NOTES

WHAT IS THE CONFUSION OVER DILUTION?: TOWARDS A MEANINGFUL UNDERSTANDING OF SECTION 29(4) OF THE TRADEMARKS ACT, 1999

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ABSTRACT

Dilution of a trademark, historically has been closely associated with the tort of passing off, and has never featured as an independent cause of action under Indian law. Section 29(4) of the Trademarks Act, 1999, incorporated, for the first time, statutory anti-dilution provisions into Indian trademark law. These provisions have remained largely unused during the last decade, and only as a recent phenomenon have they featured as independent claims in infringement actions. The statutory provisions offer substantially greater protection to trademarks from dilution than previously available under passing off actions. The authors are of the opinion that a meaningful implementation of the legislative purpose of these provisions is only possible if pragmatic and consistent standards are set by the judiciary in dealing with actions under Section 29(4). The purpose of this paper, then, is to examine viability of the standards that have been adopted by Indian Courts when dealing with cases where trademark infringement is alleged under this provision, and to recommend suitable standards where none have been determined.

> *"No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of dilution …*
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> *..I believe that few can successfully explain it without encountering blank stares of incredulity or worse, nods of understanding which mask and conceal puzzlement and misconceptions. Even the U.S. Supreme Court has failed to grasp the contours of the doctrine."*
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> *- Thomas McCarthy*[2]

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I. Introduction

Trademarks are the words, symbols and marks by which companies can differentiate their products from those of their competitors[3]. Much like a badge of origin, they aid consumers in identification, and, in conditions where the market is broad and varied, are indications of reliable source and quality.[4] Legal protection to trademarks has been granted for precisely the same reason- to prevent consumers from being misled about the source and quality of goods and services.[5]

However, in the case of dilution, consumer protection becomes secondary to another normative consideration- protecting the painstaking effort and investment of the owner in building the reputation and distinctiveness of the trademark.[6] In the year 1927, observing the evolution of German jurisprudence on this very aspect, Frank Schecter, in a seminal piece in the Harvard Law Review, propounded the idea that the only rational basis for trademark protection was the preservation of the *uniqueness of a trademark,*[7] since a mark would 'lose its uniqueness and consequently, its selling power, if it could be used on pianos, shaving creams, and fountain pens' all at the same time[8]. This statement is commonly regarded as the foundation of the modern law of dilution[9] which protects distinctive trademarks from losing their hold on the public mind, by their unauthorized use on *non-similar or non-competing goods.*[10] To put it simply, 'if courts permitted Rolls-Royce restaurants, Rolls-Royce cafeterias, Rolls-Royce pants and Rolls-Royce candy, in ten years the Rolls-Royce mark

2 J. Thomas McCarthy, *Proving A Trademark Has Been Diluted: Theories Or Facts?,* 41 Houston L. Rev. 713, 726 (2004).

3 The Trademarks Act, §No. 47 of 1999, § 2(zb).

4 J. Thomas McCarthy, McCarthy of Trademarks and Unfair Competition §3.01 [2] (4th ed. 1998), in Robert N. Klieger, *Trademark Dilution: Whittling Away of the Rational Basis for Trademark Protection,* 58 U. Pitt. L. Rev. 789,790 (1996-1997).

5 P.S. Narayanan, Law of Trademarks and Passing Off 8 (4th ed. 2004).

6 Clarisa Long, *Dilution,* 106 Columbia l. rev. 1029, 1033-34(2006);McCarthy, *supra* note 4, at § 24:67; Anne E. Kennedy, *From Delusion to Dilution: Proposals to Improve Problematic Aspects of the Federal Trademark Dilution Act,* 9 N.Y.U. J. Legis. & Pub. Pol'y 399-400 (2005-2006); Justin G. Gunnel, *Evaluation Of The Dilution-Parody Paradox In The Wake Of The Trademark Dilution Revision Act Of 2006,* 26 Cardozo arts and Entertainment L. J. 441, 445 (2008); Marcus H.H. Luepke, *Taking Unfair Advantage or Diluting a Famous Mark- A 20/20 Perspective on the Blurred Differences between U,S, and E.U. Dilution Law,* 98 Trademark Rep. 789,791 (2008*); See generally,* Mark P. Mckenna, *Testing Modern Trademark Law's Theory of Harm,* 95 Iowa L. R. 63 [2009]; Mark P. Mckenna, *The Normative Foundations of Trademark Law,* 82 Notre Dame L. R. 1839 (2007).

7 Frank L. Schecter, *The Rational Basis of Trademark Protection,* 40 Harvard L. R. 813, 831 (1927).

8 *Id.*, at 830.

9 Long, *supra* note 6, at 1036 (Footnote 41) ; Klieger, *supra* note 4, at 801.

10 Schecter, *supra* note 7, at 831.

would not exist' and it is *this* consequence that the doctrine of dilution guards against.[11]

The dilution of a trademark can occur in three ways, and all of these, as will be seen later, have been protected against by provisions of the Indian Trademarks Act of 1999.

1. ***Dilution by Blurring:*** Building on Schecter's formulation[12], this is understood to be the dispersion of consumers' association between a particular trademark and a particular kind of product or service.[13] The damage in this specie of infringement does not necessarily require confusion, or a likelihood thereof, but is characterized by reduction of a trademark's power to indicate its source.[14] An example of this kind of injury is the creation of brands such as Honda pressure cookers[15] or Mercedes underwear.[16]

2. ***Dilution by Tarnishment:*** Dilution by tarnishment occurs when the association created by the commercial use of the subsequent mark occurs in a context that is unfavourable to the senior registered trademark[17]. This is understood to be an erosion of the quality representation function of a trademark[18], as a result of which doubts may be born in the mind of the consumer about the standard that he has come to expect from owner of the senior mark.[19] An example of this might be an adult movie service titled 'Walt Disney Pictures Ltd.'.

