

‘Peter Scot’ to stay on register: A ‘Supreme’ oversight?

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Article 141 of the Constitution of India lays down the doctrine of binding precedent according to which the law declared by the Supreme Court is binding on all courts. In a 1989 judgment passed by a five judge Bench, the Supreme Court held that the doctrine of binding precedent has the merit of promoting a certainty and consistency in judicial decisions and enables an organic development of the law and, therefore, there is a need for a clear and consistent enunciation of legal principles in the decisions¹.

In the year 1996, while dealing with an appeal arising from a rectification order in respect of the registered trademark ‘CHARMINAR’, the Supreme Court steered clear of all arguments raised by the respondents therein based on the plea of passing off by observing that what was germane to that appeal was the propriety and validity of the order of rectification and, therefore, it was not necessary to address questions of infringement of trade marks, passing off, defensive registration etc².

Further, the Supreme Court has also repeatedly held that while deciding an application for rectification under Section 56 of the Trade and Merchandise Marks Act, 1958 (corresponding to section 57 of the repealed Trade Marks Act, 1999), the court and the Registrar should not only weigh the commercial interests of the parties but also the public interest in order to maintain purity of the Register³. In addition, it has also been held by the Supreme Court that the power of the Registrar to rectify the register is discretionary and where such power has been exercised properly by the Registrar, an appellate court should not interfere⁴.

So, was the Supreme Court in a hurry when it passed an order on May 27, 2008, in an appeal that arose from an order rectifying the trademark “Peter Scot” upon a rectification application filed by the Scotch Whisky Association, UK (SWA) along with a Scotch whisky producer, John Walker & Sons Limited, London (JWSL)? Perhaps it was, because it seems that the

¹ Union of India v. Raghubir Singh (Dead) by Lrs. Etc. (AIR 1989 SC 1933)

² Vishnudas Kishandas v. Vazir Sultan Tobacco Co. Limited, Hyderabad (AIR 1996 SC 2275)

³ See Cycle corporation of India v. TI Raleigh Industries (AIR 1996 SC 3295), Hardie Trading Limited v. Addisons Paint and Chemicals Ltd (AIR 2003 SC 3377)

⁴ See National Bell Co. & Gupta Industrial Corporation v. Metal Goods Manufacturing Co. Pvt Ltd (AIR 1971 SC 878)

Supreme Court of India overlooked all the above mentioned judicial pronouncements in coming to the conclusion that Peter Scot can stay in the Trademark Register.

Facts of the case and the journey up till the Supreme Court

Before the Trademark Registry

In 1971, the appellant before the Supreme Court, Khoday Distilleries Limited (KDL) obtained a registration for its mark 'Peter Scot' in class 33. In 1974, SWA and JWSL became aware of the said registration. However, a rectification application was filed by SWA and JWSL before the Trade Mark Registry, Chennai only on April 17, 1986. The rectification application was made on the grounds that:

- The trade mark offended Section 9 of the then Trade and Merchandise Marks Act, 1958 as it was neither distinctive nor was capable of distinguishing the registered proprietor's goods;
- The registration contravened Section 11 (a) of the Act as it contains the words 'Scot' which is likely to deceive or cause confusion; and/ or
- The mark was and is disentitled to protection in a court under Section 11(e) of the Act

Prior to filing the rectification application, SWA and JWSL had also filed a suit for passing off against KDL before the High Court of Mumbai alleging that the whisky sold by KDL under the name 'Peter Scot' had resulted in passing off its Indian origin products as of Scotch origin and thus caused damage to the goodwill of Scotch whisky producers.

During the pendency of that suit, on May 12, 1989, the third respondent, the Deputy Registrar of Trademarks, passed an order in the rectification application, directing the removal of the mark 'Peter Scot' from the Register. While passing the said order, it was observed by the Registrar that, even though KDL had taken several extensions of time for filing its evidence, it did not file any evidence and no material whatsoever was produced by KDL in the proceedings. Further, it was noted in the order that none of the 21 deponents, whose affidavits were filed by SWA as evidence in support of the rectification, was sought to be cross-examined by KDL; nor did KDL choose to call upon SWA and JWSL to make available the deponents of the affidavits for cross-examination. These affidavits were filed to demonstrate

that there was a likelihood of deception and confusion by reason of KDL's registered mark being deceptive as to origin and falsely evocative of Scotch whisky. The Deputy Registrar, in the absence of any material or evidence in rebuttal, therefore, proceeded to decide the matter on the basis of the unrebutted and unchallenged affidavits filed by SWA and JWSL, and held that the evidence of the applicants before him stood unquestioned, unrebutted, unassailed and even unmitigated and he had no other option except to receive the voluminous affidavits and documentary evidence filed by the applicants and consider it on its face value.

