

## TRADE MARK

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# BEGINNERS GUIDE



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ESSENTIAL REFERENCE FOR START-UPS



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On account of the 'Make in India' initiative, the Indian government has decided to initiate, improve and protect the intellectual property rights of innovators and creators in a more effective and advantageous manner. The aim of the Indian Government is to establish a vibrant intellectual property regime.

Intellectual property is an important business asset and has considerable commercial value. The goodwill of an organisation is attached to the organisation's trade mark, thereby forming the brand of the organisation. In order to be able to protect the goodwill of a business a Start-up should be proactive in developing and protecting their intellectual property. A company's intellectual property is extremely attractive and of significant interest to its investors. A Start-up has to be zealous in protecting its intellectual property for many reasons such as:

- 1) to use intellectual property as a marketing edge;
- 2) to protect their competitive advantage;
- 3) to increase the value of the business; and
- 4) to use as a potential revenue stream through licensing.

A 'Mark' or 'Trade Mark' may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, logo, name written in a particular style, the shape of goods other than those for which a mark is proposed to be used, or any combination thereof or a combination of colors and so forth. So far as registration of a trade mark is concerned the mark

should be capable of being distinguishing goods or services of one person from those of the others. Further it should not be deceptively similar to an existing mark of another person and not one expressly prohibited under the Trade Marks Act, 1999 ("Act"). For example, one cannot register a trade mark 'Washing Machine' for 'Washing Machines'.

The basic idea behind applying and registering a trade mark is to protect the brand of the company. It allows the company to differentiate its products and services from its competition by creating a relationship with its customers and/or consumers in order to create customer loyalty. This way, a company can have a position in the marketplace that is much more difficult for the competition to poach.

By taking steps early on to protect intellectual property, a company provides comfort to investors, builds credibility, and creates a solid foundation that can be capitalized on later.

For a start up, it's very important to protect any unique product or service that has been created by the organisation as, with the increase in competition, the competitors can use the success earned by the organisation and take away market share, resulting in slow growth or loss of revenue. Losing market share early on in a business's development can be devastating and time consuming if trying to chase up the guilty party without any legal protection. Trade marks serve to build brand awareness and business goodwill. They can impart consumer

confidence in a product by association with a brand the consumer trusts.

For many businesses and entrepreneurs, intellectual property protects more than just an idea or a concept, it protects genuine business assets that may be integral to the core goods and services of the business and overall long-term viability. The identity of the business and the goods, services and processes provided by the business can consist of many different areas of intellectual property, such as logos and corporate identity that differentiate one business from the other. An organisation can suffer when these ideas and processes are used without its permission. Almost all industries have benefited by the protection of their intellectual property. Further, organisations have now started promoting their business, products and services by marketing the same on the internet, which can reach vast audiences at relatively low cost. However, with this vast reach, organisations have started to face piracy, counterfeiting and intellectual property theft. Organisations around the globe are at high risk of having their unique intellectual properties infringed upon even if the same is infringed upon on any other part of the world, thereby making intellectual property protection more important than ever. Therefore protection of intellectual property can prevent competitors or anyone else from using the idea for their own profits without consent.

In order to expand your business in other parts of the world or even within India, without having a physical presence, the proprietor of a trade mark can licence its

trade mark to organisations/ institutions/ persons having a presence in those markets or interested to have a presence in those markets by entering into a licencing agreement and earn royalty from them.

Under modern business conditions a trade mark performs important functions such as:

- 1) It identifies the goods / or services and its origin;
- 2) It helps customers identify with the proprietor of the trade mark;
- 3) It helps build on the goodwill of the proprietor of the trade mark;
- 4) It can be used as an asset of the proprietorship;
- 5) It guarantees its unchanged quality;
- 6) It advertises the goods/services; and
- 7) It creates an image/identity for the goods/ services.

#### **Process:**

The procedure to register a trade mark in India is on the 'first come first serve' or 'first to file' basis. Therefore it is important to understand the importance of the trade mark and the value addition it may have to your business. The proprietor of the trade mark thus has to apply for the registration of the trade mark as soon as possible. Once an application for registration of a trade mark is filed the proprietor of the trade mark can start the use of the mark.

