

Abstract

The article traces the ill effects of squatting in the promotion of brands in different markets. Through different examples, it shows how the “well-known” brands have been held hostage to modern-day intellectual property pirates. The Author recognizing two binaries in modern-day trademarks in terms of “first to file” and “first to use” system used in civil law and common law countries respectively, highlights the level of protection enjoyed by brands in these systems. The article finally explains the system in India in respect to its use of “Trans- Boundary Reputation” Jurisprudence to check upon squatting and its role in preserving the goodwill earned in the market. Lastly, the article also highlights the steps that are necessary for the protection of brands and also laments the lack of protection attributed to small brands that cannot afford such large-scale promotion and thereby fall prey to the lacunas of the modern-day marks system.

Keywords: - Trademark Squatting; Brand Protection; Passing off

Trademark Squatting: A menace in the era of Globalizations

- *Rahul Kumar Choudhary and Rachit Agrawal¹

Introduction

The World intellectual property organization defines Trademark Squatting (Piracy) as "*the registration or use of a generally well-known foreign trademark that is not registered in the country or is invalid as a result of non-use.*"² Squatting's have been used to pass off knock-offs as the flailing of the same brand without generating any doubt in the minds of the common user. In this world of globalization where everything seems and is presumed to be connected unveiling a product in one jurisdiction often is believed to be an availability of the same in other jurisdictions but in more cases than none that is not the case. In this era of expansion when big brands are pushing into newer and novel markets squatting often acts as a delaying tactic which often leads to loss of a crucial time and considerable revenue.

Trademark Squatting has been a hurdle in the promotion of “well-known” brands. Well-Known Brands have been defined in the Trademarks Act, 1999, "a mark which has become so to the substantial segment of the public which uses such goods or receives such services that the use of such mark about other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark concerning the first-mentioned goods or services."³

Well-Known Brands in several jurisdictions often had to face stiff opposition in registering their trademark because it had already been registered and used for selling the product of a brand similar to trade in them. The most famous of them being in a long-drawn suit in Indonesia over the name “IKEA”. It so happened that a local brand PT. Ratania Khatulistiwa filed for the trademark IKEA as a short form to “INTAN KHATULISTIWA ESA ABADI” and later filed a suit to cancel original IKEA registrations over non-use. The Supreme Court of Indonesia initially had to cancel the actual registration over nonuse and had to uphold the registration of the local brand which IKEA later challenged eventually winning in five years. Trademarks not only acts as a name per se but also guarantee the quality of the product the consumer has brought with a reputation of the brand being in mind. If the squatter uses the said trademark resorting only to registration it will also not guarantee the quality the brand upholds. Therefore, countermeasures against squatters become essential practices and steps need to be taken so that brand value and reputation remain intact.

Status in the two binaries

¹ B.A., LL.B.(Hons.) 3rd Year from National Law University and Judicial Academy, Assam (Authored on 10 June, 2021).

² World Intellectual Property Organization, WIPO Intellectual Property Handbook 90 (WIPO Publication, 2nd Ed. 2004).

³ The Trademarks Act, 1999, Section 2 (1) (zg) (India).

In countries that follow the “first to file” system method of trademark registration squatting is rampant. Under this any actual trademark in any country even it has gained considerable reputation would be rejected if the same registration has been filed by any individual or organization before the actual registration of the said mark would be allotted to the first filer. China is one such country where some of the world's biggest corporations have been held hostage to the whims of the squatters. Apple once had to pay a record \$60 Million to secure registration of its mark “Ipad” in China.

A very familiar example can be drawn from the curious case of “Viagra”. “Viagra” as a trademark has been held by the pharmaceutical behemoth “Pfizer”. It has been marketed as a pleasure-enhancing drug in several jurisdictions and therefore carried with it a considerable reputation in the market. Now it so happened that a Chinese firm sensing an opportunity registered “Weige” a literal translation of the Trademark held by Pfizer. The company pursued the case in China and Vietnam but could not recover the same as it had not been registered in both countries. The territoriality principle is followed in these countries which highlight that the brands seeking registration based on reputation or are subjecting a previously registered brand to vacate the registration should base their claims on account of prior use in the country or their existence alone before the mark had been registered.

