

# CONSUMER INTEREST IN THE REGULATION OF TRADEMARK PROPRIETY

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## I. Introduction

Trademarks are a very valuable form of intellectual property since they are always associated with quality and consumer expectations<sup>1</sup> in a product or a service. Trademarks safeguard the interest of both consumer<sup>2</sup> and trader by ascertaining the origin of goods from a definite trade source and prevents the consumer from being duped with a substandard commodity.<sup>3</sup> Trademark, as applied or attached to goods offered for sale in the market, should be such that a consumer can distinguish those goods from similar goods and identify them with a particular trader or with his successor as the owner of a particular business. For example the trademark 'Lakme' distinguishes the goods of Lakme Lever Co. from those of say, the 'Revlon'<sup>4</sup>. Since trademark identifies the producer who is responsible for the quality of the product, the consumer gets to know the origin of the product or service and as well the person responsible for it.

Use of same or similar mark by different producers would cause confusion in the minds of the consumer. Therefore, trademark law by prohibiting the use of same trademark by different producers does serve the consumer interest. The consumer purchase is based on the 'mark' and 'brand name' associated with the mark and its credibility. Producer establishes credibility on the basis of consumer satisfaction which is purely based on the quality of the product

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1 See generally: DilipUkey and S. R. Bhosale, Consumerism in India: Dilemma and Dynamism, 29, (3&4 Indian Bar Review, 136).

2 Every year March 15<sup>th</sup> is observed as the World Consumer Rights Day

3 Sreenivasulu N.S, Intellectual Property Rights, (123, 2<sup>nd</sup> Ed, Regal Publications, New Delhi).

4 Wadehra B.L, "Law relating to Patents Trade Marks Copyright Designs and Geographical Indications, 155, (Universal Law Publishing Co. Pvt. Ltd., Delhi).

or service. Continuous use of a particular trademark makes it popular with or without registration. The quality and the origin of the product get associated with such mark which would have an impact on the consumer perception<sup>5</sup>. From the consumer<sup>6</sup> point of view it is always important to know the mark used by the producer which assures certain quality and satisfaction. Longevity of usage, quality, credibility, satisfaction and impression on the consumer plays a significant role in case of litigation or dispute with respect to the proprietary rights in the trademark. In this background the present paper focuses on the consumer angle in the trademarks propriety.

## II. Consumer and Consumerism

The General Assembly of the United Nations by Consumer Protection Resolution<sup>7</sup> adopted the guidelines to provide framework for governments, particularly those of developing countries to use in elaborating and strengthening consumer protection policies and legislations.<sup>8</sup> The purpose of the guidelines is to ensure consumer protection while obligating the producers and manufactures to follow certain code of conduct and maintain certain ethical standards in their business with consumers. The Singapore Treaty on law of trademarks reaffirms the importance of trademarks, one of the major forms of intellectual property, in promoting domestic and international trade and in enhancing enterprise development and consumer confidence.<sup>9</sup> The Consumer Protection Act, (CPA) 1986 is one of the most important social welfare legislations enacted by the Indian parliament to protect the interests of consumers in the country.<sup>10</sup> Under the CPA there has been a national commission for consumer protection, where every state and district in the country has got state consumer commission and district consumer commissions respectively for the sake of ensuring the protection

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5 See generally: Bharat B.Das, Consumerism and Consumer Protection, V, (Journal of Indian Legal Thought, 128-129

6 See generally: D. N. Saraf, Law of Consumer Protection in India, 243, (2<sup>nd</sup> Edn, M M Tripathi Pvt Ltd, Bombay.)

7 Resolution 39 of 1985.

8 Jaswal, Sandhu and AnandPawar, (Ed) Consumer Activism, Competition and Consumer Protection 36, (Rajiv Gandhi National University of Law, Patiala, Punjab, 2012.)

9 On March 27, 146 WIPO Member States adopted by consensus the Singapore Treaty on the Law of Trademarks, concluding four years of work on the revision of the 1994 Trademark Law Treaty (TLT)

10 *Supra* note 8 at 74.

of consumer interest. The CPA defines<sup>11</sup> the consumer to mean: any person who hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised or partly paid and partly promised or under any system of deferred payment when such services are availed of with the approval of the first mentioned person. However, it does not include a person who avails of such services for any commercial purpose. In the modern days all the goods and services are represented by their brands which actually market the goods and services to the consumers. Consumer is a user of goods and services<sup>12</sup> who paying for goods and services which he or she is entitled to expect that the goods and services are of the nature and quality as promised by the producer or the seller<sup>13</sup>. Often the quality and the producer are identified with a trademark on the basis of which goods and services are being marketed by the producer and purchased by the consumer.