3. ***Dilution by Unfair Advantage:*** Borrowed from E.U. jurisprudence on dilution[20], unfair advantage is taken of a reputed mark when the goodwill that the public attaches with a product is transferred to the user of the subsequent mark.[21] This, in turn causes the consumer to expect that the product associated with the subsequent mark shall have the same quality

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11 Susan L. Serad, *One Year After Dilution's Entry into Federal Trademark Law,* 32 Wake Forest L. Rev. 215, 217 (1997).

12 Paul Edward Kim, *Preventing Dilution of the Federal Trademark Dilution Act: Why the FTDA Requires Actual Economic Harm,* 150(2) U. Penn. L. Rev. 719, 732 (2001).

13 Klieger, *supra* note 4, at 823.

14 TATA Sons v. Tata Sumo Industrials, MANU/DE/3124/2009, at ¶26.

15 Honda Motors Co. Ltd. v. Charanjit Singh, 2003 (26) PTC 1 Del, at ¶18.

16 Daimler Benz Aktiegesellschaft v. Hybo Hindustan, AIR 1994 Delhi 239, at ¶18.

17 Mathias Strasser, *The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context,* 10 Fordham Intell. Prop. Media & Ent. L.J. 375 (2000).

18 Klieger, *supra* note 4, at 828.

19 TATA Sons v. Manoj Dodia, MIPR 2011 (1) 341, at ¶8.

20 Article 5(2), Trademark Harmonization Directive of 1989, Council Directive 89/104/EEC.

21 *See*, Luepke, *supra* note 6, at 815; Stylianos Malliaris, *Protecting Famous Trademarks: Comparative Analysis Of Us And Eu Diverging Approaches – The Battle Between Legislatures And The Judiciary Who Is The Ultimate Judge?* 9 Chi.-Kent J. Intell. Prop. 45, 54-55 (2010).

and characteristics as that of the senior mark.[22] The criteria to determine whether the goodwill is at risk of being transferred includes similarity of goods and services, overlap of consumer circles, and similarity in pricing.[23]

Anti-dilution provisions, although not worded as such, were incorporated into the statutory corpus of Indian trademark law for the first time *vide* Section 29(4) of the Trademarks Act, 1999, and offered protection against all the types of dilution listed above.[24]

The jurisprudence of dilution prior to this statutory of what a dilution of distinctness was, ranging from "reduction in brand value"[25], to a "diminishing of the reputation and goodwill attached to the trade dress and a reduction in the strong identification value thereof"[26], and even likening it to a "debasement of brand name"[27].

Commentators have noted these trends with some concern in the past, and have been particularly alive to the possibility that the judicial inconsistency of the past may be incompatible with the future that legislators had envisioned at the time of enacting Section 29(4).[28] Although valuable suggestions have been made to tame the potentially wild horse that is dilution, the authors believe that judicial consistency in the application of this provision has not yet been achieved. However, the authors are of the opinion that the standards laid down in the judgement of the Delhi High Court in the case of *ITC v. Philip Morris*[29] are both clear and consistent, and have sought, through this paper, to develop them further through comparative analysis.

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22 *Id*.

23 *Id*.; *See* Mattel, Inc. v. 3894207 Canada Inc., [2006] 1 S.C.R. 772, cited with approval in ITC v Philip Morris Products S.A. 166 (2010) DLT 177[Hereinafter referred to as ITC v. Philip Morris], at ¶42.

24 §29(4) of the Trademarks Act, No. 47 of 1999, reads as follows: "

(4) A registered trade mark is infringed by a person who, not being a registered proprietor or a person sing by way of permitted use, uses in the course of trade, a mark which-

(a) is identical with or similar to the registered trade mark, and

(b) is used in relation to *goods or services which are not similar* to those for which the trade mark is registered, and

(c) 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.*"

As is clear from the above dilution by blurring is covered by the phrase "detrimental to the distinctive character", dilution by tarnishment is covered by the phrase "detrimental to the repute" and taking unfair advantage is clearly prohibited *vide* the abovementioned provision.

25 Fritco-Lay India v. Uncle Chipps Private Limited, 2000 (2) ARBLR 519 Delhi, at ¶4.

26 Colgate Palmolive Co. Limited. v. Patel, 2005 (31) PTC 583 Del at ¶54.

27 Aktiebolaget Volvo of Sweden v. Volvo Steels Ltd. of Gujarat, 1998 PTC (18) DB 4773, at ¶77.

28 Gangjee, *supra* note 25.

29 ITC v. Philip Morris, *supra* note 23.

The essay is divided into eight parts: Part II will highlight how dilution differs from other infringement proceedings under Section 29 (1) and 29(2) from the action of passing off, while Part III of the essay contains an elaboration the standards adopted till date by Indian courts, and shall analyse judicial consistency in the application of the said standards. Part IV of the article discusses the judgment of the Delhi High Court in the case of ITC v. Philip Morris in detail, pointing out how the ratio of the case has been the most detailed exposition on the subject of trademark dilution to emerge from an Indian court till date. Part V shall discuss the standards applied in various international jurisdictions for determining and disposing of cases where dilution is alleged. Part VI shall make with certain recommendations which the authors believe will contribute to the effective and meaningful development of dilution jurisprudence under Indian law. Part VII will elaborate on the practical means by which courts may decide cases of dilute and Part VIII will conclude.

II. Passing off, Infringement and Dilution: What's the Difference?

i. Infringement Actions and Dilution

Dilution is only one species of infringement recognised under the Trademarks Act, 1999. Section 29(1)[30] and (2)[31] embody more traditional species of infringement, and broadly, provide remedies in cases where *similar* marks are used for *similar* goods. The test to be applied in such cases is whether the two marks are identical, or so nearly resemble each other such that they are likely to deceive or cause confusion in the mind of an average person with imperfect recollection. In such cases, courts will have to visualise an ordinary consumer and decide whether such a consumer would mistake one mark for another.[32] In cases falling under Section 29(1) and (2), if the marks are identical, the court will not enquire about whether there is a likelihood of confusion- such considerations are only relevant when the marks are similar.[33]

30 "(1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark."

