

# Relationship between Trademark and Unfair Competition

PayalKalhan<sup>1</sup>

## Abstract

Trademarks from day to day have become imperative part of each and every one's lifestyle therefore they deserve to be protected. Thus with the time trademark has changed its role by not only inflicting the source of the product i.e., proprietor interest but also has become tool for the business. Now days, trademark serves towards the forming of goodwill also thus any infringement of trademark will lead to the diminishing of its goodwill of the business also. Thus in other terms, trademark has expanded its role from protecting the proprietors interest to the stop the competitors from targeting the goodwill i.e., combating unfair competition. In other words, the concept of trademark protection has expanded and encompasses not only the protection of the exclusive proprietary intellectual property rights, but also play as the defense against the actions of unfair competitors as well.

The present research work has been undertaken by the author with the following objectives:

1. To examine the relationship between trademark and unfair competition.
2. To analyze the impact of unfair competition on trademark protection.

And the research questions which have been outlined in this Article are:

1. What is the relationship between trademark and unfair competition?
2. How protection of trademark is needed to combat against unfair competition in the market?

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<sup>1</sup>Student, LLM IPR Student in National Law University, Jodhpur.

## **Introduction**

Now before moving to the relationship between the two it is imperative to know the trademark regime of India. So, Indian Trademark Act, 1999 aims at ensuring that third party does not ride upon the reputation of the registered as well as unregistered marks by copying the mark on its goods or services thus causing likelihood of confusion among the consumers as to the source of a product. As per section 9 which talks about absolute grounds of refusal says “a trademark shall not be registered if it is of a nature so as to deceive the public, create confusion, is identical with or similar to an earlier trademark, or comprises or contains scandalous or obscene matter, etc.” Trademark indicates the reputation of the goodwill with the goods which can be gauged by the value and reorganization of the same among public. In India, protection of goodwill is maintained through trademark infringement under section 29 of the said Act and as well as action of passing off under section 27(2) which says “right of action against any person for passing off goods or services as of another person” for both registered and unregistered trademarks. As court in *Ramdev Food Product v Arvindbhai Patel*<sup>2</sup> held that it is a common law remedy to prevent reputation and goodwill of an entity from wrongful acts and to prevent the public consumer from deception with an attempt to pass off its goods.

According to Trademark Act 1999, infringement of the registered marks takes place when one party uses a mark of another party which creates likelihood of confusion among the consumers as to which party is the source of the original goods or services. A person will be said to infringe if he uses in the trade trademark identical or similar to the already registered mark regardless of goods and services are of the same nature as per Section 29(2).

Further as far as unfair competition is concerned, Although there is no statute on unfair competition in India but one can find the trace of the same in India under section 2(r) of the Consumer Protection Act, 1986 in a form of “unfair trade practices” which construes that “a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice”, including any of the following practices any act of false and misleading representation or providing false or misleading fact, disparaging of the goods or services and etc. comes within the sphere of unfair trade practices thus unfair competition. and also under Indian trademark Act, 1999 under section 29(8) in the form of comparative advertising which involves unfair advantage contrary to honest practices of the trade mark being used in

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<sup>2</sup>Ramdev Food Product v Arvindbhai Patel, 2006, S.C. 3304, 50.

advertising and also under section 11(2) in the form of passing off of the well-known trademark i.e., the use of the same which causes the unfair advantage to the distinctive character or repute of the said trademark the claim of unfair trade practices can be laid down. Further under section 29(4) which talks about dilution which is “the registered trade mark having a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark” which explicitly talks about unfair trade practices. This shows that in Indian one can while staying within the arena of trademark law can claim for unfair competition. But here it is important to know that trademark infringement or passing off is just a part of the broader concept of unfair competition.

India has grasped a wide definition of unfair competition which includes infringement of a trademark or service mark, passing off, false representations, false advertising, dilution of goodwill in trademarks, derogatory comparative advertising, theft of trade secrets, etc. The Courts have indulged in construing these abovementioned acts as an act of unfair competition. As in *ICC Development (International) Ltd. v. Arvee Enterprises and Anr.*<sup>3</sup> the act of claiming unfair competition i.e., unfair trading through comparative advertising claim has been entertained by court where plaintiff IDT who filed an application for the registration of the words “ICC Cricket World Cup South Africa 2003” and the logo and the mascot



“Dazzler” filed a suit for unfair trading through passing off, ambush marketing and temporary infringement against the defendant Arvee Enterprises, an authorized dealer for sale and service of electronic goods manufactured by Philips India Ltd. were offering Cricket World Cup tickets as prizes, using the slogans “Philips: Diwali Manao World Cup Jao” and “Buy a Philips Audio Systems win a ticket to the World Cup”, inserting a pictorial representation of a ticket with an imaginary seat and gate number saying “Cricket World Cup 2003”, restraining Defendants from publishing any advertisement associating themselves with the Plaintiff and the “Cricket World Cup” in any manner whatsoever.

