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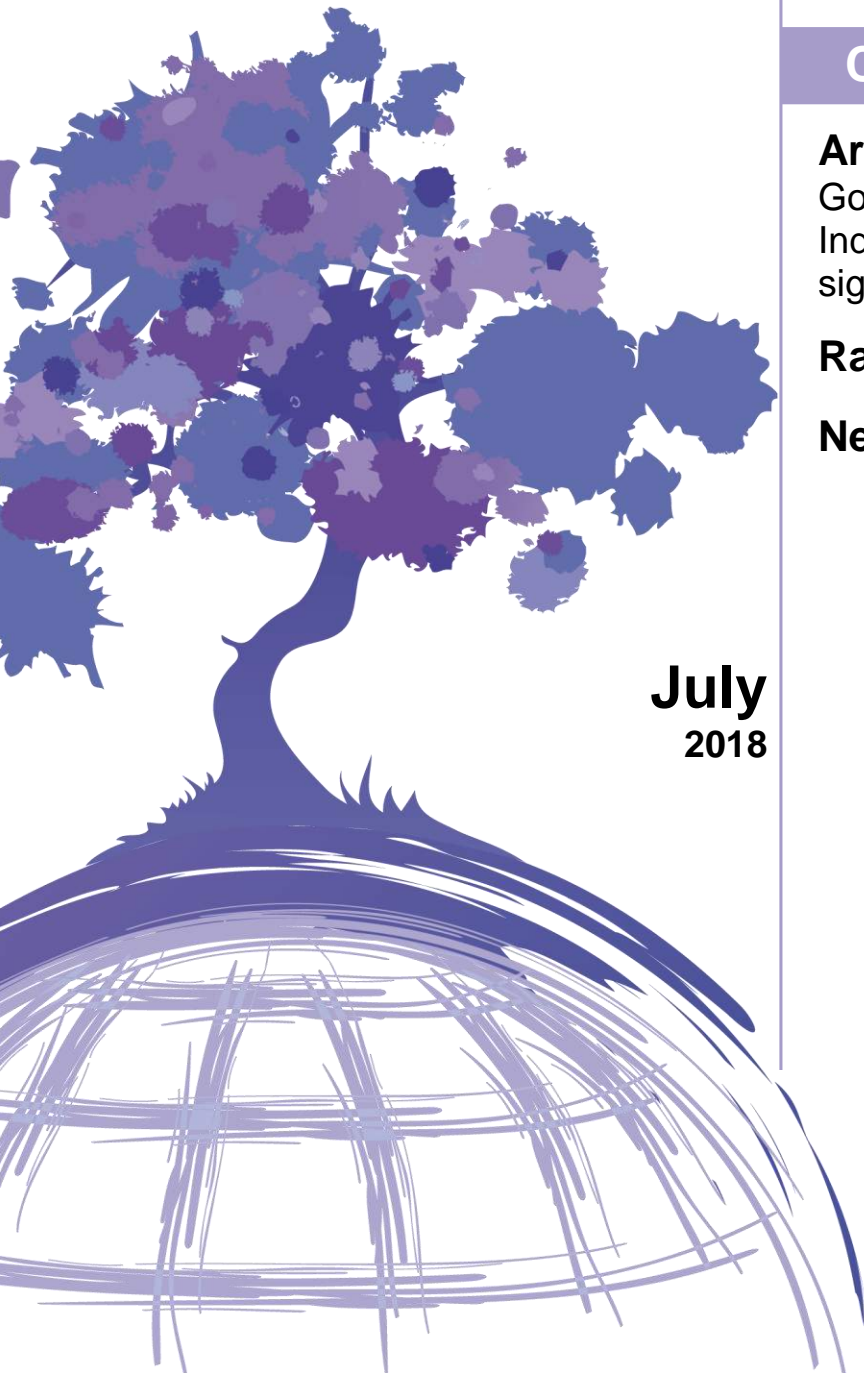
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## Article

### Goodwill and reputation of trademark in India - Worldwide prior use plays significant role

By Ashna Pruthi

A Single Judge of the Delhi High Court *vide* its Order dated May 31, 2018 in the case of *H&M Hennes & Mauritz AB & ANR v. HM Megabrands Pvt. Ltd. & Ors*<sup>1</sup>, granted interim injunction to the plaintiffs restraining the defendants from using in any manner whatsoever, the trade mark or the trade name 'HM Megabrands' or any deceptive variation thereof, singularly or in conjunction with any other word or monogram/logo or label in relation to the defendants' products/service/business whether as a trade mark, service mark, trade name, corporate name, trading style or as a website, domain name and email address. The Id. Single Judge while allowing the interim application held that the plaintiffs were able to prove a *prima facie* case and the balance of convenience was also in favour of the plaintiffs.