For a consumer to purchase or re-purchase a particular good or avail a particular service, they will remember the logo or name of the mark or how it is represented. One complication in determining whether a proprietor should

have a mark registered goes to the fact that consumers have imperfect memories and scarcity of time, so variations between marks that may seem insignificant to the purchaser may have significant repercussions. For example, DYNATECH and DYNATEK are considered confusingly similar for auto parts; CORVUS and CORVO are considered confusingly similar for wine; MYSMILEKIDS and MYSMILE are considered confusingly similar for dental information and health information, respectively.

Therefore an unregistered or unapplied mark falls prey to passing off and the recourse then available is only to initiate a passing off action.

An application for registration of a trade mark can be either made on "use" basis or "proposed to be used" basis. The registration of a trademark in India typically takes about 3 to 4 years. The appropriate office to file the application for registration of the trade marks is the Trade Marks Registry. This office has branches in Mumbai, Delhi, Chennai, Ahmedabad and Kolkata. A trademark application may be filed in any of these offices based on the territorial jurisdiction.

A brief of the steps involved in the registration process in India are as follows:

- 1) Select a trade mark which is distinct and unique to your product and business;
- 2) Determine if the mark is eligible and available for registration in the required class by conducting a trade mark search in the register of trade marks;

- 3) Examination by the Trade Marks Office of the trade mark application;
- 4) Show cause hearing in relation to any notice issued by the Trade Mark Registry for any queries raised in the examination report in relation to the trade mark application;
- 5) Preliminary Acceptance or Rejection of the Application;
- 6) In case of preliminary acceptance then Publication in the Trade Marks Journal;
- 7) Opposition by third party; and
- 8) Acceptance or Rejection.

#### **Madrid Protocol:**

The Madrid Protocol which is an International Treaty is in force since 1<sup>st</sup> April, 1996 and has a total number of 97 contracting parties. The same has become useful, convenient and economical means of securing trademark registration in its member countries for entities who want to seek registration in multiple jurisdictions.

#### **Advantages of a registered trade mark:**

- 1) The registration of a trade mark confers upon the owner the exclusive right to the use of the registered trade mark and indicate so by using the symbol (R) in relation to the goods or services in respect of which the mark is registered and seek the relief of infringement in appropriate courts;
- 2) The exclusive right is however subject to any conditions entered on the register such as limitation of area of use; or a concurrent use agreement between two conflicting trade marks therefore, where two or more persons have registered identical or nearly similar mark due to special

- circumstances such as exclusive right does not operate against each other;
- 3) The registration of a trade mark confers upon the owner of the trade mark the right to sue for infringement<sup>1</sup>; and
  - 4) The proprietor of an unregistered mark cannot sue or recover damages for infringement of his trade mark. The only way for him to protect his mark is by means of an action for passing off<sup>2</sup>. Passing off is a common law right.

### Conclusion:

Start-up's should conduct their due diligence and assess the intellectual property landscape of the sector they are interested in. That awareness should be coupled with clearance efforts (such as search clearances) to ensure that the company will not infringe upon the intellectual property of others in the same sector and come up with a constructive and appropriate trade mark which can be

used for the product/service to be offered. Consumers on a daily basis encounter trade marks of different products and associate the same with the organisation or company that produces it. Registration of a trade mark not only protects a word, but also the logo, packaging, shape and other distinctive features of the mark. A trademark should be exclusive. It should indicate that all goods depicting that trade mark come from or are sponsored by your organisation. Even though a purchaser may not know the name or location of your company, he or she is entitled to rely on the fact that your trade mark is exclusively the mark of one entity and identifies goods or services emanating from that entity.

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<sup>1</sup> 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.

<sup>2</sup> Section 27 of the Trade Marks Act, 1999 states that: No action for infringement of unregistered trade mark.—

(1) No person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark.

(2) Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof.

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