### III. Trade and Trademark

Often a consumer identifies the suitable product through its brand identity that is a particular trademark. A trademark could be any sign or symbol<sup>14</sup> which can effectively identify a product, distinguish it with other products in the market and ensure the quality and reputation for which the product is known for. Here, the term 'distinctive' means unique enough to help consumers recognise a particular product in the market place. Therefore, use of suitable trademark for marketing products and services in the market is an established practice which not only helps the producer in marketing the product but also the consumer in identifying the suitable product. The Trademark Act of India<sup>15</sup> which is said to have well read the consumerism in its language, content and intent prohibits the use of someone else's trademark as part of corporate names, or names of business concerns.

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11 Section: 2(1)(d)(ii) of the Consumer Protection Act, 1986 as amended in 2002

12 Dnyaneshwar P. Chouri, Professionals accountability vis'-a'-vis services: A Ruminative Matter of Consumer Protection Act, 1986, (XXIX (2) Indian Bar Review, April'-June, 2012)

13 See: J.V. Shivakumar, Consumerism in India, II, (8 Orient Journal of Law and Social sciences, 2008)

14 *Supra* note No 3 at 124

15 The new trademark Act, enacted in 1999 came into force on 15 September 2003 is said to have read good consumerism in its language, content and intent.

Trademark law perhaps falls under the "commerce clause" of the Constitution and is really about protecting consumers from confusion and harm (such as believing a product is from one reputable source, when it's really from someone else). The present Trademarks Act<sup>16</sup> which has been enacted by the government of India in the aftermath of the developments at international level including the TRIPS agreement, to rationalize and uniform the trademark protection and enforcement system. Efforts have been made at the international level to enhance the level of protection offered to the rights of various stake holders in the trademark protection system including the consumers. The developments at both international and national level have laid emphasis on streamlining and bringing uniformity in the protection of trademarks. Perfect protection of trademark would not only protect the interest of the entrepreneur but also that of the consumer.

Ultimately it is the consumer who is the target and object of any trademark in the process of marketing and selling a product or a service. Perhaps, the consumer movement has come to stay as one of the most important social movements of our time.<sup>17</sup> Today a product is often sold due to the presence of a certain trademark and the reputation that it possesses. In essence, the product guarantees certain satisfaction to the customer which either that particular consumer or other such consumers have obtained from using a good which had that mark and identifies for the purpose of the consumer or that the good has come from an accustomed maker or source and is therefore of a certain quality.<sup>18</sup> Since a trademark identifies a product as satisfactory and stimulates the purchases by the consuming public, it can be said that the trademark is not just the symbol of goodwill but is sometimes a creator of goodwill. Trademarks are a very valuable form of intellectual property since they are always associated with quality and consumer expectations in a product or service.<sup>19</sup> The importance of a trademark is most clear in a supermarket (where the retailer is absent) wherein a product is sold depending on the strength of the trademark.<sup>20</sup>

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16 The Trademarks Act, 1999 which replaces the trademarks Act of 1958 is considered to have the required competency to regulate trademarks in the new millennium

17 *Supra* note 8 at 100

18 *Shredded Wheat Co. v. Humphrey Cornell Co.*, 250 Fed. 960, 963

19 *Supra* note 3 At 123

20 Sreenivasulu N.S and Abhay Vohra, *Domain names and cybersquatting: A cause of concern for the trademark owners*, MIPR, May, 2012

## IV. Protection of Consumer Interest as an Objective of Trademark Law

Trademark identifies the origins of the 'goods' or 'services'. Use of trademark should not indicate the false origin of goods and therefore trademarks should not be used on false goods or services. In *Laxmikant Patel v. Chetanbhai Shah*,<sup>21</sup> the Supreme Court of India held that the law does not permit anyone to carry on his business in such a way as would persuade the consumers in believing that the goods or services belonging to someone else are his or are associated therewith. The reasons of honesty and fair play are and ought to be the basic policies in the world of business. When a person adopts or intends to adopt a name in connection with his business or services, which already belong to someone else, it results in confusion and has probability of diverting the consumers and clients of someone else to himself, thereby resulting in an injury to the former. Further, the trademark also indicates the quality of the 'goods' and 'services'. It has been held in the case of *Sumant Prasad Jain v. Shajahan Prasad and State of Bihar*<sup>22</sup> that trademark not only identifies itself with its proprietor but also helps the consumer to identify the qualities of the goods with which it is associated. Therefore the regulation of trademarks will have to be seen as a measure to protect the interest of consumers.