31 "(2) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which because of-
(a) its identity with the registered trade mark and the similarity of the goods or services covered by such registered trade mark; or
(b) its similarity to the registered trade mark and the identity or similarity of the goods or services covered by such registered trade mark; or
(c) its identity with the registered trade mark and the identity of the goods or services covered by such registered trade mark, is likely to cause confusion on the part of the public, or which is likely to have an association with the registered trade mark."

32 K. Kailasam & Ramu Vedaraman, Law of Trademarks and Geographical Indications, (2005), 475.

33 *Ibid.*, at 473.

Section 29(1) is a general proposition of law, whereas the remaining sub-sections of Section 29 describe the various circumstances under which a trademark is infringed.[34] Thus, although Section 29(4) is an elucidation of the general proposition contained in Section 29(1), the remedy under this Section is available only in *limited* and *extraordinary* instances where *similar* marks are used in relation to *dissimilar goods*. This is a broader species of protection available only to *marks with reputation* even when their trademarks are used in relation to *dissimilar goods.* This remedy is available not to prevent *consumer confusion*, but to protect the repute of marks which have a reputation in India.

ii. Passing Off Actions and Dilution

The economic tort of passing off has traditionally been associated with the protection of the producer's proprietary interest in the goodwill that his mark seeks to sustain.[35] The requirements for successfully proving that an instance of passing off has been perpetrated are manifold, well established[36], and have been cited as being a barrier in its utilization as an effective weapon against dilution of a mark. Further, it has sought to protect traders against misrepresentations that have a direct negative impact upon the goodwill that they have built up[37]. This necessarily implies that it is limited in its application to only the specific category of cases where all of the requirements have been met.[38] Till date, Indian trademark law has mostly witnessed dilution of a mark being classified as a consequent damage resulting from the act of passing off. [39] It had never subsisted as an independent cause of action prior to its statutory inclusion. Because of this, the owner of a mark had to prove confusion in the mind of a consumer, in addition to the fulfilment of the aforementioned conditions in order to effectively combat the dilution of his mark. Further, being a category of damage that the act of passing off caused, the legal regime proved ineffectual at protecting against similar marks on dissimilar goods. This is why a separate

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34 *Id*.

35 W.R. Cornish & David Llewelyn , Intellectual Property: Patents, Copyrights, Trademarks and Allied Rights 593 (5th ed. 2003).

36 The five-fold requirement of a misrepresentation made by a trader in the course of trade to prospective customers of his or ultimate consumers of goods or services supplied by him, which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so, as laid down in Erven Warnink Besloten Vennootschap v. J. Townend & Sons (Hull) Ltd. , [1979] 2 All E.R. 927, was confirmed by the Supreme Court of India in Cadila Healthcare, Ltd. v. Cadila Pharm., Ltd., AIR 2001 SC 1952, at ¶ 10.

37 *See* Gangjee, *supra* note 25, at 617, 621; Caterpillar Inc. v. Mehtab Ahmed, 2002 D.L.T. 99 (Del. H.C.) 678, at ¶ 23.

38 *Id*.

39 *See* Gangjee, *supra* note 25, at 614-15.

cause of action for the whittling away of distinctiveness of a mark was considered necessary, and in pursuance of this, Section 29(4) was introduced into the Act.[40] As will be elaborated upon in the course of this paper, dilution as an independent, statutorily recognised cause of action has received relatively little attention in Indian jurisprudence. The authors believe that as case law continues to develop on the statutory provision, dilution shall come to be seen as an effective tool to combat the loss of distinctiveness of a mark, and cease being a result of goods being passed off.

III. ITC v. Philip Morris: Setting New Standards

i. The Factual Overview

The marks in issue in the present case belonged to two parties, both of whom had established reputations in India. ITC contended that in 2008, Philip Morris had abandoned its traditional roof design used for marketing Marlboro cigarettes in India, and had begun to use a hollow flaming roof design, which was similar to the Welcome-NAMASTE mark that ITC had used in respect of its hospitality business since the 1970s.[41] ITC alleged that the continued use of the mark on the packaging of Marlboro cigarettes, diluted the distinctiveness of ITC's trademark, and claimed relief on the basis of Section 29(4) of the Trademarks Act, 1999.

ii. The Decision

In a landmark judgement, the Court in this case held for the first time, that the test evolved for infringement actions were *inapplicable or inapposite* to cases falling under Section 29(4)[42], and therefore dissociated comprehensively the *likelihood of confusion* test from all actions falling under this Section.[43]

The Court observed that the absence of a presumption of infringement under Section 29(4), unlike the preceding clauses of Section 29, was indicative of the legislative intent requiring a higher standard of proof in cases falling under Section 29(4).[44] The Court also noted the difference in object of traditional trademark law and trademark dilution, stating that the former was geared toward the protection of consumer interest, while the latter focussed on the protecting the uniqueness of the trademark itself.[45]

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40 *See generally*, Gangjee, *supra* note 25.

41 For a visual representation of the marks, *See* Sumatha Chandrashekaran, ITC loses TM Dilution case against Philip Morris, January 17, 2010, available at http://spicyipindia.blogspot.com/2010/01/itc-loses-tm-dilution-case-against.html.

42 ITC v. Philip Morris, *supra* note 23, at¶49.

43 ITC v. Philip Morris, *supra* note 23, at ¶34.

44 ITC v. Philip Morris, *supra* note 23, at ¶34.

45 ITC v. Philip Morris, *supra* note 23, at ¶35.

The Court also discussed each of the elements of the sub-clauses of Section 29(4):

(1) The mark '*is identical with or similar to the registered trade mark*'- The test for the similarity of marks is *not* the deceptively similar standard, it is something higher, almost a near identification of the two marks or "closest similarity"[46] must be established while viewing the marks from a global perspective[47]

(2) '*The registered trade mark has a reputation in India*'- The Court, when confronted with the issue of whether the mark of the plaintiff had a reputation in India with respect to the category of products in question, utilized Canadian jurisprudence[48] on the matter to rule in the negative. Thus, while the mark in question could evoke an *aura* of luxury in the mind of the consumer, no material had been placed before the Court to suggest that such an *aura* could extend to the category of premium cigarettes[49].This clearly establishes a threshold that the reputation of the plaintiff would have to extend beyond the particular goods/services marketed by it to such a degree that it would create an association with the allegedly infringing trademark.