<sup>3</sup>ICC Development (International) Ltd. v. Arvee Enterprises and Anr. (26) PTC 245 (2003).

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Where the plaintiff contention was that the Defendants were misrepresenting their association with the Plaintiff and the World Cup, by advertising with an intention to unlawfully derive commercial benefit by associating itself with the Plaintiff and the World Cup. And thus indulging in unfair trading to which defendant contended that the words “World Cup” have been used in their advertisements in a generic manner and they have not used either the logo or the entire phrase “ICC Cricket World Cup South Africa 2003” and the word world cup is a generic term. To which court denied the claim of unfair trading through passing off and ambushing marketing by holding that Philips’ slogans merely showed that the purchasers of its goods might win a ticket and travel package to see the World Cup and nothing more. Admittedly, Philips had not used IDI’s logo or mascot and also held that the term world cup is a generic term thus no likelihood of confusion therefore, the basic criteria for a passing off action or for unfair trading were not met.

The main relationship between unfair competition and trademark can be gauged from the fact that the very point of coming trademark law into existence is to combat unfair competition. In the ancient time people started putting mark on their potteries and coming into existence of bell marks are solely because owners of the mark were anticipated with the acts of other people taking advantage of their reputation unfairly and thereby the cause of trademark law coming into existence is solely to fight with the unfair competition. This shows the main relationship between the two.

Further another relationship can be seen from the fact that as unfair competition in India has found its way in COPRA under section 2(r) “unfair advantage” thus inflicting main aim of protecting consumers from misleading and false advertising of the goods and services as to its quality, in the same manner trademark Act also aims at protecting the consumers from getting misled by likelihood of confusion under section 9 of the said Act which says: “ trademark shall be refused to be registered on the ground of such a nature as to deceive the public or cause confusion”. This show that how trademark and unfair competition both are on the same footing as to the protection of the consumers from the deception or form getting misled. Further even through the claim of passing off owner of the mark can stop the other person from using the But this is not the whole truth as there is a slight difference between the both as in the case of the trademark it provides protection to the proprietor only and not to the consumer by stopping another person from riding upon the reputation of the said mark thus it protects the proprietor interest. This is owing to the fact that under section 28 of the TMA, 1999 only rights of the proprietors are protected to obtain relief against the infringement. And does not provide any right to the consumer to fight against the misleading. But as far as unfair

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competition is concerned it protects the consumers rights under 2(r) of the COPRA and as well as it provides right to the consumers to whom loss or damage is caused due to unfair or restrictive trade practice of a trader or service provider.

Further, another co relation can be seen from the fact that section 29(8) provide protection to the registered trademark to fight for the infringement when third party uses the registered mark in an advertisement which is contrary to the honest trade practices and thus takes unfair advantage of the mark and is detrimental to the distinctive character and harms the reputation of the mark Here the term unfair advantage shows a relation between unfair competition as trademark owner by staying within the ambit of trademark can claim unfair competition against commercial disparagement.

As held in *Pepsi Co. Inc. and Ors. v. Hindustan Coca Cola Ltd. and Anr*<sup>4</sup> wherein the plaintiff filed a case against defendant who while promoting its product in a TV commercial ad portrayed that one actor asks a kid about his favorite drink and he said PEPSI but was muted but was obvious from his lip movement then that actor asks other kid about his favorite drink and said defendant product name and further said because it is sweeter and a stronger drink and has to be consumed by grownups. After the ad showed the bottles one was of 'Thumps-Up' while the other had PAPPY written on it which was deceptively resembles PEPSI which amounts to damaging the repute of Pepsi. To which court held defendant liable for disparagement under section 29(8) as it lead to the unfair advantage and detrimental to the reputation of the mark.

