

## IP Hotline

December 15, 2014

### **CALCUTTA HC GIVES PROTECTION TO TRADEMARK OF FOREIGN MANUFACTURER OF GOODS SOLD IN INDIA; IMPORTER UNABLE TO PROVE OWNERSHIP OF MARK OF GOODS SOLD IN INDIA; IMPORTER UNABLE TO PROVE OWNERSHIP OF MARK**

- Plaintiffs claimed proprietorship over the mark 'LIPU', appearing on goods imported by them and distributed in India.
- Defendant also imported goods with the same trademark.
- Goods on which the mark 'LIPU' appeared were manufactured by two Chinese manufacturers in China and imported by Plaintiffs and Defendant respectively.
- Court found a case of 'reverse passing-off' as plaintiffs were trying to pass-off the goods of Chinese manufacturers' sold under the trademark 'LIPU' as its own.

#### **BACKGROUND**

In a recent case of *Sunny Sales & Ors. ("Plaintiff") v. Binod Khanna ("Defendant")*<sup>1</sup>, the Calcutta High Court ("Court"), refused to grant injunction in favour of Plaintiff as it found that Plaintiff was only an importer of the goods and not owner of trademark 'LIPU'. The Court applied the test of 'reverse passing off'.

#### **FACTS**

The Plaintiff is engaged in the business of importing sewing / cutting machines etc. ("Machines") and selling them in the Indian market. The Defendant was also an importer and trader of these Machines in India.

Both the Plaintiff and Defendant imported these Machines from certain Chinese manufactures (including some common manufacturers / sources) and sold them under the 'LIPU' mark in India. Disputes arose as the Plaintiff claimed proprietary rights in the 'LIPU' mark and claimed that the Defendant was guilty of passing off its trademark.

#### **CONTENTIONS OF THE PARTIES**

It was the case of the Plaintiff that the Defendant should be restrained from using 'LIPU' or any other similar mark. In support of its claim, the Plaintiffs stated that:

- It has used the mark in India since May 1994;
- It applied for registration of the label mark on October 19, 2012<sup>2</sup>;
- trademark is printed on the packaging of the goods as well as invoices, consignment notes, challans, bills and other relevant documents;
- the information published 'yellow pages' Calcutta Telephones in 2004-05 regarding the machines was indicative that public associates the mark 'LIPU' with the Plaintiff.

To defend its case, the Defendant invoked the doctrine of 'reverse passing-off', meaning a situation where a person passes off goods of a third party as his own without having any right in the goods itself. The Defendant based his submission on the ground that both the Plaintiff and the Defendant were importers and distributors of the Machines sourced from the same manufacturer.

The Defendant relied on the case of *Bristol Conservatories Ltd. v. Conservatories Custom Built Ltd.*<sup>3</sup> decided by the Court of Appeals of England and Wales where the concept of 'reverse passing-off' was first discussed. In this case the defendants had misrepresented to the public that they would supply the work of a particular agency. This was to induce purchasers to purchase conservatories, believing them to be constructed and designed by that particular agency. However, the supply was from the defendants themselves and not by the particular agency. The Court observed that if indeed these facts were true, the tort of 'reverse passing-off' was deemed to have been committed by the defendants.

The Defendant further relied on the case of *John Robert Powers School Inc. v. Denyse Bernadette Tessensohn*<sup>4</sup> decided by the Court of Appeal in the Republic of Singapore, wherein the judgment specified that *inverse passing off occurs when one trader represents the goods of another trade as his own*.

Reliance was also placed on the case of *Double Coin Holdings Ltd. v. Trans Tyres (India) Pvt. Ltd.*<sup>5</sup> where it was observed that while considering the claim of a distributor / importer, the court needs to keep in mind that even a foreign manufacturer can acquire domestic goodwill which it enjoys in a foreign market. If the distributor / importer is able to establish that the customer can identify the trademark with them rather than the manufacturer, then it may

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claim ownership of the trademark in the domestic market despite the fact that the goods were not manufactured by them. Where there is a question of whether the customer identifies the mark with the distributor / importer or the manufacturer, the presumption of law is that ownership of the mark vests with the manufacturer, who puts the mark on the goods, and the onus lies on the distributor / importer to displace this legal presumption.

## COURT'S DECISION

While adjudicating upon this matter, a peculiar issue that arose was whether the Plaintiff could claim proprietary rights over the 'LIPU' mark in India.

The Court observed that in order to claim proprietary rights over the mark, *the importer had to show that the mark has become inextricably connected with him in the eyes of the public*. Owing to the fact that invoices were raised by Chinese manufacturers and manufacturing activity had taken place in China, the Court found it difficult to believe that the 'LIPU' trademark had been coined by the Plaintiff and supplied by them to the manufacturers who affixed it on the goods.

Further, the Plaintiff was also unable to prove to the Court that the mark could be identified with them and not with the Chinese manufacturers by people in India. The Court found a prima facie case of 'reverse passing-off' to be established by the Defendant and opined that if the 'LIPU' mark belonged to anyone, it would be the Chinese exports and manufacturers and not the Plaintiff nor Defendant.

Since the Plaintiff's right to exclusive use of the mark 'LIPU' was not established at the present stage in the suit, an interim injunction restraining the Defendant from using the 'LIPU' mark was rejected by the Court.

## ANALYSIS

'Passing Off' occurs where a person uses the mark of the other on his good / services to cause confusion amongst the public and deceive the public about the origin of the goods; whereas reverse passing off refers to situations where a person passes off the goods of the other as his own by using the other person's mark. The concept of 'reverse passing-off' has not been dwelt upon very often by courts in India.

Interestingly, both the Plaintiff and Defendant have applied for registration of the 'LIPU' trademark in India, thus claiming ownership of the said trademark.

The Court seems to have inappropriately applied the concept of 'reverse passing-off' to the present case. In the present case, there is no potential for a case of 'reverse passing-off'. The 'LIPU' mark that is affixed on the goods by the manufacturers is continued to be used in documents such as invoices, challans, consignment notes etc. related to the goods and is further distributed and sold by the Plaintiff and Defendant in India under the same mark. It is evident that the Plaintiff was not using a different mark than that of the manufacturers to pass-off the goods as their own but was claiming the trademark of a third party as its own. Thus, it was a case of wrongful claim of ownership of the trademark rather than reverse passing-off.

While the Court recognized the that trademark right is territorial in nature, it was also proactive in protecting the trademarks of foreign exporters / manufacturers who do not do business themselves in India but have established some amount of goodwill in their trademarks. The Court relied on the principle that unless there is evidence to show that a mark was identified with the importer, the presumption of law would be that the proprietary rights in the mark vest with the manufacturer.

— Aaron Kamath, Aarushi Jain & Gowree Gokhale

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<sup>1</sup> G.A. No. 910 of 2014; decided on November 10, 2014.

<sup>2</sup> Trademark Application No. 2414949. The date of usage of the mark as on the Trade Marks Registry website is May 3, 1994. The status of the mark presently stands as 'objected'.

<sup>3</sup> 1989 RPC 455

<sup>4</sup> Fleet Street Report 1995 at page 69

<sup>5</sup> 2011 (46) PTC 194 (Delhi)

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