

HELLO

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DECEPTIVE MARKETING PRACTICE

Complainant: M/s Ferozesons Laboratories Limited

Respondent: M/s Neucon Pakistan

Decision: Deceptive Marketing Practices - Penalty Imposed

The Complainant's business operations consisted of manufacturing, importing, packaging and selling certain medicinal/pharmaceutical products across Pakistan. Additionally, the Complainant was also the sole distributor and right holder in Pakistan of a complete range of products sold under the brand name "BIOFREEZE". It was registered with the Registrar of Trade Marks and was also enlisted with the Drug Regulatory Authority of Pakistan (DRAP), as the authorized importer and distributor of the pharmaceutical products branded as, "BIOFREEZE". The Complainant availed before the Competition Commission of Pakistan (**the Commission**) that the Respondent was fraudulently using deceptive or confusingly similar trademark "BYQFREEZ". In particular the Respondent was using similar pharmaceutical preparations in the form of spray and gel so as to pass off as the products of the Complainant which tantamounted to deceptive marketing practices in contravention to Section 10 (2)(d) read with sub section (1) of subsection 10 of the Competition Act 2010 (**the Act**). The Commission conducted an enquiry under the terms of Section 37(2) of the Act and based on the findings of the Enquiry Report, issued a Show Cause Notice (SCN) to the Respondent requiring it to respond in writing and also to appear before the Commission.

The Respondent did not submit its written reply to the SCN however its authorized representative did attend the hearing. The Complainant's counsel contended that the complainant was entitled to the exclusive use of the trade mark "BIOFREEZE" in respect of all kinds of pharmaceutical preparations and that owing to extensive advertising and promotion for more than a decade, it had acquired immense goodwill and reputation globally including Pakistan. The Respondent had adopted the identical trademarks first "BYQFREEZ" and subsequently "NEUFREEZ" and associated its trade dress; the colour(s) green and light blue as a feature of the mark, with dishonest intention and had committed acts of infringement. Furthermore, it was also claimed that the goods of the Respondent under the said trademarks were being passed off or were likely to be passed off as and for the well-known goods of the Complainant sold under the trade mark "BIOFREEZE".

The Respondent did not accept any submission made earlier by the Complainant and contended that it was the sole distributor of M/s Performance Health for its brand "BIOFREEZE" in Pakistan and after discontinuation of distributorship, it changed its business name from Neucon Pharma to Neucon Pakistan and started sale of its own products with an altered packaging and different name "By QFREEZ HPQR" under private labeling agreement with M/s Diafarm in Denmark through four distributors across Pakistan. It further argued that since Biofreeze was a "cryotherapy"/cold therapy" pharmaceutical preparation sold by a chemist on prescription of a registered medical practitioner, no consumer was likely to be deceived in the market. The Respondent agreed to withdraw its products from the market and change its brand name and presented its new product packaging branded as "NEUFREEZE", which was also treated deceptively and confusingly similar by the Commission and held that the Complainant's grievance remained unresolved.

The Respondent showed its willingness to alter the brand packaging to the satisfaction of commission but failed to respond with such alterations.

The Commission identified the following issues:

- i, Whether the Complainant's claim qua the trade mark "BIOFREEZE" and associated trade dress was valid for the purpose of section 10 of the Act. and
- ii, Whether the Respondent was engaged in deceptive marketing practices in contravention of clauses (a), (b) and (d) of subsection (2) read with subsection (1) of section 10 of the Act.

With regards to the validity of the complainant's claim for the purposes of section 10 of the Act, the Commission observed that section 10 applied to all undertakings in Pakistan, regardless of their size and the way in which they were established or financed. The provisions of section 10 mandated the commission to eliminate all causes of consumer deception or deceptive marketing practices. For deception to occur there must be representation, omission or practice that is likely to mislead consumers. The Commission examined the representation, omission or practice (collectively, "Practice") from the perspective of a consumer acting respectively in those circumstances, with the condition that the representation, omission, or practice must be a material one. That was to suggest, whether the practice was likely to affect the consumer's conduct in terms of its purchasing decision viz, products or services. Advertising statements, disclosures, disclaimers or point of sale representations, inter alia, were the points where the consumer's first contact were established either as a seller and/or as a buyer. Whether or not, a consumer bought a product was immaterial, As the law would still be violated.

