

The Trademark Lawyer

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Raashi Jain

Goodwill trumps prior use: *AZ Tech vs. Intex*

Raashi Jain, LexOrbis, outlines a high profile trademark litigation case in India – the *AZ Tech vs. Intex* case – which was based on passing off.

A trademark can easily be touted as one of the most important intellectual properties. Considerable mental faculties are expended (by most) to come up with creative and unique trademarks so as to distinguish one's goods/services from those of others, or else the whole point of a trademark becomes redundant. While trademark consciousness has skyrocketed in the past decade, it has understandably also resulted in an upsurge in trademark litigation. Recently, one passing off case has grabbed considerable attention in India, the case between *AZ Tech (India) and Ors.* (hereinafter referred as 'AZ Tech') and *Intex Technologies (India) Ltd. and Ors.* (hereinafter referred as 'Intex'). Initially, a single judge of the Hon'ble Delhi High Court (DHC) had passed an interim injunction order against Intex. However, the interim injunction has now been set aside by a Division Bench of the DHC.

The injunction order passed by the single judge and the subsequent setting aside of the same by the Division Bench has created quite a stir in the IP fraternity for multitude of reasons. To elucidate, it is pertinent to take into account the facts of the case, which date back to 2009 when AZ Tech allegedly began using the mark 'AQUA' in respect of mobile phones. Intex, also involved in the manufacturing of mobile phones *inter alia* consumer durables, began using the mark 'INTEX AQUA' in 2012 for its new model of phones. Intex's decision to adopt the mark 'AQUA' stemmed from the fact that the graphics and

picture quality of the new model were so clear that the screen reflected like pure water. Becoming aware of Intex's use of 'AQUA' in relation to mobile phones, AZ Tech filed a suit to permanently restrain the former from using the mark 'AQUA'. While this suit remained pending, a suit was filed by Intex alleging that AZ Tech had midway adopted the style and font used by Intex for the latter's mark 'AQUA'. Since the two suits involved similar disputes, the rival parties reached a settlement; upon AZ Tech's undertaking to not use the artistic work of Intex, the subsequent suit was disposed of by way of consolidating it with the earlier suit. However, AZ Tech's undertaking was without prejudice to the facts and contentions raised in the suit filed by it.

Though the single judge passed an injunction order in favor of AZ Tech, an appeal was filed by Intex against this order, following which the matter came before the Division Bench.

Intex contended that in a case for passing off there were three prerequisites that needed to be established by the aggrieved party: goodwill/reputation, misrepresentation, and likelihood of damages. The relevant date for ascertaining whether the aggrieved party had goodwill/reputation was the date when the other party launched its products under the impugned mark. In the present case, Intex launched its product under the impugned mark in August of 2012. Thus, AZ Tech was required to establish that it had goodwill/reputation at this relevant time, however, it failed to do so. AZ Tech contended that since it had begun using the mark 'AQUA' – in respect of mobile phones in 2009 as opposed to Intex's use of the mark in 2012 – it was the prior user and therefore entitled to an injunction.

To substantiate the goodwill and reputation of AZ Tech, documents such as mobile phone reviews, invoices, hoardings, etc. were presented. Emphasis was also placed on VAT registration along with different magazines to show that AZ Tech's mark 'AQUA' was being used. However, serious doubts were raised on the veracity of these documents by Intex. The Division Bench held that in case of passing off, goodwill was imperative, and to

Résumé

Raashi Jain, Associate, LexOrbis

Raashi has extensive knowledge and experience in IP contentious and non-contentious matters. She advises many Fortune 500 companies, multi-national corporations, small and medium-sized enterprises, and technology start-ups. Her expertise lies in trademark prosecution, and advisory on media and entertainment, unfair competition, e-commerce, and other related laws. She is very closely associated with the legal research and publication team of LexOrbis, and has authored several articles and papers in leading IP publications.



ascertain whether the aggrieved party had goodwill, extent of sales, advertising expenses, and alike, were required to be presented. It was further held that in the case of passing off, the property existed in the goodwill as opposed to in the registered trademark, as in the case of infringement. It was expounded that while a single or a short use could be sufficient to prove proprietorship of mark in an infringement case, such minimal use would not be enough to prove goodwill in the case of passing off. Accordingly, AZ Tech failed to prove that its mark 'AQUA' had acquired goodwill at the time Intex launched its products under the impugned mark.

