

ENSURING FAIR COMPETITION: OVERCOMING BARRIERS POSED BY TRADEMARK PROTECTION IN INDIA

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Abstract

This article critically examines the intersection between trademark protection and market competition in the Indian legal framework, highlighting the inherent tensions between the two. While trademarks serve the vital function of safeguarding brand identity and consumer trust, their overextension; especially in the case of well-known trademarks, can result in anti-competitive outcomes. Drawing on Indian and international case law, the article examines how trademark rights can be misused; not just to control online advertising or block market access, but also through tying arrangements that unfairly force consumers or businesses to accept additional, unwanted conditions, ultimately harming competition. It also highlights systemic problems like institutional delays and poor coordination among state agencies, which discourage foreign businesses from entering the market, enabling well-known trademark holders to exploit their position in the market – often winning cases against small business, despite minimal or no actual similarity, encouraging frivolous litigation and anti-competitive practices. The article critiques current enforcement mechanisms and concludes by proposing pragmatic reforms – such as clearer statutory guidance, stricter scrutiny of anti-competitive claims, and improved administrative cooperation – to better align trademark enforcement with competition principles and promote a healthier, more accessible market environment.

Keywords: *Trademark, Market Competition, Well-known marks, Anti-competitive Practices.*

INTRODUCTION

Trademark is the identity of a company by which its users or consumers identify goods & services given by the company and distinguish them from that of the others. Trademark is defined in as under according to Section 2(1) (zb)¹ of the Trade Marks Act, 1999, as “a mark which is capable of being represented graphically and which is capable of distinguishing the

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¹ The Trade Marks Act, 1999 (Act 47 of 1999), s. 2(1)(zb).

goods or services of one person from those of others and may include shape of goods, their packaging and combination of colours.”

Trademark holds such significance that, it is the reason why many consumers without going into the merits of the goods or services being provided, buy it; and upon an infringement of the same, can lead to the company having monetary losses. Hence, it can be said that Trademark gives monopoly rights to an entity while on the other hand, Competition Law prevents monopoly. Thus, it is here that it becomes essential, to look into the wider nexus and implications of intersection between Trademark protection & market competition.

*PhonePe v. BharatPe*² is one such example, wherein the court had to decide upon the issue whether similar-sounding names genuinely cause confusion among customers, and harm to the brand image or was it a plan of a broader strategy to curb market competition. This case and many cases alike, show the thin line existing between protecting intellectual property and using it abruptly to abuse the competition.

It therefore becomes cardinal to ask the following questions: First, whether competition law performs a negative role in terms of preventing and penalizing IP owners for their anti-competitive practices, or does it also perform vice-versa? Second, whether the two fields of law, i.e., Trademark & Competition law, complement each other?

“Law needs to keep changing in order to keep the society stable”. Intellectual property rights, offer monopoly rights to people for their labour and acumen they have put into making their invention; pushing people to innovate and compete in the market fairly and not exploit on others’ labour. While on the other hand, Competition law complements these concerns by promoting fair market behaviour, thus providing an equilibrium. This article tries to dwell in how different jurisdictions in India at large and around the world have tried to achieve and maintain that equilibrium; define the legislature’s intent; common law jurisdictions emphasis on this, in order to keep the society stable.

I. ANTI - COMPETITION CONCERNS & TRADEMARK ABUSE: COMPARITIVE INSIGHTS

Once having a trademark registered with the Trade Mark Registry is a great assurance, and it is generally seen as a pro-competitive practice; however, misusing them can result in great anti-competitive harm. Distinctly within digital markets and highly regulated industries such as

² *Phonepe Private Limited v. Ezy Services & Anr.*, AIRONLINE 2021 DEL 647.

geographical indications (GIs) & pharmaceuticals, trademark rights can be used to block rivals, influence consumer decision and understanding on a broad spectrum, or impose unjustifiable market constraints. This part focuses on global jurisprudence to understand how trademark can confluence with competitiveness and disrupt it, especially when the use of trademark exceeds its legislative intent & scope.

