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The Contentious Issue of Deceptive Similarity and The Defense of Prior Use Vis-à-Vis The Trademark Law in India – A Comprehensive Study

RITWIK GUHA MUSTAFI¹ AND MAHIM GUPTA²

ABSTRACT

'A trademark is potentially iconic if seen for long enough in proper places'

Ivan Chermayeff

A trademark essentially is a meticulously crafted profile of a person, product, or organization. A trademark adds to the financial value of a concerned business and is synonymous with a company's identity in the market. However, such a crucial nature of trademarks often leads to instances of infringement wherein the defaulter aims to ride on the goodwill of the lawful user of the mark. Using a mark deceptively similar to another mark aids the defaulters in achieving this aim. The primary purpose of such use is to confuse an average consumer through misrepresentation and consequently damage the reputation of the original mark. The defence of prior use is one of the prevalent defences taken in cases of similar or identical marks. The Indian Judiciary has given a plethora of judgments, laying down guidelines for determining the circumstances for trademark infringement by using deceptively similar marks. Likewise, the Judiciary has also enumerated the implicit scope of the prior use. However, such judgments' effectiveness and binding nature are often deliberated upon.

This paper seeks to understand the interpretations of the offence of deceptive similarity and the defence of prior use. The paper critically analyzes some significant case laws related to both the concepts and attempts to grasp the present legal position. The paper attempts to identify the loopholes and provide feasible recommendations. The paper adopts a doctrinal research methodology from credible authorities to substantiate the same. Rogerian method of analysis has been used while critically examining the legal precedents. The article concludes that the Judiciary needs to be highly vigilant about its interpretation of relevant laws to facilitate smooth redressal of issues for the foreseeable future.

Keywords: Trademark, deceptive, similar, prior, use.

¹ Author is a student at School of Law, Christ (deemed to be university), Bangalore, India.

² Author is a student at School of Law, Christ (deemed to be university), Bangalore, India.

I. INTRODUCTION

Trademarks are a strategic asset to competing firms in the market. They constitute a significant aspect of product differentiation and consumer loyalty towards a brand. A trademark implies a lawfully secured word, mark, symbol, colour, abstract, etc.

A trademark crucially affects a business's brand name, brand value, and revenue generation. Thus, it is often susceptible to infringement or misuse. One of the many ways a trademark may be squandered is by making or using a 'deceptively similar' trademark. In a nutshell, a mark almost indistinguishable from an already existing mark is known as 'deceptively similar.' As the name suggests, the core purpose of such a mark is to confuse the consumers regarding the origins of a product.

The Trade Marks Act, 1999 (hereinafter referred to as 'The Act') recognizes the concept of 'deceptive similarity.' The act mentions that a mark that bears significant resemblance to an existing mark and causes confusion among the consumers should be categorized as 'deceptively similar.'³ The act, however, does not enumerate any rigid criteria for determining whether or not a concerned mark is 'deceptively similar.' Although deceptive similarity is a ground for trademark infringement and refusal of trademark registration, the scope of defining the same depends on judicial positions in various cases.

A general defence against trademark infringement is prior use of the mark. The prior use defence is known otherwise as to the 'First User Rule.' The act mentions that a trademark's proprietor cannot forestall the use of a similar mark by another party where the latter had commenced the use before that of the former.⁴ This concept may be clarified by the following Illustration: -

Mr A is the business proprietor whose brand name is registered as 'LOTUS.' The brand name 'LOTAS' is used by Mr X. Mr X had started using the concerned brand name in 2010, and Mr A registered his mark in 2013. Thus, even though the marks may be phonetically similar, Mr X cannot be denied registration based on the prior use rule.

The judicial pronouncements in some major case laws have led to various tests for determining the factum of deceptive similarity. Some of these tests are phonetic and visual similarity, goodwill and reputation, a test of likelihood, etc. Yet, some recent judgments have led to the effectiveness of these tests to be questioned.

³ The Trade Marks Act, 1999, § 2(h), No. 47, Acts of Parliament, 1999 (India).

⁴ The Trade Marks Act, 1999, § 34, No. 47, Acts of Parliament, 1999 (India).

It can be hypothesized that due to the lack of straitjacketed statutory provisions governing the concept of deceptive similarity and the prior use defence, the Judiciary needs to balance competing interests with a focus on a simplistic interpretation of technical infringement concepts and their defences.

Part II of the article highlights the evolution of different tests for adjudging deceptive similarity of trademarks. This part analyzes some relevant landmark cases and different judicial approaches.

