

ZARA BRAND AFFECT- THE TRANS-BORDER REPUTATION OF TRADEMARKS

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I. Introduction

What's in a name?³ While writing these lines, back in 1593, William Shakspeare must have no idea how much valuable a name can be. Trade names and marks symbolize the reputation and credibility of a business. And stronger the reputation of the business, the higher is the value of the name associated with it. And, like any other valuable possessions, people try to protect their names and marks of business. This is how the beginning of trademark era marked. Protection of mark does protect the reputation attached along with it. The brand image develops a brand value, which in turn serves as the asset for the company. It is highly essential for the company to provide legal protection to its brand. Trademarks develop the brand-value through proper investments and usage of the mark in the market. Earlier the ambit of the market was limited to the domestic territory. But after liberalization, trans-national economic activities have taken a new leap and the consumer base is no more limited to the domestic boundaries but expands across the globe. This, in turn, influences the global image of the brand. Now brands like Adidas, Nike, Zara are no more domestic brands but global sensation. This makes it more necessary for these brands to protect their value. Such brands tend to have a reputation which goes beyond boundaries.

Recently, Zara put forward a case against a Delhi restaurant on the basis of its trans-border reputation⁴. Zara is a retail giant, which claimed to have a spill-over effect of its reputation spreading across countries. In this particular case, the defendant Oriental Cuisines Private Limited filed a trademark application, to register the name Zara Tapas Bar. This was confined to restaurant services and other allied goods and services in relation to hospitality and provisions of foods and drinks, excluding any claim of protection and use under Class 24 and 25 pertaining to textile and textile goods.

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³ WILLIAM SHAKESPEARE, *ROMEO AND JULIET* (1593).

⁴ *Industria De Disento Textile SA v. Oriental Cuisines Private Limited and Ors.* CS (OS) No. 1472/ 2013

Whereas, Zara being currently among the Forbes's World's Most Valuable Brands, with brand value of 11.3 billion dollars⁵ has 2,200 stores in more than 93 countries including India, and it is in the flagship brand of Inditex Group. Zara, hearing upon the trademark filed by the defendant, got apprehensive that it was a planned coy to take the advantage of the spill-over effect of Zara' trans-border reputation and file the suit of infringement. The main purpose of this paper is to analyze the extent of the trans-border reputation of marks by doing the case study of Zara. In this paper we analyze various aspects of trans-border reputation of mark, mainly dividing it into five sections, (1) the aspect of trans-border reputation as goodwill or reputation; (2) the international agreements ascertain the concept of trans border reputation of marks; (3) the legal regime in countries such as United States, European Union and India over such protection; (4) the limit of territoriality in such trans-border reputation and; (5) protection of such marks even in nonexistence of product in market. All of this is viewed in the background of the ZARA Case.

II. Trans-Border Reputation- Protection of Goodwill or Reputation

Goodwill is an English term and probably was used in English courts. A generally accepted definition of goodwill does not exist, but there are similar opinions. One can define goodwill as the power of attraction gained by an enterprise. It is an outcome of a favourable attitude of the consumers and their constant support.⁶

Goodwill is a property, as it is an intangible asset and has the particular value. So, the owner of goodwill has a property right that can be protected by an action of passing-off. In common law system, passing-off action requires proof of goodwill and not merely reputation. Therefore, we see that goodwill and reputation are not considered synonyms under common law, even though often they are used interchangeably.⁷ So, under common law, if a business has the reputation it doesn't necessarily mean it has goodwill. It is difficult to set out clear differences between the two, as the clear definition of reputation is not found, neither in case laws nor in literature. But it has been accepted that reputation is one of the prerequisite conditions for acquiring goodwill.

⁵ *The World's Most Valuable Brands*, FORBES, (Jan. 20, 2018, 03: 23 PM), <https://www.forbes.com/companies/zara/>

⁶ Gvavtsa Gugeshashvili, *Is Goodwill Synonymous to Reputation*, *Juridica International*, at 126, 127 (Oct. 20, 2017, 01:45 PM), http://www.juridicainternational.eu/public/pdf/ji_2009_1_126.pdf.