A. Trademark Strength as an Obstacle to Market Entry

The primary concern in regards to trademark and competition link is trademark's power to serve as an instrument to divulge the market power. Contrary to the usage period of copyrights & patents, trademarks can last sine die. Combined with substantial advertising and clientele loyalty, trademarks can serve as potent market rulers; which can lead a well-known brand image to function as de facto monopoly power, potentially leading to anti-competitive pricing, agreements & exclusionary conduct. As also supported by recent 2024 judgment of the U.S. District Court³ which held Google of exclusionary conduct by using exclusive agreements with tech-giants such as Apple & Mozilla (Firefox) among others. Although, coming into exclusive agreements combined with a well-trademark does not in itself constitute an infringement of competition law, but the nature and effect of the conduct.

A notable early example would be the case of ***ReaLemon***⁴ in the U.S. Wherein; Borden Inc. had made such a power and hold on the market that the Federal Trade Commission had to step in and suggested licensing of its trademark in order to reduce competition by a bit at the least. The court refused to do so and held that, although having monopoly is not deemed to be unlawful, but using that power to suppress competition can bring the attention of law enforcing agencies easily.

B. Tying arrangements & Vertical Market Control

Tying arrangements are agreements done by companies in order to control the market in their favour by increasing the prices or decreasing the prices at will by affecting the supply chain of the goods they sell. The case of ***Hudson's Bay v. American Legend***⁵ is one such example of tying arrangements wherein an entity used its control over a trademark to limit its use unless customers also purchased a separate, unrelated product. Although, the court did not find enough proof to conclude that it constituted a monopoly power; it did recognize a future possibility of

³ *United States of America v. Google LLC*, No. 1:20-cv-03010 (D.D.C. 2020).

⁴ *Reckitt & Colman Ltd v Borden Inc.*, [1990] 1 All E.R. 873.

⁵ *Hudson's Bay Co. Fur Sales Inc. v. American Legend Co-Op*, 651 F. Supp. 819 (D. Minn. 1986).

trademarks potential use to influence how products are sold & who gets to sell them, especially in supplier-buyer relationships. This case signalled that trademarks are no longer brand/product identifiers, but can also be strategically used to influence the broader market forces and thus having an impact on overall competition.

C. Trademarks and Online Advertising: The AdWords Controversy

Google is a key player in the digital arena and so is its infamous case of *AdWords*;⁶ Wherein, both trademark and competition colluded and multiple lawsuits were filled across jurisdictions. Why? Through its platform, AdWords, advertisers were allowed to bid on keywords, including registered trademarks to display sponsored search results calling forth lawsuits in its name.

Courts in the U.S. have been divided whether selling of trademarks keywords via AdWords constituted an infringement of the trademark in question or did it constitute “use in commerce” as envisaged under the Lanham Act⁷.

Hypothetical case: A company named “**PureSkin**” exists which has its own registered trademark, and then a company named **GlowFace Naturals** exists. GlowFace Naturals buys the keywords PureSkin on Google Ads, so that when someone searches PureSkin, GlowFace Naturals appears as well. Now, this is not causing confusing among the consumers per se but it is still using the name of a different company to benefit one’s own.

In *Rescuecom Corp. v. Google Inc*⁸, the court held that selling of trademarked keywords indeed qualified for coming under “use in commerce”, while different courts viewed it as a non-infringing internal business activity. Doctrine of “initial interest confusion” has also been employed to determine whether such use diverts consumer attention unfairly, and if it does, is it resolved later on? In hindsight, European courts have put more focus on what the consumer perceives under the EU’s Trademark Directive, which prohibits use of unauthorized trademarks “in the course of trade”. French courts on the other hand ruled Google’s keyword policy as unlawful & UK courts espoused a more permissive interpretation.

At the resulting end of it, the AdWords controversy highlights that dominant digital players like Google can exploit well-known trademarks for their own benefit with unlawfully restricting

⁶ *Rosetta Stone v. Google*, 676 F.3d 144 (4th Cir. 2012).

⁷ The Lanham Act, 1946 (15 U.S.C. § 1127)

⁸ *Rescuecom Corp. v. Google Inc.* 562 F.3d 123 (2nd Cir. 2009)

market access to new entrants, raising concurrent concerns in the intellectual property sphere and competition law domain.