Part III attempts to grasp the tenets of the defence of prior use. This part analyzes and interprets a few significant Indian cases concerning defence.

Part IV attempts to recognize the shortcomings in the Indian Trade Marks law related to the determination of deceptive similarity and usage of prior use defence. This part additionally concludes the paper.

II. THE STAND OF THE INDIAN JUDICIARY ON DECEPTIVELY SIMILAR MARKS – A STUDY

The Trade Marks Act of 1999 provides that a person, who registers his trademark, acquires a valuable right to use the trademark vis-à-vis the goods for which the mark is registered.⁵ Such a person may protect his mark against any form of infringement. The act on the question of trademark infringement provides, *inter alia*, that unauthorized use of identical or deceptively similar marks that is likely to confuse is a form of actionable infringement.⁶

Generally, if a mark is nearly or wholly indistinguishable from another mark's broad and essential features, the former is deceptively similar to the latter. The determination need not necessarily be made by placing the marks side-by-side.⁷ The crucial question is whether or not a consumer viewing an impugned mark in the absence of the other existing mark would be deceived as to their origins.⁸

The judgments given by various Indian courts on deceptive similarity have aided the creation of different tests for gauging the deceptive similarity between two contested marks. Some of the significant pronouncements are as follows:-

- **M/S Lakme Ltd. v. M/S Subahsh Trading**

The case saw a contest between the Plaintiff's mark 'Lakme' and the defendant's mark 'Like

⁵ The Trade Marks Act, 1999, § 28, No. 47, Acts of Parliament, 1999 (India).

⁶ The Trade Marks Act, 1999, § 29(1), No. 47, Acts of Parliament, 1999 (India).

⁷ Man Mohan Sharma v. Manjit Singh, FAO No. 4739 of 2016 (O&M).

⁸ Damodara Pai v. Manilal, (1972) Ker LJ 19.

Me.' The court observed that in a case where identical marks are in contention, no discussion is necessary regarding the likelihood of deceit and confusion. However, in the case of non-identical marks, the test of infringement is the same as passing off.⁹ Consideration must be given to whether or not the contesting marks cause confusion. The court opined that there is a high level of phonetic similarity between the marks. Therefore, an ordinary prudent consumer may be deceived. An injunction was granted.

The court made a precise judgment and focused on very relevant precedents. The court correctly applied the observation made in the *K.R. Chinna Krishnan Chettier v. Sri Ambal & Co. and another* case. The said case highlighted that contesting marks should be considered with reference to both the eye and ear. A close affinity of sound or visuals of the disputed marks may lead to deceptive similarity.¹⁰ The test of the average consumer must be adopted, and the likelihood of confusion must be gauged.

In the present case, a bare perusal of the contesting marks shows that the marks have a different meaning. The marks are dissimilar in appearance since the 'LIKE ME' mark has a hyphen in between. However, the pronunciation of the marks acted as a deal-breaker. The author observes that the court restricted its focus on phonetic similarity and disregarded other crucial factors. For instance, the meaning, pattern, and placement of alphabets in the contesting marks were dissimilar. The court did not elaborate adequately on the general nature of the marks. The author opines that the court may have had a margin of error while adjudging the phonetic similarity of the marks. The court may have made a more well-reasoned judgment by considering the alternative surrounding factors.

- **Mahendra & Mahendra Paper Mills Ltd v. Mahindra & Mahindra**

The contesting marks before the apex court were 'Mahendra' and 'Mahindra.' The apex court observed that the marks are phonetically similar. The scope of distinction is almost negligible, and the majority of average consumers stand a chance of being deceived. The court granted an injunction in favour of Mahindra & Mahindra (Plaintiff).¹¹

The author states that the brand name of 'Mahindra & Mahindra' had been in use for a long time when the present case was decided. The said brand had reasonably acquired goodwill from its business and clientele. The pattern of 'Mahendra' and 'Mahindra' marks was not very distinct. The pronunciation of the marks is not very different and is almost the same in some regional

⁹ 1996 (64) DLT 251.

¹⁰ 1970 AIR 146.

¹¹ 2001 Supp. (5) S.C.R. 225.

dialects. This implies the fraudulent intention of the defendant. The court correctly observed that owing to the prolonged use of 'Mahindra & Mahindra,' the consumer base expects a certain standard of services from the brand. This shows that the brand had acquired distinctiveness, a secondary meaning, and goodwill. Allowing the defendant to continue using his mark would lead to the detriment of the Plaintiff's goodwill. The author opines that the court made a well-reasoned judgment in this case.

