact that Section 142 authorizes the injured party to seek an injunction and damages, the awful legal proceedings continue to obstruct the process. It’s also pertinent to remember that social media shaming could lead to a larger defamation action in some situations. As a result, in addition to the need for legal clarity, the merits of the case must be taken into account while evaluating such cases. In order to achieve a fair conclusion, the cliché of a “big business giant abusing its position” should be abandoned. As a result, the merits of the case, registration and prior use, history of infringement suits filed by a company against its competitors, similarity in disputed marks, and areas of business in which the parties engage must all be taken into account in order to reach a balanced conclusion that ensures the enforcement and exceedance of the right separate. The trademark act provision’s principal purpose is to ensure that small businesses and local businesses did not lose access to what they were legally entitled to. However, there are steps that may be taken to help alleviate the problem, such as donating funds to smaller organizations like legal aid camps, raising awareness, and law firms taking the initiative and processing more pro bono cases, among other things.

Trademark Bullying is an obstacle for smaller entities to enter the market. Due to this many of those are discouraged from launching their products, spreading their business across new market, or employing a certain trademark, as they fear legal consequence from the larger entities. In line with this, the provision under trademark act aims to protect legal rights of smaller

entities over their marks. Nevertheless, the smaller entities lack resources to fight the industry giants and follow separate means of dealing with the whole situation. While some of them surrenders to the allegations and accept the conditions, others take up the social media in order to gain support from others in their community to safeguard their goodwill and reputation gained over the years. This is more prominent in India because it is not clear as to how far the litigating party may go until termed as a bully. Therefore along with statutory relief, the entities should be provided with lawyers and law firms and take stringent action against the one bullying them.