(3) *'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'*- On the subject of infringement by dilution, the Court noted that the plaintiff had not produced evidence to should the use of the mark by the defendant *would affect* prejudicially the business of the plaintiff.[50]

(4) The requirements of Section 29(4) were conjunctive due to the usage of the term "and" between the sub-clauses of this Section.[51]

The authors believe this case to be the first comprehensive discussion till date, of the legislative and policy components that underpin Section 29(4), as well as the first instance of an Indian court articulating the essentials and requirements to be satisfied thereunder. However, the authors share the opinion that the aspect of *actually establishing* dilution deserves more consideration

46 ITC v. Philip Morris, *supra* note 23, at ¶48.
47 ITC v. Philip Morris, *supra* note 23, at ¶49.
48 Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée, Mademoiselle Charmante Inc. and 3017320 Canada Inc., [2006] 1 S.C.R. 824., quoted with approval in ITC v. Philip Morris, *supra* note 23, at ¶42.
49 ITC v. Philip Morris, *supra* note 23, at ¶50.
50 ITC v. Philip Morris, *supra* note 23, at ¶50.
51 ITC v. Philip Morris, *supra* note 23, at ¶48.

since the court in the present case only opined that the material placed on record was insufficient to prove dilution but did not discuss circumstances under which dilution would be proved. This is important, since the *likelihood of confusion test* has been discarded in dilution cases, leaving a vacuum in its wake, making it difficult for a predictable and consistent judicial standard to exist, as will be seen in the next part.

IV. The Confusion Over Dilution

Although some cases have been decided on the basis of the four ingredients outlined in the previous Part[52], it would not be an exaggeration to say that there has been little consistency with which Indian courts have decided dilution cases. In particular, while determining whether unfair advantage has been taken, or detriment caused to the owner of the registered mark, no test equivalent to the 'likelihood of confusion' test has been evolved.

In one case, the Court recognised Section 29(4) as being an exception to the Act, but then went on to state that the provision deals specifically with well-known trademarks.[53] This is problematic since the Section protects 'marks with reputation' and applying the same only to well-known trademarks would significantly whittle down its scope. This presents a situation wherein the Court overlooked precedent on the matter, and as a result came to an erroneous conclusion.[54]Another case outrightly applied and endorsed the likelihood of confusion standard[55] (clearly not applicable to such cases), while also stating that the reputational aspect was the crux of the Section (contrary to the *conjunctive* nature of the Act).[56] Other cases have relied on cases decided

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52 Nestle India Limited v. Mood Hospitality Private Limited, 2010 (42) PTC 514 (Del.), at ¶ 36, Sasken Communication Technologies Ltd. v. Anupam Aggarwal, 2009 (41) PTC 523 (Del), at ¶11, ¶13, ¶17, Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249.

53 Ford Motor Company v. C.R. Borman, MIPR 2008 (3) 418, ¶ 16, Tata Sons Ltd. v. Mr. Md. Jawed, CS(OS) No. 264/2008, decided on 28 March, 2011, at ¶8; *See also* IHHR Hospitality Pvt. Ltd. v. Bestech India Pvt. Ltd., CS(OS) No. 207/2011, decided on 31 May, 2011, at ¶ 4.

54 The Madras High Court, on 21-12-2010, delivered its judgment in Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249. Ramasubramanian, J, in paragraph 43 of the judgment clearly laid down the following proposition:
"..*Section 29(4)(c) deals only with the reputation of the mark and not the reputation of "well known trade mark". The Act defines a well known trade mark under Section 2(1)(zg). The lawmakers have been careful enough not to incorporate the expression "well known trade mark" in Section 29(4)(c), though they chose to use the expression "reputation". In other words, Section 29(4)(c) does not expect the registered trade mark of the plaintiff to have become a 'well known trade mark' within the meaning of Section 2(1)(zg). Section 29(4)(c) requires the registered trade mark only to have acquired a reputation in India.*"

55 Skol Breweries v. Unisafe Technologies, CS (OS) 472/2006, decided on 25 August, 2010, at ¶ 10, 17, Hamdard National Foundation v. Abdul Jalil, IA 7385/2004 in CS (OS) 1240/2004, decided on 13 August, 2008, at ¶ 29.

56 Skol Breweries v. Unisafe Technologies, CS (OS) 472/2006,decided on 25 August, 2010, at ¶ 10, 17, Tata Sons Ltd v. Tata Industrial Recruitment, 009 (41) PTC. 753 (Del), at ¶18, Tata

prior to the promulgation of the Act of 1999[57] which are inapplicable since dilution is no longer a sub-set of the tort of passing off. Still other cases have simply said that there is no linkage between the marks so as to cause dilution[58], or that the mark is only *likely* to be detrimental to reputation of the distinctive character of the plaintiff's mark[59], and have even regarded the sub-clauses of Section 29 as individual and distinct causes of action![60] In yet another perplexing case, Section 29(4) has been held to be inapplicable where the mark or name is used as trade or corporate name as opposed to a mark on goods or services.[61]

V. Likelihood of Harm v. Actual Harm : A comparative perspective

From the previous Part, it becomes apparent that an appropriate threshold for deciding whether dilution has taken place has not yet been developed in Indian jurisprudence. A study of international practice reveals that two possible standards are possible: (1) courts may grant relief where there is a *likelihood of dilution* of a trademark in a particular case, as is the standard in the United States of America; or (2) courts may grant relief only when *actual dilution* of a trademark has been established, as is the case in the United Kingdom.

i. The Position in the United States

The final and decisive word on the kind of damage required for proving dilution under the Lanham Act[62] was laid down by the Supreme Court of the United States in *Moseley v. Victoria's Secret Catalogue*[63], resolving a marked split in various circuit court decisions[64]. Holding that proof of actual damage as a result of the questioned usage was necessary in terms of marks that were not identical, it emphasized that a mere mental association between the senior and impugned marks would not be sufficient to establish that dilution had occurred.[65] Explaining why the actual harm standard has been upheld.[66] and

Sons Limited & Ors. v. Tata Sumo Industrial, MANU/DE/3124/2009, at ¶ 22.

