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Unauthorized use of trademarks in Russia – is there anything that can be done?



Riikka Palmos, Senior Partner and Director of the Trademark Department at Papula-Nevinpat, provides an update on trademark use and registration in Russia's changing IP landscape.

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Importance of territoriality principle in claims of trans-border reputation

Manisha Singh and Shubhankar Sushil Sharma of LexOrbis review the ruling in the *Carlton Shoes Ltd. & Anr. v. VIP Industries Ltd.* case to assess the current standpoint on goodwill and reputation in relation to the territoriality principle.

The recent case of *Carlton Shoes Ltd. & Anr. v. VIP Industries Ltd.* decided on 17 July 2023 by the Delhi High Court covers several important concepts of the Trade Marks Laws related to the scope of registration, trans-border reputation, and passing off.

The disputes between the parties Carlton Shoes Ltd. ('Carlton') and VIP Industries Ltd. ('VIP'), were triggered by a Cease and Desist notice dated October 10, 2019, sent by VIP to Carlton, alleging trademark infringement of its trademark "CARLTON" and calling upon Carlton to stop using the mark in relation to class 18 goods. Carlton sent a detailed response on November 25, 2019, informing VIP of its statutory and prior rights in the mark "CARLTON" dating back to 1994 in respect of class 18 goods.

Carlton thereafter filed a suit against VIP for infringement of its trademark and copyright as well as passing off/unfair competition. As a counterblast to Carlton's suit, VIP filed a suit alleging infringement and passing off.

The Delhi High Court's judgment disposed of the aforesaid two suits filed by each party for interim injunction and both suits were heard together and were decided by this common judgment.

Carlton's case

Carlton was started back in 1989 by its owner Mr. Baljit Virk in London and, due to its rising popularity, it opened its office in 1993 in India. During 50 years in the footwear industry and 27 years using of the brand "CARLTON LONDON", Carlton produced and sold more than five million pairs of footwear and thousands of bags and accessories. Carlton has 19 exclusive retail



Manisha Singh



Shubhankar Sushil Sharma

outlets and 35 shop-in-shop stores and has sold products in over 300 multi-brand retail stores.

Carlton applied for registration of the word mark "CARLTON" under Registration No. 627450 in India on May 6, 1994, in respect of class 18 for goods i.e. 'leather and imitations of leather and classes, animal skins, hides, trunks and travelling bags, umbrellas, parasols, harness and saddlery, etc.', with the registration being valid and subsisting.

The popularity of the Carlton brand is reflected by its consolidated sales/revenue figures under the trademarks internationally and in India for the years ranging from 1992 to 2019, which is more than GBP 25 million. In India alone, Carlton's products have garnered tremendous sales and the sales figures for the year 2017-18 alone are INR 6753,87,202/- increasing from INR 162,84,730/- in the year 1993-94.

Carlton contended that VIP's adoption and use of trademark "CARLTON" and in relation to similar products are tantamount to infringement of Carlton's statutory rights vested in its registered and well-known trademarks/names/logos "CARLTON/CARLTON LONDON" and their formatives as well as violation of common law rights. It is alleged by Carlton that VIP has miserably failed in establishing spillover and/or transborder reputation of the mark "CARLTON" in the name of its predecessor Carlton International PLC into the shores of India and it is a settled law that trademark law is territorial in nature.

Carlton has produced the following evidence to show the use of its mark "CARLTON/CARLTON LONDON" in India and to prove actual confusion caused to the customers due to VIP's products under the mark "CARLTON":

- a) Invoices of sales from the year 2003 from various shops in different malls in Punjab, Haryana and Rajasthan and also a list of 24 outlets across Delhi, Gurgaon, Noida, Chandigarh etc., where some sales invoices pertain to the years 2003 to 2005.
- b) Certificate of Sales figures/revenues under the mark "CARLTON" in India for the years 1993-2018.
- c) Articles extensively figuring on various high-profile magazines and newspapers widely published and circulated in India such as Cosmopolitan, Femina, Fashion Bloom, Apparel, Society, Outlook, The Tribune, The Pioneer, HT City, Business Standard, The Hindu, etc. The earliest promotional material for bags dates back to March 2004.
- d) Presence on e-commerce platforms available in India like Myntra, Flipkart,

Amazon, etc. (e) VAT registrations from the year 1993 onwards.

