

Counterfeiting of Trademarks

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ABSTRACT: *You must have encountered counterfeit products (or duplicate products) in your daily life. These counterfeits products are basically non-genuine or duplicate copies of mostly the top branded companies in the market PUMA, STARBUCKS COFFEE, and NIKE are some branded companies to cite. In this 21st centuries counterfeiting is regarded as crime of the century. Counterfeiting is considered as trademark violation along with three other types i.e. infringement, dilution and cybersquatting. Cybersquatting is related to the domain name and thus is not covered in this paper, however, infringement and dilution have some similarity with counterfeits and thus is briefly covered in this review paper. The Trademark Act, 1999 which provides protection to the trademark owner against the infringer also provides the protection against the counterfeits. Further, the researchers in this paper have discussed the nature and brief history of the trademark, difference between infringement and counterfeits, meaning and nature of the counterfeits and legal remedy available to the trademark owner against the counterfeiter.*

KEYWORDS: *counterfeiting, duplicate, infringement, remedy, and trademark.*

INTRODUCTION

With the advent of the commercialization the concept of trademark though not in today's sense were started developing across the globe. Some scholars are of the view that trademark were used in early development of the commerce in different civilization. In ancient time different symbols were used while creating artefacts which denotes origin of the artefacts. Some symbols are used for religious and superstitious reasons. With reference to India it was stated that craftsmen in India uses different signature and symbol on article before exporting to other countries. Thus, the different symbol used in Rome, Egypt as well as in India suggest that concept of trademark law as old as civilization. However, the concept of trademark based on the proprietor rights are developed after Industrial Revolution.

After the Industrial Revolution, countries like U.S.A, England, and Japan recorded quick development in the field of the trademark law. At that time India was struggling for their independence against Colonial Rule. The main reason for trademark getting huge limelight is the environment of the competitive economy during the industrial revolution. It was the time when people are competing with each other for marketing similar products. In such a situation products bearing trademark guide consumers for purchasing the products from particular manufacturer. Gradually using of these trademark earns good will for their products. For instance, SAMSUNG which recorded as officially the oldest trademark registered in 1884 earns good will concerning their products. Similarly, the trademark Coca-Cola registered in 1893 have huge goodwill and is one of the well-known trademark in India.

Since after the Industrial Revolution when manufacturers had started taking active participation in the selling of the products the old concept of trademark i.e. denoting the origin of the products were diluted and now the trademark denotes the goodwill concerning the quality and characteristics of the products. As a result, it was observed that small competitors in the market started imitating the well-known trademark and passing-off their goods as those of the original manufacturer. This is the main cause to develop a comprehensive legal framework concerning trademarks. Before that only legal remedy available to the proprietor of the trademark is the common law remedy of passing off against the infringer. However, in such a case it is quite a difficult task for the proprietor for proving his reputation associated with the trademark. This was also the reason to enact trademark law. It was supposed that trademark law will surely lay down the right and obligation of the proprietor of the trademark and thus will remove any type of difficulty and ambiguity.

As a result, finally Trade Marks Act, 1940 was enacted which is replica of UK Trade Marks Act. In the year 1958, the Trade and Merchandise Marks Act was enacted. The act of 1958 consolidate the provision related to trademark contained in other statutes like IPC, Cr.P.C and other relevant Act. The act of 1958 of replaced by the Act of 1999 which the current is governing law related to trademark law.

1. Meaning and Registration of trademark under Trademark Act 1999

A trademark is a graphical representation in form of symbol or sign which designate the origin of the product. The trademark helps the consumer to identify the origin or manufacturer of the product. A particular trademark can also be in the form of name, numeral, color packaging, shape of goods or it can be in the form of some unconventional trademark like smell, sound and taste of the product. In India protection to trademark is granted under the Trademark Act, 1999 only if the trademark is registered under the Act.

For capable of getting registered a sign must be represented in such a manner that it can be easily distinguished from the trademark of others. Secondly, it must be represented graphically so that its physical copies can be submitted and advertised in the trademark journal before registration. It is very obvious that if the trademark is not distinctive it cannot help the consumers to identify the products of their choices. It is to be noted that distinctive factors of sign are not a universal factor and may depend on the case to case. For example, a generic term uses for long term acquired their secondary meaning may be considered while granting registration of trademark.

