

CASE COMMENT: Is Protecting 'Peter Scot' Cutting off the Nose to Spite the Face?

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Remnants of protectionist instincts would surely welcome Supreme Court of India's judgment in Khoday Distilleries Limited case.¹ This opinion argues that it would be foolhardy, however, to get high on celebration. The judgment glosses over significant areas of concern.

Khoday India started producing 'Peter Scot' whisky in 1968 and got a trademark registered. The Scotch Whisky Distillers Association (SWDA), an industry body of distillers, blenders and exporters of Scotch whisky came to know about Khoday's registration of trade mark in 1974. However, they first sought cancellation of the registered trademark 'Peter Scot' on the ground of its deceptive similarity to a foreign mark (Scotch whisky) only in 1986.

In the Supreme Court, the bench of Justices S.B. Sinha and Lokeshwar Singh Pantia relied upon two broad strands to conclude in favour of Khoday's usage of 'Peter Scot' mark in spite of the possibility of consumer confusion as if it were Scotch whisky. First, inordinate delay in filing complaint by the Scotch Whisky Association (SWA) was fatal. Secondly, the judges did not find any actual confusion amongst consumers as they were "... concerned with the class of buyer who [are] supposed to know the value of money, the quality and content of Scotch whisky..." It is befuddling, nevertheless, that the judgment falls widely short of the standard of analysis that one expects in a case of such significant import.

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¹ Khoday Distilleries Limited (Now known as Khoday India Limited) v. The Scotch Whisky Association and others, Civil Appeal 4179 of 2008, decided on May 27, 2008.

While deploring the inordinate delay in the complaint against Khoday, the Court was quick to dismiss the applicability of the Limitation Act, 1963 which governs the time period within which a remedy is to be sought. SWA sought to impress upon the court that since consumers continued to be deceived, delay in filing complaint ought to be immaterial. In other words, SWA contended that the cause of action was still continuing to exist at the time of the complaint (and indeed, even since then). The court was evidently unimpressed.

The jurisprudence of the applicability of limitation period suggests that for where societal interests are at stake, delay does not make any difference. Indeed, owing to the injury to the society, there is no limitation period for criminal conduct. A person accused of criminal conduct usually cannot seek refuge under the argument that prosecution ought to have been more agile. The Supreme Court, in Khoday, on one hand relies upon the rubric of consumer confusion (indicating societal stake) and on the other hand dismisses SWA's case on the ground of delay. This is contradictory. Dismissal of the case on the ground of laches indicates court's inclination to characterize the dispute as between private parties with little bearing on society at large. Curiously, the court's employment of the rubric of consumer confusion entails societal stake in the matter. Where society is a stakeholder, delay should not be fatal particularly when owing to consumer confusion there is continuing injury to the society. The court ought to have been cautious about such contradictions in its reasoning.

Furthermore, the court relied too heavily on section 11(a) of the Trade and Merchandise Marks Act, 1958 ('the Act') which prohibits registration of marks 'which would be likely to deceive or cause confusion'. To be sure, what would cause confusion lies in the realm of interpretation. If 'Peter Scot' manages to pass muster, there is little left to quibble over.

However, the court overlooked section 11(b) of the Act, which prohibits registration of marks the usage of which would be contrary to other laws in force. An instance of such a law that the court ought to have taken note of is the Monopolies and Restrictive Trade Practices Act, 1969 ('the MRTP Act'). The MRTP Act prohibits 'unfair trade practice' of falsely representing that the goods are of a particular standard, quality, grade or style. The ambit of

unfair trade practice is patently broader than an analysis confined solely within trade mark law.

Interestingly, unlike consumers, enterprises do not have an unambiguous right of filing complaint for unfair trade practice under the MRTP Act. However, trade associations such as the SWA, can file complaints against any unfair trade practice through which consumers are duped into believing that they are purchasing Scotch while they are buying Indian liquor. SWA could also explore the possibility of a consumer filing the complaint at the MRTP Commission on their behalf.

Moreover, the court held that the Geographical Indications of Goods (Registration and Protection) Act, 1999 that indicates the place where the product was made and identifies special characteristics of the product, is inapplicable. Well-known products that are protected under geographical indications are Champagne, Scotch, Kancheepuram silk sarees and Darjeeling tea. The court dismissed arguments on geographic indications in merely a sentence and reasoned that trade mark rights for 'Peter Scot' were obtained much before the enactment on geographic indications came into existence. This is bizarre and smacks of circular logic. The Court did not address the question of whether the grant of mark in the first place was in compliance with all laws in force, such as the MRTP Act. The Geographic Indications Act was admittedly not in force in 1986 when SWA first raised its objection. Nevertheless, the MRTP Act was. Unless the court addresses the issue of legality of grant of trade mark in the first place, it does not necessarily embellish the court's reasoning on non-applicability of the Geographic Indications Act.

There is an additional layer of the conundrum. India is a member of the World Trade Organization (WTO) and is obligated to ensure that its domestic laws are in conformity with WTO treaty obligations. Trade-Related Aspects of Intellectual Property Rights (TRIPS) states that countries need to prevent misuse of place names so that unfair competition could be prevented and consumers could be protected. In addition, a higher level of protection is provided for geographic indications for wines and spirits, which are sought to be protected even when there is no danger of the public being misled as to the true origin!

This is significant not merely because WTO says so. The Constitution of India in Article 51(c) unequivocally enjoins fostering respect for international law and treaty obligations. Ignoring TRIPS and WTO does not portend well for ensuring constitutional compliance with the mandate of acting in accordance with international treaty.

In a nutshell, the ostensible victory of domestic liquor major could be short-lived and pyrrhic. The Khoday case must not be taken as being the last word on the subject. It is possible for SWA to pursue remedies domestically at MRTP Commission and internationally at WTO. It is unlikely that the WTO, too, would cut off the nose to spite its face.