D. Geographical Indications and Passing Off in India: A Case Study

India, too, has been at forefront in terms of disputes colluding competition with geographical indications (“GI”). *Tea Board of India v. ITC Limited*⁹ is one such landmark case wherein the dispute was regarding the use of the GI “Darjeeling” by ITC. Tea Board owner, filed a lawsuit against ITC for using “Darjeeling Lounge” for its upscale hospitality initiative. Although, the court rejected the suit being time barred due to limitation as under Section 26(40)¹⁰ of the GI Act, the issue at core was whether the use of GI-associated name by ITC was in bad faith or intended towards reaping the fruits of the Darjeeling’s GI repute.

In its reasoning, the court found merit in ITC’s argument that it has been using and has a known history of using geographic names with *uberrima fides*. Thus, the High Court narrowly held that the GI “Darjeeling” could not be protected against use in services like ITC’s lounge as the GI Act applied only to goods and if that’s true, the court has failed to deliver justice to the Darjeeling tea producers and interpret in light of the legislative intent. Hence, it might count as misleading or unfair competition.

Even so, observers have noted or rather critiqued the court’s viewpoint that it lacked a thorough insight because, as per them, ITC has used “Darjeeling” just to take advantage of its good repute. To push this point forward, As Prof. Dev Gangjee notes “GIs have already done the hard work of building national reputations, often over centuries” and their international protection is driven not just by concerns of confusion, but by the need to preserve this reputation across markets¹¹. Adding on, Ganjee’s reasoning helps unpack how a term like “Darjeeling” can shift from a descriptive indication of origin to a brand-like symbol of quality and exclusivity. Thus, warranting consumers to perceive the use of such terms as indicating the commercial origin.¹² Use of “Darjeeling” by ITC crosses this threshold by associating it with a lounge with high-end heritage and status. This supports the view that the use of “Darjeeling” by ITC for a luxury lounge, though not for goods, still rides on the GI’s goodwill and reputation and should not be immune from scrutiny merely because it is in the service sector.

⁹ *Tea Board of India v. ITC Limited*, 2011 (48) PTC 169 (Cal).

¹⁰ The Geographical Indications of Goods (Registration and Protection) Act, 1999 (Act 48 of 1999), s. 26(4).

¹¹ Dev Gangjee, “Quibbling Siblings: Conflicts between Trademarks and Geographical Indications,” 82 Chicago-Kent Law Review 1253 (2007).

¹² *Ibid*.

Moreover, the remedy of *passing off* in both GI & trademarks remained unexplored (What is *passing off*? It is a legal way to stop someone from copying the name, look, or feel of a product or brand that doesn't have a registered trademark/GI, but is still well-known. It protects the goodwill built by businesses even if their marks aren't officially registered.) on the grounds that Darjeeling tea comes under the definition of goods, and that of ITC's hospitality use, come under the category of service. However, it is imperative to point out that passing off is a common law remedy, and it does not depend upon the service-goods distinction, and therefore can be used to take upon unfair market practices challenging the overall competition. The case reflects upon how, lack of attention to the act's intent can lead to IP disputes concerning market competition and not lead to sufficient or required level of adjudications.

E. Evolving Trends in Indian Jurisprudence

India is growing rapidly in the e-commerce market and is known as a giant in terms of its pharmaceutical industry. In light whereof, it is important to note that in pharma, the use of non-traditional marks and trade dress (such as colours or packaging) may confuse the consumer and will also hamper the generic pharma sector. Even though, the Trade Marks Act, 1999 makes it illegal to use marks which can cause confusion among the customers, enforcement is largely absent. Additionally, owing to the big companies their strategically exploiting lawsuits in their favour.

Courts are furthermore, facing emerging issues such as the use of keyword ads and generic domain names, where trademarks may unfairly restrict market access. This prompts a crucial question: how can trademark abuse be prevented and laws be made more stringent, in accordance with newly emerging issues while preserving legitimate brand protection?

