

HELLO

Series of brief newsletters released by Bharucha & Co. on latest development of IP predominantly in Pakistan.

Export of Goods from Pakistan – Deemed Use in Pakistan – Sale of Products through Distributor – Deemed Use of the Mark by the Owner – Distributor Not Entitled for Registration of Trademark in its Name

Appellant: Pioneer Cement Limited
Respondents: Fecto Cement Limited and 3 others
Decision: Appeal Allowed

Appellant claimed to be the creator, originator, owner and user of the trademark “P” in stylized form which it claimed to have used since the inception of its business for more than two decades. It further claimed to use its “P” logo with two elephant device, which it designed and printed in May 2010, for export of its products to Afghanistan and Central Asian Republics by appointing Respondent No.3 as its distributor. The distributor entered into a contract with an Afghan company and exported Appellant’s cement to it. Subsequently Appellant’s relationship with Respondent No.3 terminated and thereafter Respondent No.3 contacted Appellant’s competitor, Respondent No.1, and started exporting cement manufactured by Respondent No.1 under the same trademark as that of the Appellant’s (replacing the letter “P” with “Ps”) to the same Afghan entity.

Both Appellant and Respondent No.3 filed applications for registration of the trademark “P” logo with two elephant device in Pakistan, which are pending registration whereas the Afghan importer got the same mark registered in Afghanistan in its own name. Appellant filed a suit for infringement and passing off before District Judge, Lahore, along with an application for grant of injunction to restrain Respondent No.3 from using the mark. The Additional District Judge in his decision did state that the most important factor in trademark cases is as to who is the prior user. However despite this he dismissed injunction application on the grounds that the Appellant’s (Plaintiff in the suit) trademark was not registered, Respondent No.3’s (Defendant in the suit) mark was different due to “Ps” instead of “P”, Appellant did not produce cogent and convincing evidence and the trademark has been registered in the name of an Afghan entity hence Appellant was not deemed to be the prior user of the mark. Appellant preferred an appeal before the Lahore High Court.

Respondent No.3 pleaded that the trademark is the brainchild of one of its directors named as Respondent No.4 in the suit. The court found this defense to be dishonest on the basis that despite its claim it permitted a separate entity in Afghanistan to obtain registration of the same trademark and did not register it in its own name in Afghanistan. Furthermore it was observed that Respondent No.3 was appointed as distributor vide Appellant’s letter of March 29, 2010 whereas, it applied for registration of the trademark in its name as late as on August 31, 2010.

The High Court’s decision did not give any consideration to registration of similar mark in Afghanistan in the name of another entity as in its view the matter was in relation to sale and export of cement from Pakistan. It was held that as per Section 5(2) of the Trade Marks Ordinance, 2001 the act of applying a trademark on the goods in Pakistan, which are then exported constitutes use of the mark in Pakistan. As such due to export of goods bearing Appellant’s trademark the mark had acquired reputation and goodwill in Pakistan in the name of Appellant and Appellant had the right to restrain

Respondents from manufacturing and exporting cement under the disputed mark to any other country or sell in Pakistan even though Appellant's mark is not registered in Pakistan.

It was also stated in the decision that Respondent No.3 did not deny the fact of being a distributor of Appellant and it was held that in trademark matters the concept of a distributor is merely a representative of the owner of the trademark who is engaged by the owner for supply or distribute the goods of the owner bearing the owner's trademark for a specified territory on a commission basis. There is no other relationship between the two and so a distributor is not entitled to or cannot claim to be the owner of the trademark or apply for its registration in its name. It was further held that even if the trademark is registered in the name of the distributor it would be liable to be cancelled/rectified once the true owner of the trademark obtains knowledge of its existence. It was also observed that trade marks rights are lifelines of businesses and unauthorized use of owner's trade mark by third parties results in un-quantifiable loss and damage to its goodwill and business which is irreparable in nature. Consequently, the appeal was allowed.

