
CAUGHT BETWEEN ORIGIN AND OWNERSHIP: UNFAIR COMPETITION IN THE CONTEXT OF TRADEMARKS AND GEOGRAPHICAL INDICATIONS

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ABSTRACT

Rigorous competition in globalised markets can serve as an effective tool in achieving a sense of equilibrium between supply and demand of goods and services, however, cut throat competition may also entice tradesmen to incline towards employing dishonest practices in the course of trade which promote unfair competition even though the policies of fair play and honesty are fundamental to free and fair competition.

The GI and trademark regimes rely heavily on the law of unfair competition in order to prevent the unauthorised and dishonest use of identifiers, IP which is crucial to every business holding. In everyday life trademarks can simply be understood as signs or identifiers that serve the purpose of distinguishing goods and services of one undertaking from the goods and services from another undertaking. Trademarks play a significant role in fulfilling the purpose of consumer protection and awareness. In this sense, trademarks serve as a link between the manufacturer and consumer. Although both trademark and GI act as identifiers of goods, yet these are two distinct intellectual properties. A trademark is an identifier that is used to differentiate between the goods or services of one enterprise from another, while a GI is an identifier that indicates that a certain good originates or is manufactured or produced in a certain geographical location and exhibits certain characteristics that are peculiar to that geographical origin. The GI also creates a link between the customer and manufacturer. Consumers come to rely on the specific characteristics of goods that are specifically attributable to their geographical location.

A trademark vests an individual interest onto the proprietor of the trademark by bestowing the right to exclude others from using it. While GI is a collective right that can be exercised by all producers that manufacture or produce the goods in a geographical location designated by the GI which also possess similar characteristics owing to their location of origin. GI acts as the property of the community, that is to say, those who trade in goods which have a GI affixed to them will be able to do so under a license granted to

them by their national legislation which registers the GI as the property of the community. GI is a unique intellectual property due to its shared character. Unfair competition poses a significant challenge to proprietors of GI and trademark because an unauthorised user of the identifier cannot be permitted to reap the rewards of the investment, hard work, knowledge and labour of the authorised proprietor. This paper aims at systematically exploring the law of unfair competition in relation to trademarks and GI.

Keywords: Trademark, Geographical indication, unfair competition, identifier

CONCEPT AND OBJECTIVES OF THE TRADEMARK REGIME

In common parlance trademarks can simply be understood as signs or identifiers that serve the purpose of distinguishing goods and services of one undertaking from the goods and services from another undertaking. The primary function of a trademark is to serve as a distinguishing mark. Trademarks play a significant role in fulfilling the purpose of consumer protection and awareness. It equips the consumers to base their purchases on the recognisability of a trademark allowing consumers to seek safety and continuous assurance of quality. Consequently, trademarks serve as a link between the manufacturer and consumer. Trademarks that are habitually registered consist of logos, business and product names as well as slogans. Trademarks also serve another significant purpose, that is, of protecting the good will of an enterprise.

The consumer's perception of a product, often described as its' felt quality, creates expectations of consistency with each subsequent purchase, forming what may be called the expected experience. A trademark plays a vital role in safeguarding this expectation by signifying reliability and consistent standards. In doing so, it strengthens consumer trust while simultaneously obligating producers to maintain quality, thereby reinforcing brand loyalty. Hence, it is the responsibility of the trademark owner to create awareness amongst the customers regarding his product and services by educating them through merchandising and advertisement.

The Paris convention establishes the rule of national treatment for the trademark owners and applicants¹. Although the Paris Convention for the Protection of Industrial Property of 1883 consists of a number of Articles that address the issue of protection of trademarks, yet the Act

¹ The Paris Convention, 1883, Article 2.

does not provide a precise definition of term trademark. This shortcoming of the Paris Convention is overcome by the Agreement on Trade-Related Aspects of Intellectual Property Rights of 1994, which provides an elaborate definition of the term trademark at a multilateral level and incorporates by reference the substantive provisions of the Paris Convention². TRIPS represents a significant leap towards the evolution of trademark regime.

The definition provided by the TRIPS agreement includes all identifying marks that can be perceived by human beings as signaling devices inclusive of visually perceptible designs, words, letters, figurative elements, personal names, combination of colors, sounds and even scents. Furthermore, the TRIPS agreement provides discretion to members to condition the registration on visual perceptibility and in this way a member country may not allow scents, tastes or textures to be protected as trademarks. In order to comply with the provisions of the TRIPS agreement, each member country is obligated to provide protection to trademarks in their national jurisdictions while abiding by the principles of Most Favored Nation³ and National Treatment⁴.