II. THE ROLE OF STATUTORY BODIES IN ENFORCING TRADEMARK RIGHTS AND COMPETITION LAWS: THE NEXUS

A. Enforcement of Trademarks in India

Trademark and competition law enforcement in India relies primarily on statutory bodies, such as the Competition Commission of India and the Trade Marks Registry; while also engaging institutions like the judiciary and customs officials in specific contexts. Each of them providing their services diligently, but, in different ways, leading to procedural delays & coordination hurdles. Foreign countries see India as a huge potential market, but due to such ineffectiveness and delays, makes them think twice about their possible investment plans. Thus, enabling domestic players to exploit their position in the market.

Section 11¹³, provides for instant protection in terms of well-known registered trademarks; but it is not so easy for unregistered foreign trademarks which is weighed down by evidentiary burdens & judicial inertia. Prompting the realist school of jurisprudence to act forthwith & thus resulting in Judgments, including *BMW v. Om Balajee Automobile*¹⁴, wherein the High Court of Delhi ruled in favour of BMW protecting its trademark based on the trans-border repute BMW holds and *PepsiCo v. Jagpin Breweries*¹⁵, where the court barred the usage of “Mountain Dew” for alcohol, even though both the drinks pertain to different categories, customers may still associate it with the soft-drink PepsiCo provides.

It is therefore, in light of the same, required to overhaul the system, to move from reactive litigation to proactive prevention for faster delivery of justice. Reforms may include: The Trade Mark Registry should adopt growing AI-based similarity checks (Examples may include: Luminance, Sirion.ai & Litera) and declarations for marks resembling famous brands. Enforcement agencies, like customs and police should be trained in IP and digital tools to quickly address trademark violations.

Streamlining and strengthening the enforcement of IPs this way will not only provide for faster justice delivery system, but also work by upholding the objectives of competition law; protecting consumer choice, prevention of unfair market practices and ensuring fair conditions for market entry and brand development on a level playing field. Faster the justice = better upholding of competition law.

B. When Rules Go Beyond the Parent Act

The Trade Marks Act, 1999 provides for grounds for refusal of registration¹⁶ based on prior use or well-known status, however the act lacks in clearly articulating the Registrar’s role in enforcing the same proactively outside of his registration ambit. Prompting affected parties to knock the doors of law, the judiciary. It is prominent to note that *Rule 124*¹⁷ of the Trademark Rules, 2017 gives the power to the Registrar to declare marks as well-known; However, the act does not grant any such power to him. And, anything not stemming in the rules from the act is deemed to be invalid.¹⁸

¹³ The Trade Marks Act, 1999 (Act 47 of 1999), s. 11.

¹⁴ *Bayerische Motoren Werke Ag vs Om Balajee Automobile (India) Private*, AIRONLINE 2020 DEL 751.

¹⁵ *Pepsico v. Jagpin Breweries Ltd.*, 2023 SCC OnLine Del 2542.

¹⁶ The Trade Marks Act, 1999 (Act 47 of 1999), s. 11.

¹⁷ The Trade Marks Rules, 2017, r. 124, No. G.S.R. 573(E), Ministry of Commerce and Industry, 2017 (India).

¹⁸ Prashant Reddy, “The Well-Known Trademark Under the New Trade Mark Rules, 2017: Is the New Procedure Constitutional?”, *SpicyIP* (2017).

C. Comparative Advertising vis-à-vis Article 19¹⁹ of the Constitution of India

Indian trademark law seeks to strike a balance between brand protection and healthy competition by permitting honest, non-deceptive comparative advertising. Section 30²⁰ of the Trade Marks Act allows the use of another's mark if done fairly and without exploiting its reputation. Courts have upheld this as protected commercial speech under Article 19(1)(a)²¹. Still, this balance is fragile and any aggressive litigation by major brands against legitimate comparative ads risks chilling competition and curbing consumer awareness and choice.

D. Ambush Marketing & Regulatory Gaps

Ambush marketing is different from Comparative advertising on the grounds that in the latter, non-deceptive way of advertising is being used for healthy competition while in the former, unsolicited or unwarranted affiliations are being used by companies to improve their brand image. Thus, happening of unofficial associations of brands with major sporting events such as the Indian Premiere League or the Olympics is quite common and even though the events' organizers try to curb down on these unofficial associations, due to lack of statutory enforcement, they fail to do so, causing confusion among the customers and misleading them, inter alia.