Appeal before the Single Judge of High Court of Madras

KDL filed an appeal against this order before the Single Judge of the High Court of Madras (Chennai) on the following main grounds:

- SWA & JWSL had acquiesced in the use of the mark 'Peter Scot' because the rectification application was filed 12 years subsequent to their knowledge of the registration;
- The conduct of SWA and JWSL disentitled them from securing any relief in the proceedings under Section 56 as they, though aware of the advertisements of KDL's application, had not objected to the same and had allowed the same to remain on the register for many years. The long user by KDL demonstrated the acquiescence on the part of SWA and JWSL and therefore, the application should have been rejected.
- There was no issue of confusion or deception since the mark had not been used in respect of Scotch whisky. In Indian bars and restaurants, 'Peter Scot' is listed under Indian whiskies and never as a Scotch whisky.
- The onus of proof cast on SWA and JWSL had not been discharged as no evidence of actual confusion was produced. When the onus had not been discharged, there was no discretion left to the Registrar to rectify the register.

SWA and JWSL defended the appeal on four main grounds.

First, it was submitted that the order of the Registrar did not require any interference as it was a well reasoned one based on affidavits, documentary evidence, and applicable law including the law laid down by the Supreme Court. *Secondly*, it was argued that the word 'Scot' was evocative of Scotland and when used in respect of whisky was likely to cause confusion

and deception. *Thirdly*, they repudiated the charge of acquiescence and submitted that the delay in making the application for rectification could not be regarded as long. *Lastly*, they argued that the adoption of the mark by KDL was not bona fide from the very inception and, therefore, it could not assert a right to retain a mark dishonestly adopted even after rectification had been sought by those aggrieved by the registration of the mark. It was submitted that the word 'Scot' was inherently incapable of being registered in respect of any Indian Whisky and therefore the mark should never have been registered and was liable to be expunged. It was also the submission that the continuation of the mark on the register was against the public interest.

The court held that 'Peter Scot' when used in respect of Indian whisky did create a likelihood of confusion as the element 'Scot' was indeed evocative of Scotland even if KDL had mentioned the name of the manufacturer on its labels. The statutory standard is not the actual confusion and deception but likelihood thereof. The term 'Scot' when used in association with whisky of non-Scottish origin is inherently capable of and is likely to cause confusion and deception.

The court further rejected the argument of acquiescence and delay as the facts of the case did not warrant the same. It pointed out that when rectification was applied for after several years, a strong case had to be made out under section 56, however, in a case such as the present one where the mark concerned was inherently one likely to cause deception or confusion, discretion was properly exercised by the Registrar in directing to rectify the register. The court felt that such discretion was vested in the Registrar in view of the fact that, despite registration of a mark under the Act, it was still open to any one prejudicially affected by that registration to bring an action for passing off; the fact of registration of the mark by itself was not to be regarded as an unimpeachable defence in such action.

Appeal before the Division Bench of the High Court of Madras

KDL filed a further appeal before the Division Bench of the High Court of Madras. However, the Division Bench rejected the appeal and confirmed the order passed by the Single Judge. In particular, the Division Bench commented on the fact that KDL had chosen not to file any evidence to support its registration before the third respondent. Further on the aspect of delay and acquiescence, the Division Bench made the following observations:

“..... acquiescence arising from delay poses two problems when one is dealing with a right at law and a continuing breach. One has to consider first, whether the right has been wholly lost, and, if not, whether the Court should withhold the equitable remedy of an injunction and award damages.