For a mark to be able to differentiate between the goods and services of one enterprise from another, it needs to be unique and inherently distinct in nature. If such a mark is not inherently distinct, it can still be registered as a trademark if it satisfies the qualification of acquired distinctiveness through use and acquired secondary meaning. The most preferred marks are inventive, fanciful or arbitrary in nature, such as Exxon, Sianna-Marie and Charmayanne. Suggestive marks may also be registered as trademarks, such as “Sunrise” can be used for a brand of coffee to suggest coffee is a morning beverage or “Slow burn” can be used for an antacid to suggest that it can reduce the burning sensation caused due to acidity in the stomach or “Sophie” can be used for sanitary pads to suggest that they are feminine hygiene products. Non-inherently distinctive marks such as descriptive or geographical marks can also qualify for registration although marks of such nature are not encouraged because they are the weakest in protection and create a monopoly like restriction or limitation in the market for other entities from accurately describing their products. The criteria of acquired distinctiveness and secondary meaning needs to be satisfied in order to register a descriptive mark. In such a situation, the aspect of consumer perception and recognition comes into play. The following

² The Paris Convention, 1883, Article 2.1

³ TRIPS agreement, 1994, Article 4,

⁴ TRIPS agreement 1994, Article 5,

factors determine the conversion of a non-distinctive mark to a distinctive mark:

- Volume of service provided
- Duration of use
- Advertising expenditure
- Use of an advertised slogan
- Consumer and trade surveys

ILLUSTRATION

The trademark “Xerox”, “Cellophane”, “Aspirin” were once considered to be inventive, arbitrary and fanciful marks which became generic due to its overuse and are struggling to uphold their validity as valid trademarks.

EXAMPLES OF FAMOUS TRADEMARKS

Coca Cola, KFC logo, Bajaj, Amazon, Alibaba, Mc Donald’s, IBM, Tencent, Visa, Starbucks, Paypal, BMW, 7 O’clock, Bisleri, Charlie, Evian Mineral water, Dr. Reddy, Haywards 5000, Nirma, Philips, Playboy, Vicks Vapo Rub, Google, Sony, Mother Dairy, Mongini, Vogue, Raymond, Revlon, Dupont.

THE PROTOCOL RELATING TO THE MADRID AGREEMENT CONCERNING THE INTERNATIONAL REGISTRATION OF MARKS 1989

The Madrid Protocol is an international treaty that dictates the mechanism for the registration of trademarks worldwide. The system of international registration of marks is governed by two treaties: The Madrid Agreement Concerning the International Registration of Marks and The Madrid Protocol. A mark can be protected in several jurisdictions by filing a single application for international registration of the trademark under the Madrid Protocol. These applications are later presented to the International Bureau of the World Intellectual Property Organization at Geneva, through the office of origin, which is the trademark office of the applicant. If the application is in accordance with the specified requirements, the mark is then recorded in the International Register and published in the WIPO Gazette of International Marks.

UNFAIR COMPETITION IN TRADEMARK REGIME

PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY OF 1883

Article 10bis of the Paris Convention addresses the most significant cause of concern in case of identifiers, which is of unfair competition. Clause (1) and (2) of Article 10bis of the Paris Convention imposes an obligation on all member nations to protect nationals against practices of unfair competition. It provides a broad definition of the term unfair competition and characterizes the act to mean any practice that stands contrary to honest practices in commercial and industrial matters. Clause (3) of the Article contains a non-exhaustive list of practices that are understood to contribute to unfair competition. These include:

- Any act that is capable of causing confusion of any kind related to the industrial or commercial activities, goods and establishment of a competitor.
- Any false allegations during the course of trade that is capable of discrediting the industrial or commercial activities, goods and establishment of a competitor.
- The use of any allegations or indications during the course of trade that is capable of misleading the public regarding the characteristics, manufacturing process, the quantity or suitability of the goods.

The Paris Convention is one of the significant international treaties that addresses the concern of unfair competition. The TRIPS has made certain inclusions of the provisions of Paris Convention in order to accomplish the task of preventing and eliminating dishonest practice in business that lead to market disruption and unfair competition.

The rationale behind the protection of trademarks from unfair competition is twofold in nature:

- The consumers are protected against the use of trademarks that may mislead them as regards to the original source of services and goods on which the trademark is affixed.
- Simultaneously the proprietors of trademark are protected against unfair and dishonest practices adopted by competitors in order to induce confusion amongst the potential customers of the trademark proprietor and leading to loss in business.

A NUANCED ANALYSIS OF THE TRADEMARK ACT 1999

The fundamentals of the trademark law are derived from the law of unfair competition yet term “unfair competition” is not explicitly mentioned in the Trademark Act 1999 albeit the Act contains numerous provisions in order to prevent and remedy unfair and dishonest practices in respect of use and exploitation of trademarks. Section 2(i)(IV)(a) and (b) deals with “false trade description” and defines the term to include any mark which is affixed to goods or services and has the potential to mislead the public into attributing the goods or services to any person other than the actual manufacturers, service providers or merchandisers.

Section 9(2) lays down the absolute ground of refusal for the registration of a trademark if it capable of causing confusion or deceiving the public as to the identification of the goods.