#### *Brief facts:*

The plaintiffs (*H&M Hennes & Mauritz AB, Sweden* and *H&M Hennes & Mauritz Retail Pvt Ltd.*) form part of the H&M group of companies carrying out the business of designing/marketing and selling of fashionable clothing collections and ancillary products/ services for women, men, teenagers and children under the trademark "H&M". The plaintiffs run more than four thousand stores and sixty-one outlets worldwide along with providing goods through online shopping in twenty-one countries including India, on shopping portals such as [www.hm.com](http://www.hm.com), [www.jabong.com](http://www.jabong.com), [www.myntra.com](http://www.myntra.com) and [www.amazon.com](http://www.amazon.com).

It is the case of the plaintiffs that they came across the infringing goods of the defendants, *HM Megabrands Pvt Ltd. (Hashim Merchant and Hamza Merchant)* under the trademark 'HM' & 'HM Megabrands' and also the website 'www.hmmegabrands.com' of the defendants offering goods/ services similar to that of the plaintiffs. The plaintiffs also found that the defendants were offering such infringing goods for sale on the same online shopping portals as the plaintiffs and had filed applications seeking registration of the trademarks 'HM' & 'HM Megabrands' in various classes.

The plaintiffs instituted an infringement and passing off action against the defendants for protection of their well-known trade mark 'H&M'. The plaintiffs argued that the defendants had knowingly incorporated the alphabets 'H' and 'M' in their corporate name, designed the alphabets 'H' and 'M' in an informal and asymmetrical italicized manner using the same colour combination as that of the plaintiffs' with the intention to pass off their goods as that of the plaintiffs. That the defendants being in the same line of business as the plaintiffs, of manufacturing, marketing and selling garments, the defence that they had no knowledge of the plaintiffs' trademark, was not available to them.

The plaintiffs' adopted the trade mark/ name 'H&M' in 1972 and secured earliest registration for the mark in 1985 in UK. In India, the plaintiffs obtained registration of its trademark in October 2005 and formally established their presence in December 2013.

1. IA No.7259/2016 in CS(COMM) No.707/2016, decided on 31-5-2018.

### *Contentions of the parties:*

The plaintiffs submitted that their trademark 'H&M' was a well-known trademark and formed a prominent part of their corporate name. The products and services of the plaintiffs were extensively marketed and promoted in India, information pertaining to the plaintiffs' business being readily and frequently accessible through search engines such as [www.google.com](http://www.google.com) and [www.yahoo.com](http://www.yahoo.com).

The defendants contested the suit by firstly stating that they started the proprietorship concern 'HM Enterprise' utilising the first two alphabets of their names Hashim Merchant and Hamza Merchant. The defendants submitted that their trademark 'HM' in 'HM Megabrands' stood for the initial alphabets of their names. Secondly, they stated that in 2011, the mark 'H&M' had no recognition in India since the plaintiff was formally established in India on December 16, 2013 and the first retail store was opened in October 2015. Lastly, it was argued that since the defendants did not have any stores in Delhi, the Hon'ble High Court of Delhi did not have the jurisdiction to entertain the present suit. The defendants raised the argument that since the plaintiffs had not used the trademark 'H&M' in India for five years since the date of registration, the question of the plaintiffs' trademark having acquired distinctiveness did not arise. Additionally, the plaintiffs were not entitled to any relief on the ground of laches, acquiescence and waiver. That the plaintiffs had, before the Trade Marks Registry, while differentiating their trademark from the trademarks 'HMT', 'HMTV', 'HMTW' etc. pleaded that the trademarks had to be compared as a whole and not in components and were therefore estopped from taking a contrary stand in the present suit.

The defendants also contended that the plaintiffs had not filed any documents to either show use of the trademark in India or trans-

border reputation of the mark in India before the defendants adopted the trademark 'HM Megabrands'. Further, even though the alphabets 'H' & 'M' part of the two trademarks was same, the addition of the word 'Megabrands' in the defendants' trademark distinguished their mark from that of plaintiffs.