- **Cadila Healthcare Limited V. Cadila Pharmaceuticals Limited**

The contesting marks were 'FALCITAB', and 'FALCIGO.' Both the Plaintiff and defendant were in the business of medicine manufacture and sale. Both marks were concerned with medicine used in treating malaria. The Apex Court observed that the marks were very similar and may, in all reasonableness, cause confusion among the average consumer with moderate intelligence. The marks were held to be deceptively similar, and an injunction was granted.¹²

The author observes that the court has comprehensively interpreted the concept of deceptive similarity. The court correctly observed that extreme caution is a mandate in the case of pharmaceutical drugs related to public healthcare. The court categorically listed a few grounds that must be considered while adjudging deceptive similarity cases. These grounds are the nature of the marks, the extent of similarity between marks, the nature of the goods, the consumer base of the goods, the expected degree of intelligence from them, etc.¹³ The author further opines that the court was correct in considering the possibility of medical negligence, not only by an average consumer but also by medical professionals, vis-à-vis the similarly-named medicines. Such oversight may be detrimental to a patient's health. Although both drugs cure the same disease, their compositions are different. Therefore, due care needs to be taken while prescribing and consuming such drugs. A deceptive, phonetically similar mark may hinder the due care process. The author concludes that the court's decision was well-reasoned.

- **Starbucks Corporation v. Sardarbuksh Coffee & Co.**

The disputed marks, in this case, were 'STARBUCKS' and 'SARDARBUKSH'. The apex court observed that the logos and the word marks were deceptively similar, both visually and phonetically. Therefore, an injunction was granted, and the defendant was instructed to change his name to 'Sardarji-Buksh Coffee & Co.'¹⁴

¹² 2001 (2) PTC 541 SC.

¹³ CIPRA Admin, *Cadila Healthcare Ltd. v. Cadila Pharmaceuticals*, 2001 (2) PTC 541 SC, IPR LAW INDIA (Nov. 13, 2021, 01:12 A.M.), <https://iprlawindia.org/cadila-health-care-ltd-v-cadila-pharmaceuticals-2001-2-ptc-541-sc/>

¹⁴ Starbucks Corporation v. Sardarbuksh Coffee & Co. & Ors, CS (COMM) 1007/2018.

The author observes that the court paid due consideration that both Plaintiff and defendant provided the same services. The author opines that such consideration is essential, given that differences in various products and services traded may excuse the deceptive similarity infringement.¹⁵ The impugned marks have a phonetic similarity, and an average consumer can be confused as a consequence. This would have been detrimental to the goodwill acquired by Plaintiff, owing to its international presence.

- ***Bayerische Motoren Werke AG (BMW) vs. Om Balajee Automobile (India)***

In this case, Plaintiff had registered his mark in 1917. The defendant manufactured vehicles under the name 'DMW.' The Delhi High Court opined that DMW appeared deceptively similar to the Plaintiff's mark. The phonetic similarity between the marks was uncanny. Thus, the court granted an interim injunction in favour of BMW.¹⁶

The author opines that the High Court correctly reasoned its judgment. The judgment drew inspiration from the principle that similarity between the essential features of the contesting marks can lead to deceptive similarity and consequent infringement. Plaintiff has created his goodwill through decades of international presence. The adoption of a deceptively similar mark by the defendants, that too regarding the same class of goods and service, implies the dishonest intention of the defendant to gain benefit from Plaintiff's goodwill.

After analyzing landmark cases regarding deceptive similarity, the author opines that there is no straightjacket method to compute the deceptive similarity between two or more contesting marks. A trademark's status and popularity often determine its degree of protection. The reputation of a well-known mark may be misappropriated to conjure up a false association in the consumer's mind, thus threatening the original mark's reputation. Every case needs to be perused critically vis-à-vis its merits and principles laid down by the legal precedents.

III. THE DEFENCE OF PRIOR USE – A STUDY OF THE BASIC TENETS

The rapid growth of economic activities has increased the number of national and international business platforms. The brands in the market stand a chance of gaining high returns on reasonable investments.

The prior use provision in the Trade Marks Act 1999 does not mandate actual registration of the trademark. Section 34, however, has a few requisites: constant utilization of the mark, the goal of utilization is profit-maximization and usage of the mark before the date of registration

¹⁵ M/s Nandhini Delux v. M/s Karnataka Co-operative Milk Producers Federation Ltd. CIVIL APPEAL NO. 2943-2944 OF 2018.

¹⁶ CS (COMM) 292/2017.

of a contesting proprietor.