- e) Master data of production under the "CARLTON" marks from the year 2003 onwards.
- f) Consumer complaints from the year 2016 onwards showing actual confusion amongst consumers mistaking VIP's products for Carlton's products.

VIP's case

VIP's predecessor-in-title Carlton International PLC was incorporated in London on November 12, 1976, under the name Raxvale Limited. In the year 1980, Raxvale Limited adopted the mark "DIPLOMAT CARLTON" and the mark "CARLTON" with a circular logo  was adopted in 1986 in relation to travel bags and luggage, strollers, suitcases, school bags, wallets etc. and related accessories in the UK.

Raxvale Limited applied for registration of the mark  in the UK on December 23, 1986, in class 25, and on May 19, 1988, in class 18. Raxvale Limited changed its name to Carlton International PLC on December 4, 1989, and after expanding its business in over 50 countries across four continents in 1994, applied for registration of the trademark "CARLTON" on July 26, 1995, in class 18 for goods namely, briefcases, luggage bags, suitcases etc. in India under registration no.

Résumés

Manisha Singh, Partner

Manisha is known to be one of the most reputed lawyers in the Intellectual Property domain, with a decorated career of over 25 years. She has served as a vital advisor to corporations and research organizations in handling intellectual property matters and developing strong IP portfolios. She is ceaselessly engaged in endeavors to strengthen India's IP protection and enforcement system to align it with international standards and work closely with industry associations and the government.

Manisha has served as the leading counsel for a client base in over 138 countries in their IP management and litigation matters. She is identified by her clients as a seasoned and reliable counsel for the prosecution and enforcement of all forms of IP rights, and planning and management of global patents, trademarks, and designs portfolios. She has also led numerous negotiation deals on behalf of her clients for both IP and non-IP litigation and dispute resolution.

Shubhankar Sushil Sharma, Associate

Shubhankar Sushil Sharma is a graduate in Commerce and Law, specializing in the subject of Intellectual Property Rights from Mumbai University. He has also completed his post graduate diploma in Media laws from NALSAR, Hyderabad. He joined LexOrbis as an Associate and has over three years of experience in the fields of trademark, copyright, and designs.

674589. VIP acquired the "CARLTON" marks along with the goodwill from Carlton International PLC by and under an Assignment Agreement dated March 25, 2004, and obtained registration of "CARLTON" mark in class 18 on April 21, 2006, with user claim from May 25, 2004.

VIP contended that the earliest trademark Application for the mark "CARLTON" in class 18 was filed by VIP's predecessor Carlton International PLC in India in the year 1995 and the same stands registered. Registration of "CARLTON" marks gives statutory rights to VIP under Section 28 of the 1999 Act. VIP alleged that Carlton has adopted identical marks and is proposing to use or is using the same for identical goods and is guilty of infringement. It was alleged that VIP's predecessor adopted the trademark "CARLTON" as a part of its corporate name on December 4, 1989, and VIP has been using the trademark ever since. By the year 1994, VIP's predecessor had popularised the products bearing the "CARLTON" marks across the world by making sales in various countries and had generated a trans-border reputation. By virtue of the Agreement dated March 25, 2004, Carlton International PLC assigned the goodwill as well as rights in the trademark "CARLTON" and its variants to VIP and by virtue of the said assignment, VIP is the owner and registered proprietor of the "CARLTON" mark and the use would date back to the date of adoption by its predecessor. Therefore, Carlton's date of adoption of the mark "CARLTON", which is admittedly 1992/1993/1994, is subsequent to the date of adoption by VIP, through its predecessor and VIP is thus the prior user and prior adopter of the trademark "CARLTON". VIP alleged that since the very adoption is dishonest and mala fide, no subsequent use can rescue Carlton from being held guilty of infringement. VIP also alleged that Carlton is also liable for the common law tort of passing off.