### *Decision of the court:*

The Ld. Single Judge after hearing the contentions of the parties, first decided the issue of jurisdiction and held that as long as the effect of infringement or passing off, if any, by the defendants, of the trademark of the plaintiffs and/or of the goods of the defendants as the goods of the plaintiffs, can be felt in Delhi, the Hon'ble High Court of Delhi would have the jurisdiction to entertain the suit.

With respect to the defendants' argument regarding the stance taken by the plaintiffs before the Trade Marks Registry, the Ld. Single Judge observed that the businesses of the proprietors adopting the trademarks 'HMT', 'HMTV', etc., were not even remotely related to that of the plaintiff and were in fact abbreviations of the earlier names of the proprietors, for example, Hindustan Machine Tools and His Masters Voice, respectively. The Court further observed that in the present suit, it is not the case the defendants - Hashim Merchant and Hamza Merchant, set up the business under their full names which over a period of time came to be known as 'HM'. On the contrary, the defendants themselves claim to have chosen their initials to set up their business and therefore, could not claim that the people transacting with them would know that they are transacting with Hashim Merchant or Hamza Merchant.

The Ld. Single Judge rejected the defendants' contention that the addition of the word 'Megabrands' in the defendant's trademark distinguished their mark from that of plaintiffs and observed that the distinctiveness of the

trademark depended upon the nature of the prefix or suffix along with the nature of the business. The Court remarked that businesses of the plaintiffs and the defendants were the same i.e. of manufacturing, selling, marketing of garments and ancillary products/services, therefore the trade circles and customers would also be the same. The Court further remarked that since 'Mega' meant huge or successful and 'brand' is the name given to a product or service, the addition of the suffix 'Megabrands' to 'HM' only connoted that 'HM' was a megabrand and the word 'Megabrand' being a generic word cannot be solely associated with the defendants. Even otherwise considering the only other distinguishing feature of the plaintiffs' trademark - the '&' symbol between the alphabets 'H' and 'M' written in a much smaller font than that of the alphabets 'H' and 'M', the presence of the said symbol did not distinguish the mark of the plaintiffs from the defendants.

The Ld. Single Judge placed reliance on *Christopher Wadlow's Law of Passing Off (1995 Edition)*, and held that where a defendant is found to have imitated or adopted the plaintiff's distinctive trademark or business name, injunction needs to be granted. Further, reliance was placed on *Mahendra & Mahendra Paper Mills Ltd. v Mahindra & Mahindra Ltd.*<sup>2</sup>, wherein the plaintiff had been using the word 'Mahindra' for a long time and had acquired distinctiveness and a secondary meaning in the business and trade circles. Accordingly, in spite of the surname of the defendant being 'Mahendra', it was held that the use of the word 'Mahendra' by the defendant was likely to create an impression of a connection with the plaintiff.

The Ld. Single Judge while drawing a parallel between the facts of the present case and the case of *S.B.L. Limited v. The Himalaya Drug Co.*<sup>3</sup>

wherein the issue was whether the mark 'LIV-T' is deceptively similar to the mark 'LIV-52', observed that though nobody can claim exclusive right to use any word, abbreviation or acronym which becomes *publici juris*, if two trademarks by two competing traders use a generic word common to both trademarks, it has to be seen whether the customers would be guided by the use of such words/expressions or would ignore it and give emphasis to prefixes/suffixes or words used in association therewith..

Contrasting the facts of *S.B.L. Limited* to the present case, the Single Judge observed that 'H&M' or 'HM' are not generic or *publici juris* to the business for which they are being used. The plaintiffs had, much before the defendants applied the said alphabets to the business of garments and therefore, needed to be protected.

On the argument of the defendants that the marks had not been used by the plaintiffs in India for five years from the date of the registration and had not acquired any distinctiveness, the Ld. Single Judge held that the plaintiffs had sales in India since 2015 i.e. prior to the institution of the suit. Further, it was observed that since the opening up of the economy in 1991, there had been a rise in Indians traveling outside the country, interaction of Indians with foreigners along with increase in online shopping which led to the mark having goodwill/reputation without necessarily setting up a brick n mortar shop in India. The court placed reliance on *Neon Laboratories Limited Vs. Medical Technologies Limited*<sup>4</sup>, wherein the Supreme Court had held that "first in the market test" has always enjoyed pre-eminence. The court also relied on *N.R. Dongre v Whirlpool Corpn.*<sup>5</sup> and *Milmet Oftho Industries*<sup>6</sup> to hold that the

<sup>2</sup> (2002) 2 SCC 147.

