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MISLEADING ADS AND TRADEMARKS

A REGISTRATION CONUNDRUM

A Report by



Intellectual Property Attorneys



About The Advertising Standards Council of India (ASCI)

ASCI, established in 1985, is committed to the cause of self-regulation in advertising, ensuring protection of consumer interests', while being fair to the advertising industry. By self-regulating advertisements to ensure that they are honest, decent, safe and fair, ASCI supports consumers and responsible advertisers. ASCI's speedy, independent and low-cost complaint management approach ensures that both consumers and industry have the opportunity for a fair resolution. All stakeholders can register their complaints at no cost via WhatsApp at 77100-12345 or at www.ascionline.in. ASCI is supported by the four sectors of the advertising ecosystem, viz. advertisers, advertising agencies, media and allied professions such as others like PR agencies, market research companies etc. ASCI works closely with different stakeholders in the matter of consumer protection and its Code is part of The Advertising Code enshrined within the Cable TV Networks (Regulation) Act, 1994, providing it with a legal backstop. ASCI has always been a conscience keeper of the advertising industry. ASCI also supports the advertising industry to help them get their advertising right through several initiatives such as the ASCI Masterclass, and its expert led pre-production advisory services, that mitigate the risk of problematic ads being made and exposed to consumers.

About K&S Partners

Founded in 1994 as a three-member firm, today K&S Partners has emerged as one of India's leading intellectual property law firms. This award-winning law firm supports several leading Indian and global brands including Fortune 500 companies in all forms of intellectual property rights such as patents, designs, trademarks, copyright, geographical indications, plant varieties, trade secrets, and related matters.

Introduction

Advertising is an impactful medium to communicate with target consumers and inform them about the products and services a brand has to offer; more so, to establish superiority versus the rest in the market. However, to attract more customers and in a constant desire to increase profits, entities may resort to false or misleading advertisement campaigns at the cost of causing confusion and/or misleading these customers.

Back in the mid-1980s, a need was felt to curb the menace of misleading advertisements and to regulate the content of advertisements in India. To achieve this goal, the Advertising Standards Council of India (ASCI) was established, as a non-profit, self-regulating body under the Companies Act with the purpose of inter-alia

monitoring, administering and promoting standards of advertising with a view to safeguarding consumer interests in India. While ensuring competitive fairness, ASCI seeks to ensure that commercials and product claims conform to its Code of Self-Regulation "The ASCI Code", which requires advertisements to be truthful and honest, decent, safe and fair.

Entities often register descriptive or laudatory words, slogans, etc. as trademarks. Some of these descriptive or laudatory trademarks could be incorrect or misleading as they represent unsubstantiated characteristics, nature, quality or quantity of the product. When objected to by the ASCI, entities rely upon their statutory rights in the trademarks conferred by virtue of the registration of such descriptive or laudatory words as a defence.

In light of the above, this article attempts to analyse

01

Whether descriptive or laudatory words, slogans, etc. can be registered as trademarks and monopolised by entities

02

Whether the prohibition envisaged under the ASCI Code and the Consumer Protection Act, 2019 ("Consumer Protection Act") not to make false or dishonest claims in advertisements would apply to trademarks which are registered under the Trade Marks Act, 1999 ("Trade Marks Act")

03

How could the rights conferred under the Trade Marks Act and the restrictions prescribed under the ASCI Code and the Consumer Protection Act be interpreted harmoniously.

Registration of Descriptive/Laudatory Words – A Recipe For Disaster

An entity commencing a business and/or launching a product/service is usually faced with the predicament of deciding the name of the business and/or the product/service. Generally, entities adopt names which are descriptive of their goods/services for easy identification by the potential consumer.

Under Section 2(1) (zb) “trade mark” has been defined to mean a mark which is capable of distinguishing the goods or services of one person from those of others. Thus, the essential purpose of a “trademark” is to designate the source of origin of the goods or services to which it is applied.

Section 9(1) and (2)¹ of the Trade Marks Act bar registration of marks which are devoid of distinctive character, or are descriptive, or have become customary to the current

language or established practices of the trade, or which are likely to deceive the public or cause confusion. The only exception being that if a descriptive mark has acquired distinctiveness, then the same can be registered. The Courts in India have held that a descriptive and/or laudatory mark ought not to be registered unless it is shown that the said mark has attained secondary meaning owing to its use over many years.² In fact, Courts have time and again frowned upon the malpractice of entities who are habitually eager to monopolise descriptive words.