An interesting observation made by the Division Bench was the distinction between goodwill and reputation i.e. while goodwill was the "attractive force" which attracted customers, reputation was a matter of fact. By way of explanation, the Division Bench held that a foreign company could have reputation in India, but it would not have goodwill in the country unless, and until, there was some business.

Intex further contended that it was using the mark 'AQUA' in

combination with 'INTEX' and that the presence of the latter, sufficiently distinguished its mark 'INTEX AQUA' from that of the AZ Tech's. Reliance was placed on the case *Star Bazar Pvt. Ltd. v. Trent Limited and Another*. The Division Bench concurred and held that the presence of the 'INTEX' distinguished the products of the rival parties, thus negating chance of confusion.

Intex also argued that the excessive delay in filing of the suit by AZ Tech disentitled the latter from an injunction. Intex had launched its products in August of 2012, whereas the suit was filed only in October of 2013. Thus, there was a substantial delay in seeking the remedy of an injunction, during which time Intex had heavily invested in promotion and advertisement of its products. Reliance was placed by Intex on *BDA Pvt. Ltd v. Paul P. John & Another* and *Power Control Appliances and Others v. Sumeet Machines Pvt. Ltd.* The delay from AZ Tech's end allowed Intex to grow its business exponentially in a very short period of time. Further, no worthwhile explanation was put forth by AZ Tech to explain the delay on its part. The Division Bench agreed that there was an inordinate delay, which disentitled AZ Tech from an interim injunction.

The Division Bench also took into account AZ Tech's dishonest conduct. AZ Tech's decision to change the font and style of its mark to that of Intex's, reinforced the latter's argument that it was AZ Tech which was trying to ride on the goodwill and reputation of Intex and not the other way around. Further, the use of ® symbol by AZ Tech, even though its application for registration of the mark 'AQUA' remained pending, was another factor. While the single judge had held that the use of ® symbol did not correspond to misrepresentation in AZ Tech's mark 'AQUA' or its business so as to disentitle it from the grant of an interim injunction, the Division Bench concurred that the use of the symbol was just one more incident highlighting AZ Tech's dishonest conduct.

“For passing off, there are three prerequisites that need to be established by the aggrieved party: goodwill/reputation, misrepresentation, and likelihood of damages.”

With respect to the issue of balance of convenience, the single judge had held that the same was in favor of AZ Tech and that Intex's expenditure on advertisements/publicity as well as substantial sales figures could not override AZ Tech's prior use of the mark 'AQUA'. However, on appeal, the Division Bench held that the balance of convenience had not been considered in its proper import. When the interim injunction was passed by the single judge, Intex had already made massive sales. Further, significant amounts of money had been spent by Intex on the promotion of mobile phones marketed under the impugned mark. Thus, an injunction would have caused irreparable harm to Intex. The Division Bench also held that when deliberating upon grant of an interim injunction, a balance needed to be achieved between the rights of the rival parties and the effects of issuance or non-issuance of the interim injunction had to be taken into due consideration. It could be so that in the zeal of protecting one party's rights, the rights of the other party were trampled, for which the latter could not be accorded adequate compensation later on. Therefore,

“ *There was a substantial delay in seeking the remedy of an injunction, during which time Intex had heavily invested in promotion.* ”



a balance had to be achieved. The Division Bench further noted that though the rights of the prior user had to be given due consideration, however, if the prior user allowed the subsequent user to invest and grow its respective business without taking any action, an injunction against the subsequent user at a later stage would result in causing irreparable damage to the latter. In light of the above, the Division Bench set aside the interim injunction order.

When the interim injunction was granted, there was considerable hullabaloo surrounding the order for the reason that an injunction was granted against a much larger company. However, the Division Bench's decision to set aside the injunction order has in some manner restricted the rights of prior user. This case reinforces to a prior user the need to take pro-active steps to curb the use of an identical or deceptively similar mark.

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