Following are some vital case laws dealing with the prior use defence:-

- **Peps Industries Private Limited v. Kurlon Limited**

Plaintiff contended that the defendant was using his trademark. The defendant claimed that the impugned mark was used by him since 2007, before the registration date of Plaintiff's mark. The court, however, perused the records and accounts of the defendant. After looking at the defendant's non-uniform usage of the mark, the court held that he was not a prior user.

The author states that the court examined the interpretations of Section 34 as drawn in some of the previous Supreme Court cases. The court was correct in observing that in light of Section 13 of the act, the rights of a registered mark's owner are not absolute. The rights of an owner are not higher than that of another user who has been using a similar or identical mark from a prior period. However, the court was correct in holding that such prior use needs to be continuous. This opinion shall aid the businesses to grow and reap benefits positively. The condition of 'continuous usage' is mandated to ensure that no person rides the hard-earned goodwill of another brand. The trinity of passing off regarding trademarks is goodwill, misrepresentation, and damage. Unless these are not violated, a prior user cannot be restrained from using a mark for his profit.

- **M/S R.J. Components and Shafts v. M/S Deepak Industries Ltd.**

The dispute was regarding the use of the mark NAW. The petitioners contended that the defendants were damaging their goodwill, and the defendants countered by using the defence of prior users. The Delhi High Court considered the superior rights of the previous user and did not grant an injunction in favour of the Plaintiff.

The author opines that although the judgment may have intended to develop the reasonable commercial interests of all the involved parties, it does not adequately address the rights available to the registered user vis-à-vis a prior user. This judgment may backfire in cases where the goodwill and reputation of a registered user's mark will be threatened.

IV. THE WAY FORWARD – IDENTIFYING SHORTCOMINGS AND DEVISING THE FUTURE

The Indian courts may have laid down some important guidelines regarding deceptive similarity among trademarks. However, to the present date, the interpretation of deceptiveness depends on the merits of a given case. Sometimes, the understanding of the courts is faulty or technically unsound. This leads to misinterpretation of the law in upcoming issues.

For instance, in the case of *PhonePe Private Limited v/s Ezy Services and Anr.*,¹⁷ the High Court had made its observation in a way that seemed to be restricted to 'sophisticated' consumers. Negligible regard was given to the fact that the prospective users of the brands may as well be 'ordinary and less tech-savvy consumers.'¹⁸

The parliament may consider making amendments to the Trade Marks Act 1999, keeping the evolving interpretations. The following paragraphs may be inserted suitably into the Trade Marks Act vis-à-vis deceptively similar marks:-

'In order to determine the question of deceptive similarity and degree of protection to be provided, due consideration shall be given to the nature of the contesting marks, the class of goods and services provided by them, nature and importance of the trademarked products, their consumer base, and the mark's status and popularity.'

'While determining the deceptive similarity, the integral focus must be on the likelihood of confusion among the general public, i.e., an average consumer with moderate intelligence.'

The defence of prior use is broadly consistent that aims to advance the nation's economic interests and create business opportunities. However, the courts must bear in mind that a registered user's reasonable expectations of goodwill, reputation, etc., should not be negatively affected. The following proviso may be inserted in Section 37 of the act:-

'Provided that if a prior user of a mark does not use the said mark regularly, whether, by actual sale or mere advertisement, such a user shall not have a superior right over the registered user of a similar or identical mark.'

However, the author opines after observing the contemporary legal trend that it may be quite some time until some rigid legislative process may be employed to determine deceptive similarity and prior user rights. It seems that the Judiciary will have to interpret the relevant provisions for a foreseeable amount of time.

The courts must keep in mind to balance the economic interests with the legal rights of individuals and adjudge accordingly. The courts may also take an active step in directing the legislature to make suitable changes in the Trade Marks Act. The core purpose is to protect lawfully registered users' rights and prevent an unreasonable detriment to their goodwill and brand reputation.

¹⁷ CS (COMM) 292/2019.

¹⁸ Devangini Rai, *PhonePe v. BharatPe: Whether Vernacular Wordplay can save from being labeled as generic*, SPICYIP (Nov. 17, 2021, 8:30 A.M.), <https://spicyip.com/2021/06/phone-pe-v-bharat-pe-whether-vernacular-wordplay-can-save-from-being-labelled-generic.html>

It is thus concluded that a vigilant judiciary, aiming towards simple interpretation for the public interest, would go a long way in simplifying the technical aspects of trademark infringement and for providing a proper redressal system. It is high time for the legislature to introduce a comprehensively structured provision, inspired from the legal precedents, that describes the requirements for attracting the offence of deceptive similarity and the defence of prior use.