¹ 9. Absolute grounds for refusal of registration. — (1) The trade marks—

...

(b) which consist exclusively of marks or indications which may serve in trade to designate the kind, quality, quantity, intended purpose, values, geographical origin or the time of production of the goods or rendering of the service or other characteristics of the goods or service;

(c) which consist exclusively of marks or indications which have become customary in the current language or in the bona fide and established practices of the trade, shall not be registered:

Provided that a trade mark shall not be refused registration if before the date of application for registration it has acquired a distinctive character as a result of the use made of it or is a well-known trade mark;

(2) A mark shall not be registered as a trade mark if—

(a) it is of such nature as to deceive the public or cause confusion;

...

² *Marico Ltd. v. Agro Tech Foods Ltd.*, 2010 (44) PTC 736 (Del.) (DB); *Red Bull AG v. PepsiCo India Holdings Pvt. Ltd. & Another*, Judgement dated April 06, 2022 passed by Delhi High Court in CS(COMM) No.1092/2018.

Moreover, registration of a mark and the exclusive rights conferred thereto on the registered proprietor to use the mark in respect of goods or services so registered are not absolute.[Supra, at 2.] Sections 30(2)(a)[“30. Limits on effect of registered trade mark — (2) A registered trade mark is not infringed where—

(a) the use in relation to goods or services indicates the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services or other characteristics of goods or services.”] and 35[“35. Saving for use of name, address or description of goods or services.—Nothing in this Act shall entitle the proprietor or a registered user of a registered trade mark to interfere with any bona fide use by a person of his own name or that of his place of business, or of the name, or of the name of the place of business, of any of his

predecessors in business, or the use by any person of any bona fide description of the character or quality of his goods or services.”] of the Trade Marks Act clearly state that a registered mark is not infringed if its use is made by other traders to indicate the kind, quality, quantity and intended purpose of the goods to the public at large.

Having stated that, it is not rare that the Trade Marks Office allows registration of descriptive/laudatory marks. In many instances, such descriptive marks could be deceptive, false and dishonest. This becomes dangerous particularly when the false descriptions, slogans or the descriptive marks are used as a means to attract customers. As a result, the consumers are deceived into buying a product or availing a service, believing that such goods/ services possess certain characteristics or quality, character, etc., when they do not.

³ *Supra*, at 2.

⁴ “30. Limits on effect of registered trade mark — (2) A registered trade mark is not infringed where— (a) the use in relation to goods or services indicates the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services or other characteristics of goods or services.”

⁵ “35. Saving for use of name, address or description of goods or services.—Nothing in this Act shall entitle the proprietor or a registered user of a registered trade mark to interfere with any bona fide use by a person of his own name or that of his place of business, or of the name, or of the name of the place of business, of any of his predecessors in business, or the use by any person of any bona fide description of the character or quality of his goods or services.”

Below table depicts images of a few representative marks that were held to be descriptive/ laudatory by Courts in India:

S. No.	Case	Plaintiff's Mark
1.	<i>Cadilla Healthcare Ltd. v. Gujarat Co-operative Milk Marketing Federation Ltd. & Ors</i> ⁶ .	<p>Plaintiff was using the expression “Sugar Free” as a trademark, having secured registration in Russia, with applications pending in India.</p> <p>Defendants were using a catchy phrase “AMUL-Sugar Free-Pro Biotic Frozen Dessert” to describe the nature of their goods.</p> <p>The Delhi High Court held that the trademark ‘<i>Sugar Free</i>’ is descriptive and refused an injunction for use of the mark by the Defendants.</p> 
2.	<i>Marico Ltd. v. Agro Tech Foods Ltd</i> ⁷ .	<p>Plaintiff was the registered proprietor of the mark “LOSORB” and “LO-SORB”. Plaintiff also claimed monopoly over the unregistered trademark “LOW ABSORB”.</p> <p>Defendant was using the expression “WITH LOW ABSORB TECHNOLOGY”.</p> <p>The Division Bench of the Delhi High Court declined the injunction on the basis that ‘<i>Low absorb</i>’ is a descriptive expression.</p> 

⁶ (2008) PTC 168 Del

⁷ 2010 (44) PTC 736 (Del.) (DB)