For this purpose, different degrees of distinctiveness are discussed in the given Figure 1. In the first case coined or fanciful marks like “GOOGLE” “KODAK” have a higher chance of getting registration in their respective classes. In the second case Arbitrary Marks like “Apple” for Mobile Phone and “Camel” in respect of Cigarettes have almost always been protectable. Similarly, the trademark “Medical Store” cannot be registered for the service of medical drugs.

S.NO.	TYPES	POSSIBILITIES OF GETTING REGISTRATION
1.	COINED OR FANCIFUL	MOST PROTECTABLE
2.	ARBITRARY	ALMOST ALWAYS PROTECTABLE
3.	SUGGESTIVE	GENERALLY PROTECTABLE
4.	DESCRIPTIVE	PROTECTABLE ONLY WITH SECONDARY MEANING
5.	GENERIC	NOT PROTECTABLE

Figure 1: Different Degree of Distinctiveness

2. Infringement and Counterfeiting

In this competitive market when everyone is fond of getting more and more customers it is easy to infringe or counterfeit well-known trademarks for attracting more and more customers. The term infringement and counterfeiting are generally used synonymously but there is a basic difference between them. In infringement, the infringer generally uses deceptive similar or confusing trademarks for trading their goods and services. On the other hand, in counterfeiting there is exact imitation of the trademark to defraud the consumers. Thus, it can be said that in counterfeiting there is a process of making duplicate copies (or fraudulent copies) of well-known brands whereas in infringement, the infringer uses not exact marks but deceptive similar or confusing marks.

2.1. Explaining Infringement and Counterfeiting as discussed in *Montblane Simplo Gmbh vs Gaurav Bhatia & Ors*¹:

Delhi High Court in this case have deliberately discussed the concepts of Infringement and Counterfeiting. Montblane Simplo Gmbh, plaintiff in this case, was engaged in the business of leather goods, watches and writing instruments. Montblane is generally recognized by their STAR DEVICE logo. The brand has acquired a good reputation all over the world. The plaintiff started using the brand name “Meisterstuck” in 1924 and has

¹ CS (OS) 2563/2013, DELHI HIGH COURT

got the registration of the trademark “Montblanc”, “Meisterstuck” and “Star Device” logo in different countries, including India

The defendant on the other hand, is operator of the e-commerce website having domain name www.digaaz.com. In the meantime, the plaintiff found that defendant was trading product with name “Montblanc”. The product was put on the websites with 75% discount. The plaintiff claims that trading the product on the website rendering the product as that of the original proprietor is clearing counterfeiting their original products

As a result, plaintiff filed suit for permanent injunction restraining the defendant from using their trademark Montblanc, Meisterstuck and Star Device logo for any purposes. They also asked for damages of Rs. 20,05,000 from the defendant.

After hearing both the sides, court made his point of view that Defendant selling product on their e0-website having trademark Montblanc is clearly case of counterfeiting and thus the permanent injunction was granted in favor of the plaintiff. However, there was lack of evidence with regard to actual amount loss due to counterfeits and thus claim for damages was rejected.

The court in this case analyzes the similarity and difference between the counterfeiting and infringement of trademark and held that all counterfeits is infringement but all infringement are not counterfeits. They further explained that counterfeits mean and includes exact imitation of the products. This means that genuine and non-genuine products becomes almost impossible to identify and distinguish. On the other hand, infringement which includes counterfeits as well as use of similar or identical marks would be considered as infringement of the trademark. Thus, it can be concluded that infringing is wider concept than the counterfeits or infringement includes counterfeits within its preview. Here in this case since the defendants who have blatantly counterfeited the Plaintiff’s genuine products by using plaintiff Montblanc trademarks, is clearly amounts to both counterfeiting and infringement.

3. Counterfeiting

In the world of Globalization, Commercialization and Industrialization the problem of adulteration, counterfeiting and spurious products have drastically affect the consumers and economic of the nations. Since these counterfeit products have entered into our daily life, you can get the general idea of the seriousness of the problem. To simply define counterfeits, it means marketing non-genuine products as original products. Counterfeiting of Trademark is a problem that cuts at the fabric of society. It must be noted that in the long term it affects the confidence of the consumers in the goods, goodwill, and a reputation of the branded companies. However, Trademark Mark Act to some extent are succeeded in combating the problem and the cases like Montblane are appeared as favorable to them.