Section 11(2)(b) restricts the registration of a trademark which is either identical or similar to a well-known trademark, in respect of goods or services which are not similar to those which are registered in the name of the well-known proprietor but the use of the subsequent mark without a reasonable explanation would be equivalent to taking unfair advantage of the reputation of the prior well known mark, would adversely affect the reputation or distinctive character of the earlier trademark. While determining whether a trademark is well known, the registrar shall pay heed to:

- the recognition of the mark in the relevant section of the public
- the extent and geographical area
- duration of the use of the mark
- the record of any successful enforcements in the mark
- the extent and geographical area and duration of any promotion of the mark
- the extent, geographical area and duration of any registrations that reflect the use or recognition of the mark
- the value associated with the mark.⁵

⁵ The Trademark Act 1999, Section 11(6)

According to Section 29(2), any person, not being the registered proprietor or a person permitted to use, infringes the registered trademark in the following three cases:

- if he uses a mark that is identical to the registered trademark and there exists similarity between the services and goods of the registered trademark and that of the infringers mark
- if he uses a mark that is similar to the registered trademark and there exists similarity or identity between the services and goods of the registered trademark and that of the infringers mark
- if he uses a mark that is identical to the registered trademark and there exists identity between the services and goods of the registered trademark and that of the infringers mark
- According to Section 29(4)(c), any person, not being the registered proprietor or a person permitted to use, the registered trademark which has a distinct reputation in India , infringes the registered trademark if he uses the mark in the course of trade without any reasonable explanation, which would be equivalent to taking unfair advantage of the reputation of the prior well known mark, would adversely affect the reputation or distinctive character of the registered trademark.

Section 29(8)(a) restricts the advertisement of a trademark if such advertising is contrary to fair and honest practices in commercial and industrial matters or takes undue and unfair advantage of a registered trademark.

AN ANALYSIS OF THE COMMON LAW REMEDY OF PASSING OFF AVAILABLE UNDER TRADEMARK REGIME

The common law remedy of tort, known as passing off is one of the most significant remedies available to proprietors of trademarks. The rationale behind the remedy is to provide protection against false representation. Such false representation may either be in the form of conduct or a statement such as by adopting the design, mark or appearance of another distinct mark, also such representation may or may not be fraudulent.

The injury caused to the owner of a trademark as a result of the act of passing off by another is

three fold:

- The infringer takes unfair advantage of the goodwill and reputation of the injured party, which was accumulated through rigorous labor, by falsely representing his own goods as that of the injured party.
- The injured party stands at the risk of being associated by a good of inferior quality which would cause damage to its reputation in the course of trade or business.
- The injured party suffers from loss of business due to the unfair advantage taken by the infringing party which deceived the customers into buying the goods that resembled closely to the original source but actually belong to the unauthorized infringer.

In the case of *Ellora V. Banaras Dass*⁶, the Apex Court held that the law of passing off is designed to protect traders against unfair competition.

“The law on this matter is designed to protect trades against that form of unfair competition which consists in acquiring for oneself, by means of false or misleading devices, the benefits of the reputation already achieved by rival traders. The basic question in this tort turns upon whether the defendant’s conduct is such as to tend to mislead the public to believe that the defendant’s business is the plaintiff’s or to cause confusion between the business activities of the two.”

Lord Diplock in the case of *Evern Warnink V. Townend*⁷ laid the essential characteristics that must be satisfied in order to create a valid cause of action of passing off. These are:

- Misrepresentation by the infringer
- during the course of trade
- to potential customers
- which causes injury that is reasonably foreseeable, to goodwill, reputation and business of another trader

⁶ AIR 1980 Del 254

⁷ 1980 RPC 31

PROOF OF DAMAGE

In order to corroborate the case of passing off, the infringing trademark must be very similar and nearly resemble the registered trademark. In order to constitute a valid cause of action in passing it, it is sufficient for the injured party to prove an intent to deceive and it is not necessary to prove actual damage. The onus of proof vests on the injured party to conclusively prove that the passing off act by the infringer was indeed calculated to misrepresent his goods as that of the injured party and was likely to mislead or deceive the public. The fear of damage must be based on substantial grounds and once it has been established that the act of the defendant will lead to passing off of his goods as that of the plaintiff, it is safely assumed that damage to the plaintiff's business is the only natural consequence of the action of the defendant.⁸

More importantly, in order to constitute a valid case of passing off, the proprietor of the trademark must establish that his disputed mark has acquired distinctiveness and the relevant section of the public associates the goods to belong to the plaintiff.

The Trademark Act 1999, provides that remedy of passing off under Section 27(2). This section clarifies that no action of infringement would arise in the case of an unregistered trademark but provides the common law remedy of passing off to proprietors of trademarks, to prevent misrepresentation by one party to pass off his goods or services as that of another party and take unfair advantage of the recognition and goodwill of the injured party.

The issue of similarity between two marks and the likelihood of confusion or deception must not be decided in a vacuum. The facts surrounding the cause should always be considered thoroughly. The following factors must be paid heed to:

- The type of trademark, that is, whether it is a word, descriptive or non-descriptive names, surnames or devices, letters or numbers, or a combination of two or more of the above characters
- Degree of similarity between the marks and essential characteristics, that is, similarity in phonetic and/or visual
- The type of good for which it is used or likely to be used as a trade mark

⁸ 1888 37 Ch D 499

- The similarity in the nature, character and purpose of the good of the competing traders
- The class of buyers including their education and intelligence, and the degree of care they will exercise while purchasing the goods.