⁷ Soumya Banerjee, *Transborder Reputation*, 11 *Journal of Intellectual Property Rights*, 276, 274-279 (2006).

In common law countries such as India, United Kingdom, and the United States all firmly give importance to goodwill rather than reputation. In case of trademarks, goodwill gives value to the trademarks. It plays a significant role in the protection of a mark. It is said that when a trademark is filed for protection, it is not the mark that is protected but the goodwill behind the mark.

For a mark like Zara, the goodwill is associated with its worldwide reputation. The Delhi High Court in this aspect considered the documents submitted by the plaintiff evidencing the use of the mark Zara in India before 2003⁸. The Court observed that in this century there are widespread dissemination of information through television and internet especially social media. So, Indian consumers cannot be unaware of Zara's products.

III. International Conventions Involved in Trans-Border Reputation

The principle of cross-border reputation hails well-known trademarks. International Agreements like the Paris Convention and TRIPS Agreement recognize the protection of the well-known trademark.⁹

a. Madrid Protocol Relating to the International Registration of Marks

The Madrid system provides one single procedure for the registration of trademarks in several territories. It is governed by two treaties, 'the Madrid Agreement concerning the international registration of marks' (briefly known as Madrid Agreement) and the 'Protocol relating to the Madrid Agreement' (briefly known as Madrid Protocol). These treaties are administered by the International Bureau (IB) of the World Intellectual Property Organisation (WIPO) in Geneva, Switzerland.

The Madrid system for the international registration of marks (the Madrid system) was established in 1891. It offers a trademark owner the possibility to have his trademark protected in several countries, through filing one application directly in his own national or regional trademark office. Through this application, an international mark which is so registered is equivalent to the application or a registration of the same mark affected directly in each of the countries designated by the applicant. Therefore, if the trademark office of a designated country does not refuse the protection within a specified period, the protection of the mark is same as that of a registered mark of the said country. The Madrid system had also simplified greatly the subsequent management of the mark, as the Madrid system made it possible to record subsequent changes or to renew the registration through

⁸ *Id.* at 10.

⁹ Md. Milan Hossain, *Trademark Protection: Bangladesh Approach*, 5 IOSR Journal of Humanities and Social Science (JHSS), Nov. - Dec. 2012, at 01-06.

a single procedural step. However, India is not a signatory to the Madrid Agreement but became a party to the Madrid Protocol in 2013.¹⁰

b. Paris Convention

According to the “well-known Marks” doctrine (also known as the “Famous Marks” doctrine) under Article 6*bis* of the Paris Convention¹¹ -a trademark or service mark may be entitled to get protection in a country, even if it was never used or registered in that country.¹² Article 6*bis* of the Paris Convention obliges a member country to refuse or cancel the registration and to prohibit the use of a trademark that is liable to create confusion with another trademark already well-known in that member country for identical or similar goods.

3.4 Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Article 16.2 and 16.3¹³ of the TRIPS Agreement provide certain rights for the owners of well-known trademarks and service marks. They

¹⁰ PTI, *Global trademark registration: India joins Madrid Protocol*, THE HINDU, Apr. 8, 2013, (Jan. 26, 2018, 10:20 PM), <http://www.thehindu.com/business/global-trademark-registration-india-joins-madrid-protocol/article4595090.ece>.

¹¹ Article 6 bis - [Marks: Well Known Marks]-

(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

¹² James Cambridge, *Global Product Branding and International Education*, 1 Journal of Research in International Education, 226, 227-243 (2012).

¹³ Article 16: Rights Conferred-

2. Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to services. In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

3. Article 6bis of the Paris Convention (1967) shall apply, mutatis mutandis, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or

extend the protection of Article 6bis of the Paris Convention by including service marks and dissimilar goods. Many countries protect the unregistered well-known marks in accordance with their international obligations under the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement). Consequently, not only big companies but also SMEs may have a good chance of establishing enough goodwill with customers so that their marks may be recognized as well-known marks and acquire protection without registration. Nevertheless, it is advisable to seek registration, as many countries provide for an extended protection of registered well-known marks against dilution (Art. 16.3 TRIPS), i.e., the reputation of the mark being weakened by the unauthorized use of that mark by others.

