CHOOSING A TRADE NAME: CONSIDERATIONS FOR THOSE ESTABLISHING A BUSINESS

VIKRAM GROVER
ANDREW BERGER
GAURAV BARATHI
DARIUS DALAL

Groverlaw
Tannenbaum Helpern Syracuse & Hirschtritt LLP
G.L.A. Law Offices
Jehangir Gulabbhai & Bilimoria & Daruwalla

Introduction

You have just incorporated a new company with the Registrar of Companies with no issue having been raised about your company's name and have launched your business when you receive a letter telling you to cease and desist from using the name because it infringes or dilutes another party's trademark rights.

The letter comes as an unwelcome surprise; and you immediately become concerned with avoiding litigation. After some initial research you learn that litigation for trademark infringement may lead to monetary and penal consequences, is expensive and time consuming, and could require that you change your business name, packaging, advertising and promotional material.

How can this be?

Trade names can violate the rights of trademark owners, even if the trade names are not applied onto actual goods. This is because business identifiers can nevertheless be misleading or cause a likelihood of confusion regarding the source of goods or services in the marketplace depending on the circumstances. Particularly, if the trademark is famous, a trade name can violate or dilute the rights of the trademark owner even in the absence of any relatedness of the goods or services or of any likelihood of confusion or competition between the famous trademark and trade name owners.

Background

Section 29 (5) of The Trade Marks Act, 1999 provides that, if a person uses another’s registered trademark as his trade name, part of his trade name, name of his business concern, or part of the name of his business concern, and deals in similar goods or services, that user is infringing the registered trademark.

Even in cases of un-registered trademarks, the Courts in India have prevented the use of identical or similar trade names by any other person for similar as well as distinct goods or services, if such use resulted in 'likelihood of confusion' or deception amongst the members of public and trade. Some reported judgments highlighting this result are mentioned below.

Therefore, as a practical matter, what precautions must be taken to reduce any potential infringement or violation of trademark laws which may result in litigation and damages?
Check before establishing a business (measure thrice, cut once)

You may think you have conducted the appropriate check of names having received the approval of the Registrar of Companies. But a name can still be found by a Court to violate the rights of a third party.

Although the Registrar of Companies checks its records for names that might be similar, the Registrar typically only refuses to register a name if it is identical to an already existing registered company name. For example, the Registrar would allow ABC Management Private Limited to be registered even though ABC Engineering Private Limited or ABC-TECH Solutions Limited is already registered. Additionally, the Registrar of Companies does not check the Register of Trade Marks to rule out any conflict with an identical/similar trademark that may be already registered or has rights. Therefore, before choosing your trade name, it is advisable to speak to a trademark professional and to have that person conduct a search of both the Registrar of Companies and of Trade Marks.

In addition to the above searches, a "common law" search should be undertaken through relevant trade directories and Internet search engines to determine whether there are businesses using a similar or identical name in the marketplace. In other words, you also need to do a "use check."

Three Examples Where Trade Names Infringed Trademarks

♦ In the case of World Book Inc & Ors. v. World Book Company (P) Ltd.¹, the Delhi High Court by its order dated 15th October, 2015 restrained the Defendant from using the corporate name and trade mark "World Book" and the domain name "world book company in" as it was an infringement of the registered trade mark of the Plaintiff; the use of the impugned corporate name, trade mark and domain name in respect of publication of novels likely to cause confusion and deception in the mind of unwary customers; and that the business of the Plaintiff was likely to be diverted to the Defendant on account of the features of the domain name which contained the mark of the Plaintiff.

♦ In a similar case² the Defendant was restrained from using the trade name "HOTEL RAJ COMFORT INN" for his hotel in Hyderabad as it was deceptively similar to the Plaintiff's trade mark and trading style "COMFORT INN". Though the Plaintiff had only obtained registration of the mark "COMFORT INN" in Class 16, the court held that the use by the Defendant amounted to infringement on the basis that the Plaintiff's mark was a well known trade mark. The court also held that the Defendant had committed passing-off by use of the trade name and domain name www.hotelrajcomfortinn.com.