THE TUSSLE BETWEEN TRADEMARK REGIME AND UNFAIR COMPETITION

After carefully analyzing the above provisions, it can be concluded that infringement and passing off of trademark constitute sub parts of the broader concept of unfair competition. The Indian regime has adapted a wide interpretation of the term unfair competition to include false advertisement, dilution of goodwill in trademark, false representation and derogatory comparative advertising of trademarks.

In the case of *Reckitt & Colman of India Ltd. v. Kiwi TTK*⁹, an observation was made by the Delhi High Court that any statements by a manufacturer that portray his goods to be the best in the market or puffing up of goods does not give rise to the cause of action of disparagement. But, at the same time any statement made with an intention of portraying the goods of a competitor in negative light while promoting the goods owned by the manufacturer will qualify as disparagement and shall not be permitted. The facts of the case reveal that both plaintiff and defendant were involved in the business of shoe polish. The defendant brand “Kiwi” was advertised by comparing its shoe polish bottle with another polish bottle labelled as “Product X”. The plaintiff alleged that the Product X bottle resembled very closely to its own bottle labelled as “Cherry Blossom” and that the defendant was attempting to disparage his product. The Apex Court concurred with the reasoning offered by the plaintiff and granted an injunction to restrain the defendant from disparaging the good belonging to the plaintiff.

In the case of *Reckitt & Coleman of India Ltd. v. MP Ramchandra & Anr.*¹⁰, the Calcutta High Court concluded that it was within honest trade practices for a tradesman to portray his goods as the best even though that may not be true. In order to establish the superiority of his goods over his competitor, the tradesman may compare the advantages of using his goods over other competitor goods and may portray that his goods are better than his competitor even though they may not be superior. However, he “*cannot while saying his goods are better than his competitors’, say that his competitors’ goods are bad. If he says so, he really slanders the*

⁹ (1996) P.T.C. 193 T 399

¹⁰ (1999) P.T.C. 19 741

goods of his competitors. In other words he defames his competitors and their goods, which is not permissible. If there is no defamation to the goods or to the manufacturer of such goods no action lies, but if there is such defamation an action lies and if an action lies for recovery of damages for defamation, then the Court is also competent to grant an order of injunction restraining repetition of such defamation.”

The above reasoning of the Court was publicized in the case of ***Pepsi Co. Inc. v. Hindustan Coca Cola Ltd.***¹¹ The case relates to an advertisement in which a bottle which resembled very closely to the Pepsi bottle was compared with the Thumbs bottle. The Pepsi bottle of the plaintiff was depicted as “bacchon wali drink” and the advertising slogan of Pepsi was ridiculed by word play by saying “Yeh Dil mange no more”. The commercial aimed at sending a message that if children wanted to grow up, they should switch to Thumbs Up because it is less sweet and stronger in taste than Pepsi. The Court concluded that there was no disparagement and held that parody of the slogan and the mere use of the trademark does not give rise to ipso facto infringement. There lies no cause of action if the commercial only portrays the goods of the plaintiff as superior to its competitor without derogating the goods belonging to the competitor.

In the case of ***Godrej Sara Lee Ltd. v. Reckitt Benckiser(I) Ltd.*** the judgement of the court reflected the attitude adopted by the Court regarding honest comparative advertising. The good of defendant advertised as “Mortein”. The advertisement highlighted that ability of the product to kill both mosquitoes and cockroaches. The plaintiff contended that the product of the plaintiff advertised as “Hit” was disparaged by such an advertisement because the plaintiff had been selling two separate products targeting at getting rid of mosquitoes and cockroaches separately. The Court observed that it was within the right of the plaintiff to advertise the technological superiority of its product even though it may be detrimental to the sale of the competitor product. This could be by no stretch of imagination be considered to be disparagement of the goods of the plaintiff.

CONCEPT AND OBJECTIVES OF THE TRADEMARK REGIME GEOGRAPHICAL INDICATION REGIME

The common law doctrine of passing off based on providing protection against the tort of unfair competition has conferred protection to geographical origin of goods against misuse during

¹¹ (2001) 21P.T.C. 722

course of trade or business. In countries like U.K and U.S.A the geographic location of a good was protected by certification and collective marks. Prior to 1999, the legislation in India suffered from the inadequacy of not providing the requisite protection to Geographical Indications. In order to overcome this inadequacy, India enacted the Geographical Indications of Good (Registration and protection) Act 1999 on 15th September, 2003.

In layman's terms, a GI is a sign/mark or an identifier used to attribute a particular geographical source or location to a good originating in the same location. These goods consist of certain quality, characteristics and reputation that is attributable to its specific geographical origin due to factors such as specific climate, type of soil, method of manufacture and production, altitude, etc.