These non-genuine products are traded under the well- known brand or manufacture and carefree and innocent consumers were misled that the products are originated from the original supplier. Thus, it can be said that it is nothing but a cheating that the duplicate products were originated from the original manufacturer. It is applied in such a manner that even the manufacturer will not be able to distinguish the non-genuine products from the genuine products. These non-genuine products carry similar name, packaging, design, and also the same address as those of the original manufacture. Following Figure 2 of PUMA will give you better understanding of the term counterfeits.

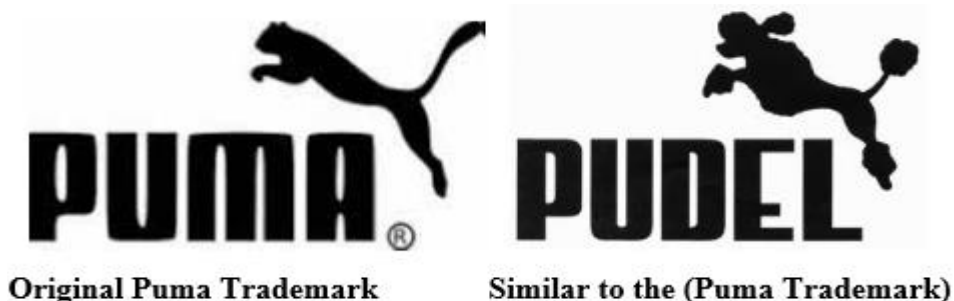


Figure 2: Example of Term Counterfeits

The definition of Counterfeits Trademark Goods given by the TRIPS Agreement can be summarized in the given points as follows:

- Bearing trademark without authorization on goods (includes packaging)
- In respect of such goods trademark is identical to the trademark validly registered or
- Is nearly impossible to distinguish from original trademark
- This infringe the rights of the owner of the trademark

Today, these counterfeits products have been widely circulated across the world that even the consumer buying the products is not sure about the originality of the products. It may be due to lack of awareness or lack of proper law on the counterfeits. In this way two rights of the consumers are violated i.e.

- Right to be Informed; and
- Right to Safety

Since being the consumer one had right to know about the kind, quality, characteristic of the product. Selling the non-genuine product ultimately violates the right to be informed and also amount to unfair trade practices. Similarly, the non-genuine products do not have required quality and may be hazardous to life of consumers.

4. Proportionality of the Well-known trademark and Counterfeits

Yes, it is true that more popular or well-known brand have highest number of duplicate products in the market. The obvious reason is that manufacturer of these fake products ought to take the benefit of the popularity of the well-known trademark which will help them to sell their products easily in the markets. The survey conducted by the ORG in the given figure depicts the situation very well that Parachute brand name's owned by the Marico have highest number of the counterfeits products for their "Parachute Hair Oil". Similarly, cosmetic product of Hindustan Liver, "Fair & Lovely Cream" is the second highest counterfeits product in the Asian Market (mostly in India). Figure 3 illustrate data on counterfeiting of branded marks.

Original Brand Name	Number of Look-alikes	Common Names Use for the pass-offs or Look-alikes
Parachute Hair Oil	128	Parashine, Parashute
Fair & Lovely Cream	113	Pure & Lovely, Flair & Lovely, Faire & Lovely
Vicks Vaporub	44	Vix, Vips, Vico Rub
Clinic Plus	36	Cosmic Plus, Clemic Plus
DaburAmla Hair Oil	34	Dura Amla, Durabale Amla
Sunsilk Shampoo	28	Sunmilk, Sunsluk, Super Silk
Iodex Balm	26	Idex, Lopex
Pass-Pass	12	Khass Pass, Pass hi Pass
Colgate Toothpaste	09	Colgatte, Cloggate
Pantene Pro-V	07	Pantane, Panteen

Figure 3: Counterfeiting of Branded Marks (Image Source: ORG Survey)

5. Regulatory Framework and Policies against Counterfeits

5.1.General Framework

Selling of counterfeits product has been recognizes as an offense and punishment has been prescribed for such activities. These crime is also regarded as White Collar Crime. There are certain strategies adopted by the government and companies to cope with the problem of counterfeiting. They can be pointed as follows:

- Making awareness amongst consumers

- Branded companies to actively participate in awareness programme either directly or indirectly. Like making awareness amongst consumer through newspaper and T.V. It identifies and genuine and non-genuine products in the market. (As shown in Figure 4)
- State government need to monitor mechanism thoroughly and they may also initiate awareness programme along with making the existing law stricter.