<sup>3</sup> ILR (2) Delhi 168; appealed in *The Himalaya Drug Company v. S.B.L. Limited*, 194(2012) DLT 536.

<sup>4</sup> (2016) 2 SCC 672.

<sup>5</sup> (1996) 5 SCC 714.

<sup>6</sup> (2004) 12 SCC 624.



worldwide prior user is given preference and predominance over the registered trademark in India. It was held that for the purpose of establishing reputation, visibility in India of webpages displaying the product is sufficient to show that buyers in India or Indian travelling abroad are aware of the product and are likely to associate it with plaintiffs.

Thus, the Ld. Single Judge ruled in favour of the plaintiffs and held they were prior users of the mark 'H&M'. The Ld. Single Judge further observed that the defendants should not be permitted to continue their business as they are likely to develop further goodwill under the impugned mark which will cause injury and loss to the plaintiff. In view of the same, the interim application of the plaintiff was allowed and the defendants were restrained from using their marks in any manner whatsoever.

### Conclusion:

The instant case provides an insight that when determining the goodwill and reputation of a mark in India, it is not mandatory to show that there is a brick n mortar shop in India. The introduction of e-commerce and online shopping has increased the knowledge of international brands in India significantly and the worldwide prior use of a mark will play a significant role in determining the goodwill and reputation of the mark in India. While it is accepted that registered trademarks in India have greater rights than unregistered marks, it remains to be seen whether the application of the "first in the market test" as applied in the present judgment will give primacy to unregistered marks in India which are otherwise in prior use worldwide or to a mark which is used and registered in India.

**[The author is Junior Associate in IPR Practice Team, Lakshmikumaran & Sridharan, New Delhi]**



## Ratio decidendi

### Trademark – No infringement if mark not used as trademark

Delhi High Court has denied interim injunction against use of trade name MERCYKIND which was alleged to be infringing the mark MANKIND and also its series of marks with suffix/prefix KIND. The court in this regard noted that plaintiff had taken different stand before the Registrar, in defence to a claim for infringement, where its several marks incorporating word KIND were cited as conflicting.

It was held that *prima facie* no infringement under clauses (1) to (4) of Section 29 of Trade Marks Act, 1999 was made out as MERCYKIND was not used as trademark by the defendant. The

Court for this purpose observed that pharmaceutical/medicinal products of the defendant were not named MERCYKIND. It rejected the contention of the plaintiff that use of MERCYKIND even in the name of defendant's company, is use as a trade mark. It was observed that mere affixation of the name of the defendant company as manufacturer or marketer of the drugs/medicines sold by the defendants, would not qualify as use as a trade mark, even under Section 29(6).

Similarly, observing that use of registered trademark as trade name or part of trade name was absent, Court held that there was no infringement under clause (5) of Section 29. It

was held that merely because MERCYKIND in the name of defendant No.2 Company may be deceptively similar to MANKIND or any other registered trade mark of plaintiff with KIND as prefix or suffix, would not amount to infringement under Section 29(5). [*Mankind Pharma Ltd. v. Chandra Mani Tiwari* - IA No.1684/2017 in CS(COMM) No.100/2017, decided on 6-7-2018, Delhi High Court]

### Copyright of producer in cinematographic work when cannot be restricted

A Division Bench of the Madras High Court has held that once the 'performer' in an advertisement film (cinematograph work) has agreed to vesting of copyright in the producer of the film, the said performer, by way of an agreement, cannot curtail or restrict the right of exploitation of the work by the producer for a time period which is less than that provided under Copyright Act, 1957. It was also observed that agreement did not contain any clause preventing the producer, the first owner of the copyright, from exercising his absolute right. The Single Judge also held that copyright conferred on the defendant-producer by clause 4 of the agreement, particularly the term of copyright, cannot be restricted to the period stipulated under general clause 9 thereof as the same would be in conflict with the statutory provisions of the Copyright Act. It was observed that the two clauses cannot be equated or read as an agreement to the contrary as provided under Section 17(b) and (c) of the Copyright Act.