The registered trademarks, firm name or labeling and packaging were presumed to be valid and incontestable. Most importantly, they were used as an apparatus to seek remedy against imitators claiming unawareness of the registration. By virtue of section 10 the legislators intended to protect consumers and trade mark and (other commercial signs e.g., trade dress, symbols, colours or colour scheme, products shapes and product packaging and marketing themes, etc.) proprietors to be deprived of the property at the instance of business undertakings whose use was unauthorized and fraudulent. Since its registration M/s Performance Health had been commercially exploiting its trade mark by way of export, distribution, marketing and sale of "BIOFREEZE" labeled products in Pakistan and at present the Complainant was the licensor and authorized distributor of "BIOFREEZE" products of M/s Health Performance in Pakistan., Furthermore, the Complainant held a valid right to initiate action(s) against the imitators of its trade mark and labeling and packaging under clause (d) of subsection (2) of section 10 of the Act.

Discussing the second issue regarding engagement of Respondent in deceptive marketing practices in contravention of clauses (a), (b) and (d) of subsection (2) read with subsection (1) of Section 10 of the Act, the Commission observed that the complaint as well as the Enquiry report concluded that prima facie the Respondent had violated section 10; designated to protect consumers against unfair, deceptive, fraudulent trade and business practices and false advertising. The Commission was of the considered opinion that the Complainant had proved beyond doubt that it was the registered proprietor and right holder of the trademark "BIOFREEZE" as well as the trade dress i.e. green and light blue labeling and packaging of the product in question. Hence, it had the exclusive right to use the trade mark including the trade dress of "BIOFREEZE". Having adopted an identical trademark i.e. "BYQFREEZ", and the trade dress-the overall getup, the Respondent had contravened clause (d) of subsection (2) of section 10 read with subsection (1) of section 10 of the Act. The Commission also observed that the consumers would be deceived/misled by false and misleading



depictions of the Respondent which constituted a contravention of section 10(2)(b) read with section 10(1) of the Act. The Commission further observed that by resorting to the aforesaid practices the Respondent had failed to fulfil its obligation to avoid unfair competition and became unjustly rich by en-cashing on the goodwill or reputation of the Complainant in violation of section 10(2)(a) read with Section 10(1) of the Act.

Before passing any order, the Commission deemed it appropriate to highlight the importance of trademark and trade dress in the modern-day business environment; in particular, owners viewed their marks as vital business assets that not only encompassed and conveyed information about the origin of a product, but also presented a construct of visual imagery and prestige as well as consumers' association and loyalty with the product. The Commission went on to further comment that consumers' purchasing decisions were influenced by trademarks and the reputation such brands acquired. Anyone who chose to use a trade mark or a trade dress without the owner's permission should be mindful not only of the potential liability for infringement under trade mark law but also of potential consequences, such as violation of section 10 of the Act; the principal legislation governing to protect public-at-large against deceptive marketing practices.

Consequently, the Commission ordered that the complainant had made out its case that it was the registered proprietor and authorized right holder of the trade mark "BIOFREEZE" and its associated trade dress. Hence, the Respondent, its proprietors, directors, associates, agents, dealers, among others, were thereby restrained from using the impugned marks "BYQFREEZ" or any other mark with any prefix or suffix, and trade dress that was phonetically, visually and constructively similar to that of the Complainant's mark "BIOFREEZE" and its associated trade dress.

In view of undertaking by the Respondent that it would not repeat the contravention and comply with provisions of section 10 of the Act, the Commission took a lenient approach and imposed a penalty in the amount of PKR 2,500,000/- (Rupees Twenty Five Hundred Thousand Only) to be deposited with the Registrar of commission. The Commission also imposed further provisions to the Respondent where the money had to be deposited within 60 days from the date of order. As well as filing within the same time compliance report with reference to withdrawal of the products under the mark "BYQFREEZ" and to suspend the use of the said mark. Furthermore, the Commission also directed the Registrar of commission to send a copy to the Respondent for information and compliance and also to send copies of the order to the Respondent's respective chamber of commerce for educating its members vis-à-vis compliance with the Act. Lastly, it ordered that in case of non-compliance with the order, the Respondent would be liable to pay an additional penalty amounting to PKR100,000 (rupees one hundred thousand) per day from the date of order.

