
ANALYSING THE CONFLICT BETWEEN A PRIOR USER AND A REGISTERED USER IN A TRADEMARK

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ABSTRACT

In a world which welcomes the growth of trade, intellectual property has become an important subject matter. When one invents or creates something, they feel the need to protect it. This is where intellectual property right comes in and protects the user from having his rights infringed. Trademark is one of the aspects of intellectual property, it is a perpetual right, one that subsists with the original user from the day on which it comes into existence to when it is actively in use, the right however, needs to be renewed after every 10 years. The primary objective of trademark is to distinguish a particular product from another product, thus, reflecting the goodwill and reputation of a particular product. To understand trademark and what all can be included under its wide ambit, it is important that we understand prior use with respect to trademark. In India, the provision that deals with prior use in trademark is section 34 of the Trademark Act, 1999. On the other hand, the provision that deals with the rights conferred by registration on a user is given under section 28 of the Trademark Act, 1999. This article delves into the conflict that still persists in India and offers an understanding of the same, that is, of prior use of trademark versus a registered trademark.

Introduction

Trademark is an intellectual property that consists of a distinguished mark or sign in relation to goods and services which gives exclusive rights to the owner of the mark to use it or to authorize another to use the same.

The objective of trademark is to advertise and create an image for the product (goods or services) as well as present a satisfactory assurance about the origin and quality of the product. It gives recognition to the product and consequently financial profit to the owner.

The history of trademark law in India dates back to the early 20th century. The law on trademark was borrowed from Britain's British Trademark Act, 1938, that provided a formal registration of trademark when the criterion of a mark distinguishing the goods or services was fulfilled. Thereafter, the first Trademark Act was created in 1940 in India. Before that, the issues related to trademarks were dealt with under the Specific Relief Act, 1877 and the Indian Registration Act, 1908. After gaining independence, India enacted the Trade & Merchandise Mark Act, 1958. After this, the Trademark Act of 1999 came into force and is currently in effect¹.

Need for registration under the trademark act

After a trademark is registered, they are classified as intellectual property and are therefore protected from infringement. Trademark registration confers on it legal protection, along with that, an exclusive right to use the trademark in relation to the "class" of goods it represents. It protects the brand and can prove to be a valuable asset whose value may only appreciate with time.

The Trademarks Act 1999 provides the following rights to the proprietor of a registered trademark:

Right of Exclusive Use

Section 17(1) of The Trademarks Act 1999 provides for the effects of registration and says that, "When a trade mark consists of several matters, its registration shall confer on the proprietor exclusive right to the use of the trade mark taken as a whole."²

¹ Banana IP Reporter, *History and Evolution of Trademark System*, Banana IP Counsels, [7th January, 2011, 5:34 PM] <https://www.bananaip.com/ip-news-center/history-and-evolution-of-trademark/>

² The Trademarks Act, 1999, § 17(1), No. 47, Acts of Parliament, 1999 (India)

According to Section 28 of the Act,

Section 28 of the Trademark Act, 1999, provides for the rights of a registered user of a trademark. Sub Section (1) of Section 28 confers on the user the exclusive right to use the trademark in relation to the goods and services in respect of which the mark is registered.

Sub section (2) provides that the exclusive right of the user is to be subjected to any conditions and limitations to which the registration is subject.

Sub section (3) says that when two or more trademarks are identical or are very similar to each other, the registered users or proprietors of those trademarks will not have any exclusive rights against each other and they both will be equally entitled to use these marks. The provision further provides that each proprietor shall possess all exclusive rights under the Act against the third parties³.

Right of Action against Infringement

According to Section 27 of The Trademarks Act 1999, a person cannot institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark. No action lies in this case unless it is against any person passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof.⁴

Apart from the rights secured by the Trademarks Act 1999, the proprietor has some other advantages of having a registered trademark:

1. It distinguishes the product of the proprietor from that of the competitors. It creates an image for the product and hence the proprietor's company or brand stands out from the crowd.
2. A registered trademark ensures that there is no other company impersonating the product or service in the market, eliminating the possibility of having to rebrand.
3. A registered trademark gives satisfactory assurance about the make and quality of the product whether goods or services. It identifies the product and its origin and establishes the unchanged quality of goods or services. Customers associate the quality of the

³ The Trademarks Act, 1999, § 28, No. 47, Acts of Parliament 1999 (India)

⁴The Trademarks Act, 1999, § 27, No. 47, Acts of Parliament, 1999 (India)

goods and services with its trademark. Therefore, a registered trademark helps in attracting more customers.