In jurisdictions that follow a “first to use” principle where marks that are not registered are also protected. These are by common law rights against passing off the goods of one, as of another. Under sec 27 of the Trademarks Act of India, such rights have also been vested in respect to the goodwill earned by the trademark which has not been registered in the said jurisdiction but has to show that there has been a recognition that can be attributed to the same brand. The case however has not been simpler, the “first to use” often their own rules to demarcate what should be considered requisite goodwill to qualify for protection without registration. The countries often move from a more liberal to a hard-liner stance depending on the judicial pronouncements and legislative changes in the states. One such can be particularly viewed in the Indian context. In the case of *NR Dongre v Whirlpool Corporation*,⁴ the court took a very liberal view of the principle of Trans-border reputation in India when it decided that reputation cannot be limited to one jurisdiction alone and in the advent of modern technologies it does travel from one jurisdiction to another. The knowledge of the consumer using it is enough to determine its origin and therefore should be granted protection as the court held. However, the court took a very different stance in the case of *Toyota Jidosha Kabushiki Kaisha v. M/S Prius Auto Industries Ltd. & Ors*⁵, where the court held that it needs to be determined that there has been a spillover of reputation. The court however went on to say that to establish an action of passing off, it has to be shown that there existed goodwill before the registration or use by the defendants in the Indian market, and the plaintiffs have accrued damages by the said misrepresentation satisfactorily before the court.

The global advent can make it easier as the brands would be ready to show the online sale receipts. But the same is pretty hard when the brand has just gained traction or is an upcoming brand with very focused visibility in markets. They often lack this particular protection granted to the behemoths.

The judicial approach in India

The courts in India in their attempt to protect the squatting have also applied the principle of “Trans-Border Reputation”. The same has also been recognized under Article 6(b)(i)s of the TRIPS Agreement where it has been stated that, Well-known marks it has been held that they enjoy more recognizability and stronger protection than ordinary marks should. The Courts often have a more liberal approach while dissecting what should be considered a repute flowing into the country. The growing age of globalization and the Internet has also made it fairly easy to show that there was a requisite mind by the corporation to popularize its use of the mark in a jurisdiction like India. In the case of *Mac Personal Care Pvt. Ltd. and Ors. v. Laverana Gmbh & Co. KG. and Ors*⁶ the court noted that multiple jurisdictional reputations of the brand coupled with its effort in the promotion of brand identity are sufficient to classify that reputation has spilled in India. The court also highlighted that prima facie trans-border reputation also can be characterized by the volume of

⁴ NR Dongre v Whirlpool Corporation, MANU/SC/1223/1996.

⁵ Toyota Jidosha Kabushiki Kaisha v. Prius Auto Industries Ltd., MANU/SC/1619/2017.

⁶ Mac Personal Care Pvt. Ltd. and Ors. v. Laverana Gmbh & Co. KG. and Ors, MANU/DE/0188/2016.

sales and therefore the division bench of Delhi High Court granted an injunction against use of the name “Laverna”.

But as the Intellectual property regime is getting older, the strategies used by the squatters who are often on the lookout for making a quick buck has matured. The recent registration of the TM “PS -5” by one Mr. Hitesh Aswani who had moved to register the same under his name and had also duly opposed the same from being registered by Sony in India. The mark though not registered in India had a strong case in terms as its predecessor marks were duly registered and that could have brought confusion in the minds of the general consumer. Sony could have also used the strategy used in the *Sanofi India Ltd. & Anr. vs Universal Nutraceuticals Pvt*⁷ where it could have claimed that “PS” is the essential feature of its marks in the area common to trade. The Trans-Border reputation doctrine that India has imbibed in its Sec 11 of the Act also protects SONY in this particular case. However unbeknownst, Mr. Aswani has withdrawn his mark and Sony has been busy launching its PS 5 in India much to rejoice of all game aficionados.

Conclusion

Protection against such squatters has become quintessential in today's time. The Delhi High Court's ruling in the case *Forme Communications v Dilip Kumar Agrawal*⁸ provides deterrence against practices of squatting by fining to the tune of 5 lacs rupees. Squatting today does not have any statutory protection therefore brands that have toiled hard to build a reputation sometimes fall prey to these ransom holders. The need of the hour is to build stronger protection to the existing marks to demarcate its use and check on its expiration dates and also to the marks that are in pipeline to seek protection “proposed to be used the category”.

Smaller brands should take up brand protection as an essential tool for the proliferation of business. The brand recognition promotes effective business growth and acts as organic protection in various jurisdictions outside its targeted audience. The online marketplace effectively would transverse the original boundaries there is a greater need to provide liberal protection in all the countries, the territorial theory also promotes a narrow understanding and often establishes ignores the amount of capital and labor used in promotion of brand names.

Necessary protection even in common law countries is only available to well-known brands, small brands diving into different markets often lack such protection therefore they must be forthcoming in IP protection. Needful secrecy about such endeavors must be maintained. IP due diligence must be conducted to ward off potential squatters derailing operations and revenues.

⁷ Sanofi India Ltd. & Anr. vs Universal Nutraceuticals Pvt, MANU/DE/2670/2014.

⁸ Forme Communications v Dilip Kumar Agrawal, MANU/DE/2612/2014.