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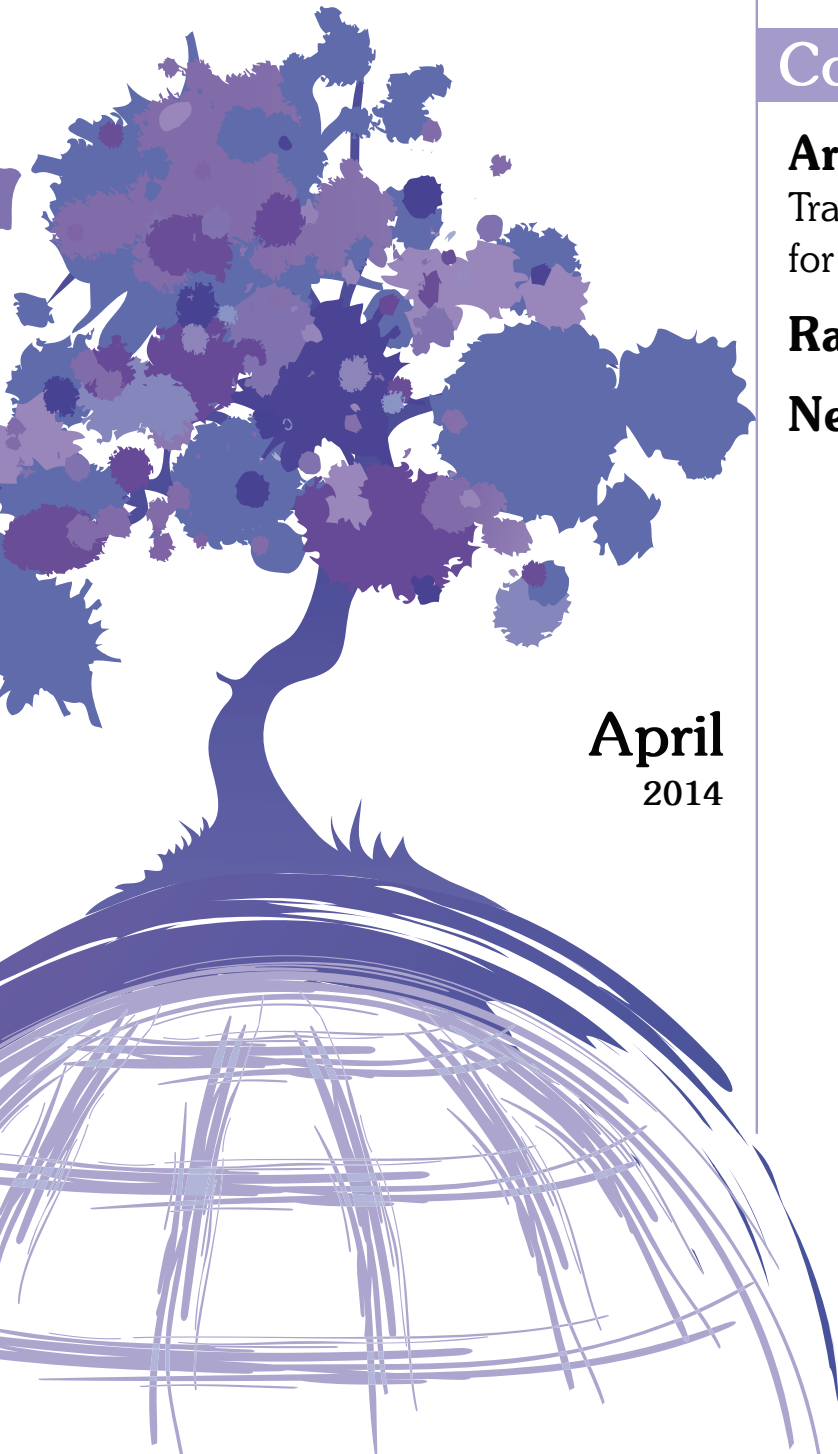
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## Article

### Trademark – Prosecution under PMLA for alleged infringement

By **Prashant Reddy**

#### Introduction

In a new dimension to enforcement of trademark rights in India, the Enforcement Directorate (ED) of the Government of India has reportedly initiated action against two firms for allegedly infringing the registered trademarks of the public sector enterprise, Steel Authority of India Ltd. (SAIL).

