

IP Hotline

February 11, 2022

DEALING WITH ASSOCIATED TRADEMARKS IN PHARMA BRAND ACQUISITIONS IN INDIA

It is common for pharmaceutical companies to name different drugs with similar prefixes/suffixes to create a strong recall value for the brand. At times, the common part of the product name is derived from the trade name of the company. One example is the use of the prefix "Lupi" by Lupin Limited in several of its products. When similar trademarks are for similar goods/services, the trademark registry typically calls upon the applicant to associate the trademarks and such marks are then registered as "associated trademarks" in the records of the Trademarks Registry. This, in simple terms means that these trademarks are now "joined at the hip" and should also be transferred together. In case an attempt is made to transfer only some of the associated trademarks then the assignment is void.

This condition frequently becomes an issue in brand transfer transactions. For instance, say a seller is interested in purchasing a dermatological division of a pharmaceutical company including the brands associated with the division. However, some of the brands used for the dermatological products are registered as "associated trademarks" with some brands used in relation to other division (say oncology). This puts the buyer and seller in a fix. In this article, we discuss this issue in detail along with options available to a buyer in such a case.

ASSOCIATED TRADEMARKS – WHAT AND WHY

The concept of associated trademarks stems from the Trademark Act, 1999 ("TM Act"). Section 2(b) of the TM Act defines "associated trademarks" as trademarks deemed to be, or required to be, registered as associated trademarks under the TM Act. Section 16 provides that when a proprietor register two (or more) trademarks which are identical or similar trademarks in relation to the same or associated goods/services, the Registrar of Trademarks ("Registrar") can require that the two (or more) trademarks are registered as associated trademarks.¹ The TM Act states that goods and services are associated with each other if it is likely that those goods might be sold or otherwise traded in and those services might be provided by the same business.² To expedite registration of trade marks, applicants themselves may request the Trademarks Registry to associate a later filed trademark with a previously registered trademark. If the Registrar agrees, a fee of INR 500 will have to complete the association of the trademarks.

Associated trademarks are technically separate, independent trademarks, for which separate registration and renewal fees is required to be paid. However, as per Section 44 of the TM Act, associated trademarks are assignable and transmissible only collectively and not separately. This prevents a situation where the same/similar marks are used in relation to same or similar/associated goods or services by more than one person causing confusion to the consumer about the origin of the goods/services.

One benefit of marks being associated is that use of one associated trademark is considered use of other associated trademarks. Hence, at times businesses register similar marks purposely as "associated trademarks" without any intention to use such marks but to ensure that no third party can use/register such mark. However, when associated trademarks are used by a business for distinct product ranges, it may cause confusion in the minds of the consumer about the source of the products. Hence, while choosing marks for distinct product ranges, it is preferable to use different brands. If there is a commercial reason for using similar marks for distinct product ranges, then the applicant should convince the Registrar why the marks should not be associated with each other at the time of registration if the trademark registry insists on associating the brands.

DUE DILIGENCE ISSUES PERTAINING TO ASSOCIATED TRADEMARKS

When considering purchase of brands, buyers should undertake a proper due diligence to ensure that the title to the brands is perfect and no other issues exist such as association with brands that are not being purchased. Below are a few instances which come up during diligences:

- Since the Registrar on her own accord can associate trademarks if all conditions stated under Section 16 exist, at times businesses are not even aware of such association and these facts are not discussed between parties at the negotiation stage. A thorough due diligence would cover such issues which will enable parties to consider their options.
- Another common issue is the lack of proper recordal of association by the Trademarks Registry ("TMR"). A simple example would be a case where the TMR records indicate that Brand A is associated with Brand B. The TMR records of Brand B however only state that Brand B is associated with Brand C. Therefore, it is important to trace the entire chain of associated trademarks prior to assignment.

