

Legal Issues in ‘Defence of Prior Use in Trade Mark Infringement’

Issue: ‘Whether there is a Threshold to Determine ‘Continuous Use under the Defence of Prior Use?’

Introduction

- ❖ The defence of *'first user'* under the Trade Marks Act, 1999 derives from the common law right vested in a bona fide adoption of use of a trademark by a trader. It acts as an exception to any right that derives from registration of a mark, and is a defence to a claim of trademark infringement.
- ❖ The language of the statute that gives the protection to a prior user is of a high order. The conditions laid down under the Act for seeking protection under the provision is –
 - i. A mark must be in use prior to the use of/ the date of registration of a registered mark, whichever is earlier; and
 - ii. such mark has to be in use continuously.
- ❖ What creates the ambiguity in determining prior and continuous use is the extent of use that needs to be shown.

Relevant Legal Provisions

❖ **Section 2 (2) (b) & Section 2 (2) (c) of Trade Marks Act, 1999 –**

“(2) In this Act, unless the context otherwise requires, any reference—

*(b) to the use of a mark shall be construed as a reference to the **use of printed or other visual representation of the mark;**” (Emphasis supplied)*

“(c) to the use of a mark,—

*(i) in relation to goods, shall be construed as a reference to the use of the mark upon, or in **any physical or in any other relation whatsoever,** to such goods;*

(ii) in relation to services, shall be construed as a reference to the use of the mark as or as part of any statement about the availability, provision or performance of such services;” (Emphasis supplied)

Relevant Legal Provisions (contd.)

❖ Section 34, Trade Marks Act, 1999 –

*“Saving for vested rights.—Nothing in this Act shall entitle the proprietor or a registered user of registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in relation to goods or services in relation to which that person or a predecessor in title of his has **continuously used that trade mark from a date prior—***

- (a) to the use of the first-mentioned trade mark **in relation to those goods or services** be the proprietor or a predecessor in title of his; or*
- 4 (b) to the date of registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor of a predecessor in title of his; whichever is the earlier, and the Registrar shall not refuse (on such use being proved), to register the second mentioned trade mark by reason only of the registration of the first mentioned trade mark.” (Emphasis supplied)*

Relevant Judicial Decisions

❖ ***N.R. Dongre v. Whirlpool Corporation [(1996) 5 SCC 714]***

- “10. ...From the aforesaid facts including the extensive advertisements of the goods of the first respondent & its trade mark 'WHIRLPOOL' and the legal position adumbrated hitherto we are prima facie of the opinion that the trade mark 'WHIRLPOOL' has acquired reputation and goodwill in this country and the same has become associated in the minds of the public or potential buyers with the goods of the first respondent. **Even advertisement of trade mark without existence of goods in the market is also to be considered as use of the trade mark.** It is also not necessary however that the association of the plaintiff's marks with his goods should be known all over the country or to every person in the area where it is known best... A trader needs protection of his right of prior user of a trade mark as the benefit of the name and reputation earned by him cannot be taken advantage of by another trader by copying the mark and getting it registered before he could get the same registered in his favour. ” (Emphasis supplied)

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Relevant Judicial Decisions (Contd.)

❖ *Neon Laboratories Ltd. v. Medical Technologies Ltd. and Ors.* [2016 (2) SCC 672]

- “9. ...In other words, the attainment of valuable goodwill will have ever increasing importance. At the present stage, the argument in favour of the Defendant-Appellant that we find holds more water is that in both *Milmet* and *Whirlpool*, as distinct from the case before us, the prior user of the successful party predated the date of application for registration of the competing party. **The question to examine, then, would be whether prior user would have to be anterior to the date of application or prior to the user by the Defendant-Appellant.** In other words, the question before the Court would remain whether the situation on the date of application for registration alone would be relevant, or whether the developments in the period between this date and the date of grant of registration would have any bearing on the rights of the parties.” (Emphasis supplied)

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Relevant Judicial Decisions (contd.)

- ❖ ***Amaravathi Enterprises v. Karaikudi Chettinadu* [2008 (36) PTC 688 (Madras) (DB)]**
 - “19. When a party is using prior user as a shield in an action for infringement, it is necessary to prove that they have been continuously using the trade mark in respect of goods manufactured or marketed by them.”
 - “21. When a defence of prior user is taken, burden lies on such trader/manufacturer to prove the continuous usage of the said trade name. Here the **volume of sales also assumes significance**. Similarly **advertisement and other modes adopted for promotional sales also assumes significance**. The reason being that the statutory presumption under Section 28 of the Trade Marks Act, 1999 loses its significance once prior user as provided under Section 34 of the Act is established.” (Emphasis supplied)

Relevant Judicial Decisions [contd.]