It is imperative to preserve the essence of a GI. A scotch variety that does not contain the spring water of Scotland will be an improper use of GI and would lead to dilution of its characteristic.

Article 22.1 of the TRIPS agreement defines that term GI as indications that identify a good that originates within a specific territory, locality or region of the member nation where a peculiar characteristic, reputation or quality is specifically attributable to its locality of origin. The TRIPS agreement imposes an obligation on all member nations to provide protection to GI but also offers great flexibility and discretion to member nations to decide the manner in which the member decides to provide this protection.

GI under the TRIPS agreement have evolved into a intellectual property combining indications of source which are known as signs that indicate that a product originates in a country, territory or region and appellations of origin which are identifiers that reflect characteristic qualities due to the peculiar geographical origin.

Article 22.2 of TRIPS provides the minimum standard of protection of GI. The inherent flexibility in TRIPS is inherent in Article 22.2(a) which explains that members shall provide "legal means" to prevent the misuse of a GI. These legal means include several administrative, statutory or common law method of protection such as passing off, protection under common law doctrine of unfair competition, registration of GI, registration of collective mark or certificate mark. A primary limitation is inserted by Article 22.2(a) of TRIPS with the use of the words "*mislead the public as to the geographical origin of the goods.*" The term public is interpreted differently in different jurisdictions. Under the U.S. regime, in order to conclusively

establish consumer confusion, it is imperative to show that a significant segment of the consuming public identifies the mark with a good and not just a handful of consumers with specialized knowledge. Under the European regime, it may be an acceptable argument that a handful of customers with specialized knowledge of good will qualify as a public.

DIFFERENTIATING FACTORS BETWEEN TRADEMARK AND GI

Although both trademark and GI act as identifiers of goods, yet these are two distinct intellectual properties. A trademark is an identifier that is used to differentiate between the goods or services of one enterprise from another, while a GI is an identifier that indicates that a certain good originates or is manufactured or produced in a certain geographical location and exhibits certain characteristics that are peculiar to that geographical origin.

A trademark vests an individual interest onto the proprietor of the trademark by bestowing the right to exclude others from using it. While GI is a collective right that can be exercised by all producers that manufacture or produce the goods in a geographical location designated by the GI which also possess similar characteristics owing to their location of origin. GI acts as the property of the community, that is to say, those who trade in goods which have a GI affixed to them will be able to do so under a license granted to them by their national legislation which registers the GI as the property of the community. GI is a unique intellectual property due to its shared character.

AN ANALYSIS OF THE GEOGRAPHICAL INDICATIONS OF GOOD (REGISTRATION AND PROTECTION) ACT 1999

The Geographical Indications of Good (Registration and protection) Act 1999 defines the term GI under Section 2(e) as indications that are used to identify goods such as natural goods, agricultural goods, originating or manufactured goods within the territory, locality or region of the country. These goods exhibit a certain characteristic, reputation or quality that is fundamentally attributable to its geographical location. If a good is manufactured in a particular territory then one of these activities, either preparation, processing or production should take place within the same territory. A name which may not be the name of a region, locality or country can also be registered as a GI as long as it relates to a specific geographical origin and is utilized in relation to specific goods that originate within the region, locality or country. This clarifies that GI may also include traditional non-geographical names which have acquired

geographical significance such as “Feta Cheese” from Greece, “Alphonso mango” from Ratnagiri District of Maharashtra, “Basmati rice” due to its unique aromatic variety originating in Pakistan and sub continents of India.

GI cannot be registered as a trademark under the Act but at the same time, a trademark which consists of a GI already registered before the commencement of the 1999 Act or the date of filing of the application for registration are protected under the Act.

The rationale behind the grant of protection to GI is to exclude unauthorized persons from illegitimately using the GI to their own undue advantage and wrongful profits and at the same time protect customers from being fooled in buying goods that are passed off as goods originating in a geographical location which is not its actual place of origin and lacks the peculiar characters of goods that originate in that locality and are attributable to that particular origin.

It is imperative to preserve the essence of a GI. A scotch variety that does not contain the spring water of Scotland will be an improper use of GI and would lead to dilution of its characteristic. Similarly, a Champagne sparkling wine that does not originate from the village Champagne in France would not be appropriate. GI should also be used to retain the right to use them as GI and it is not lost because of becoming generic.

EXAMPLES OF GI:

“Golkonda toys” from India, “Havana Cigar”, “Hyderabadi biryani”, “Banaras Silk”, “Pashmina Shawls” from Kashmir, “Swiss Chocolates” from Scotland, “Cognac” used for brandy originating from the town called Cognac of France.

UNFAIR COMPETITION IN GI REGIME

PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY OF 1883

Article 10bis of the Paris Convention addresses the most significant cause of concern in case of identifiers, which is of unfair competition. Clause (1) and (2) of Article 10bis of the Paris Convention imposes an obligation on all member nations to protect nationals against practices of unfair competition. It provides a broad definition of the term unfair competition and

characterizes the act to mean any practice that stands contrary to honest practices in commercial and industrial matters. Clause (3) of the Article contains a non-exhaustive list of practices that are understood to contribute to unfair competition. These include:

1. Any act that is capable of causing confusion of any kind related to the industrial or commercial activities, goods and establishment of a competitor.
2. Any false allegations during the course of trade that is capable of discrediting the industrial or commercial activities, goods and establishment of a competitor.
3. The use of any allegations or indications during the course of trade that is capable of misleading the public regarding the characteristics, manufacturing process, the quantity or suitability of the goods.

