

Subject: Law

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Paper : Intellectual Property

Module : Limitations on Rights of Trademarks Owners



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Module Detail	
Subject name	Law
Paper name	Intellectual Property
Module name/ Title	Limitations on Rights of Trademarks Owners
Module Id	Law/IP/#30
Pre- requisites	<ol style="list-style-type: none">1. A comprehensive knowledge of trademark laws.2. A fair knowledge of other relevant provisions of penal laws.
Objectives	<ol style="list-style-type: none">1. To understand the concept of limitations on rights of trademark owners.2. To evaluate the rights of trademark owners vis-à-vis the rights of consumers.3. To understand that the rights granted to trademark owners are not absolute, but exhaustive.4. To study in detail the rights conferred by registration of a trademark.
Key words	Trademarks, exhaustive rights, consumer protection, registration of trademarks, well known marks.



1 Introduction

The grant of a trademark grant a set of exclusive rights to the trademark proprietor that are enumerated in Section 29 of the Trade Marks Act, 1999 and which have been explained to you in previous modules. However, these rights are not absolute and the statute itself recognizes a set of limitations on the rights of a trademark proprietor. These limitations are thought to be necessary for ensuring that normal course of trade is not hindered by the grant of trademark rights. Such limitations are listed in Section 30 the Act and we will deal with each of them in this module.

Learning Outcome:

1. To understand and appreciate the need for limitations on the rights of a trademark owner.
2. To study the need to protect the rights of registered proprietors of trademarks.
3. A clear understanding of the process of infringement and the remedies available under the Act.
4. Critically examine the rules laid down in various case laws.

2 Exhaustion of rights



Over the last couple of years, there has been a heated debate in our country regarding the law on exhaustion of trademark rights. The question is simple – does the sale of a trademarked good exhaust the trademark proprietor’s rights in the trademark on that particular good. For instance, let’s say you buy a Samsung printer in the United States and then import it into India. Your colleague then wishes to buy the printer from you. Will your sale of the Samsung printer amount to infringement of Samsung’s trademark rights? What if you had bought the printer in Mumbai and intended to sell the printer to your colleague in Delhi? Under the general principles embodied in Section 29, your sale would be use of the trademark in the course of trade and thus would amount to trademark infringement. However, Section 30 creates an exception under sub-clause 3 that reads as under:

“(3) Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade by reason only of -

(a) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods: or

(b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

(4) Sub-section (3) shall not apply where there exists legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods has been changed or impaired after they have been put on the market.”

For our purposes, sub-section 3(b) is relevant. It can be broken into three segments: (i) goods bearing a registered trademark are lawfully acquired by a person; (ii) the sale of goods in the market by that person and (iii) this sale does not constitute infringement of trademark.

The first question that the Court has to determine is whether the goods were lawfully acquired from the trademark proprietor. Thus in order to satisfy the first condition, the transfer of title in the goods in question must be in accordance with law.

The second segment of Section 30(3) concerns the sale of the goods in a market. One crucial question that arises is whether the ‘market’ referred to in Section 30(3) is the domestic market or the international market. This question has huge repercussions. If the market in Section 30(3) is interpreted to be the domestic market, then trademark proprietors would be able to prevent parallel importation i.e. resale within India of



goods bought outside India [This is the principle of national exhaustion i.e. trademark rights are only exhausted when the goods are sold nationally]. On the other hand, if ‘market’ is interpreted to mean the international market, then trademark proprietors would not be able to prevent such parallel importation except where Section 30(4) is attracted (to which we will turn to later). This principle is called the principle of international exhaustion i.e. trademark rights are exhausted when the goods are sold anywhere in the world.

A two-judge bench of the Delhi High Court¹, overturning the decision of a Single Judge of the same Court, held that India follows the principle of international exhaustion. In reaching this conclusion, the Court relied on the Statement of Objects and Reasons for the Trade Marks Bill, 1999 which states that:

“Sub-clauses (3) and (4) recognize the principle of exhaustion of rights‘ by preventing the trade mark owner from prohibiting on ground of trade mark rights, the marketing of goods in any geographical area, once the goods under the registered trade mark are lawfully acquired by a person. However, when the conditions of goods are changed or impaired after they have been put on market, the provision will not apply.”

According to the Court, the use of the words in any geographical area make it amply clear that the legislative intent behind Section 30(3) was to recognize the principle of international exhaustion. This decision of the Delhi High Court is currently under appeal before the Supreme Court of India.

I conclude this topic with two important questions: Firstly, does the language of the Trade Marks Act, 1999 support the conclusion that India follows the principle of international exhaustion? Secondly, does the principle of international exhaustion represent good policy? I leave it to you to ponder over these questions and come to your own conclusions.