To substantiate its case, VIP had also placed reliance on certain articles, advertisements, and sales invoices of goods under the mark "CARLTON", post-acquisition of Carlton International PLC by VIP. The earliest sales invoice placed on record by VIP is dated August 11, 2006, followed by invoices dated October 26, 2006, October 31, 2006, January 29, 2007, and January 30, 2007, and thereafter from November 05, 2012, onwards. Significantly, invoices for the years 2006 and 2007 have no reference to "CARLTON".

Court's decision

The Court found that the rival marks are phonetically, structurally, and visually similar and both VIP and Carlton have registrations for their respective trademarks in bags and allied goods under class 18. Regarding the claims of infringement, the Court referred to the provisions of



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Section 28 (3) of the Trade Marks Act, 1999 according to which two or more persons are registered proprietors of trademarks that are identical to or nearly resemble each other and in such an eventuality, the exclusive right to use these trademarks shall not be deemed to have been acquired by one of those persons against each other, merely on account of registration, subject to a caveat that the trademarks are registered for similar goods. In this scenario, neither of the two can sue each other for infringement. Hence, this position was settled.

Concerning the claims of passing off and spillover of the trans-border reputation, the Court commented that the action for passing off is premised on the rights of a prior user generating goodwill, the essence and ethos of passing off being that nobody has a right to represent their goods as those of somebody and encash on the prior user's formidable goodwill and reputation. The Court pointed out that in order to succeed in the claim for passing off, both VIP and Carlton in their respective rights would have to establish their existence through their marks in India and their goodwill and reputation abroad alone would not suffice, applying the territoriality principle.

Assessing the evidentiary documents filed by VIP, the Court opined that its documents shed no light on whether the purported promotion material was extensively and widely published and/or circulated in India and whether customers here had seen and read them such that the goodwill and reputation of VIP's predecessor percolated and spilled into India, since universal or worldwide goodwill and reputation, without any evidence of territorial goodwill and reputation, is no longer the yardstick.

In this light, it was found by the Court that none of the promotional material or articles placed on record by VIP even obliquely reflect its predecessor's existence in the Indian market till 2004. Some documents, purported advertisements/price lists, reflect their origin dating back to the 1980s and 1990s, but there was no supporting material to show their awareness amongst customers in India.

The Court pointed out that in this era, knowledge and awareness of brands was mostly through the travel of people offshores or through electronic/print media as the online exposure was limited, and the Court, in this context, found that no documents evidencing sales in India by VIP's predecessor, in the form of invoices, bills, delivery documents, photographs of stores displaying the products, etc. under the trademark "CARLTON".

Assessing the evidence of Carlton on the same benchmark, the Court found that Carlton is 'first in the Indian market' in respect of bags and allied goods falling under class 18 sold

under the trademark "CARLTON", noting that the territoriality principle has overtaken the universality doctrine. In the Indian market, *prima facie* Carlton has made out a case of prior user and enviable exposure of bags under the mark "CARLTON".

The Court, therefore, concluded that VIP had failed to establish spillover of transborder reputation in India and/or prior users while Carlton is first in the Indian market and has shown formidable goodwill and reputation under the trademark "CARLTON" and its formative marks, consequently, the injunction was granted against VIP and VIP's suit was dismissed.

Conclusion

This judgement is yet another example reaffirming the territoriality principle when it comes to proving the trans-border reputation of a claimant. The Court made it abundantly clear that universal or worldwide goodwill and reputation, without any evidence of territorial goodwill and reputation, is no longer the yardstick. Where Plaintiff's business is carried on abroad, it is not enough to show that there are people in Defendant's country who happen to be its customers when they are abroad. Thus, the Plaintiff must have customers within the country of the Defendant. The Court disregarded the fact that the claimant



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of trans-border reputation also has a parallel registration in India for the same trademark in the same class. In India, the recent trend on this point indicates that the threshold for proving trans-border reputation has indeed been set as very high.

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- » **India Business Law Journal, 2018:** Manisha Singh recognized as one of India's Top 100 Lawyers, The A-List
- » **Asia Law Profile 2018:** Rated as Notable Firm, Asia Pacific Region
- » **Asialaw 2018:** Manisha Singh recognized as Leading Lawyer for IP
- » **Managing Intellectual Property, 2018:** Rated as a Tier 3 Firm in Patent Prosecution
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