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TRADEMARKS: PASSING OFF

PROTECTING YOUR TRADEMARKS



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TRADEMARKS: PASSING OFF

1. INTRODUCTION

- 1.1. A significant purpose of trademark registration is protection of your brand in a competitive marketplace whereby your registered trademark provides a unique and distinguished identity to your products or services.
- 1.2. **Section 2(c)** of the **Patent, Design and Trademark Act, 2022 (1965)** (the "**PDT Act**") defines a trademark as a word, symbol, or picture or a combination thereof to be used by any firm, company or individual in its products or services to distinguish them with the product or service of others.
- 1.3. All trademarks registered as per the PDT Act are entitled to protection from passing off and infringement. **Section 16(2)** of the PDT Act explicitly prohibits the copying or unauthorized use of a registered trademark without ownership transformation or written permission pursuant to **Section 21 D** of the PDT Act.
- 1.4. **Section 19** of the PDT Act imposes penalties for illegal passing off and infringement, including fines and confiscation of goods, based on the gravity of the offense.
- 1.5. The **Trademark Directives, 2072 (2015)** (the "**Trademark Directives**") ensure further

protection to registered trademarks which are as follows:

- 1.5.1. To freely use the trademarks registered in their name.
- 1.5.2. To prevent other firms or companies from using the same trademark without permission in a manner that may cause confusion through display, viewing, speaking, hearing or other presentation.
- 1.5.3. To grant permission for trademark use to other firms or companies under certain conditions for a specific duration.

2. PASSING OFF AS THREAT TO TRADEMARKS

- 2.1. The **Department of Industries (the "DOI")**, a quasi-judicial industrial property authority under the **Ministry of Industry, Commerce, and Supplies** in Nepal, is responsible for the regulation and protection of all registered trademarks.
- 2.2. Any allegations of trademark infringement or passing off can be brought before the legal division of DOI. DOI has the authority to conduct hearings and issue rulings akin to those of a District Court in the country. Moreover, if parties are dissatisfied with the DOI's decision, they have the option to appeal such decision to the High Court and eventually to the Supreme Court of Nepal, if such appeal meets the criteria of law.
- 2.3. Despite statutory provisions and legal precedents upholding trademark rights, Nepal faces

- significant challenges with trademark infringements and passing off cases.
- 2.4. Passing off occurrences, especially with well-known trademarks, are increasing, posing a threat to consumer rights and intellectual property protections.
 - 2.5. "**Well-Known Mark**" has been defined under **Section 2(f)** of the Trademark Directives as a mark specified by the Government of Nepal ("GoN") to be well-known. Nevertheless, as of the present date, GoN has neither released nor clarified the criteria for recognizing a well-known mark. This leaves the definition open to interpretation by the courts and DOI; some instances of courts interpretation have been discussed in paragraph 5 below.
 - 2.6. While case precedents protect well-known trademarks, the lack of clear legal provisions raises doubts and potentially deter multinational corporations from trusting brand protection in Nepal.

3. WHAT CONSTITUTES AS PASSING OFF?

- 3.1. A trademark passing off is said to have occurred when a party, typically a business or individual, misrepresents their goods or services in a way that creates confusion or deception amongst the consumers, leading them to believe that the goods or services are associated with another party's established trademark.
- 3.2. Goodwill, built through consistent branding, production, and advertisement, is a crucial

element in passing off cases. When another competitor passes off on this goodwill of another trademark, the consumers are the ones who must face the direct hit as they might end up with subpar products or services under the mistaken belief that they are associated with the legitimate brand.