As held in *Reckitt & Colman of India Ltd. v. M.P. Ramachandran and Anr*<sup>5</sup> wherein the plaintiff the manufacturer of blue whitener have a registered TM and a registered design sued defendant who started promoting its product by disparaging the goods of the plaintiff in an advertisement by showing a similar container with a price of Rs. 10 from trademark infringement court held that as no other blue whitener product in the market were priced at Rs. 10 thus the act of defendant was held to be disparaging the goods of the plaintiff and thus granted an injunction and held defendant liable for the trademark infringement.<sup>6</sup>

But this is not the whole truth as there is a slight difference between the both as in the case of the trademark it provides gain to the proprietor only and not to the consumer by stopping another person from riding upon the reputation of the said mark thus it protects the proprietor interest. This is owing to the fact that under section 28 of the TMA, 1999 only rights of the

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<sup>4</sup>(27) PTC 305 Del (2003).

<sup>5</sup>CS No.31 (1996).

<sup>6</sup>Cadilla Healthcare Ltd v CadillaPharma Ltd,AIR SC 1952, 10 (2001).

proprietors are protected to obtain relief against the infringement. And does not provide any right to the consumer to fight against the misleading. But as far as unfair competition is concerned it protects the competitor as section 2(r) of the COPRA and as well as it provides right to the consumers to whom loss or damage is caused due to unfair or restrictive trade practice of a trader or service provider.

Further under section 29(4) which talks about dilution which is “the registered trade mark having a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark” which explicitly talks about unfair trade practices. This shows that in Indian one can while staying within the arena of trademark law can claim for unfair competition. But here it is important to know that trademark infringement is just a part of the broader concept of unfair competition.

Further, Section 11 (2) of the Trade Marks Act, 1999 states, A trademark which – (a) is identical with or similar to an earlier trademark, and (b) is to be registered for goods or services which are not similar to those for which the earlier trademark is registered in the name of a different proprietor -shall not be registered if or to the extent the earlier trademark is a well-known trademark in India and use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier trademark.

This denotes that above said protection is also provided to the unregistered trademark in India which can be construed as passing off thus covering the unfair competition mode also. This provides the proprietor a right alternative to the statutory protection in a form of common law action of passing off. The provision in Section 11(2) is to be construed in the broader context of the law of unfair competition, i.e. ‘the unauthorized use of a trade mark for a competitive product not only constitutes undue exploitation of the trademark owner’s goodwill, but also deceives the public as to the commercial origin of the product. This provides that Indian trademark law is a part of the unfair competition law and that the enforcement of trademark protection serves to prevent acts of unfair competition law which means one can while staying within the ambit of the trademark infringement or passing off can claim protection against the unfair competition under section 11(2) or section 27(8) & (9) in particular passing off and dilution of distinctive quality or advertising value.

As in the recent casein The Coca-Cola Company &Anrvs Glacier Water Industries Ltd court held the defendant liable who was advertising the Plaintiff’s trademark “KINLEY” which is a reputed mark for trademark dilution and granted injunction and damages with respect to infringement of the plaintiffs’ registered trademark, passing off and unfair competition.

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“Going by this Delhi HC judgment, marks which do not qualify as well-known trademarks do also enjoy anti-dilution protection.”

As in *D.M. Entertainment Pvt. Ltd. v. Baby Gift House and Ors.*<sup>7</sup> the plaintiff to whom Daler Mehndi assigned all his rights, title and interest in his personality inherent in his rights of publicity along with the trademark ‘DALER MEHNDI’ as well as goodwill, filed a suit seeking permanent injunction against the Defendants restraining them from infringing his right of publicity and against false endorsement, leading to passing off who was engaged in



the business of selling dolls an imitation Mr. Daler Mehndi.

To which court held that “act of defendant using the another’s trade mark whether in similar goods or services even though it does not cause confusion among consumers as to the source of goods or services, it will still be deemed to be diluting the trademark and will constitute unfair competition.”

Here it is important to note that even though unfair competition law and trademark law deals with same legal aspect but they pursue different goals as trademark law is inclined towards the protection of property rights of trademark owner while on the other hand, unfair competition law aims to prevent distortion of competition among the entities through unfair means.

In *Cadilla Healthcare Ltd v. CadillaPharma Ltd*<sup>8</sup> the Supreme Court laid down the concept of trademark and unfair trade practices in a form of modern tort of passing and held that misrepresentation in the course of trade to customers and intention to injure the goodwill of another trader are the two important test to connote whether use of the mark has led to the unfair trade practice and not thus the Supreme Court of India has defined passing-off in Cadila Case as the species of unfair trade competition or of actionable unfair trading by which one person, through deceptive and misleading act detriment the reputation of another entity.

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<sup>7</sup>D.M. Entertainment Pvt. Ltd. v. Baby Gift House and Ors.,CS(OS) No. 893 (2002).

<sup>8</sup>AIR SC 1952, 10 (2001).