57 Rolex Sa . v. Alex Jewellery Pvt Ltd, 2009 (41) PTC 284 (Del), at ¶ 15, ¶23-24.

58 Kamdhenu Ispat Limited v. Kamdhenu Pickles & Spices, 173(2010) DLT 540, at ¶ 26.

59 Tata Sons Ltd. v. Md. Jawed, CS(OS) No. 264/2008, decided on 28 March, 2011, at ¶ 20.

60 Aktiebolaget Volvo v. Vinod Kumar, CS (OS) No. 713/2009, decided on 7 March, 2011, at ¶ 25, 26.

61 Raymond Limited v Raymond Pharmaceuticals Pvt. Ltd., MIPR 2010 (2) 400, at ¶ 9. (*But also See* Shamnad Basheer, *Trademark Dilution and Trade Names: Dispensing with "Interim" Injunctions?*, available at http://spicyipindia.blogspot.com/2010/10/trademark-dilution-speedy-trials-and.html (citing a Supreme Court order reversing to this decision)).

62 Lanham Act, 2000 § 43(c), 15 U.S.C. § 1125(c).

63 Moseley v. Victoria's Secret Catalogue, Inc., 537 U.S. 418 (2003).

64 *See* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev., 170 F.3d 449 (4th Cir. 1999), for the opposing, liberal interpretation of the Federal Trademark Dilution Act, 1995, *see* Nabisco, Inc. v. PF Brands Inc., 191 F.3d 208 (2d Cir. 1999).

65 *Id*. at 433.

66 Moseley v. Victoria's Secret Catalogue, Inc., 537 U.S. 418 (2003).

found to be consistently used in[67], cases alleging trademark dilution, McCarthy states that such cases should involve a much higher degree of proof, and be more difficult to prove than those involving passing off.[68]

However, immediately after the Supreme Court pronounced its decision in this seminal case, Congressional intervention amended the Federal Trademark Dilution Act, 1995 to incorporate the *likelihood of dilution* as the appropriate threshold for determining whether dilution has taken place in any particular case.[69]

ii. The Position in the United Kingdom

Section 10(3) of the Trademarks Act, 1994[70], which incorporated EU Directive 89/104 into UK law, and whose interpretation was significantly altered following the decisions of the ECJ in the *Davidoff*[71] and *Adidas*[72] cases, imposes virtually the same conditions as the Indian Act in situations where an

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67 Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement,* 94(6) California L. Rev. 1581, 1589. (2006)

68 J. Thomas McCarthy, *Proving A Trademark Has Been Diluted: Theories Or Facts?,* 41(3) Houston L. Rev. 713 (2004).

69 The Federal Trademark Dilution Act, 1995, § 3, read as follows:
"(c)(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes dilution* of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection."
With the effect of the Trademark Dilution Revision Act, 2006, § 2, the same provision now reads as:
"(c)(1)Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce as a designation of source of the person's goods or services that is *likely to cause dilution by blurring or dilution by tarnishment, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury."*

70 United Kingdom Trademarks Act, 1994, § 10(3) reads as below:
"(3) A person infringes a registered trade mark if he uses in the course of trade in relation to goods or services a sign which - (a) is identical with or similar to the trade mark, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, *takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark*."

71 SA Zino Davidoff v. Gofkid Ltd, Case C-292/00, [2003] ECR I-389, wherein the European Court of Justice held, going against a literal reading of the provision, that protection against dilution of a previous, registered mark is to be extended to identical or similar signs used on similar goods as well as non-similar goods, regardless of whether confusion occurred in the mind of the consumer or not.

72 Adidas-Salomon AG v. Fitnessworld Trading Limited, Case C-408/01, [2003] ECR I 12537, in which the ECJ, when called upon to interpret the harmonisation of Section 10(3) of the UK Trademarks Act, 1994 with the EU Directive, stated that it is mandatory to protect a mark both in terms of similar and dissimilar goods, and that such protection would not be conditional upon confusion or likelihood of confusion between the two marks in question.

infringement action based upon dilution is brought before a Court. Apart from meeting the bare conditions necessary to prove infringement, it is interesting to note that a mere association between the infringing mark and the claimant's trademark has been held to not be adequate to constitute a case of dilution.[73] What is necessary in such a case would be to demonstrate actual detriment or unfair advantage, and not a risk or likelihood of the same.[74] While there is some degree of largely academic debate[75] about what the standard of harm that requires to be displayed is, the emerging consensus is that an actual proof of detriment is required, with articulations of this idea moving between "proof of real future unfair advantage or detriment and merely a risk of such"[76], to "adverse consequences being reasonably foreseeable"[77]. When called upon to interpret the provisions of Article 4(4)(a) of the Trademark Directive[78], the ECJ has prescribed strict standards with respect to cases alleging dilution of a trademark , seeking actual proof of alteration in the economic behaviour of a consumer following the formation of an association between the two marks in question.[79]

VI. Determining Workable Standards for India

i. Standard for dilution

From the preceding discussion, it is clear that Indian courts need to adopt a consistent, reasonable and pragmatic threshold for determining whether relief

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73 Premier Brands v. Typhoon Europe Limited [2000] All ER (D) 52, at ¶22; Diamler Chrysler AG v. Alavi [2001]RPC 42, at ¶94.

74 *Id*., at ¶92.