..... The principles laid down in the decision relied upon by the learned senior Counsel for respondents 1 and 2 clearly lay down that the owner of legal right, in the instant case, respondents 1 and 2 ought to have done something beyond mere delay to encourage the appellant to believe that they do not intend to rely on their strict legal rights and the appellant must have acted to its prejudice in that belief. But as rightly pointed out by the learned senior Counsel for respondents 1 and 2, there is total lack of evidence on the part of the appellant to show that respondents 1 and 2 encouraged the appellant to believe that the respondents do not intend to rely upon their strict legal rights. It has to be pointed out that the learned single Judge, at length, has dealt with the legal principles to be applied while considering the question of acquiescence and has observed that the facts of the instant case are not such as to warrant the conclusion that there has been acquiescence. Therefore, in our considered view, the plea of acquiescence put forth by the appellant cannot be accepted. We are in complete agreement with the finding of the learned single Judge that there has been no acquiescence on the part of respondents 1 and 2.”

Accordingly, the Division Bench held that both the third respondent and the Single Judge had considered all the relevant materials available on record and had exercised their discretion properly and, therefore, there was no reason to interfere with the judgment of the Single Judge.

Appeal before the Supreme Court

That brought the case to the Supreme Court by way of a special leave to appeal. The arguments raised before the Supreme Court by both the parties were almost identical to those before the fora below. Upon hearing the arguments raised by the appellant and the respondents, the Supreme Court framed two issues for consideration as follows:

- (i) Whether the delay on the part of SWA and JWSL in filing the application for rectification would amount to acquiescence and/or waiver?
- (ii) Whether the third respondent as also the Single Judge and the Division Bench of the High Court had failed to apply the correct tests and, thus, misdirected themselves in law?

Analysis

First Issue

While deciding the first issue, the Supreme Court observed that the third respondent and the High Court refused to entertain the plea of delay leading to application of the principles of estoppel and/or waiver only on the premise that the appellant was held guilty of adopting a mark deceptively similar and/or likely to cause confusion. The court noted that the respondents had successfully initiated actions against several infringers in India who had used the word ‘Scot’ as well as other terms evocative of Scotland. The court made particular reference to the statements in the affidavit of the in-house counsel for the respondents wherein he stated that SWA, having failed to file an opposition to the ‘Peter Scot’ mark within the prescribed period was awaiting the decision of the Supreme Court in another appeal wherein the issue of registration of marks evocative of Scotland for use on Indian whisky was pending. The said affidavit also stated that SWA was particularly concerned that a long time was being taken to issue the final judgement which it was hoping to rely on in the rectification proceedings to be initiated against ‘Peter Scot’. However, in the meantime, it was noticed that several third parties were attempting to adopt ‘Scot’ as part of their trademarks and SWA decided to wait no further.

According to the Supreme Court, the said explanation was “wholly unacceptable” and “absolutely hollow” and it held that the action of the respondents was barred under the principles of acquiescence and waiver. While concluding so, the Supreme Court pointed out that the case law relied upon by the respondents themselves stated that the *‘question of delay must be approached from this point of view whether the applicant stood by and thereby caused substantial injury to the respondent and the injury was so substantial that that injury would outweigh the interest of the public which the court must consider where a trademark is likely to deceive’*⁵. While it

⁵ Ciba Ltd Basle Switzerland v. M Ramalingam and another (AIR 1958 Bom 56)

observed that in this case the respondents had stood by the mark, there was no analysis whether any substantial injury was caused to the appellant as a result. It is pertinent to note here that the Division Bench of the High Court of Madras in the paragraphs cited above had examined this issue and logically concluded that even if the respondents stood by, there was no evidence produced by the appellant to demonstrate that such acts of the respondents had caused them substantial injury.

Second Issue

For deciding the second issue, the court first considered the question whether the use of the term 'Scot' would itself be a sufficient ground to form an opinion that the mark 'Peter Scot' was deceptive or confusing and observed that the onus of proof was on the respondents, SWA and JWSL. After citing judicial precedents from various jurisdictions, the court opined that the tests which are required to be applied to each case would be different. Each word must be taken separately and should be judged by their look and by their sound. Consideration must also be given to the goods to which they are applied as well as the nature and kind of customers who would be likely to buy the goods. Where the class of buyers is educated and rich, the test to be applied is different from the one where the buyers are illiterate villagers.

While finding in favour of the appellant, the Supreme Court stated that it was concerned with the class of buyer who is supposed to know the value of money, the quality and content of Scotch whisky. It found that these buyers are supposed to be aware of the difference of the process of manufacture, the place of manufacture and their origin. In view of the same, the impugned order was set aside and the appeal was allowed.