Further, it is known that in a number jurisdictions, trademark laws merely implement obligations under Article 16.3 of the TRIPS Agreement and protect well-known registered trademarks only under the conditions that the goods and services for which the other mark is used or is seeking protection are not identical with or similar to the goods for which the well-known mark acquired its reputation that the use of the other mark would indicate a connection between these goods and the owner of the well-known mark, and that his interests are likely to be damaged by such use.¹⁴

India is a signatory to the Paris Convention and TRIPS Agreement. Therefore, the principle of trans-border reputation and national treatment is an accepted legal principle. The rule of cross-border reputation is contained in Section 35 of the Trademarks Act, 1999 and it guarantees protection to the well-known trademarks or foreign trade marks on the basis of their international reputation. India thereby abides the requisite of Article 16 of TRIPS Agreement, which grants better protection and treatment of trademarks.¹⁵ As a result, a foreign trade mark owner having cross-border reputation can bring a passing off action in India if his mark is unauthorized used in here.¹⁶

services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

¹⁴ *Well-Known Marks*, WIPO, (Dec. 11, 2017, 11: 12 AM) http://www.wipo.int/sme/en/ip_business/marks/well_known_marks.htm

¹⁵ Id.

¹⁶ Id at 28.

IV. Trans Border Protection in National Boundaries

4.1 The United States

In the year 1946, Congress passed the Lanham Act (15 U.S.C. § 1051–1127), which currently defines federal protection and registration for trademarks, administered by the United States Patent and Trademark Office (USPTO). In the United States, both registered and non-registered trademarks are eligible for protection under the Lanham Act. The Act not only safeguards the trans-border operations of trademarks but also extends up to others situations like virtual reality etc.¹⁷The advantage of having a registered mark is that after five years of unopposed use, the mark becomes "incontestable".¹⁸ An incontestable mark cannot be attacked because it is merely descriptive (even if it is). This means that the defendant in a trademark infringement suit cannot directly attack the plaintiff's mark, but must instead focus on showing a lack of a likelihood of confusion. Even without incontestability, a registered mark has a presumption of being a valid trademark, placing the burden on the defendant to attack the plaintiff's mark.

4.2 European Union

The principles of trans-border reputation have been implemented in EU law, both in the First Trademarks Directive (89/104/EEC) and in the Community Trademark (CTM) Regulation (40/94).¹⁹ As per Article 4(2)(d) of the Directive and Article 8(2)(c) of the Regulation protect marks in the sense of a "well-known trademark" as provided under Article 6bis of Paris Convention. Further, the extended protection required under Article 16(3) of the TRIPs Agreement has also been provided under Articles 4(3), 4(4)(a) and 5(2) of the Directive and Articles 8(5) and 9(1)(c) of the Regulation. In these provisions, protection is available to marks "with a reputation" against the use or registration of similar marks for non-similar goods or services. This applies where the use of the later mark, without due cause, takes unfair advantage of or is detrimental to, the distinctive character or the repute of the earlier reputable mark. Here we see that some of the EU law provisions refer to "well-known trademarks" in the sense as used in Article 6bis, whereas others refer to "marks with a reputation". The legislation does not elaborate on the latter term, which is used in the provisions equivalent to

¹⁷ Divya Prakash Pathak, *Protection of Trademarks in Virtual Reality Environment*, 14 IND. ORGAN. PRODUCT. INNOV. TECHNOL. JOURNAL, 2–7 (2013).

¹⁸ Dan L. Burk, *Trademark Doctrines for Global Electronic Commerce*, 49 S. C. L. REV., 697, 695, 738 (1998).

¹⁹ Venessa Marshland, *Famous and Well-Known Trademarks in EU law*, World Trademark Review, Jan-Feb 2008, at 66 (Dec. 22, 2017, 08:20 PM), <http://www.worldtrademarkreview.com/Magazine/Issue/11/Country-correspondents/United-Kingdom-Clifford-Chance-LLP>.