75 Ilanah Simon, *The Actual Dilution Requirement in the United States, United Kingdom and European Union: A Comparative Analysis* 12(2) B.U. J. Sci. & Tech. L. 271 (2006).

76 Application by Hitachi Credit (UK) plc, Case O-059-04, (Trade Mark Registry, 10 March, 2004) available at http://www.patent.gov.uk/tm/t-decisionmaking/t-challenge/t-challenge-decision-results/o05904.pdf. (Last accessed 8-05-2011).

77 Application by Quorn Hunt, Case O-319-04, [2005] E.T.M.R. 11 (Trade Marks Registry), Available at http://www.patent.gov.uk/tmt/t-decisionmaking/t-challenge/t-challenge-decision-results/o05904.pdf (Last accessed 9-05-2011).

78 Article 4(4)(a) of the Directive 2008/95/EC of The European Parliament and of The Council of 22 October 2008 to Approximate The Laws of The Member States Relating to Trade Marks reads as follows:

Any Member State may, in addition, provide that a trademark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:

(a) the trade mark is identical with, or similar to, an earlier

national trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier trademark is registered, where the earlier trade mark has a reputation in the Member State concerned and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.

79 Intel Corp. v. CPM UK, Case C-252/07, at ¶3. The idea of requiring an alteration in the economic behaviour of the consumer in proving that an instance of trademark dilution had occurred had previously been touched upon in Electrocoin, [2004] E.W.C.H. 1498, at ¶102.

must granted in cases where dilution is alleged. Additionally, it is also apparent that the possible choice of threshold can only be of two varieties- a likelihood of dilution, or higher, more stringent standard, actual dilution. The actual dilution test requires the owner to show that dilution has already occurred, in contrast to the likelihood of dilution in the future.[80] For reasons that will follow, the authors are of the opinion that the more stringent standard, i.e. actual dilution is appropriate in the Indian scenario.

In the first place, the legislature, in enacting Section 29(4), was clearly conservative in its approach, and intended the remedy to be available in a narrow, restricted class of cases. This is evident upon a reading of Section 29- whereas sub-clauses (1) and (2) clearly have a presumption in favour of infringement, no such presumption exists under sub-clause (4)[81]. This assumes great significance when we consider that such a deliberate omission by the legislature points a path toward understanding its intent when enacting the Act.[82] While interpreting the provisions of a statute, courts are called upon to divine the legislative intent[83], and to ascribe such a construction which best furthers such intent[84]. Consequently, to give effect to the proper legislative intent, a more stringent standard needs to be adopted to determine the appropriate threshold of harm caused to the trader and his mark in such cases[85].

Secondly, the large corpus of trademark law has remained consumer oriented, whereas dilution is a largely a producer oriented remedy, which seeks to protect the proprietary interest in the trademark.[86] In light of this, it seems unnecessary that the thresholds for dilution should be lowered, especially since they don't subserve the larger goal of consumer protection and reduced information costs for consumers. This is particularly so since the Act of 1999 already provides owners of extremely distinctive trademarks (well-known

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80 Ilanah Simon, *The Actual Dilution Requirement in the United States, United Kingdom and European Union: A Comparative Analysis* 12(2) B.U. J. Sci. & Tech. L. 271 (2006).

81 Trademarks Act, 1999, § 29(3), reads as follows:"
(3) In any case falling under clause (c) of sub-section (2), the court shall presume that it is likely to cause confusion on the part of the public".

82 State of Gujarat. v. Dilipbhai Nathjibhai Patel, (1998) 2 SC 253, Stock v. Frank Jones (Tipton) Ltd., [1978] 1 WLR 231, Crawford v. Spooner, (1846) 6 Moore PC 1.

83 Institute of Chartered Accountants of India v. M/s Price Waterhouse , AIR 1998 SC 74.

84 Craies on Legislation 588 (Daniel Greenberg ed., 2004), Nokes v. Doncaster Amalgamated Collieries Ltd. (1940) AC 1014.

85 ITC v. Philip Morris, ¶ 34, Shell Brands International Ag v. Gagan Chanana, MANU/DE/1846/2010, at ¶12.

86 It is well established trademarks represent the proprietary interest of the owner in the mark. This property in essence, consists of the right of the owner to use the mark in relation to specific goods, and extends, in certain circumstances, to preventing others from using the same or similar mark (P. Narayanan, Law of Trademarks and Passing off, (2010), 33), *See also supra* note 6.

trademarks) an anticipatory remedy by allowing them to oppose a registration of their trademark even in respect of dissimilar goods.[87]

Further, as identified by the Court in the *ITC v. Philip Morris* case, the impairment of free and fair competition is a possible undesirable consequence that could follow overzealous protection of trademarks[88].

Finally, the positive wording of Section 29(4) makes it impossible to adopt a likelihood of dilution standard without an amendment to the statute. The Section clearly requires that the infringing trademark *takes* unfair advantage or *is* detrimental to the superior mark. This wording is a replication of the English legislation, and even in that jurisdiction, the positive wording of the statute has led to courts requiring dilution to actually be established.[89] Even in the United States, until legislative intervention altered the wording of the statute, the provision required that the infringing mark actually *causes* dilution, and this positive wording led the Supreme Court to require proof of actual dilution in the *Victoria's Secret case.*[90]

In conclusion, the authors are of the firm opinion that policy considerations and adherence to legal principles mandate the adoption of the actual dilution standard in India. In the next segment, the authors will examine the tests for proving actual dilution and the remedies available as a consequence.

ii. Standard for Reputation

While the Trademark Rules, 2002 have accorded no distinction between well known marks and marks with reputation, there exist coherent guidelines in the Act which can aid courts in coming to a conclusion about whether a trademark is a well known mark or not.[91]

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87 Trademarks Act, 1999, § 11(2) reads as follows:
"(2) A trade mark which –(a) is identical with or similar to an earlier trade mark, and (b) is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered in the name of a different proprietor.Shall not be registered ifor to the extent the earlier trade mark is a well-known trade mark 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 trade mark."