Article 10(1) imposes an obligation on the member parties to seize the import of goods if they directly or indirectly use a false indication of the source. Accordingly Article 10(2) provides that the right to prevent such importations should be accorded to *“Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used”*

The Paris Convention is one of the significant international treaties that addresses the concern of unfair competition. The TRIPS has made certain inclusions of the provisions of Paris Convention in order to accomplish the task of preventing and eliminating dishonest practice in business that lead to market disruption and unfair competition.

The Madrid agreement has also incorporated the provisions of Paris Convention to address the issue of unfair competition by including seizure of goods bearing deceptive indications as to the geographic origin of the goods. The provision was included to remedy the practice of supplementing a geographic name with a qualifier or disclaimer when such a combination could lead to confusion between the potential consuming public.

EXAMPLE: California Chablis or burgundy

The principle of protection against unfair competition as set out in Article 10bis of the Paris

Convention is specifically incorporated in Article 22.2(b) of TRIPS agreement to lay down the foundation of protection of GI.

The rationale behind the protection of GI from unfair competition is twofold in nature:

- The consumers are protected against the use of GI that may mislead them as regards to the original geographical origin of a good on which the GI is affixed.
- Simultaneously the collective proprietors of GI are protected against unfair and dishonest practices adopted by competitors by affixing a false geographical origin to the good in order to induce confusion amongst the potential consuming customers which leads to loss in business.

The fundamentals of the GI law are derived from the law of unfair competition yet term “unfair competition” is not explicitly mentioned in the GI Act 1999 albeit the Act contains limited provisions in order to prevent and remedy unfair and dishonest practices in respect of use and exploitation of GI. Section 22 of the GI Act 1999 addresses the issue of infringement of a GI due to practices that promote unfair competition. A registered GI is infringed by an unauthorized user if he utilizes the GI in such a manner that qualifies as an act of unfair competition including the act of passing off¹².

The explanation of the Section 22 clarifies as to what constitutes “unfair competition”. These include:

1. Any act that is capable of causing confusion of any kind related to the industrial or commercial activities, goods and establishment of a competitor.
2. Any false allegations during the course of trade that is capable of discrediting the industrial or commercial activities, goods and establishment of a competitor.
3. The use of any GI during the course of trade on goods, that is capable of misleading the public regarding the characteristics, manufacturing process, the quantity or suitability of the goods.

¹² The Geographical Indications of Good (Registration and Protection) Act 1999, Section 22(b)

These acts are the same as provided by Article 10bis clause 3 of the Paris Convention.

According to Section 22(1)(c) an infringer infringes a registered GI if he uses another GI which may be true to the geographical origin of the good but falsely misrepresents to the potential consuming public that the goods originate within the geographical origin to which the GI relates to. The rationale behind this provision is to stop the infringing party from taking undue advantage of the GI of the injured party.

AN ANALYSIS OF THE COMMON LAW REMEDY OF PASSING OFF AVAILABLE UNDER GI REGIME

The common law remedy of tort, known as passing off is one of the most significant remedies available to proprietors of GI. The rationale behind the remedy is to provide protection against false representation. Such false representation may either be in the form of affixing a false geographical origin to the good or accompanying the identifier with words like “type”, “kind” or “imitation” which leads to confusion amongst the consuming public¹³. Such representation may or may not be fraudulent.

The injury caused to the owner of a GI as a result of the act of passing off by another is two fold:

- The infringer takes unfair advantage of the reputation of a registered GI which is built due the peculiar characteristics of the goods that are attributable to their geographical place of origin, by falsely representing his goods to originate from that geographical origin.
- The registered GI stands at the risk of being associated by a good of inferior quality which would cause damage to its reputation in the course of trade or business.

Section 22(a) of the GI Act 1999 addresses the issue of infringement of a GI by an unauthorized user if he utilizes the GI in such a manner that qualifies as an act of unfair competition including the act of passing off. A registered GI is infringed by an unauthorized user who utilizes such GI by any means in the presentation or designation of goods that suggests that such goods

¹³ The Geographical Indications of Good (Registration and Protection) Act 1999, Section 22(3).

originate within a geographical territory other than the true place of origin of such goods which misleads the person regarding the origin of such goods.

Section 67 of The Geographical Indications of Good (Registration and Protection) Act 1999 contains provisions regarding the relief conferred by the act to remedy the action of passing off.

PROOF OF DAMAGE

In order to constitute a valid cause of action of passing off, the plaintiff must prove that the reputation attributed to the goods belonging to him on which the GI is affixed, is likely to suffer from damage due to the misrepresentation by the defendant.