Article 16(3) of the TRIPs Agreement, this is due to the fact that the EU legislation pre-dates the TRIPs Agreement, it could be stated that this reference is not to the terminology used in this agreement.

Further, the Trademarks Act, 1994 in the United Kingdom, governs trademark and their registration as well as protection. This Act has provisions for both registered trademarks and the European Community trade mark, as well as gives effect to the Madrid Protocol relating to the International Registration of Marks of 27 June 1989.²⁰ The Act prohibits the registering of a trademark if it is of such a nature as to deceive the public about the geographical origin of the goods or services. The Act also prohibits in certain circumstances the disclosure of information without the consent of the applicant for the trademark.²¹

In case of *General Motors Corporation v. Yplon SA*²², it was argued before the British Court that for a mark to have a reputation under Article 5(2) of the directive, it need not be well known in the sense of Article 6bis of the Paris Convention. It is peculiar to notice that the European Court of Justice (ECJ) did not comment on this relationship. It did, however, provide guidance on what amounts to a 'mark with a reputation', that is to satisfy this requirement, the trademark must be known by a significant part of the public concerned in a substantial part of the relevant territory.

4.3 India

Reputation is usually understood in terms of goodwill attached to the mark. Initially, this reputation was limited within the territory of the concerned country, and so it had to be registered in that particular country. But now the reputation of the mark is not limited to the country of origin but has surpassed the geographical frontiers and is spread across the world. In India, the aspect of trans-boundary reputation is provided under Section 35 of Trade Marks Act, 1999 and offers protection to foreign trademarks on the basis of their international reputation.²³ This concept has been recognized and protected by the Indian Courts. The doctrine of trans-boundary reputation was considered for the first time in the case of *N.R. Dongree vs. Whirlpool Corporation*²⁴. The court held that in current world the product and the trademark under which it is sold does not have a reputation or

²⁰ Shwetaree Majumder, *The Toshiba Spin on Trade Marks*, Managing Intellectual Property, 121, 125 (2008).

²¹ Vivek Kumar Choudhary, *Protection of Well-Known Trademarks and Weakening of Honest Concurrent User Defense*, 15 Journal of Intellectual Property Rights, 293-301(2010).

²² RPC (2000) 117 (15)

²³ Dev Gangjee, *The Polymorphism of Trademark Dilution in India*, 17 Transnat' L L. & Contemp. Probs., 611, 630 (2008).

²⁴ 1996 PTC (16) 583 SC

goodwill where it is not available, but the knowledge and awareness of it, critical evaluation and appraisal travels beyond the confines of a geographical area in which it is sold. In *Apple Computer Inc. v. Apple Leasing & Industries*²⁵, the High Court of Delhi held that “if the reputation of a trader, trading or carrying on business in another country, had travelled to a country where he carried on no business, this reputation having been acquired. On the basis of extensive advertisements and publicity, then another trader could be injected to protect the reputation of the trader who was not trading in the country.”

Further, in India, we see that the aspect of trans-boundary reputation has been dealt through two major categories, which is dealt in upcoming sections.

V. Non-Existence of Product Physically in the Market

For a brand to be protected in the country, it need not necessarily have the product in the market. The Supreme Court in *Ruston & Hornby Ltd. v. Zamindara Engineering Co*²⁶, held that “there does not seem to be any requirement that the plaintiff must carry on business in India before bringing an action for passing off for he can prove that he has otherwise acquired reputation in the country.”

Further, the Bombay High Court and the Delhi High Court reiterated the above view in *Kamal Trading v. Gillette U.K.*²⁷ and also in *Blue Cross and Blue Shield Association v. Blue Cross Health Clinic*²⁸ respectively. In *N.R. Dongre v. Whirlpool Corporation*²⁹, the doctrine of “trans-border reputation” was considered in detail for the first time. It was held that “In today’s world it cannot be said a product and the trade mark under which it is sold abroad, does not have a reputation or goodwill in countries where it is not available. The knowledge and awareness of it and its critical evaluation and appraisal travels beyond the confines of the geographical area in which it is sold.”