OPTIONS AVAILABLE TO THE BUYER

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As stated above, the purpose of association is to avoid ownership of the same/similar trademark for similar/associated goods and services by more than one person. However, for commercial reasons, a buyer may only be interested in certain products or brands (Brands ABC) and not in all of the brands (Brands A'B'C') that are associated with one another. The below are some options that the buyer has before purchasing Brands ABC:

1. Acquire all associated trademarks

At times, businesses obtain registration for trademarks anticipating future use. If such brands form part of Brands A'B'C' and the seller does not intend to use the brands at all, the buyer can consider purchasing all of the associated brands.

2. Application for dissolution of association

The TMA provides that a registered proprietor of the trademarks that are registered as associated trademarks can make an application to the Registrar for dissolving the association of the trademarks.³ However, to allow dissolution, the Registrar must be satisfied that there would be no likelihood of deception or confusion being caused if the trademarks were used by any other person in relation to any of the goods or services in respect of which they are registered.⁴ Practically, this may be difficult to establish since the similar marks will continue to be used.

Since determination of dissolution is based on the discretion of the Registrar, the seller must make an application for dissolution of Brands ABC with Brands A'B'C' and obtain an order in favour of the dissolution of the association as a condition precedent to the transfer. In the event the Registrar is not satisfied that there is no likelihood of deception or confusion, the request for dissolution of association can be denied. In that case, if the assignment is carried out prior to the Registrar's determination of the application of dissolution, the assignment of Brands ABC without assignment of Brands A'B'C' may be considered void and the Registrar may refuse to record such assignment.

If the disassociation does not work, the seller may have to rebrand the products and then surrender / cancel the registration of the relevant associated trademarks.

3. Cancellation of registration of trademarks

In some cases, the seller may not be interested in using Brands XYZ that are not being purchased by the buyer and may intend to give up such trademarks. In such cases, the seller can make an application for cancelation of the registration of Brands XYZ which will be left behind in the seller's portfolio. This action should also be completed as a condition precedent to the transaction.

CONCLUSION

Association of trademarks is very common for pharmaceutical companies where multiple sub-brands are owned by the company. When acquiring brands, a thorough due diligence of the trademark registrations obtained for the brands must be conducted for reasons discussed above. The processes mentioned above for dissolution/cancellation of registrations may be time consuming processes. Therefore, it is essential that the buyer ensures that the seller takes necessary action as early as possible to avoid delays.

— **Aparna Gaur, Aarushi Jain & Gowree Gokhale**

You can direct your queries or comments to the authors

¹ Section 16 of the TMA provides: "Registration of trade marks as associated trade marks.—(1) Where a trade mark which is registered, or is the subject of an application for registration, in respect of any goods or services is identical with another trade mark which is registered, or is the subject of an application for registration, in the name of the same proprietor in respect of the same goods or description of goods or same services or description of services or so nearly resembles it as to be likely to deceive or cause confusion if used by a person other than the proprietor, the Registrar may, at any time, require that the trade marks shall be entered on the register as associated trade marks.

(2) Where there is an identity or near resemblance of marks that are registered, or are the subject of applications for registration in the name of the same proprietor, in respect of goods and services which are associated with those goods or services, or goods or services of that description, sub-section (1) shall apply as it applies as where there is an identity or near resemblance of marks that are registered, or are the subject of applications for registration, in the name of the same proprietor in respect of the same goods or description of goods or same services or description of services.

(3) Where a trade mark and any part thereof are, in accordance with the provisions of sub-section (1) of section 15, registered as separate trade marks in the name of the same proprietor, they shall be deemed to be, and shall be registered as, associated trade marks.

(4) All trade marks registered in accordance with the provisions of sub-section (3) of section 15 as a series in one registration shall be deemed to be, and shall be registered as, associated trade marks.

(5) On application made in the prescribed manner by the registered proprietor of two or more trade marks registered as associated trade marks, the Registrar may dissolve the association as respects any of them if he is satisfied that there would be no likelihood of deception or confusion being caused if that trade mark were used by any other person in relation to any of the goods or services or both in respect of which it is registered, and may amend the register accordingly."

² Section 2(3) of the TMA

³ Section 16(5) of the TMA

⁴ *ibid*

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