As per news reports, the alleged infringers were conversion agents of SAIL and were authorized to use SAIL's trademarks on certain products but according to SAIL, these agents had gone beyond their mandate and had applied the SAIL trademark to a number of products that were not covered by the agreement between the parties. On coming to know of the unauthorized use of its trademark, SAIL reportedly initiated civil and criminal action under trademark law. At the same time, the ED also moved under the Prevention of Money Laundering Act, 2002 (PMLA) to seize office space, flats and luxury cars belonging to the alleged infringers.<sup>1</sup>

#### Civil & Criminal Remedies under the Trade Marks Act, 1999

Traditionally, trademark law has always provided for criminal punishment for infringing a trademark. The punishment under the Trade Marks Act, 1999 for infringing a trademark extends to imprisonment for a period ranging from 6 months to 3 years along with a fine which

can extend from Rs. 50,000 to Rs. 2,00,000. Additionally, the Act also provides for forfeiture of the infringing goods on conviction for trademark infringement. The Act also provides for civil remedies where the registered owner of the trademark can claim damages from the alleged infringer. In recent years, Indian courts have also started awarding punitive damages for trademark infringement.

The addition of trademark infringement to the list of offences under the PMLA provides for far more serious consequences since the Government can now move to attach property and bank accounts of infringers.

#### Scheme of the Prevention of Money Laundering Act, 2002

The PMLA was enacted as Act 15 of 2003 with the aim of preventing money laundering and to provide for confiscation of property derived from money laundering. The offence of 'money laundering' is defined as '*Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering.*'

The Act empowers the Enforcement Directorate to attach properties that it determines to be the

<sup>1</sup> [http://www.newindianexpress.com/business/news/First-Case-Ed-Seizes-Assets-for-Faking-SAIL-Trademark/2014/03/28/article2136141.ece#.U0d\\_h\\_mSzDw](http://www.newindianexpress.com/business/news/First-Case-Ed-Seizes-Assets-for-Faking-SAIL-Trademark/2014/03/28/article2136141.ece#.U0d_h_mSzDw)

‘proceeds of a crime’, pending investigation and also confiscate the attached property if an ‘adjudicating authority’ finds such property to be involved in money laundering. The expression ‘proceeds of a crime’ is defined in the Act as ‘any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property’. In addition a person found guilty of such a crime can also be jailed for at least 3 years and which period may be extended to 7 years. Section 24 of the Act also puts the ‘burden of proof’ on the accused.

Originally, the list of offences covered in the Schedule to the Act was limited to certain offences under the Indian Penal Code (IPC), the Narcotic Drugs & Psychotropic Substances Act, 1985; Arms Act, 1959; Wild-Life (Protection) Act, 1972; Immoral Traffic (Prevention) Act, 1956 and the Prevention of Corruption Act, 1988. This Schedule was later amended to include, amongst others, offences under the following legislations which have an IP component: Trade Marks Act, 1999; Copyright Act, 1957; Information

Technology Act, 2000; Biological Diversity Act, 2002 and Protection of Plant Varieties and Farmers’ Rights Act, 2001.

Inclusion of these offences under the PMLA drastically increases the scope of punishment since most IP violations are punishable by a maximum sentence of 3 years, while the PMLA provides for a maximum prison term of up to 7 years in addition to confiscation of the ‘proceeds of the crime’.

While the property suspected to be ‘proceeds of a crime’ can be attached pending trial for trademark infringement, any order to confiscate the property will have to await a conviction by the court trying the case of trademark infringement.