88 ITC v. Philip Morris, *supra* note 23, at ¶37 (relying on Adidas Salomon AG, *supra* note 59).

89 *See supr*a note 60.

90 *See supra* note 50.

91 Section 11 of the Trademark Act, 1999, dealing with relative grounds for refusal of registration, provide the following:
(6) The Registrar shall, while determining whether a trade mark is a well-known trademark, take into account any fact which he considers relevant for determining a trademark as a well-known trade mark including -
(i) the knowledge or recognition of that trade mark in the relevant section of the public including knowledge in India obtained as a result of promotion of the trade mark;
(ii) the duration, extent and geographical area of any use of that trade mark;

Further, courts have opined that a condition precedent for a trademark dilution claim to proceed is the establishment of a reputation in India. [92] However, the threshold for determining what constitutes a reputation in respect of a trademark shall govern what percentage of marks shall be granted protection against dilution in India. It is the opinion of the authors that well known marks within the ambit of Section 11(6) of the Act constitutes a sub-category within the broad set of marks with reputation in a particular country. The interpretation of Section 10(3) of the UK Trademark Act, 1994[93] in General Motors Corp v. Yplon SA[94] is useful in operationalizing the preceding proposition. In this case, the Court stated that registered trade mark, in order to be reputed, must be known by a significant part of the public concerned by the products or services which it covers, and this must be decided taking to account factors such as market share, intensity, geographical extent and duration of use, and the size of the investment in promoting the mark[95]. While the preceding estimation presents a workable model for Courts to employ when adjudicating on matters relating to dilution, such an analysis becomes problematic when considering international brands that possess a reputation in the international market, but do not possess a comparable reputation in the domestic context. Unlike the position in the United Kingdom, where business presence and goodwill of the mark is a necessary prerequisite for the existence of a mark's reputation,[96] Indian jurisprudence[97] has affirmed that trans-border reputation of a brand will allow it to pursue an action for dilution in the event that there has been

(iii) the duration, extent and geographical area of any promotion of the trade mark, including advertising or publicity and presentation, at fairs or exhibition of the goods or services to which the trade mark applies;

(iv) the duration and geographical area of any registration of or any publication for registration of that trade mark under this Act to the extent they reflect the use or recognition of the trade mark;

(v) the record of successful enforcement of the rights in that trade mark, in particular, the extent to which the trade mark has been recognised as a well-known trademark by any court or Registrar under that record.

92 Skol Breweries v. Unisafe Technologies, CS (OS) 472/2006, decided on 25 August, 2010, at ¶ 10, Champagne Moet & Chandon v. Union of India, 2011 (46) PTC 484, at ¶ 14 ("
The clients of the appellant are elitists, educated and well read. The products that are manufactured by the appellant (champagne) are not such products which are meant for mass consumption. It was even not recognized in the Indian market in the early 1950s and 1960s. Needless to emphasise, trans-border reputation has been recognized but the conception of reputation in this regard is dependent upon nature of the products associated with the reputation, popularity and goodwill associated with the market in India.").

93 This provision is analogous to the Indian dilution provision in Section 29(4), Trademark Act, 1999.

94 General Motors Corp v. Yplon SA C-375/97; See Ilanah Simon Fhima, *The Fame Standard for Trademark Dilution in the United States and European Union Compared*, 17 Transnat'l L. & Contemp. Probs. 631 (2008).

95 *Id.* at ¶27.

96 Anheuser Busch v. Budejovicky Budvar, (1984) F.S.R. 413.[Hereinafter the Budweiser case]

97 See, Tube Investments Of India Ltd vs In O.S.A.Nos.233 And 234/09, O.S.A.Nos.233, 234 and 292 of 2009, decided on 23 December, 2009, at ¶ 13 ; Roca Sanitario S.A vs Naresh

a well documented, unbroken usage of the mark in question. The case for stating that trans-border reputation is now an established part of the trademark law in India is further bolstered by examining the factors that are statutorily excluded from being relevant in the Act when ruling on whether a mark is well known or not.[98] It is important to note that it is the reputation of the mark, and not of its owner that is the relevant consideration in the present case.[99] Additionally, it is submitted that the criteria for being considered a well-known mark[100] within the ambit of Indian law imposes a higher standard than that for being a 'mark with repute', a position that has been confirmed by the Delhi High Court in Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd.[101] This could potentially have emerged as a stumbling block for proprietors whose marks had not acquired the status of a well-known mark. However, the statutory protection against dilution covers a wider ambit, and the position that emerges from the judgment of the Court is that the statutory protection against dilution is available to marks that are both 'well known' within the ambit of Section 2(zg) of the Trademark Act, 1999, as well as 'marks with repute'.

VII. Proving Dilution and Remedying it

Having unravelled the mystery that surrounds dilution, the authors will consider the next question: How will all this work in practice? When will it be established that the use of a mark is 'detrimental to the distinctive character' or amounts to taking 'unfair advantage' of another trademark? Even if all of the above is established, what remedy will the owner of the trademark have?

i. How can actual dilution be established?

The test for establishing actual dilution has a vague and troubled one, with limited, if any, judicial consistency. In fact, some scholars have argued

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Kumar Gupta, CS (OS) 626/2006 and CS (OS) 2223/2006, decided on 15 March, 2010 at ¶ 24, distinguishing the *Budweiser* case from the present one, and citing the inapplicability of its *ratio decidendi* in the Indian context.

98 Section 11 (9) of the Trademark Act, 1999 provides that the Registrar shall not require as a condition, for determining whether a trademark is a well-known trade mark, any of the following, namely

(i) that the trade mark has been used in India;
(ii) that the trade mark has been registered;
(iii) that the application for registration of the trade mark has been file
(iv) that the trade mark -
  (a) is well known in; or
  (b) has been registered in; or
  (c) in respect of which an application for registration has been filed jurisdiction other than India; or
(v) that the trade mark is well-known to the public at large in India.

99 Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249, at ¶ 43.