S. No	Case	Plaintiff's Mark
3.	<i>Red Bull AG v. Pepsico India Holdings Pvt. Ltd. & Another</i> ⁸	<p>Plaintiff was the registered proprietor of the tagline “VITALIZES BODY AND MIND” since 2010.</p> <p>Defendant had adopted the tagline “STIMULATES MIND. ENERGIZES BODY”.</p> <p>The Delhi High Court refused injunction in favour of the plaintiff.</p> <div data-bbox="647 658 922 837">  </div>
4.	<i>Rhizome Distilleries Pvt. Ltd. & Ors. v. Pernod Ricard S.A. France & Ors.</i> ⁹	<p>Plaintiff was the registered proprietor of the marks “IMPERIAL BLUE” and “IMPERIAL RED”.</p> <p>Defendant had adopted the mark “Imperial Gold”.</p> <p>The Delhi High Court held that the trademark ‘Imperial’ is a common/ laudatory word and no exclusivity can be claimed in the same.</p> <div data-bbox="643 1176 799 1630">  </div>

⁸ 290 (2022) DLT 673

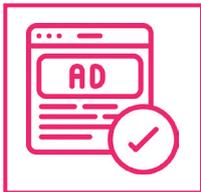
⁹ 2010 (42) PTC 806 (Del)

Registration of Trademarks Under Trade Marks Act and ASCI Code on Misleading and Dishonest Advertisements

Registration of a trade mark is frequently used to establish *prima facie* evidence of its validity. It is usually the case that proprietors of registered trademarks take the defence of registration in disputes wherein the descriptive nature of their mark(s) is challenged on the grounds of contravention of Section 9 of the Trade Marks Act. But what if the trade mark is antithetical to the characteristics or quality or nature of the goods? For instance, a descriptive mark like 'All WOOL' in relation to 'clothing' will certainly connote that the product contains all wool. The Trade Marks Office does not

scrutinise whether the message is true or not. Axiomatically, if the mark 'All WOOL' in relation to 'clothing' proceeds to registration but the goods sold under the trademark 'All WOOL' are not in fact made of all wool, then the consumers would be deceived. Such untrue advertisements are increasing owing to the cut-throat competition amongst businesses as a result of which the proprietors sometimes resort to dishonest means with the aim of gaining market share and multiplying their profits. If not checked, entities would continue deceiving the consumers by dishonest means.

At this juncture, ASCI's role as a regulating body becomes very important. One of the main functions of ASCI is to regulate the information carried through ads. The ASCI Code prescribes *inter-alia* that –



Advertisements must be truthful and all descriptions, claims and comparisons, which relate to matters of objectively ascertainable fact, should be capable of substantiation;



Where advertising claims are expressly stated to be based on, or supported by independent research or assessment, its source and date should be indicated in the advertisement; and



Advertisements shall not contain statements or visual presentation, which directly, or by implication, omission, ambiguity or exaggeration, are likely to mislead the consumer about the product advertised or the advertiser, or about any other product or advertiser.

While the guidelines enshrined under the ASCI Code introduced with the purpose of achieving fairness in the advertising sector may be non-binding, it is essential that the guidelines be adhered to, so as to ensure that consumers interests are upheld. ASCI Code further prescribes a complaint redressal mechanism wherein ASCI can act on complaints received from consumers or take *suo moto* cognizance of problematic advertisements. ASCI provides an opportunity to the advertiser or the advertising agency to make their case before a recommendation on such advertisement is provided.

The Consumer Complaints Council (CCC) of ASCI hears the plea of the advertisers and makes recommendations. During these proceedings, advertisers who have secured registrations for descriptive trademarks often rely on their registrations to claim that – (a) registration of the trade mark is *prima-facie* evidence of its validity; and (b) the ASCI Code cannot restrict the use of registered trademarks. These defences are devoid of any merits and, therefore, ought to be rejected.

Just like registration of a company's name incorporating a trade mark does not serve as a defence in a trade mark infringement or passing off action, registration of a trade mark cannot serve as a defence to make untrue or dishonest claims. Further, even though the ASCI Code does not specifically prohibit the use of registered trademarks, there is an express prohibition on the use of statements or visual presentations which directly or indirectly, make untrue or dishonest claims. Thus, the ASCI Code would certainly apply to trademarks, which are characteristically unverified or are untrue, as such presentations to the consumers mislead them.