### **Conclusion**

The inclusion of ‘trademark infringement’ under the PMLA is likely to prove a severe deterrent to possible infringers but businesses should also be aware that the provisions of PMLA can be abused leading to severe hardship.

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## **Ratio Decidendi**

### **Passing off action by former licensee – Trademark not to confine to particular product**

Rajasthan High Court has held that in cases of passing off, the question is no longer of “common field of activity”, but is of “common class of consumers”. The court in this regard noted that though trade mark relates to the goods or to the service for which it is registered, modern judicial trend is not to confine the trade mark to

the particular goods for which it is registered. Contention that the defendant’s registered mark should be confined only to mustard oil and not vanaspati was hence rejected by the court, further relying on precedents holding oil and vanaspati to be similar goods.

In this interesting case where the former

licensee had filed a case of passing off against the registered proprietor, the court relying on Delhi High Court Order in the case of *Century Traders* and Supreme Court Order in the case of *Heinz Italia* held that registration of the mark in the name of the defendant would not prevent plaintiff from filing suit for passing off against the defendants.

Further noting that the plaintiff had filed the case in 2013 after three years of expiry of the licence in 2010 and hence during this three year period had carved out a niche in the market for the brand, the court upheld the impugned order finding *prima facie* case in favour of plaintiff. For the purpose, it was also noted that the plaintiff was already there in the market when another person (to whom licence given in 2009) and the proprietor started using the trademark. To buttress its claim of prior user, the defendant sought to file evidences invoking Order 41, Rule 27 of CPC but the court held that the same could not be accepted as they were neither filed before trial judge nor did they file proper application before it. Considering Supreme Court's Ruling in the case of *Cadila Health Care Ltd.*, prescribing the factors for the purpose of passing off, the court noticed that products had deceptively similar labels, had common class of consumers and hence there was a strong *prima facie* case of passing off. Stay was granted on sale of products manufactured by the defendants, even in the absence of application for same, considering interest of consumers. The court also held that there was *prima facie* infringement of plaintiff's copyright in the design of the label. [*Vijay Solvex Ltd. v. Shree Hari Agro Industries*

*Ltd.* – Judgment dated 31-3-2014 in S.B. Civil Misc. Appeal No. 199/2014 and 293/2014, Rajasthan High Court]

### **Designs - Injunction against permitted user of subsequent registered design**

Calcutta High Court has denied injunction against the permitted user of a registered design. The appellant in this case was involved in manufacture of water purifiers and were registered in class 23-01 while the respondent was a permitted user and sold water purifiers manufactured by another company who had registered the design under same class. The dispute related to use of cases for water purifiers by respondent which was almost identical to that of the appellant. Agreeing with the minority view in the case of *Micolube* (Delhi High Court), the court held that a holder of a registered design was not entitled to sue another registrant as the remedy of passing off is not available under the Designs Act. Further, noting that the manufacturer (other registered holder), giving authorization for use, was not made party in the dispute before the court, the court held that the plaintiff could seek cancellation of the design which allegedly jeopardised its rights. [*Kent R-O Systems Ltd. v. Sandeep Agarwal* – Order dated 30-1-2014 in A.P.O. No. 355 of 2013, Calcutta High Court]

### **Transborder reputation absent if trademark not used in India**

Transborder reputation cannot be said to have been established if the mark is not used in India prior to adoption and use of the mark by different company in India. Intellectual Property Appellate Board (IPAB) while holding so relied on Supreme

Court judgment in the case of *Milmet Oftho Industries*, wherein the court had observed that a company having no intention of introducing its product in India should not block another company who has genuinely adopted the mark, developed product and is first in the market.