4. A registered trademark is a legal privilege that may be sold, delegated, franchised, or economically contracted. The proprietor of a registered trademark has a right of assigning or licensing the use of the mark to another person.

Limitations of registration

Apart from having many advantages to registration, it does come with a few limitations. Let us have a look at what they are.

Rights of the prior user

The registered proprietor cannot interfere with the use of similar marks by prior users. The Trademarks Act of 1999 safeguards the rights of a prior user of a trademark even if it is an unregistered mark. According to Section 34⁵ of the Act, the proprietor or a registered user of registered trade mark is not entitled to interfere with or restrain the use of an identical trademark or a mark nearly resembling it in relation to goods and services, by anyone who has continuously used that trade mark from a date prior to the use of the first-mentioned trade mark in relation to those goods or services by the proprietor or a predecessor in title of his or to the date of registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his whichever is earlier. Therefore, in case of a conflict between a registered user and a prior user regarding the use of a mark, the prior user will prevail over the registered user. Section 34 is an exception to Section 28 of the Act limiting the right of exclusive use of the mark by a registered user.

Geographical Limitation

A registered trademark is valid in the country in which it has been registered. It is a territorial right. Separate international application has to be made in the country where the proprietor requires security of his rights to the mark. Therefore, geographical boundaries limit the rights of the registered proprietor of the trademark⁶.

⁵ The Trademarks Act, 1999, § 34, No. 47, Acts of Parliament, 1999 (India)

⁶ Kahini Jhaveri, *What are the Limitations of Trademark Law?*, Legalwiz, [9 January, 10:12AM], <https://www.legalwiz.in/blog/what-are-the-limitations-of-trademark-law>

Fair Use

Copyright Law applies the principle of fair use that allows parts of copyrighted materials to be used without the owner's authorization for the purpose of education, research, etc. In Trademark Law this principle can be applied in relation to situations wherein common words are used every day in a distinctive context owing to which they cannot be trademarked. Section 30(2)(d) of the Trademarks Act 1999, talks about nominative fair use. To claim this defence, the user must prove his necessity of using the registered mark.

Advantages of prior use

In India, the doctrine of prior use has been known to be a confusing concept. Section 34 of the Trademark Act protects the right of the owner of an unregistered trademark⁷. According to Section 34 of the Act, the proprietor of a trademark does not have the right to prevent the use of an identical or a similar mark by another party where the other party commenced prior use of the mark, that is, before the proprietor registered it⁸. This is known as the "First User" rule and is a distinctive feature of the trademarks act.

Often Indian courts have been faced with the question of whether a registered trademark owner has superior rights over the unregistered trademark owner when the unregistered trademark owner is a prior user of the trademark, whose right shall prevail? To answer this question, let us have a look at a few cases.

The 'First in market test' was applied in *Neon Laboratories v. Medical Technologies Ltd.*⁹ A suit was filed in the trial court of Ahmedabad for passing off by Medical Technologies. The said court granted a temporary injunction against Neon Laboratories by. The same decision was reaffirmed by the High Court of Gujarat on an appeal. Neon Laboratories further appealed to the Supreme Court of India against the order of the High Court of Gujarat which represents the present case. The Supreme Court also upheld the decision of the Trial Court and the High Court of Gujarat and granted the injunction in favour of the respondent. The following factors had been considered before the injunction was granted-

⁷ Anshal Dhiman, *The Doctrine of Prior use under the Indian Trademark Act*, iPleaders, (Jan. 6, 2023, 4:37 PM) <https://blog.ipleaders.in/doctrine-prior-use-indian-trademark-act/>

⁸ Kaushal Pandey, *The Rights of Prior Users of Trade Mark under the Trade Marks Act, 1999*, SCC Online Blog, (Jan. 6, 2023, 4:59 PM) <https://www.scconline.com/blog/post/2022/12/05/the-rights-of-prior-users-of-trade-mark-under-the-trade-marks-act-1999/>

⁹ *Neon Laboratories v. Medical Technologies Ltd.*, (2016) 2 SCC 672

- If there was a prima facie case established in favour of the applicant.
- If the balance of convenience was in favour of the applicant.
- The possibility of the applicant being subjected to irreparable damage and loss on the refusal to grant an injunction¹⁰.