Figure 4: Advertisement in newspaper about genuine and non-genuine products (Source: Sodhganga)

5.2. Legislative Framework

There is no act or statute which directly deals with the counterfeits, however, different existing law provides provision related to the counterfeits. Some of the important statute are discussed below:

5.2.1. Trademark Act

After signing the TRIPS Agreement India is bound to comply with the minimum standard laid down in the Agreement. After the amendment made to the Trademark Act in the 2003 counterfeiting was regarded as cognizable offense. Section 29 of the Act concerning the infringement of the trademark also provides that unauthorized use of the trademark will be considered as infringement of the trademark. If we analyze section 29(1) of the act it can be summarized in points as mentioned below:

Trademark is infringed when:

- Unregistered proprietor
- Uses in the course trade
- A mark similar (identical) to the trademark registered
- For the same goods and services for which trademark is registered
- In such way that provides that the goods and services are associated with original proprietor of the trademark and no one else.

Here in the case of the counterfeits products they are using the trademark in the course of trade, which is unauthorized use for the same goods and services so as to render that goods and services are associated with original proprietor of the trademark and no one else. In this way selling of non-genuine products via counterfeiting will be attracted by the Section 29 and shall be liable for the same as provided in the Act.

Secondly, section 102 of the Act explains the scenario where the marks have been falsely applied to the products. It laid out that without the permission of the proprietor of the trade mark makes similar mark or falsifies any trade mark, applies such similar trademark to their products and services. For such cases, section 103 laid down the penalties for applying false trademarks. It provides that minimum imprisonment for such activities will be 6 months which will be extended to 3 years and fine which shall be between Rs. 50,000 to 2,00,000. In special cases imprisonment can be granted for less than 6 months and fine will be less than 50,000.

Further, section 135 of the Act which provides the relief in case of infringement or passing of the trademark. It lays down following relief as a remedy to the proprietor of the trademark:

- Injunction
- Damages or Account of profits (Both cannot be given at same time)
- Delivery-up of non-genuine products or
- Destruction of the products

And, Section 157 of the Act which provides special provision to make rules have substantially contributed to the development of the legal framework for curbing the problem if the counterfeits.

CONCLUSION

In the first part of the paper it was observed that after the commercialization of the trademark, it has started gaining attention. The Industrial Revolution has appeared as a daemon for trademark law. However, at the same time it was observed that small competitors in the market started imitating the well-known trademark and passing-off their goods as those of the original manufacturer. Further, we have also discussed in brief about the possibilities of getting registration of different types of trademark. As a result of discussion it appears that coined and fanciful trademarks have high chances of getting registration whereas generic terms are not protectable.

In the second part of the paper we have drawn the difference between counterfeiting and infringement. As discussed above counterfeiting and infringement are always considered as similar though there was difference between them. Further, as explained in the Montblane Case counterfeits is the subset of the infringement.

In the next part, we have tried to understand the concept of counterfeiting. With the help of illustrated examples of PUMA and PUDEL it is clear that counterfeiting is an exact imitation of the mark for the purpose of rendering his product as associated with the original proprietor of the goods and service. We have also analyzed the definition of the Counterfeits given under the TRIPS Agreement. We have seen how the products of the original branded companies like Parachute Hair Oil and Fair & Lovely cream have been counterfeited and traded in the market.

And, in the last part we have encountered the general strategies adopted by the government and companies and legal framework. As a concluding remark it can be said that government and company's initiative about making awareness the consumers about genuine and non-genuine products are proven inadequate. This can be observed from the ORG survey where more than 100 counterfeited products have been found in the market. However, the remedies available under the trademark act for the trademark proprietor have succeeded to some extent and the punitive remedy may also help in minimizing the act of counterfeiting to some extent. As a suggestion it is recommended to have a separate statute for counterfeiting like United States of America which will definitely ease the way of getting remedy and stops the person from counterfeiting and infringing the well-known trademarks.