Upholding the Deputy Registrar's rejection of the objection under Sections 11(2), 11(3) and 11(10) of the Trade Marks Act, 1999, filed for registration of the mark JONES, the Board noted that respondent had discharged their onus by establishing that they are prior in adoption and use of the impugned trade mark in India. Appellant's claim of use of the mark in 35 countries since 1966 was hence rejected by the Board further observing that documents filed were only from 1997 while claimant of the mark in India had produced documents showing use since 1993. It was hence held that it cannot be presumed that appellant's trade mark registered in foreign countries has acquired reputation in India or that the transborder reputation has percolated in India. [*Jones Investment Co. Inc. v. Nagarajan Srinivasan Trading* – Order dated 24-2-2014 in OA/48/2010/TM/CH, IPAB]

## Trademarks – Prior use not proved by advertisements

Intellectual Property Appellate Board has, in its recent order, while observing that use of the mark means actual or commercial use and not advertisement, held that evidence in the form of various advertisements will not prove prior use of the trademark. The Board hence allowed the rectification application filed by applicant having registered trade mark “Udhayam” with a direction to the Registrar to cancel the trade mark “Udhayam” registered by respondent mentioning wrong date of use. Contention that the mark “Udhayam” was adopted from the trading style was rejected as the respondent's business was carried under the trading style Udhayam Dairy Farm only from 1991-1993 and thereafter different names were used. Further, argument that the goods were different inasmuch as appellant used the mark for Dhall, etc., while respondent used the mark for Ghee, was rejected noting possibility of confusion among public as trade channels were same and customers purchasing the goods belong to all classes – literate and illiterate. [*S. Sudhakar v. “GRB” Dairy Food Pvt. Ltd.* – Order No. 44 of 2014, dated 4-4-2014, IPAB]

## News Nuggets

### Combining words to allure, inform and also to be purely functional as a mark

A mere laudatory expression cannot be trademarked. It should be something more, but not just informational though it may be identified with the goods. The applicant (in *re Innovation Ventures, LLC*, 25-3-2014),

found out that it can be quite difficult to write an advertising slogan which would laud, inform and also serve to identify source of goods. His slogan ‘HOURS OF ENERGY NOW’ for energy drinks was held to be only educating the public about a product which acts fast and did not qualify as use as trademark. The applicant

argued that it was for the trademark office to show that such use was common parlance and since the objection raised on the ground of being descriptive had been withdrawn, the mark was suggestive and hence registrable. However, in the evidence put forth, like packing, display stands, etc., the slogan was less prominent than signs like 5- hour energy and Trademark Trial and Appeal Board (TTAB) of the United States was not convinced that the slogan functioned as a trademark.

The appellant in *Deutsche Bank AG v. OHIM* also pursued with passion its claim to trademark the phrase/slogan 'Passion to Perform'. Unfortunately creative arguments like combining words indicating emotion with intellect and plea for equal treatment did not sway the CJEU (General Court) which preferred to apply the law stringently in its judgment dated 25th March, 2014. The OHIM had ruled that the mark would be perceived as merely laudatory and could not function as a trademark. It had reasoned that the mere fact that the mark did not convey any information about the services would not make it distinctive.

### Cleaning up advertisements

Businessmen should perhaps perfect the art of conveying only pleasant truths. While in the above cases, the words did not move beyond mere lauding, in *Reckitt Benckiser*

*v. Hindustan Lever Limited*, the words/ combination of and the depiction travelled far beyond – to disparagement. The comparison between products bathing soap and antiseptic liquid on one hand and rival cleansing liquids on the other was found to be disparaging meriting injunction by the Calcutta High Court [Judgment dated 14 March, 2014].

The antiseptic liquid claimed to kill germs while washing dishes. It claimed to be 100% more effective in destroying germs while the cleansing liquid could only remove dirt. It was opined that if the antiseptic liquid could positively show that it could remove germs better, it need not be restrained. But, it was not borne out by evidence.

The advertisement for the rival cleansing liquid showed the antiseptic to be unsafe for children and hence was not to be used in kitchens. The rival cleansing liquid thus denigrated the other product.

In its advertisement, the antiseptic liquid claimed to provide better protection by destroying germs when diluted and used in bathing. It conveyed that the same effect could not be achieved by diluting the bathing bar! It was urged that soap had to be rubbed over the body and not used by diluting and the products were quite unlike each other and should not have been compared.

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