- 3.3. **Lord Langdale MR**, in the case of *Perry v Truefitt*, said that "*a man is not to sell his own goods under the pretence that they are the goods of another trader*".
- 3.4. From interpretation and as a matter of practice to establish passing off, certain key elements need to be present such as:
 - 3.4.1. **The existence of goodwill:** Claimant has to showcase the goodwill or reputation that they have built around its brand through its consistent branding, production, supply, and advertisement in a particular market or amongst a niche of consumers.
 - 3.4.2. **Misrepresentation:** A clear misrepresentation from the alleged infringing party has to be demonstrated, that could deceive or confuse consumers into believing that.
 - 3.4.3. The likelihood of confusion.
 - 3.4.4. Actual or potential damage.
- 3.5. For instance, producing and selling a cold drink with its packaging, symbols, words, and colour combinations like that of Sprite, (a well-known trademarked soft drink product), with just a few tweaks and changes of letters or adding prefixes or suffixes on the mark construes

as passing off.

4. WHAT ARE THE REMEDIES ONE CAN SEEK AGAINST PASSING OFF?

- 4.1. As a first rule of the thumb, to ensure the protection of a trademark, the crucial step is its registration with DOI. As outlined in **Section 21B** of the PDT Act, "The title to any patent, design or trademark registered in a foreign country shall not be valid in Nepal unless it is registered in Nepal by the concerned person." This implies that trademarks registered in foreign jurisdictions, even those within the state parties of the Paris Convention for the Protection of Industrial Property, 1883 (the "**Paris Convention**"), will not enjoy protection in Nepal unless they are registered locally.

***Note:** Internationally, recognized well-known marks, as evidenced in case laws (discussed in paragraph 5, below), receive certain protection due to their widespread popularity. However, such protections cannot be guaranteed for well-known marks, if unregistered.*

- 4.2. As per law, the DOI must facilitate the registration of trademarks from foreign countries without conducting elaborate inquiries if an application is filed along with relevant certificates of registration in the foreign country. This is in alignment with the provisions of the Paris Convention, as per **Section 21C** of the PDT Act.
- 4.3. However, as a matter of practice DOI conducts its regular investigation (as applicable for

local trademarks) even if prior filing right is claimed as per the provision above.

- 4.4. After the registration of a trademark, if an entity attempts passing off an already registered trademark, an opposition claim can be filed at the Law Division of the DOI within 90 days of the publication of the mark in the Industrial Property Bulletin ("IP Bulletin"). This is in accordance with Section 21A(2) of the PDT Act.
- 4.5. Pursuant to Section 24(2) of the Trademark Directives, the opposition can also be filed in another language, provided that a notarized Nepali translation of the opposition claim is attached.
- 4.6. Upon the filing of the opposition, the DOI will refrain from issuing a trademark registration certificate for the opposed mark. The opposition will go through a similar process of litigation whereby the Parties will be called for hearings and the DOI will provide its decision on the opposed mark.
- 4.7. If either party is dissatisfied with the DOI's decision, they have the option to appeal at the High Court within 35 days from the date of the decision.
- 4.8. On a different note, Section 25 of the Trademark Directives also provides administrative and judicial bodies for the enforcement of trademark rights. These are:
 - 4.8.1. District Administration Office
 - 4.8.2. Nepal Police

- 4.8.3. Customs Offices
- 4.9. These offices have been vested with the responsibility to work individually or collaboratively within their jurisdictions.
- 4.10. The collaborative efforts of the DOI and the mentioned administrative agencies can significantly enhance the protection of industrial property rights held by businesses, ensuring a healthy market environment for both consumers and competitors.

5. CASE LAWS RECOGNIZING THE PROTECTION OF WELL-KNOWN MARKS:

5.1. ***Kansai Nerolac Paints Limited v. Rukmani Chemical Industries Pvt. Ltd., NKP: 2077, Decision No. 10561.***

5.1.1. Earlier, Rukmani Chemical Industries had registered the Kansai Nerolac Paint Nepal Pvt. Ltd. at the DOI, leading to the DOI prohibiting Kansai Nerolac Paints Limited, a Japanese multinational corporation, from using the Kansai Nerolac brand. Following an extensive legal battle in the DOI, High Court, and Supreme Court, the Supreme Court ruled in favour of Kansai Nerolac Paints Limited, establishing key principles:

5.1.1.1. “Deceptive similarity” is said to be constituted if a trademark or the words used are identical, or the trademark is displayed with modifications, such

as the addition of prefix or suffix, creating a phonetic similarity with minimal dissimilarity and if presented in a similar manner at first glance.