*Victoria Foods (P) Ltd. v. Rajdhani Masala Co.*¹¹ was another case in which it was held that the rights of a prior user cannot be infringed.

In *S. Syed Mohideen v. P. Sulochana Bai*¹², the apex court upheld the pre-eminence of the First in the Market Test according to which the rights of a prior user overrides those of the registered user.

Does Prior use always prevail?

After reading the Trademark Act, one would be convinced that the registered trade mark owner has rights superior to the rights of the prior user. In the contrary, Indian courts have often given priority to prior users of trademark, even though they are not registered. However, the person claiming prior use has the burden to prove it.

In *Mukul Singhal and Anr v. Ms MK Auto Sales Corporation*¹³, it was said that to seek the benefit of Section 34, prior use had to be proved.

In another case, namely, *Dura Roof v. Dyna Roof*¹⁴, it was held that the mark used by the defendant did not infringe the mark used by the plaintiff. The nature of goods and the class of buyers who are likely to purchase the goods are important factors that have to be taken into consideration while determining whether there is a likelihood of confusion. In the present case, the marks were not visibly similar, because of which it did not amount to an infringement.

The Apex Court in the case of *Cadila Health Care Ltd. Vs. Cadila Pharmaceutical Ltd.*¹⁵ enumerated certain test or factors for deciding the question of deceptive similarity, which are

¹⁰ *Trademark Law in India in Neon Laboratories v. Medical Technologies Ltd and Ors.*, Blog.ipleaders [January 8th, 5:30 pm] <https://blog.ipleaders.in/trademark-law-in-india-in-light-of-neon-laboratories-ltd-v-medical-technologies-ltd-and-ors/>

¹¹ *Victoria Foods (P) Ltd. v. Rajdhani Masala Co*, CS(COMM)108/2021

¹² *S. Syed Mohideen v. P. Sulochana Bai* (2016) 2 SCC 683

¹³ *Mukul Singhal and Anr v. Ms MK Auto Sales Corporation*, CS(COMM) 31/2021

¹⁴ *Dura Roof v. Dyna Roof*, FAO 47/2017

¹⁵ *Cadila Health Care Ltd. Vs. Cadila Pharmaceutical Ltd*, (2001) 5 SCC 73

as follows:

- “a) The nature of the marks i.e. whether the marks are word marks or label marks or composite marks, i.e. both words and label works.
- b) The degree of resemblance between the marks, phonetically similar and hence similar in idea.
- c) The nature of the goods in respect of which they are used as trademarks.
- d) The similarity in the nature, character and performance of the goods of the rival traders.
- e) The class of purchasers who are likely to buy the goods bearing the marks they require on their education and intelligence and a degree of care they are likely to exercise in purchasing and/or using the goods.
- f) The mode of purchasing the goods or placing orders for the goods and
- g) Any other surrounding circumstances which may be relevant in the extent of dissimilarity between the competing marks.”

The Supreme Court of India in the landmark case of *Toyota Jidosha Kubushiki Kaisha v. Prius Auto Industries Ltd. and Ors*¹⁶, held that the prior use, if not in the same territory as the Defendant and the jurisdiction of the passing off action, cannot be claimed as prior use.

Now, to answer the question whether prior use always prevails, certain conditions have to be kept in mind. From the cases given above we can see that recourse cannot be availed under Section 34 of the Act if prior use is not proven or the act of an infringement has not been established.

Conclusion

It can be thus concluded that the Trade Marks Act 1999 secures the rights of the prior user. In case of a conflict between the registered user and the prior user of a similar mark, prior use prevails over registered use. However prior use has to be proved and the conditions have to be fulfilled.

¹⁶ *Toyota Jidosha Kubushiki Kaisha v. Prius Auto Industries Ltd. and Ors*, AIR 2018 SC 167

Despite its limitations, registration of trademarks has numerous advantages. Most importantly, it attracts more customers to avail the particular goods and services and also prevents infringement of trademark by a third party. In India the term of a trademark is 10 years and it can be renewed after every 9 years and 6 months as it is a perpetual right. It is therefore extremely beneficial for the proprietor of the mark to have it registered under the Act.

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