A suit of infringement of a GI cannot be filed in the case of an unregistered GI but the common law remedy of tort known as passing off is saved by the virtue of Section 20(2) for GI that remain unregistered.

THE TUSSE BETWEEN GI REGIME AND UNFAIR COMPETITION

After carefully analyzing the above provisions it can be concluded that infringement and passing off of trademark constitute sub parts of the broader concept of unfair competition. GI is infringed by an unauthorized user if he utilizes the GI in such a manner that qualifies as an act of unfair competition including the act of passing off. A registered GI is infringed by an unauthorized user who utilizes such GI by any means in the presentation or designation of goods that suggests that such goods originate within a geographical territory other than the true place of origin of such goods which misleads the person regarding the origin of such goods and puts the registered GI proprietor at loss due to the pressure of unfair competition from the falsely used indication by the unauthorized user and the registered GI stands at the risk of being associated by a good of inferior quality which would cause damage to its reputation in the course of trade or business.

In the case of *Tea Board India v. ITC Limited*¹⁴, the High Court of Calcutta ruled against the Tea Board of India, rejecting its claim that ITC had infringed its certification trademark and GI “Darjeeling Tea” related to tea produced in the West Bengal, district Darjeeling. The brief facts

¹⁴ GA No. 3137 of 2010 and CS No. 250 of 2010

of the case reveal that the Tea Board of India filed an infringement suit against ITC Ltd. for using the name “Darjeeling Lounge” for one of its refreshment lounges in the one of its Hotel in Calcutta. The Board contended that this led to the infringement of the plaintiff’s geographical indication mark, and certification mark. The claimant, Tea Board India, submitted the following assertions:

- The Board contended that the Defendant was not permitted to use the prefix ‘Darjeeling’ to its lounge as the association with ‘Darjeeling’ is proprietary and exclusionary.
- The Board contended that the Defendant’s use of “Darjeeling Lounge” is misleading because defendant has led its customers to believe that the goods which it sells at the said “Darjeeling Lounge” originate in the said geographical area.
- The Board contended that the Defendant’s use is actionable under passing off and unfair competition because the defendant has malice intentions and is attempting to use the GI and certification mark of the claimant for the purpose of publicity.
- The use of the name ‘Darjeeling’ for the purposes of its lounge and all other purposes related to the same is a serious threat to the trade of the existing tea business, against honest trade practices and also disregards to the registered GI tag having a particular standard attributed to its geographical conditions.

The Court concluded that the above mentioned infringement suit was barred by limitation under Section 26(4) of the GI Act. The Court further went on to decide the case expeditiously and addressed the contentions of the claimant. The Court pointed out that the registration of the mark of the claimant was as a certificate mark and not as a regular trademark under the The Trade and Merchandise Marks Act, 1958, under which the protection of certificate marks extended only to goods and not services. The registered certificate mark would continue to be in force by the virtue of The Trademark Act 1999 but the claimant’s rights under the 1958 Act would not be extended to full occupy a broader right under the 1999 Act, that is to say that the prior registered certificate mark cannot be extended to services.

Furthermore, the Court emphasized that, under Sections 2(1)(e)&(f) of the GI Act, a registered GI bestows proprietary rights only in relation to goods and not services. The certificate mark

of the claimant is distinguished from a regular trademark because the registration of the certificate mark only equips the claimant “*the authority to certify that any tea marked by the Darjeeling name or logo, is guaranteed to be 100% Darjeeling Tea originating from the 87 tea gardens in the Darjeeling district of West Bengal and possesses certain organoleptic qualities and characteristics*”¹⁵. The Court clarified that the certification mark will be infringed only if the Defendant certifies a particular tea sold by it to be *Darjeeling Tea*.

The Court refers to the contention of the claimant regarding passing off and held that it would not be case because the two businesses of the parties were far removed from one another. The Court further clarified that the allegation of the claimant that the use of “Darjeeling Lounge” by the defendant led to the dilution of the registered GI of the claimant under Section 22 was without merit. The hotel facility of the defendant was themed around West Bengal. It was observed that several parts of the Defendant’s facility are “*named after West Bengal’s well-known geographical sites and dynasties*” which was inconsonance with the motif. The clientele of the Hotel are high end, well educated people who would not confuse the services offered by the “Darjeeling Lounge” to be related to the GI of “Darjeeling Tea” in any manner. The Court finally dismissed the infringement suit based on the above mentioned observations.

The case of *Comite Interprofessionnel Du Vin De Champagne v. Chinar Agro Fruit Products*¹⁶, dealt with the issue of GI tag “Champagne”. The plaintiff, Comite Interprofessionnel, a public service body in France, held the registered GI tag for Champagne, in France as well as overseas. Champagne is a distinguished sparkling wine produced only in the Champagne village of France. The plaintiff contended that the defendant, Chinar Agro Fruit Products, a food and drinks manufacturing Indian company had infringed its registered GI by selling non-alcoholic sparkling drinks under the label Champagne.

