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Acquiescence - Time for A Modern Reset?

■ Sangeeta Goel & Mohit Goel

Amongst the various defences available to a defendant, especially in a trade mark infringement/passing off proceeding, is the defence of 'acquiescence'. The argument being that the plaintiff has been aware of the defendant and its use of the infringing mark and has, therefore, acquiesced to the said use. This argument, of course, is a highly simplified one without any added elements/ complications of past business relations between parties, correspondence exchanged between parties, etc.

This article seeks to examine the availability and application of this defence, in the modern-day world of conducting business and the internal structuring and formation of business concerns.

Acquiescence, in the context of a trade mark dispute, is a scenario where a plaintiff sits by, while allowing a defendant to build its mark. For The law on acquiescence, in the realm of trade mark law, is now well settled in India with the most relied on case being M/s. Power Control Appliances and Others versus Sumeet Machines Pvt. Ltd., decided by the Hon'ble Supreme Court of India in the year 1994. In fact, even the Trade Marks Act, 1999 specifically provides for acquiescence as a defence under Section 33, though this Section is only applicable where the defendant is also a registered proprietor of a mark. This, of course, does not preclude a defendant from raising the defence of acquiescence for its unregistered trade mark.

It is therefore now an accepted position that acquiescence requires a positive and express act by a plaintiff and not merely a passive inaction. Thus, if a defendant alleges that the plaintiff acquiesced to the mark in question based on the advertisement of the said mark in the Trade Marks Journal, and the non-filing of an opposition thereto, then perhaps the test to showing acquiescence may not be satisfied. The non-filing of an opposition cannot amount to a positive/express act of the plaintiff to encourage the use and growth of the mark in question.

However, where the plaintiff, for example, has had business dealings with the defendant, and is actively aware of the mark in question, and allows the defendant to build its business and there-after decides to sue the defendant, perhaps in this scenario the plaintiff will be hit by acquiescence. But this scenario certainly raises an interesting issue, especially in today's global and digital age. Let us examine this with an example.

Company ABC Pvt. Ltd. ('ABC') has over 2000 employees spread across India, with different teams located in different parts of India. ABC's key managerial personnel (including directors, promoters, legal team) are based in Mumbai. A low-level employee of ABC, based out of Mysore, who has no contact whatsoever with ABC's key managerial personnel, engages in some professional email correspondence with another entity, XYZ Ltd. ('XYZ'). This employee has no knowledge of XYZ's trade mark- ACB. ABC, there-after, decides to sue XYZ over the use of its mark ACB. In their defence, XYZ points to the emails exchanged between ABC's employee, based in Mysore, with XYZ, and avers that ABC is guilty of acquiescing to the use of mark ACB and that ABC (as a company) has had active knowledge of XYZ and its business. How will the issue of acquiescence pan out? This article does not profess to provide the

sim & san
ATTORNEYS-AT-LAW

176, Ashoka Enclave-III,
Sector-35, Faridabad -121003,
National Capital Region (NCR)
T: +91 0129 4132176
E: admin@simandsan.com

answer, but rather raise certain issues qua acquiescence in such a scenario.

It is settled law that a company operates and functions through its key managerial personnel, which positions are defined in the Companies Act. It is these key managerial personnel who are responsible for the day to day management and functioning of the company. Can, therefore, interaction and knowledge by a low-level employee, with no direct contact with the key managerial personnel, be equated and elevated to the company having express and active knowledge of XYZ and its mark ACB? Such a scenario is a very real possibility, given that Indian companies have vast employee count and offices. Can the law of acquiescence have a blanket and general test, without actually appreciating the nuances of the way companies are run? Similarly, many companies have an automated email response. Can, therefore, a defendant who receives an automated email response from the plaintiff, aver that the plaintiff has been actively dealing with the defendant and, therefore, this amounts to acquiescence?

In the above example, ABC's (possible) response that the law of acquiescence has to be seen and judged from interactions with and knowledge by the key managerial personnel ought to be considered. On the other hand, the argument may be that the plaintiff is a company, and, therefore, it does not matter which employee interacts with the defendant. However, the latter fails to consider how modern businesses are run, with clear demarcated teams, sometimes located in different cities. Similarly, the law of acquiescence ought also, in the authors' opinion, be amendable and open to factoring in digital and technological issues such as automated email responses. For a traditional business, such as a sole proprietorship or small business concern, the law of acquiescence can be as is - i.e. taking a rigid and strict approach. However, Courts in India ought to consider the nature of ABC's business, how ABC is set-up internally and the actual interactions itself between the Mysore based employee and XYZ, before concluding on whether the ABC is guilty of acquiescence.

In conclusion, it is evident that the issue of acquiescence is a complex defence, which is dependent on several factors and considerations. It, therefore, becomes vital that the Courts examine issues of acquiescence deeply and, before concluding, examines the prevalent business practices and company structure. Given that acquiescence alone is a solid defence against a claim for infringement and/ or passing off, a superficial examination of the defence of acquiescence may not be enough. In fact, a mere allegation of acquiescence alone, in view of the modern-day way of doing business, cannot, and ought not to, deter Courts from restraining dilution of trade marks, when the subsequent user has knowingly adopted the infringing mark and continues to use the same with the same knowledge.

Sangeeta Goel is the Founding & Managing Partner of SIM AND SAN, Attorneys at Law. Sangeeta is a specialized practicing IPR Lawyer. Sangeeta has a rich and varied experience, spanning almost 40 years in the legal fraternity. She has been associated with some of the most revered names in the legal arena, where she has headed their respective IPR teams.

Mohit Goel is a Partner in the Firm's Dispute Resolution team. Mohit's expertise extends to dispute resolution in the field of Intellectual Property Rights and Arbitration and Conciliation. Mohit has played and continues to play a key role in some of India's biggest Intellectual Property disputes. Mohit is also an active member of the International Trademark Association (INTA).