Even otherwise, advertisement including trademarks which are untrue or misleading in a material respect as regards the goods or services to which it is applied, amounts to “false trade description” within the meaning of Section 2(1)(i) of the Trade Marks Act. Under Section 102 of the Trade Marks Act, it is an offence to falsely apply a trade description.

Below table depicts a few representative pictures of products where the claims made by the trademark were found to be unsubstantiated.

Product	Deceptive claim
	<p>While the name (Goodness of Wholewheat) of the product is likely to make consumers assume that whole wheat is the predominant base of the product, the product has 46.8% Refined Wheat Flour (Maida) & 17.7% Wholewheat Atta, the whole wheat being of considerably less proportion to Maida, thereby deceiving the consumers.</p>
	<p>Mother's 1st choice is a perceptive claim and is likely to change over time and therefore such a claim might be outdated and misleading.</p>
	<p>The product name "OG-3 Veg" is a registered trademark which is misleading as the product is a non-vegetarian product but has the nomenclature veg.</p>
	<p>'Zero Grey' is a registered trademark which can be construed as a product claim that requires sufficient product efficacy to make a claim of ensuring no greying.</p>

Apart from the ASCI Code, the Consumer Protection Act also aims to protect the interests of the consumers. Sections 18(1)(c) and (d) of the Consumer Protection Act condemn false and misleading advertisements by ensuring regulation of all advertisements by the central authority. While Section 21(2) of this Act imposes a fine up to Rupees ten lakhs, some of the breaches under the Act amount to criminal offence.

Harmonious Interpretation of the Rights Under the Trade Marks Act and Restrictions on Misleading Advertisements: A Possibility?

As stated above, registered proprietors/ advertisers sometimes get away with misleading advertisements pertaining to descriptive marks by relying on their trade mark registrations. On one hand, registration of a trademark confers exclusive rights on the proprietor to use the registered mark in relation to the goods and services for which it is registered.¹⁰ On the other hand, the ASCI Code and the Consumer Protection Act lay down various guidelines imposing a duty on the advertiser to be honest and truthful. Further, rights conferred under the Trade Marks Act are subject to other provisions including Sections 9, 30, 32 and 35 of the Trade Marks Act.

Therefore, it is vital that the rights conferred on the proprietor of a registered trademark are read harmoniously with the intent of the ASCI code and also in furtherance of the objectives of the Consumer Protection Act.

Pertinently, it is trite law that compliance of one Act does not exempt compliance of another. In other words, the Trade Marks Act, the ASCI Code and the Consumer Protection Act must complement and supplement each other and

not be in contravention to the other. In fact, the objects of the Trade Marks Act, the ASCI Code and the Consumer Protection Act are similar, in that all three aim to prevent confusion and deception in the minds of the consumers and prevent use of fraudulent marks/statements. Having said that, the harmonisation of all three in practice is not easy as the courts and tribunals could be often swayed by the registration conferred under the Trade Marks Act.

Thus, to mitigate the menace of advertisers relying on their registrations to get away with false and dishonest advertisements, it is imperative that the Registrar employs a greater degree of restraint in permitting registration of descriptive trademarks. If the Trade Marks office does not allow registration of descriptive marks that designate the kind, quality, intended purpose or other characteristics of the goods or service, then the advertisers would not be able to rely upon their trademark registrations in defence of their unsubstantiated claims. Such judicious exercise of the discretion vested with the Trade Marks Office would largely reduce the number of untrue claims.

¹⁰ Section 28 of the Trade Marks Act

Conclusion

One of the principal objectives of the ASCI Code, the Trade Marks Act and the Consumer Protection Act is to protect consumers from being deceived and provide them with informed choices. Failure in protecting the interest of the consumers would lead to grave miscarriage of justice.

It is time that the Trade Mark Office raises the threshold concerning descriptive or laudatory trademarks, failing which, the rights of the consumers to make an informed choice would be severely impinged. In other words, as a principle, descriptive marks must be denied registration under the absolute ground of refusal stipulated in Section 9 of

the Trade Marks Act, and registrations of such marks by virtue of acquired distinctiveness must be conferred as an exception.

The issue concerning false, unsubstantiated and dishonest advertisements is real. Given that falsely applying a trade description and broadcasting of false or misleading advertisements are offences under the Trade Marks Act and also under the Consumer Protection Act, the advertisers cannot hide behind their trademark registrations to urge that the ASCI Code does not permit recommendation of suspension or taking down of advertisements that violate the Code.

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