Is the immunity provided under Section 30(3) absolute? The answer is no. This is made clear from Section 30(4) which says that Section 30(3) will not apply where there exist legitimate reasons for the proprietor to oppose further dealings in the goods. The statute makes it clear that such legitimate reasons will exist where the conditions of the goods has been changed or impaired after they have been put on the market.

There may be difference in the product offered by the trademark proprietor in a territory and the product offered by the ‘reseller’ and these may give rise to legitimate reasons for the proprietor to oppose the resale of its goods bearing the trademark. The following are the different kinds of reasons that Courts have considered as legitimate:

- i. Difference in services and warranties²

¹*KapilWadhwa v. Samsung Electronics*, 2013 (53) PTC 112 (Del.) (DB)

²*Ibid* at paragraph 68



- ii. Difference in advertising and promotional efforts³
- iii. Differences in packaging⁴
- iv. Differences in quality control, pricing and presentation⁵
- v. Differences in language of the literature provided with the product⁶

3 Where the Defendant is the registered proprietor of the trademark

Despite the procedures prescribed under Section 9 and 11 of the Trade Marks Act, 1999 oftentimes two entities have registrations over the same or similar trademark for the same goods. For instance the trademark SPARX is registered in favor of Bata India Ltd. with effect from the year 1978. At the same time, the Trademarks Registry has granted a registration in favor of RelaxoFootwears Ltd. for an identical trademark SPARX with effect from the year 2004. Now who gets better rights over the trademark SPARX – Bata or Relaxo? The Act itself envisages that such a situation might exist and provides a scheme for dealing with the situation when one trademark proprietor sues another. The following sections are relevant in understanding this scheme:

28. Rights conferred by registration

...
...

(3) Where two or more persons are registered proprietors of trademarks, which are identical with or nearly resemble each other, the exclusive right to the use of any of those trade marks shall not (except so far as their respective rights are subject to any conditions or limitations entered on the register) be deemed to have been acquired by any one of those persons as against any other of those persons merely by registration of the trade marks but each of those persons has otherwise the same rights as against other persons (not being registered users using by way of permitted use) as he would have if he were the sole registered proprietor.

30. Limits on effects of a registered trademark

(2) A registered trade mark is not infringed where-

...

(e) the use of a registered trade mark, being one of two or more trademarks registered under this Act which are identical or nearly resemble each other, in exercise of the right to the use of that trade mark given by registration under this Act.

124. (1) Where in any suit for infringement of a trade mark---

³Ibid

⁴Ibid

⁵Ibid

⁶Ibid



...
(b) the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark.

the court trying the suit (hereinafter referred to as the court), shall----

(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;

(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the Plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register.

... ”

Section 28(3) and Section 30(2)(e) suggest that one trademark proprietor does not get exclusive rights over another i.e. if two identical or closely resembling trademarks are registered in favor of two different entities, neither of the two entities obtains better rights against each other. Section 30(2)(e) makes it clear that use of one's own registered trademark does not infringe another person's registered trademark. Section 28(3) however makes it clear that this does not affect the rights of these registered proprietors against third parties – these rights continue to exist as if each party was a sole registered proprietor. It is also important to clarify here that this limitation is only placed on statutory rights and the common law rights of a prior user continue to exist unaffected.

An interesting question that arises is this – is a suit for infringement of trademark maintainable against a registered proprietor of a mark? Let's answer this question using the Bata and Relaxo example that we have cited above. A bare reading of Sections 28 and 30(2)(e) may suggest that neither Bata nor Relaxo can sue each other for infringement of trademark. What if Bata claims that Relaxo's registration is invalid since it was obtained by fraud? Or Relaxo claims that Bata's registration is invalid since it has not been used after registration? It is also to be noted that the it is only the Registrar or the Intellectual Property Appellate Board that can grant the relief of rectification of a trademark on any of these grounds in a rectification proceedings. Can rectification proceedings proceed simultaneously along with a lawsuit? Section 124 of the Act provides some answers to these questions. The Delhi High Court in the *Clinique Laboratories LLC &Anr.versusGufic Limited &Anr.*⁷ case, attempted to harmonize these provisions. The law laid down by the Delhi High Court can be summarized as under:

⁷Decision dated April 9, 2009 passed by the Hon'ble High Court of Delhi in CS(OS)No.2607/2008



(A) There can be a suit for infringement against the registered proprietor of an identical or similar trademark;

(B) That upon the defendant taking the plea of his registration and of there being thus no infringement, such suit has to be stayed awaiting the rectification proceedings; and

(C) Only the trial of the suit shall be stayed. By virtue of Section 124(5), the court remains empowered in such cases to pass any interim order including grant of an interim injunction.;

(D) The court while passing an interim order will necessarily have to *prima facie* adjudicate the validity of the two competing registrations.