- 5.1.1.2. Time limitation is not applicable for revoking the registration of a trademark if it is registered with bad faith or the registration process seems *malafide*.
- 5.1.1.3. Ownership and right over a trademark of a foreign company does not end only by virtue of the registration of such trademarks by a local company. Even after the registration of a mark copied from a well-known foreign mark by a local company, if the foreign company applies for registration of the mark at a later date, the registration in the name of the local company automatically ends.

5.2. ***Virgin Enterprises Limited v. Virgin Mobile Pvt. Ltd., 12 June 2023, Department of Industries***

- 5.2.1. An opposition was filed by Virgin Enterprises Limited ("Virgin Enterprises"), a member company of the Virgin Group against Virgin Mobile Pvt. Ltd., a local company for the ownership on the mark "VIRGIN (and logo)". Virgin Enterprises had registered their mark in Class 9 and 38 whereas the local company Virgin Mobile Pvt. Ltd. ("Virgin Mobile") was seeking to register the mark in Class 35.
- 5.2.2. The DOI rejected the application of Virgin Mobile based on the following:

- 5.2.2.1. The "VIRGIN" mark has been registered and used by Virgin Enterprises in Nepal and other countries and thus is a well-known mark belonging to Virgin Enterprises
- 5.2.2.2. The mark in question, "VIRGIN (and logo)" did not appear to be the original creation of Virgin Mobile.
- 5.2.2.3. Virgin Mobile filed the application in bad faith.
- 5.2.2.4. Allowing registration of the mark in the name of Virgin Mobile will adversely affect the goodwill of Virgin Enterprises and cause confusion among consumers.
- 5.2.3. The DOI also reiterated its position that a well-known mark shall receive protection not only in the class in which it has been registered but also in other classes as well as in non-competing goods and services where the well-known mark does not have registration.

5.3. ***Six Continents Hotel Inc. V Holiday Express Travels and Tours Pvt. Ltd., 10 July 2023, Department of Industries.***

- 5.3.1. An opposition was filed at the DOI by Six Continents Hotel Inc. ("Six Continents") for their trademark "HOLIDAY INN EXPRESS" registered in Class 43 in Nepal

against a local company Holiday Express Travels and Tours Pvt. Ltd. ("Holiday Express") which had filed to register its mark "HOLIDAY EXPRESS TRAVELS AND TOURS (and logo)" in Class 35.

- 5.3.2. Six Continents opposed this application claiming that "HOLIDAY INN" marks are globally well-known marks and the application was filed in bad faith and can confuse the public.
- 5.3.3. The DOI made the following determination in the given case:
 - 5.3.3.1. HOLIDAY INN marks have been registered and are used by Six Continents in Nepal and other countries and thus are well-known marks belonging to Six Continents.
 - 5.3.3.2. Holiday Express's proposed mark does not seem to be its original creation and the application has been made in bad faith.
 - 5.3.3.3. Allowing registration of the "HOLIDAY EXPRESS TRAVELS AND TOURS (and logo)" mark to Holiday Express Nepal can adversely affect the goodwill of Six Continents and therefore shall cause confusion among consumers.

KEY CONTACTS

If you have any questions or would like to know how this might affect your business, get in touch with these key contacts



TANIJA SINGH
ATTORNEY AT LAW,
ASSOCIATE



ANKITA SHRESTHA
TRAINEE ASSOCIATE



RELIANCE CORPORATE ADVISORS

C/O Corporate Services Pvt. Ltd.
Milap House, Sanepa Main Road,
Lalitpur, Nepal
+9771 5423316, 5441262 / 3
enquiry@reliancecs.co
www.reliancecs.co