However taking note of the fact that the agreement between the appellant and the respondent for the purpose of the 'work' was only for a period of one year as provided in the agreement, it was held that there is no restriction or prohibition for the performer from endorsing or acting in the advertisement film of other producers who deal with similar products. [*Kajal Agarwal v. V.V.D. & Sons Pvt. Ltd.* - Original Side

Appeal No. 269 of 2017, decided on 25-6-2018, Madras High Court]

### Trademark - No passing off for using mark SPLITVIEW

Observing that the elements of irreparable injury and balance of convenience were not satisfied, Delhi HC has rejected grant of an interim injunction in a case involving use of word SPLITVIEW in software products. In this case involving passing-off, it was observed that plaintiff was not entitled to interim injunction if they do not claim or prove that anyone will buy the product of the defendant assuming it to be that of the plaintiffs. Court in this regard also noted that incorporation of software under said mark in devices of defendant *prima facie* seemed to benefit reputation of plaintiff. It was also observed that whether the plaintiffs or their trade mark otherwise suffer injury of dilution by wrongful association of the plaintiffs product with that of the defendant or by reverse confusion, are questions which cannot be adjudicated without trial. [*Rohit Singh v. Apple Inc.* - IA No.2885/2016 in CS (COMM) 153/2016, dated 4-7-2018, Delhi High Court]

### Pre-cut Eye Drape having only functional value does not qualify as Design

Considering nothing non-obvious, novel or unique in the shape, size, configuration, pattern and composition in registered design of Pre-Cut Eye Drape, Delhi High Court has held that the design does not qualify as design under Section 2(d) of the Designs Act. It noted that functional shape and configuration dictated solely by functionality is not registrable under the Designs Act as a design. The Court observed that the Eye Drape is coming with pre-cut/aperture which Ophthalmologists can make in course of surgery hence, it has only a functional value and no ornamental value. Dismissing the suit, the court was of the view that this is not a case where

some features of a design may have a functional purpose. [*Rajesh Kalra v. Safeops. Surgical Care – CS (COMM) 55/2018*, decided on 28-5-2018 however corrected and released on 13-6-2018, Delhi High Court]

### 'Defensive registration' of non-invented words when not valid

Observing that Section 47 of Trade & Merchandise Marks Act, 1958 dealt with defensive registration only of invented words which have become well known, the Madras High Court has held that such registration in all Classes is *non-est* in law for devise (picture) of a Cycle or even the word 'Cycle' or word 'Brand', which are common to trade and not invented by the petitioner. The Court in this regard observed

that the petitioner has no right in respect of the trade mark 'Cycle Brand' or device of 'Cycle' in respect of all the goods listed in alphabetic order under the NICE Classification, especially for products on which the brand has not been used till now.

The Court also observed that there was no determination of the mark as being a well-known mark under the Trade Marks Act, 1999. It noted that IPAB had not given any finding based on any document or evidence on this, and that there was a mere passing reference in the IPAB order. [*N.Ranga Rao & Sons v. Shree Balaji Associates - W.P. No. 12531 of 2013*, decided on 13-6-2018, Madras High Court]



## News Nuggets

### Implantable medical devices may now be 'drugs' – CDSCO invites comments

The Central Drugs Standard Control Organization (CDSCO) has on June 22, 2018 issued a Public Notice proposing to include implantable medical devices within the purview of Section 3(b)(iv) of the Drugs and Cosmetics Act, 1940, and these would now be considered as 'drugs'. This proposal was recommended by the Drug Technical Advisory Board (DTAB) in its recent meeting.

In addition to implantable medical devices, the notice also proposes to include CT scan equipment, MRI equipment, defibrillators, dialysis machine, PET equipment, X-Ray machine and bone marrow cell separators within the scope of Section 3(b)(iv). The CDSCO has presently invited comments and suggestions from various stakeholders, to be

submitted within 21 days of issue of the Public Notice. This will then be notified in the Gazette and will come into effect after 12 months from its date of such publication.

### Geographical Indication – Protection not against mere suggestion of area

In a case involving geographical indication of spirit drinks, CJEU has rejected the plea that GI is also protected against any reference that suggests the geographical origin of the indication. Scotch Whisky Association had sought to restrict sale of drink Glen Buchenbach arguing that word 'Glen' is very widely used in Scotland. It was held that the disputed element must be used in identical form or be phonetically or visually similar, and it is not sufficient that such element evokes association with the concerned indication or related geographical area.