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Further in *Reckitt & Colman Products Ltd. v Bordan Incorporation*<sup>9</sup> the court laid down the test which is imperative in order to prove passing off tort claim (unfair competition) (i) that the plaintiff had acquired a reputation or goodwill in his goods, name or mark, (ii) there was a misrepresentation, due to the use of mark of the plaintiff and which led the consumers to believe that the goods and services which were being offered by the defendants are goods and services of the plaintiff (iii) that the plaintiff has already suffered damage or is likely to suffer damage due to such misrepresentation.

This shows that Indian recognizes the concept of unfair competition through the trademark. Well the stand of Indian is uplifting the relationship between the trademark and unfair competition is not limited till here but also can be gauged from the concept of “Trademark Dilution” which is an another main area of unfair competition in trademark infringement which can happen either by blurring or tarnishment. Blurring of trademark comes into picture when the trademark due to the over use with other products loses its distinctiveness in the market whereas Tarnishment occurs when the use of the mark brings disrepute to the trademark. For example, using a cold drink trademark for a "playboy" magazine. Section 29(4) of the Trademark Act, 1999 talks about dilution “the registered trade mark has a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark. Though it is not imperative to prove the actual confusion to prove unfair advantage with the dilution.

As if we see the side of unfair competition in India through the claim of unfair advantage it has been held in *Britannia v.Unibic Biscuits India*,<sup>10</sup> plaintiff filed a suit of trademark infringement and commercial disparaging who was using a tagline “Good day” in the same goods in which defendant was doing business to stop defendant from using the tag line ‘Great Day’ along with its tag line – Why have a Good Day, When you can have a Great Day!.Court held that this act leads to direct comparison to plaintiff goods and thus granted injunction against the defendant for disparaging plaintiff biscuits by exaggerating thus leading to comparative disparagement and also held defendants acts was to communicate to the public thus misleading consumers as to buy his goods over other as in order to prove misleading advertisement under section 2(r ) of the COPRA “unfair trade practices” it is required to prove “Whether the advertisement contains a false statement which could result in influencing and provoking or inducing the consumer to buy or use the goods and

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<sup>9</sup>CS No.31 (1996).

<sup>10</sup>I A. No. 1 in OS.26819 (2007).

products”. Again this case shows how unfair competition is centric to consumers thus creating a co relation between the trademark infringement and unfair competition.

Here we are required to recognize the two aspects which aim at different but often similar objectives i.e., to eliminate the scenario which would interfere innovation and fair competition. Therefore, even though both are dealing with the aftermath in a slight different manner but both are meeting at the same end which is to protect the goodwill of the entity to fight with the interference with the fair competition of the entities and to protect the consumers.

### **Trademark Combating Unfair Competition**

Another area which is evident that trademark law not only indicate proprietary IP rights, but also plays as a protection against unfair competitors. When trademark gets compared with the unfair competition law it is seen that former provides more broader level of legal mechanism for trademark protection because at the same time that legal mechanism could be used as a mean of protection against unfair competition i.e., unfair behavior of the market participant. Also it has been found that trademark law and unfair competition are common in their objective which makes them strongly connected. This connection could be used as strategy against the competitor who indulges in the acts which are not fair in nature and has affected the trademark owner’s reputation. For instance, the affected person in order to protect his goodwill in case of an act of unfair competition could not only choose unfair competition law as a remedy but also the trademark law which will provide the protection for the mark as well against the unfair act of the third party thus it will serve the dual purpose. Thus is how trademark law can be played as a combat to the unfair acts which result in unfair competition.

### **Conclusion**

While concluding, it has been analyzed that even though there is a relationship between trademark and unfair competition. Also it has been analyzed that unfair trade practices is also covered under the Consumer Protection Act, 1986 but here the sufferers are the firms and not consumers. Hence they wouldn’t fall into the ambit of consumers to get an advantage to approach the consumer forum. So the only option available to the proprietors to combat unfair competition is through common law i.e., through trademark.

Further the most fruitful result of the extensive research done in this article is that the term unfair competition has nowhere used in The Trademark Act, 1999 though it is true the purpose of unfair competition which has been laid down in Article 10 bis(2) of Paris Convention which construe “Any act of competition contrary to honest practices in industrial

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or commercial matters constitutes an act of unfair competition” has been solved by the vigilance of courts in giving decision prohibiting unfair competition in the guise of unfair trade practices through section 29(8) i.e., comparative advertising and other provisions explicitly mentioned above still there is a need for explicit use of terminology unfair competition in The Trademark Act, 1999 as both share a large extent of relationship between the two.