Comments

A set back to GI protection process in India

The argument of bad faith adoption of the mark to evoke connections with the geographical indication, Scotch whisky was indeed noted by both the Single Judge and the Division Bench in view of the absurd explanation given by KDL as to the adoption of the impugned mark. However, the Supreme Court did not find any merit in the bad faith adoption arguments.

This decision has come at a time when the Indian Geographical Indications Registry has been vigorously issuing registrations for geographical indications, pursuant to its establishment in 2003. It is a moot issue whether the outcome of the case would have been different if Scotch whisky were registered as a geographical indication (GI) under the Indian Geographical Indications of Goods (Registration and Protection) Act, 1999. Section 25 of the said Act prohibits the registration of a GI as a trademark and gives suo motu powers to the Registrar to invalidate a registration of a trademark which contains or consists of a GI. Of course, the Act was not in force at the time the action was filed.

However, yet another aspect of the judgment touching upon the protection of GIs is India's obligations to protect GIs relating to wines and spirits under Article 23 of the TRIPS Agreement, which envisages a higher level of protection to such GIs. Under sub clause (2) of this Article, if a trademark contains or consists of a GI, it must be refused if it is used in respect of goods which do not originate from the specific region (Scotland in this case) and even in the absence of any public confusion. While this was not an argument raised during the hearing, the judgment seems unwittingly to be contrary to India's treaty obligations under Article 23.2 to refuse the trademark Peter Scot in respect of Scotch whisky.

An oversight?

While interfering with the impugned order as well as the orders of the High Court, the Supreme Court seems to have misapplied the established legal principles warranting interference with the discretionary powers of the registrar without giving any consideration to the observations of the Single Judge and the Division Bench of the High Court of Madras. The fact that the appellant did not file any evidence to contradict the respondents' evidence on likelihood of confusion or cross examine the deponents was not at all taken into account by the Supreme Court. This has resulted in a highly adverse order against SWA and JWSL who have been consistently and successfully protecting all kinds of usurpations of the name "Scotch" as well as any usurpation of the goodwill and property in Scotch whisky. The fact that the order was made without giving any consideration to the lack of evidence filed by the appellant makes it extremely inequitable.

Was the Supreme Court on the right kind of enquiry?

Further, in total disregard of its own judicial pronouncements, the whole issue of deceptive similarity of 'Peter Scot' to Scotch whisky was decided by the Supreme Court as if it was deciding a passing off issue by applying the tests of passing off in a rectification action. It is a well established principle of law that the nature of inquiry in a passing off action is very different from that in a rectification action⁶.

While dealing with a rectification action, it is not necessary to prove that there is an actual probability of deception leading to a passing off or an infringement action. In addition to showing that the use of the mark would have been likely to deceive or cause confusion, it is not necessary for an applicant seeking rectification to show that he would have been entitled to succeed in a passing off action brought against the registered proprietor of the mark sought to be rectified at the date of the original registration. It is sufficient if the result of the registration of the mark will be that a number of persons will be caused to wonder whether it might not be the case that the two products come from the same source. It is enough if the ordinary person entertains a reasonable doubt, but the court has to be satisfied not merely that there is a possibility of confusion; it must be satisfied that there is a real tangible danger of confusion if the mark which is sought to register is put on the register⁷.

Further, in an inquiry under rectification, what is of paramount importance is whether public interest or public policy is affected by letting the mark remain in the register; whereas in a passing off action, it is a private right which is affected. The Supreme Court did not find any malice in the description, "*Distilled from the Finest Malt and Blended with the Choicest Whiskeys by Scotch Experts under Government Supervision*" used by the appellant on its bottles, despite the observations by the Division Bench on the same. Wasn't it glaringly deceptive for a customer to associate the product with Scotch? It is hard to restrain oneself from observing that the Supreme Court's order has not been helpful at all in maintaining the purity of the register in public interest.

It would be apt to conclude this commentary by quoting from the Bali case decided by the House of Lords as, "*if section 11 is to be invoked...., one would think this could only be on some ground of public policy or public*

⁶ See "Bali" Trade Mark, [1969] RPC 472 and GE Trademark [1973] RPC 297

⁷ See supra note 6.

interest and not merely on the private complaint of a rival trader based on similarity” - or dealt with “too much as a litigation between the parties”.

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