The plaintiff contended that the GI *Champagne* was registered in India and was also bestowed with additional protection and hence the plaintiff was within its right to protect its GI against uses that may cause confusion amongst consumers to believe that the non-alcoholic beverage sold by the defendant was the actual sparkling wine from the village *Champagne*. If this was permitted, it would qualify as infringement of the GI of the plaintiff under Section 22. The plaintiff alleged that the acts of the defendant’s acts were calculated and deliberative, aimed at

¹⁵ See Id

¹⁶ 2017 SCC Del 10704

taking advantage of the goodwill and reputation associated with the product Champagne in order to further the sales and popularity of their non-alcoholic beverage. The defendant went as far as duplicating the packaging of the *Champagne* wine including identical bottle colour, shape and configuration of the original sparkling *Champagne* wine. This constituted the act of unfair competition and dishonest trade practice.

The Court held the following allegations against the defendant to be of merit. It was observed that if the unauthorised use of the *Champagne* GI is permitted then it would lead to dilution of the mark and will convert the distinct GI into a generic one. This is to be avoided at all costs. The Court issued a permanent injunction decree against the defendant to restrain them from advertising, selling or manufacturing any products under the name Champagne and restraining them from suggesting any association whatsoever with the “Champagne” GI.

CONCLUSION

After a careful analysis of the trademark and GI regime it can be concluded that unfair competition law plays a significant role in ensuring adequate protection to these two intellectual properties. It is concluded that infringement and passing off constitute sub parts of the broader concept of unfair competition. A GI is infringed by an unauthorized user if he utilizes the GI in such a manner that qualifies as an act of unfair competition including the act of passing off. Furthermore, the Indian regime has adapted a wide interpretation of the term unfair competition in the case of trademark infringement to include false advertisement, dilution of goodwill in trademark, false representation, passing off and derogatory comparative advertising of trademarks.

The rationale behind the protection of trademarks from unfair competition is multi-fold in nature:

- The consumers are protected against the use of trademarks that may mislead them as regards to the original source of services and goods on which the trademark is affixed.
- Simultaneously the proprietors of trademark are protected against unfair and dishonest practices adopted by competitors in order to induce confusion amongst the potential customers of the trademark proprietor and leading to loss in business.
- The infringer takes unfair advantage of the goodwill and reputation of the injured party,

which was accumulated through rigorous labor, by falsely representing his own goods as that of the injured party.

- The injured party stands at the risk of being associated by a good of inferior quality which would cause damage to its reputation in the course of trade or business.
- The injured party suffers from loss of business due to the unfair advantage taken by the infringing party which deceived the customers into buying the goods that resembled closely to the original source but actually belong to the unauthorized infringer.

The rationale behind the protection of GI from unfair competition is also multi-fold in nature:

- The consumers are protected against the use of GI that may mislead them as regards to the original geographical origin of a good on which the GI is affixed.
- Simultaneously the collective proprietors of GI are protected against unfair and dishonest practices adopted by competitors by affixing a false geographical origin to the good in order to induce confusion amongst the potential consuming customers which leads to loss in business.
- The infringer takes unfair advantage of the reputation of a registered GI which is built due the peculiar characteristics of the goods that are attributable to their geographical place of origin, by falsely representing his goods to originate from that geographical origin.
- The registered GI stands at the risk of being associated by a good of inferior quality which would cause damage to its reputation in the course of trade or business.

Since both trademark and GI serve the function of being identifiers, the remedy of passing off is significant to prevent the unauthorised use of the marks so that dishonest tradesmen are not permitted to take undue advantage of the goodwill and reputation built by the proprietor the GI or trademark.

The dilution of a trademark and GI poses an imperative challenge in front of trademark and GI proprietors. If an identifier, whether trademark or GI is permitted to be diluted then it would eventually become generic and lose its status. The trademark “Xerox”, “Cellophane”,

“Aspirin” were once considered to be inventive, arbitrary and fanciful marks have now become generic due to its overuse and are struggling to uphold their validity as valid trademarks. Similarly in the case of GI, if the unauthorised use of the “Champagne” GI is permitted then it would lead to dilution of the mark and will convert the distinct GI into a generic one. This is to be avoided at all costs.

The concept of unfair competition is not a static concept. Owing to the ever increasing rigorous competition within markets, newer versions of unfair practices are observed increasingly. For example, comparative advertisement under trademark law are not prohibited but at the same time disparagement of the goods of the competitor is prohibited. Any statements by a manufacturer that portray his goods to be the best in the market or puffing up of goods does not give rise to the cause of action of disparagement. But, at the same time any statement made with an intention of portraying the goods of a competitor in negative light while promoting the goods owned by the manufacturer will qualify as disparagement and shall not be permitted. Hence, it is important for Courts to decide such cases on case to case basis.

Although the Indian trademark and GI regime does not explicitly contain a rigid framework to address the issue of unfair competition but the domestic legislation incorporates the provisions regarding unfair competition laid down by the Paris Convention. In the light of the highly globalised competitive market, a need for a more comprehensive and inclusive framework to address the issue of unfair competition should be introduced.

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