(E) The legislature under Section 124 (5) has thus empowered the court to grant injunction against use of a registered trademark also if the court is satisfied of the invalidity thereof. Though in view of Section 31, the test would be much stricter;

A single Judge of the Bombay High Court has taken a similar view in *Siyaram Silk Mills Ltd. v. Shree Siyaram Fab Pvt. Ltd.*⁸

4 Descriptive use of a trademark

The use of a trademark is said to be non – infringing if it is used in a manner such that it indicates the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services or other characteristics of goods or services.

It is important to distinguish this limitation on the rights conferred by a registered trademark from the limitation mentioned in Section 9 of the Act. Section 9 prohibits registration of trademarks that consist exclusively of marks that designate the kind, quality, quantity, intended purpose, values, geographical origin, or the time of production of the goods or rendering of the service or other characteristics of the goods or services. Section 9 is a bar on the registration of such marks. For instance, application for registration of the trademark COLD for ice – creams is likely to be refused since COLD describes a quality of the ice – cream and to a certain extent even its intended purpose.

Compare this with the limitation under Section 30(2)(a) – let's say Maruti Suzuki Pvt. Ltd. is the owner of the trademark MARUTI. A spare parts manufacturer makes spare parts that are compatible with Maruti cars. By virtue of Section 30(2)(a), a proprietor is entitled to describe this quality of compatibility of its goods by using the trademark MARUTI. However, it is important to emphasize that such use of the trademark must

⁸ (2012) 2 MAH LJ 49



be strictly descriptive as opposed to trademark use i.e. such use must not give any undue significance to the word 'MARUTI' – in finding out whether undue significance has been given, Courts usually consider whether the trademark has been used in a larger font or is used more prominently than the rest of the text used by the Defendant⁹.

For instance, in the case of *Cadila Healthcare Ltd. Vs. Gujrat Co-operative Milk Marketing Federation Ltd & Ors*¹⁰, the Plaintiff who are the makers of the artificial sweetener SUGAR FREE sought to restrain the Defendant from using SUGAR FREE for their frozen deserts which did not contain sugar. A Division Bench of the Delhi High Court held that use of a descriptive expression such as SUGAR FREE as a trademark by a trader does not entitle such trader from precluding others from using the said expression for the purposes of describing the characteristic features of their products.

Similarly, in the case of *Marico Ltd. v. Agrotech Foods Ltd.*, the Court held that the expression "LOW ABSORB" used by the Defendants is not a coined word and at best it is a combination of two popular English words which are descriptive of the nature of the product insofar as it immediately conveys the meaning of the expression that something which absorbs less. The Court went on to hold that those who adopt such descriptive terms as trademarks must be discouraged from appropriating such terms and claiming exclusive rights over the same.

5 Non brand use of a trademark

Section 30(2)(d) of the Trademarks Act reads as under:

"A trademark is not infringed where...the use of a trade mark by a person in relation to goods adapted to form part of, or to be accessory to, other goods or services in relation to which the trade mark has been used without infringement of the right given by registration under this Act or might for the time being be so used, if the use of the trade mark is reasonably necessary in order to indicate that the goods or services are so adapted, and neither the purpose nor the effect of the use of the trade mark is to indicate, otherwise than in accordance with the fact, a connection in the course of trade between any person and the goods or services, as the case may be;"

This sub-section of Section 30 deals with the situation where the manufacturer of goods which form part of or are an accessory to other goods for which a trademark exists is entitled to use the trademark to indicate that the accessory goods are adaptable to some other goods and it is reasonably necessary to so indicate. The kind of situations in which this sub-section applies can be best explained by reference to a

⁹Decision dated December 20, 2011 passed by the Hon'ble High Court of Delhi in *Carlsberg India Pvt. Ltd versus RadicoKhaitan Ltd.*, FAO(OS) 549/2011

¹⁰ 2009 (41) PTC 336



case decided by the Delhi High Court¹¹: The Defendant was manufacturing gaskets for pressure cookers. The trademark under which these gaskets were being manufactured was “MAYUR”. However, on the packaging, the Defendant used the following language “Suitable for use with Hawkins Pressure Cookers”. The makers of Hawkins Pressure Cookers filed a lawsuit for trademark infringement. The Defendant took the defence of Section 30(d). The Court’s analysis of the Defendant’s defence is interesting.