♦ Another case decided in 2013 involved Bloomberg Finance LP, which since 2008³ had operated "Bloomberg UTV" in India and registered its trademark in India for that service. The defendant, Praful Sakhlecha had registered the trademark "Bloomberg" for similar services and used "Bloomberg" as its trade name. After evaluating all the material on the record, the Court held that "while the Defendants may hold the registration for the mark BLOOMBERG, in class 43 that by itself will not preclude the Plaintiff, which holds an earlier registration in other classes from seeking to restrain the Defendants from infringing the Plaintiffs marks...". The Court prevented Praful Sakhlecha from using "Bloomberg" or any other similar name as its trademark or trade name.

In addition, as mentioned above, if the trademark is famous or well known, the trademark holder can prevent another from using a similar sounding trade name even in the absence of competition between the parties or confusion regarding the source of the goods, i.e., where the goods and services in issue are
unrelated. An example is the case of *Kalpataru Properties Pvt. Ltd. v. Kalpataru Hospitality & Facility Management Services (P.) Ltd.*[^4] There the High Court of Bombay restrained the defendant from also using the name KALPATARU even where the goods/services of the parties were different. The Court reached this result by applying the principle of 'passing off' (misrepresenting your goods or services as that of another).

The lesson from these cases is clear. You need to **cover your bases and conduct a proper initial search for identical or similar trademarks** to mitigate the risk of inadvertently infringing or diluting an existing trademark, becoming the subject of litigation, and potentially having to change your name and expose yourself or your company to money damages.

**Intention and Use of Personal Name – No Defense**

In your concern over the unexpected letter, you may say you did not *intend* to trade off the reputation of the prior trademark or did not *mean* to infringe, dilute, or otherwise commit passing off. However, your intent in adopting a business identifier is irrelevant because intent is no defense in an infringement, dilution, or passing off action.

Further, you may even be prevented from making *bona fide* use of your own name, surname, or place of business as your trade name where such use is likely to cause confusion. Hence, business owners and those who assist in setting up companies need to exercise caution for this reason as well.

For example, in the matter of *Mahendra & Mahendra Paper Mills Ltd. v. Mahindra & Mahindra Ltd.*[^5] the Supreme Court of India upheld an injunction prohibiting the use of "Mahendra" in the trade name "Mahendra & Mahendra Paper Mills Ltd." because it was too close of a variant to the trademark MAHINDRA. Even though "Mahendra" was the director's name and there was no business similarity, the Court found that use of the name was likely to suggest a connection with the Mahindra companies and may also affect its business and trading activities.

Although the court orders in some of the above cases were interim, not final, the orders are based on established principles of law and were issued after consideration of the arguments and documents from both sides. Therefore, the orders are not only persuasive but considered good precedents by the Courts.

**Conclusion**

Before selecting your trade name, remember that those establishing a business may be held liable for infringement, dilution, or passing off because of a pre-existing trademark. Liability means that the business owners may be vulnerable to injunction as well as damages, even if a company name has been approved by the Registrar of Companies. If the name resembles a trademark which enjoys a reputation in India, the subsequent user could be held liable even if its goods/services are unrelated to those of the trademark holder.

Therefore, a stitch in time saves nine! Entrepreneurs: before investing in establishment/promotion of businesses, conduct clearance searches through the Register of Companies to verify the availability of a business name, do a search of the records of the Trade Marks Registry to ensure that the name you would like to adopt does not violate any trademark rights, and engage in a use check as well to determine whether someone is using a similar name in the marketplace. Though these measures are not a guarantee and are dependent on your search and analysis, these efforts up front will go a long way to reduce the risk of receiving any unexpected and unwelcomed letters alleging trademark infringement.
* Members, Trade Name Subcommittee of International Trademark Association’s Enforcement Committee.

1. 2014 (60) PTC 467 (Del).