100 This is in terms of Section 11(6) of the Trademark Act, 1999.

101 Ashok Leyland Limited v. Blue Hill Logistics Pvt. Ltd, MIPR 2011 (1) 249, at ¶43.

that this standard ought to be altered to a more workable likelihood of dilution standard, which can easily be established by a range of circumstantial evidence.[102] However, the authors believe, for reasons already stipulated above, that the actual dilution standard is both, required and appropriate, in the Indian context.

Prior to the amendment to the Federal Trademark Dilution Act in the United States, the Supreme Court in the *Victoria's Secret Catalogue case* held that direct evidence may not be necessary if actual dilution can be reliably proved through circumstantial evidence. The court held that consumer surveys may be useful, but not necessary to establish actual dilution.[103]

In the United Kingdom, Courts have been firm in their intention to use the actual dilution rather than the likelihood of dilution standard. In one case, it was held that the use of a mark by the defendant would be detrimental to the distinctive character of the plaintiff's mark, where such use had the effect of eroding the position of exclusivity acquired by the plaintiff through large expenditure of time and money. Further, it was laid down that everything which impairs the originality and distinctive character of the trademark and its uniqueness was to be regarded as being detrimental to the distinctive character of the trademark, and should be prohibited.[104] Importantly, it was also held that the stronger the reputation of the trademark, the easier it would be to establish dilution. [105] In another case, it was held that if the defendant's use of the trademark makes the plaintiff's trademark less attractive or less distinctive, detriment is said to have been caused.[106]

In the opinion of the authors, actual dilution can be established by a combination of evidence of economic harm and circumstantial evidence. Since the dilution remedy, is in effect, a means of protecting the proprietary interest of producers, economic harm is an important and indispensable means of establishing dilution. Therefore, one possible way to implement the actual dilution standard would be to use circumstantial evidence in conjunction with proof of economic loss to show that such loss was suffered as a result of dilution and not any other business problems.[107] Thus actual dilution would be established if:

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102 Elson Kaseke, *Trademark Dilution: A Comparative Analysis,* (2006), available at http://uir.unisa.ac.za/bitstream/handle/10500/2377/thesis.pdf?sequence=1.

103 Moseley v. Victoria's Secret Catalogue, Inc., 537 U.S. 418,434 (2003).

104 Premier Brands UK Limited v. Typhoon Europe Limited and Peter Granville Norfolk Battersby [2000] ALL ER (D) 52, at ¶ 14[Hereinafter Premier Brands], quoting with approval a decision of the German Federal Supreme Court in QUICK [1959] GRUR 182.

105 Premier Brands, *supra n. 103*, at 66, Intel Corp Inc v. CPM United Kingdom Ltd ,2009 ETMR 13, at ¶ 54.

106 Daimler Chrysler AG v. Alavi (t/a Merc) [2001] ALL ER (D) 189, ¶ 88.

107 Ilanah Simon, *The Actual Dilution Requirement in the United States, United Kingdom and European Union: A Comparative Analysis* 12(2) B.U. J. Sci. & Tech. L. 271 (2006).

a. There was use of an identical or similar mark; and

b. Such mark is used by the defendant in relation to dissimilar goods; and

c. The plaintiff's mark satisfies the fame standard discussed above; and

d. Actual economic loss (through revenue analysis, consumer surveys etc.) was shown, and such loss was *not* a result of other business problems.

In cases where all the four ingredients mentioned above are satisfied, a rebuttable presumption of detriment or unfair advantage can be established through the judiciary thereby proving actual dilution.

ii. What is the relief available?

In the Indian experience, it largely remains that intellectual property suits are disposed off at the stage of application for interlocutory relief.[108] If this trend is anything to go by, most plaintiffs would be satisfied with the remedy of permanent injunction to restrain infringing defendants from using the infringing trademark. However, in certain cases, the authors believe that if economic loss has been established, and is substantial, and can be attributed to dilution, courts should, in their discretion award damages to the extent of the loss suffered by the plaintiff. In essence, the high threshold for dilution would be complemented by a correspondingly significant and onerous remedy in the form of damages.

VIII. Conclusion

The authors are firm in their belief that a more lenient standard would be far too overzealous an approach, and would have the effect of impairing free and fair competition in the market. In light of this, the standard of proof that requires to be discharged by a plaintiff alleging dilution would necessarily be the production of evidence to show actual harm to the senior mark and its owner.

Finally, mention must be made of Section 159(5) of the Trademarks Act[109] which has raised some concerns about the scope of the remedy of dilution being whittled down. The primary concern is that the period prior to the enactment of the Act of 1999 and the twilight period between the enactment and the commencement of operation of the Act may have been a safe haven

108 Dev Gangjee, *The Polymorphism of Trademark Dilution in India,* 17 Transnat'l L. &. Contemp. Probs. 101.

109 § 159 (5) of the Trademarks Act, No. 47 of 1999, reads as follows:
"Notwithstanding anything contained in this Act, where a particular use of registered trade mark is not an infringement of a trademark registered before the commencement of this Act, then, the continued use of that mark shall not be an infringement under this Act."

period where infringement of the species of Section 29(4) may be outside the ambit of protection of the Act due to the non-obstante clause in Section 159(5). In *Radico Khaitan Limited v. Carlsberg India Private Limited*[110], the Delhi High Court has addressed this issue indicating that if a particular user is not an infringer under the old Act of 1958, then similar usage of the mark would not constitute infringement under the new Act either. However, this seems to throw up more questions, since this case did not involve any adjudication of non-infringement under the old Act, and this was an assessment made by the Court in the first instance in 2011, and therefore it would seem that every use of a trademark prior to 2003, and continuing today would be judged by the standards of the Act of 1958. As infringement of the kind of Section 29(4) was not infringement under the Act of 1958, this position, if not clarified, could limit the scope of the remedy available very drastically.

110 I.A. No. 8122/2011 in CS(OS) 1216/2011, decided on 16 September, 2011, at ¶ 50,51.