## V. Trademark as a bridge Between the Producers and the Consumer

Indeed only those marks which can effectively act as a bridge between the consumer and the producer are registered and protected. The trademark law does not provide for the registration of all marks used in trade and business. Only those marks which satisfy certain requirements are registerable. The following features<sup>23</sup> of a mark should which entail it protection empowers it to be able to create the link between the producer and consumer.

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21 (24) PTC 1 (SC) 2002

22 AIR 1972 SC 2488

23 *Supra* note 3 at 125

1. Graphical representation to be able to catch the eyes of the consumer.<sup>24</sup>
2. Capable of distinguishing the goods or services of one from those of others while easing the work of the consumer.
3. Used in relation to goods or services for the purpose of indicating the consumer or so as to indicate a connection in the course of trade between the goods and services<sup>25</sup>.

The consumer protection law intends to promote and protect the legitimate rights of the consumers in terms of guaranteeing them with quality goods and services. The interface between the trademark law as an instrument for regulating the use of trademark to attract consumer and the consumer law which intends to guarantee the rights of the consumer would give us an idea as to how consumer interest is associated with the trade matters and in particular usage of trademarks. At this moment, it is pertinent to know the following rights that are guaranteed to the consumer <sup>26</sup> under the CPA<sup>27</sup>.

1. The right to be protected against marketing of goods and services which are hazardous to life and property,
2. The right to be informed about the quality, quantity, potency, purity, standard and price of goods and services as the case may be to protect the consumer against unfair trade practices,
3. The right to be assured of access to a variety of goods and services at competitive prices,
4. The right to be heard and assured that consumer interest will receive due consideration,

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24 Section 2(1)(e) of Trade Marks Act, 1999, states; trademark means: 'a mark, capable of distinguishing the goods and services in connection with which it is used in the course of trade which are certified by the proprietor of the mark in respect of origin, material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics from goods or services not so certified and registerable as such under chapter IX in respect of those goods or services in the name, as proprietor of the certification trade mark of that person.'

25 *Supra* note 3 at 133

26 See generally: Bharat B. Das, Consumerism and Consumer Protection, 5, Journal of Indian Legal Thought, 12, 2007

27 *Supra* note 8 At 101

5. The right to seek redressal against unfair or restrictive trade practices or unscrupulous exploitation of consumers and
6. The right to consumer education.

Trademarks provide consumers with the ability to quickly and reliably identify the quality of a product. This happens because the mark identifies the product's source, which in turn allows a consumer to recall the goodwill that the source has in their mind. This is the first prong of trademark law's purpose.<sup>28</sup> The consumer search costs theory has dominated discussion of trademark law for the last several decades. According to this theory, trademark law aims to increase consumer welfare by reducing the cost of shopping for goods or services, and it accomplishes this goal by preventing the uses of a trademark that might confuse consumers about the source of the goods with which the mark is used. Trademark prevents the consumer from being duped with a substandard commodity.<sup>29</sup> According to Mckenna this conceptual frame is wrong, and it is complicit in most of trademark law's extraordinary expansion. "Search costs" is not sufficiently precise; many types of search costs are irrelevant to consumer behavior, and even when search costs are relevant, it is not clear that consumers always want them reduced. Yet precisely because the category of search costs is so broad, and because courts' traditional focus on consumer confusion seemed so compatible with search cost language, courts overwhelmingly have equated confusion and search costs. As a result, they have felt compelled to respond whenever a mark owner can describe the defendant's use in confusion-based terms.<sup>30</sup> But trademark law is not, and never has been, an all-purpose tool for reducing search costs or eliminating confusion. It is instead a limited intervention in the market that prevents certain kinds of deceptive acts that have certain kinds of effects. If it is to have meaningful limits, courts need to recover this sense of modesty and limit trademark law to circumstances in which the defendant's use of a mark is likely to deceive consumers in ways that will interfere with purchasing decisions. Reframing trademark law's purpose in this way has significant ramifications for almost every part of trademark doctrine, from a variety of theories of infringement to the likelihood of confusion analysis, defenses, and even the scope of injunctive relief. It is, to put it simply, a better

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28 *Trademark Law: An Economic Perspective* 30 J.L. & Econ. 265 (1987).

29 *Supra* note 3 at 123

30 Mark P. Mckenna, A consumer decision making theory of trademark law, 98, *Virginia Law Review*, 67, 2012,

view of trademark law, and one that can identify reasonable limits in an area sorely lacking limits of any kind.