The question that the Court attempted to answer was this: *“When would it be a case of the use of the trademark being reasonably necessary in order to indicate that the goods are so adapted?”*

The Court focused its analysis on the meaning of the words “reasonably necessary” and found that the meaning of the word “necessary” is “inherent in the situation” and the meaning of the word “reasonable” is “just”. The Court held that the defence of Section 30(2)(d) would not be available where though the Defendant’s goods were adaptable to the goods of many different manufacturers, he had chosen to only use the trademark of one such manufacturer. For instance, in the case at hand, even though the Defendant’s gaskets could act as an accessory not only to the Plaintiff’s HAWKINS pressure cookers but also other pressure cookers, the Defendant has chosen to only use the Plaintiff’s HAWKINS trademark. Based on this finding, the Court found that the Defendant’s use of the Plaintiff’s trademark HAWKINS was not protected under Section 30(2)(d).

6 Use which falls outside the scope of protection of a trademark

Trademarks are sometimes registered with some conditions or limitations. For instance, a trademark proprietor may obtain a registration that extends only to a few states in India. This type of arrangement is usually exists where there are multiple proprietors of the same trademark, each of whom enjoy exclusivity in a particular region or state. Take for instance, a very famous sweet shop in Delhi by the name of GOPAL SWEETS. Let’s say, consumers in Delhi exclusively associate the name with a particular maker of sweets (say Mr. Halwai). However, there exist many sweet shop owners all over India with an identical name, some of who may be using the trademark GOPAL SWEETS even before the sweet shop owner in Delhi. In such situations, Mr. Halwai can consider registering the trademark GOPAL SWEETS which is restricted to a particular territory i.e. Delhi. Now, if another sweet shop opens up in Delhi by a same or similar name in Delhi, such use will infringe Mr. Halwai’s trademark. Now, what if this entity opens a shop in Chennai? The logical answer is no and this is also specifically embodied in Section 30(2)(b) which reads as under:

“(b) a trade mark is registered subject to any conditions or limitations, the use of the trade mark in any manner in relation to goods to be sold or otherwise traded in, in any place, or in relation to goods to be exported to any market or

¹¹*Hawkins Cookers Limited v. Murugan Enterprises*, 2012(50) PTC 3



in relation to services for use or available or acceptance in any place or country outside India or in any other circumstances, to which, having regards to those conditions or limitations, the registration does not extend:”

7 Use of the trademark on registered proprietor's goods

Where the goods originate from the registered proprietor and the latter has applied the registered trademark on the goods, the Act allows use of the registered proprietor's trademark for further sale. Let's say, the registered proprietor makes a first sale of goods in bulk and the buyer of such goods wishes to sell such goods in retail packages. Will use of the trademark on the retail packages amount to infringement of trademark? The answer is probably not owing to Section 30(2)(c) which reads as under:

A registered trademark is not infringed where....

(c) the use by a person of a trade mark-

(i) in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark if, as to those goods or a bulk or which they form part, the registered proprietor or the registered user conforming to the permitted use has applied the trade mark and has not subsequently removed or obliterated it, or has at any time expressly or impliedly consented to the use of the trade mark; or

(ii) in relation to services to which the proprietor of such mark or of a registered user conforming to the permitted use has applied the mark, where the purpose and effect of the use of mark is to indicate, in accordance with the fact, that those services have been performed by the proprietor or a registered user of the mark:

The reason that such use is permitted is that such subsequent application of the mark only serves to signify the true origin of the goods in question.

Similarly, a person may use a trademark in relation to services to which the proprietor has applied the mark where the purpose and effect of the use of the mark is to indicate that those services have been performed by the proprietor.



Points to Remember

1. A trademark grants a set of exclusive rights to the trademark proprietor that are enumerated in Section 29 but those rights are exhaustive in nature.
2. If a registered trade mark having been assigned by the registered proprietor to some other person is used in relation to some goods after the acquisition of those goods does not amount to infringement.
3. Clauses (3) and (4) recognize the principle of exhaustion of rights' by preventing the trade mark owner from prohibiting on ground of trade mark rights, the marketing of goods in any geographical area, once the goods under the registered trade mark are lawfully acquired by a person.
4. Where two or more persons are registered proprietors of trademarks, which are identical with or nearly resemble each other, the exclusive right to the use of any of those trade marks shall not (except so far as their respective rights are subject to any conditions or limitations entered on the register) be deemed to have been acquired by any one of those persons as against any other of those persons merely by registration of the trade.
5. A registered trade mark is not infringed where the use of a registered trade mark, being one of two or more trademarks registered under this Act which are identical or nearly resemble each other, in exercise of the right to the use of that trade mark given by registration under this Act.



Self-check Exercises

- Explain why the rights granted to the owners of trademarks have limitations attached to them.
- Elucidate on descriptive expression in reference to *Cadila Healthcare Ltd. Vs. Gujrat Co-operative Milk Marketing Federation Ltd & Ors*
- In what circumstances a trademark is said not to be infringed even if it is used to goods other than for which it is registered ?
- Descriptive use of a trademark is not infringement. Explain with decided case law.