- ❖ ***Pioneer Nuts & Bolts Pvt. Ltd. V. Goodwill Enterprises* [2009 (41) PTC 362 (Del.)(DB)]**
 - “23. ... *the Defendant has been unable to show that its goods bearing the mark TUFF were at any point of time since 1991 and prior to 1996 available in the market. ...For proving prior user, the Defendant repeatedly referred to the two newspaper advertisements inserted by it in 1993, the six trade enquiries between 1994 and 1995 emanating from these advertisements. Between 1993 and 1995, there were seven indents of John and John Traders and one indent of Bolt House.*”
 - “24. *In light of the law as explained in the aforementioned decisions as applied to the facts of the present case, the advertisements issued in the newspapers can hardly constitute the proof of service on the user of the mark from those dates. Likewise, the grant of a telegraphic address, or the soliciting of business, or the receipt of trade enquiries cannot by themselves satisfy the legal requirement of the defendant having to show that it used the marks, earlier than the Plaintiff did, in relation to goods.*” (Emphasis supplied)

Relevant Judicial Decisions [contd.]

- ❖ ***Kamat Hotels (India) Ltd. vs. Royal Orchid Hotels Ltd. & Anr. [2011 (4) MhLJ 71]***
 - “13. Essentially, what section 34 provides is a defeasance of the right of the proprietor or registered user of a registered trade mark, in a certain specific eventuality. That eventuality is where another person is using a trade mark identical with or nearly resembling a registered trade mark in relation to goods or services in relation to which that person or a predecessor-in-title **has continuously used that trade mark.**” (Emphasis supplied)
 - “14. Section 34 carves out an exception and creates an overriding provision which within the sphere of its operation prevents-a proprietor or registered user of a registered trade mark from interfering with the Use of an identical trade mark or a mark which nearly resembles the registered mark. Section 34 in consequence provides-for a defeasance of the statutory entitlement which flows from the registration of a trade mark. ...The use must be continuous. The expression "continuously used that trade mark" by Parliament has a specific connotation. The concept of continuous use emphasizes that a right vests in a person when he puts his goods with the mark in the market. A use which is continuous is distinct from a use which is stray, isolated or disjointed. The notion of a continuous use establishes that a mere adoption of a mark is not sufficient. The legislation mandates that in order to avail of the benefit of section 34 a test of a high order must be fulfilled which requires a commercially continuous use of the mark in relation to goods or services.”

Relevant Judicial Decisions [contd.]

- ❖ ***S. Syed Mohideen vs. P. Sulochana Bai [(2016) 2 SCC 683]***
 - *”31.2. ...The use of the mark/carrying on business under the name confers the rights in favour of the person and generates goodwill in the market. Accordingly, the latter user of the mark/name or in the business cannot misrepresent his business as that of business of the prior right holder. That is the reason why essentially the prior user is considered to be superior than that of any other rights.”*
- ❖ ***Peps Industries Private Limited v. Kurlon Limited [CS(COMM) 174/2019, Delhi High Court, March 16, 2020]***
 - *“18. From the invoices as placed on record by the defendant, it is evident that though the defendant is using the label „NO TURN” from the year 2007 however the sales are intermittent in the various years and do not indicate a continuous and voluminous use by the defendant of the mark „NO TURN”, thus the defendant cannot succeed in the defence under Section 34 of the Trade Marks Act, 1999...”*

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Conclusion

- ❖ Section 34 of the Trade Marks Act, 1999 emanates from common law rights. The overall effect of provision is that the action for passing off which is premised on the rights of prior user generating a goodwill shall be unaffected by any right which stems from the Act.
- ❖ Therefore, it recognizes that the right of a prior user are superior to the right of registration, and hence a high standard of proof has to be submitted to claim the protection under the aforesaid provision.
- ❖ The condition for such a high standard to be met is such that the use must be *commercially continuous* in relation to such goods and/or services.
- ❖ However, from a plethora of judgements it can be observed that there is no set standard or threshold which qualifies use of mark to be sufficient to constitute ‘continuous use’, but is hinged on the benefit of the goodwill that can be proved through the evidence of such use.

THANK YOU!
Any Questions?

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