### IPR enforcement – Reference to ‘patent’ removed from Indian Customs Rules

Reference to Patent and Patents Act have been removed from the definitions of intellectual property and intellectual property law, respectively, under Rules 2(b) and 2(c) of Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. Further, clauses (c) and (d) have been inserted in Rule 5, now requiring rights holder to inform about any amendment, cancellation, suspension of IPR at the time of giving notice. Similar amendments have also been made in Notification No. 51/2010-Cus. (N.T.) prohibiting import of certain goods.

### WTO panel upholds Australia's tobacco plain packaging measures

DSB panel of the WTO has recently upheld Australia's tobacco plain packaging measures. It observed that complainants could not demonstrate that the measures are more trade-restrictive than necessary to achieve a legitimate objective, or stop the owner of registered tobacco trademarks from preventing unauthorized use of identical or similar tobacco trademarks. The panel in DS434, DS435, DS441, DS458 and DS467 similarly observed that the complainants could not demonstrate that the measures are inconsistent with various provisions of the TBT and TRIPS Agreements.



**NEW DELHI**

5 Link Road, Jangpura Extension,  
Opp. Jangpura Metro Station,  
New Delhi 110014

Phone : +91-11-4129 9811

-----

B-6/10, Safdarjung Enclave  
New Delhi -110 029

Phone : +91-11-4129 9900

E-mail : [lsdel@lakshmisri.com](mailto:lsdel@lakshmisri.com)

**MUMBAI**

2nd floor, B&C Wing,  
Cnergy IT Park, Appa Saheb Marathe Marg,  
(Near Century Bazar)Prabhadevi,  
Mumbai - 400025

Phone : +91-22-24392500

E-mail : [lsbom@lakshmisri.com](mailto:lsbom@lakshmisri.com)

**CHENNAI**

2, Wallace Garden, 2nd Street  
Chennai - 600 006

Phone : +91-44-2833 4700

E-mail : [lsmds@lakshmisri.com](mailto:lsmds@lakshmisri.com)

**BENGALURU**

4th floor, World Trade Center  
Brigade Gateway Campus

26/1, Dr. Rajkumar Road,

Malleswaram West, Bangalore-560 055.

Ph: +91(80) 49331800

Fax:+91(80) 49331899

E-mail : [lsblr@lakshmisri.com](mailto:lsblr@lakshmisri.com)

**HYDERABAD**

'Hastigiri', 5-9-163, Chapel Road  
Opp. Methodist Church,

Nampally

Hyderabad - 500 001

Phone : +91-40-2323 4924

E-mail : [lshyd@lakshmisri.com](mailto:lshyd@lakshmisri.com)

**AHMEDABAD**

B-334, SAKAR-VII,

Nehru Bridge Corner, Ashram Road,

Ahmedabad - 380 009

Phone : +91-79-4001 4500

E-mail : [lsahd@lakshmisri.com](mailto:lsahd@lakshmisri.com)

**PUNE**

607-609, Nucleus, 1 Church Road,  
Camp, Pune-411 001.

Phone : +91-20-6680 1900

E-mail : [ls pune@lakshmisri.com](mailto:ls pune@lakshmisri.com)

**KOLKATA**

2nd Floor, Kanak Building

41, Chowringhee Road,

Kolkatta-700071

Phone : +91-33-4005 5570

E-mail : [lskolkata@lakshmisri.com](mailto:lskolkata@lakshmisri.com)

**CHANDIGARH**

1st Floor, SCO No. 59,

Sector 26,

Chandigarh -160026

Phone : +91-172-4921700

E-mail : [lschd@lakshmisri.com](mailto:lschd@lakshmisri.com)

**GURGAON**

OS2 & OS3, 5th floor,  
Corporate Office Tower,  
Ambience Island,

Sector 25-A,

Gurgaon-122001

phone: +91-0124 - 477 1300

Email: [ls gurgaon@lakshmisri.com](mailto:ls gurgaon@lakshmisri.com)

**ALLAHABAD**

3/1A/3, (opposite Auto Sales),

Colvin Road, (Lohia Marg),

Allahabad -211001 (U.R)

phone . +91-0532 - 2421037, 2420359

Email: [lsallahabad@lakshmisri.com](mailto:lsallahabad@lakshmisri.com)

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