## VI. Trademark Misrepresentation and Consumer Interest

Under traditional trademark law customer confusion occurs when, a product gives the idea or impression that it comes from a source which it does not, which is based on the common law precept of passing off that a man must not sell his goods under the pretext that they are the goods of another man.<sup>31</sup> It was not the protection of the mark, but the injury to goodwill by way of misrepresentation to the consumer which was sought to be protected. In other words the commercial magnetism of the mark on the consumer has been looked at. Therefore, it was a remedy which was available to both consumers and tradesmen and in the initial stages, it was based on what has been called the "classic trinity" of misrepresentation, which leads to confusion and affects goodwill.<sup>32</sup> Trademark litigation typically unfolds as a battle between competing sellers who argue over whether the defendant's conduct is likely to confuse consumers.<sup>33</sup> When registered trademarks are misrepresented, law of trademarks terms it as a trademark infringement. Misrepresentation of unregistered trademarks is known as passing off. In fact, misrepresentation is the main concern in both the actions specified. Established practices, conventions and judicial pronouncements have had classic passing off being termed as "source misrepresentation" wherein the goodwill of the firm, or the possibility of old customers/consumers resorting to the old place (the source), from where the product emanates gets diluted. Another former misrepresentation which had included under the traditional scheme of passing off was "quality misrepresentation" wherein a product which had certain recognizable qualities (uniqueness) was diluted by an unfair trade practice.<sup>34</sup> Given these considerations, Lord Diplock suggested an alternative

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31 In the Matter of McDowells Application, 42 Rep. Pat.Cas. 313, 327(1926); See also *Perry v. Truefitt*, 6 Beav.66, 73 (1842) as cited in *Schechter*.

32 *Hazel Carty, Dilution and Passing Off: Cause for Concern*, 112 L. Q. R. 632 (October 1996)

33 Michael Grynberg, *Trademark Litigation as Consumer Conflict* 83, (60) *New York University Law Journal*, April, 2008

34 See *Erven Warnink B.V. v. J. Townsend & Sons (Hull) Ltd.*, [1979] A.C. 731, 732 as cited in *Carty, Supra* note. 5 [hereinafter *Advocate case*]

model wherein for a passing off claim to succeed it had to have the following five elements:<sup>35</sup>

1. misrepresentation,
2. which was made in the course of trade,
3. to prospective consumers,
4. calculated to injure the trade of another and
5. which does so injure or has the possibility of doing so.

Under this definition therefore what was necessary was the possibility of misrepresentation along with either diversion of trade or injurious misrepresentation to the consumers. The reason which has been used by the courts in applying this issue has been with reference to cases where there was a dilution of goodwill or the erosion of uniqueness. It is also sought to protect against debasement or dilution of reputation amongst consumers.<sup>36</sup> In essence, the connection which is made by the end consumer between a certain mark and a certain business house or product is what is sought to be protected.

Over the years it has been discovered that in most cases the business is invariably likely to suffer as a result of such misrepresentation since it attacks the customer connection, thereby misleading customers and leading to inefficient choices. What is sought to be protected by the transformation from the tort of passing off to dilution is the magnetic effect or psychological pull of a trademark which leads consumers to choose a certain product.<sup>37</sup> In this manner, the interest of the manufacturer or trademark holder is protected thereby protecting public interest since this acts as an incentive to create products which enable consumer confidence.

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35 See Carty, *Supra* note 5 at 15

36 See *Taittinger S.A. v. Allbey Ltd.*, [1993] F.S.R 641 as cited in Carty, *Supra* note 5 at. 15

37 "[I]f a reasonable buyer is not at all likely to link the two uses of the trademark in his or her own mind, even subtly or subliminally, then there can be no dilution.... [D]ilution theory presumes some kind of mental association in the reasonable buyer's mind between the two party's uses of the mark." 2 J. McCarthy, *Trademarks and Unfair Competition* § 24.13 at 213-14 (1984)

## **VII. Conclusion**

The use of trademark does the function of serving the needs of the producer in terms of helping in marketing the products and services. At the same time it also serves the purpose of the consumers in assisting them in identifying suitable products and services with an assurance of quality and guarantee coming from a particular source. Meanwhile, it also serves the interest of consumers in not letting them be duped by the producer or supplier with substandard goods or goods from an unidentified source. The so called social element in terms of catering to the needs of consumers and protecting their interest is being carried forth by the trademarks. It is felt and experienced that the law of trademark is consumer friendly and serves the social purpose of ensuring consumer interest when compared other spear of intellectual property which are either trade oriented or science oriented while promoting innovation and creativity.