The Supreme Court finally established the law related to the trans-border reputation in the case of *Milmet Oftho Industries & Ors. v. Allergen Inc.*³⁰, by giving the view, “the mere fact that the respondents have not been using the mark in India would be irrelevant if they were first in the world market.”

²⁵ (1993) IPLR 63 (Del)

²⁶ 1970 AIR 1649

²⁷ (1988) PTC 1 (Bom-DB)

²⁸ (1990) IPLR 92 (Del)

²⁹ 1996 PTC (16) 583 (SC)

³⁰ (2004) 12 SCC 624

With the rapidly growing international trade, where physical frontiers are no more restraint, and the products are widely available in every country of the world, it is important to recognize the trans-border reputation attached to the products of an international company.

We can see that Indian Courts through their various decisions have ensured to protect the intellectual property of foreign companies, even if the products are not available in India. It is still advisable that the foreign company should register their products under different trademark classes in different countries to avoid such conflicting situations/claims

VI. Territoriality of Trans-Border Marks

Territoriality of trademarks sustains the fact that the mark in question is valid and enforceable only within the geographical limits of that territory, which extends to the goodwill subsisting the same. It clear that a brand may enjoy enormous reputation in the market where it is not even available, but it cannot attain goodwill among consumers for the simple reason that they can have never purchased the good.

With the seamless world market and development of the concept of spillover of marks, there has been a change in the present scenario. In India, the trademark law is clear that one cannot falsely induce the consumers to believe that his products have a connection with that of a well-known business of another.³¹ A well-known mark basically means a mark that has become a substantial segment of the public which uses such goods or services that the use of such mark in relation to other goods or services is likely to be taken as indicating a connection in the course of trade or rendering of services.³²

VII. Conclusion

The growth and development in the international market have made it necessary for the trans-border reputation of a trade mark be properly recognized and protected in different countries. The Indian courts have given due importance and protection to the trans-border reputation of a

³¹ Anuradha Maheshwari & Priyam Ravidharan, *Trademarks Across Borders*, IPERA, (Oct. 16, 2017, 11:34 PM), <http://www.ipera.in/articles/item/392-trademarks-across-borders.html>.

³² Section 2(zg) of Trademarks Act, 1999-
“*well-known trade mark*”, in relation to any goods or services, means a mark which has become so to the substantial segment of the public which uses such goods or receives such services that the use of such mark in relation to other goods or services would be likely to be taken as indicating a connection in the course of trade or rendering of services between those goods or services and a person using the mark in relation to the first-mentioned goods or services.

trademark. Further, it is always suggested that the foreign traders should get their marks registered in as many countries as possible, in order to avoid any kind of a conflict. The present scenario in India such recognition and protection are extended to unregistered and foreign trade marks on the basis of their trans-border reputation.

In the *ZARA* case, the recognition and protection of the trans-border reputation of the marks actually came to the rescue of the Plaintiff, although it was not registered in the classes other than 25 & 26. The court decided the matter in their favour, on these grounds - The court had observed that it was *prima facie* established that the mark ZARA was adopted by the plaintiff in the year 1975, whereas the defendant had adopted the impugned mark in the year 2003. Further, at the time of this adoption by the defendant, the impugned mark was well-known and reputed even in India which was evident through evidences including some of the articles like '*ZARA, a Spanish Success Story*' of June 15, 2001 was by *CNN.com*, '*The reign of Spain*' dated October 28, 2002, in *The Guardian*, '*Retail @ the speed of Fashion*' on the site *thirdeyesight.in* by an Indian *Devanshu Dutta* in the year 2002 and 2003.

Although, there were no ZARA stores in India prior to 2010, but the name ZARA had sneaked into the Indian Territory even before 2003. Taking into these considerations, the Court concluded that the defendants' adoption of the mark was dishonest and fraudulent and granted an ad interim injunction was against the Defendant restraining him from using the impugned mark.

Therefore, we see that this order passed by the Delhi High Court does indicate that Indian laws are in favour of protecting the well-known marks having trans-border reputation and infringement thereof, in no manner would be entertained.