As a result, the customer may buy any adverse product or service from these brands and may later on sue the event organizer due to their want of knowing or taking action against these unofficial affiliations by the sporting brands. Additionally, the Ministry of Youth Affairs and Sports and departments under it lack any IP check on this behalf. This absence undermines both the trademark protection and integrity of the market.

III. SUGGESTIONS FOR STRENGTHENING RULES AND EFFECTIVE ENFORCEMENT

A. An Inter-agency IP Body for Better Coordination

In light of the aforesaid, the gaps which exist are not mere legal technicalities – they have real implications for market access, brand integrity, and the balance of economic power, especially in high-growth sectors such as FMCG, digital commerce, and sports. As shown in the previous

¹⁹ The Constitution of India, art. 19.

²⁰ The Trade Marks Act, 1999 (Act 47 of 1999), s. 30.

²¹ The Constitution of India, art. 19(1)(a).

sections, the need for specific regulatory mechanisms and institutional coordination is both urgent and overdue.

Therefore, in cases involving clear instances of passing off or trademark dilution, procedural bottlenecks such as registration delays (applications taking 3-4 years to get registration) or the lack of expedited relief lead to harmful market distortions. The absence of an inter-agency IP enforcement body forces both domestic and international rights holders to navigate a complex and often contradictory legal maze. To address this, a joint task force maybe setup with limited jurisdiction between the Competition Commission of India (Hereinafter CCI) and the Intellectual Property Office or Trade Mark Registry for that matter.

B. Reforms to Overcome CCI's Hesitation in Frivolous Litigation Cases

Competition law exists to prevent any party from acquiring monopoly, and if there is any, preventing that party from using anti-competitive/exclusionary tactics to stifle the market and get hold of it. However, in India, its enforcement has seldom addressed the strategic misuse of trademarks as a tool for exclusion. In practice, major brands sometimes initiate litigation over generic terms or marginal similarities not because of genuine confusion, but to deter market entry or exhaust smaller rivals through legal costs²². These tactics can hamper innovation and distort competition – yet the CCI has been hesitant to recognize trademark misuse in litigation as a potential anti-competitive practice and hence in violation of Section 4²³ of the Competition Act.

For example, as held in the *Consim v. Google*²⁴ matter, “It was not within the powers of the Director General, as an authority under the Act, to delve into trademark issues which are beyond the ambit of an anti-trust regulator.” This reflects a systemic reluctance within the CCI to view trademark misuse - such as brand bidding or reputational free-riding - through a competition lens.

Therefore, to address the issue of large companies using strategic litigation and settlements to deter small competitors, it is essential to explicitly categorize such litigation as an abuse of

²² Yashvardhan Rana, “Big Basket and Daily Basket in Trade Mark Row: Bullying, Consumer Confusion or Justified?” *2021 SCC OnLine Blog Exp 18* (2021).

²³ The Competition Act, 2002 (Act 12 of 2003), s. 4.

²⁴ Atikant Kaur, Payel Chatterjee, Pratibha Jain & Gowree Gokhale, “CCI Rejects Consim Info’s Allegations Against Google: A Trademark Issue or Abuse of Dominance?” *Nishith Desai Associates* (2018).

dominance under competition law, empowering the CCI to act even when no direct infringement is proven. Additionally, the CCI should have pre-emptive powers to conduct market studies and monitor litigation patterns to identify anti-competitive behavior early on. Enhanced oversight of settlements is crucial so that the CCI can intervene if settlements are used coercively to suppress competition. Fast-track penalties and remedies should be introduced for repeat offenders.

C. Challenges in Trademark Enforcement in the Digital Era

Finally, in this digital era, where even videos can be faked, what are logos and fake websites? Enforcement against such John Does using not even a similar trademark, but the same trademark, is nearly impossible until and unless special cyber cells for IPR are setup. E-commerce enforcement of trademark rights in the online and cross-border environment requires serious attention. The Trade Marks Act does not address platform liability, and existing IT intermediary guidelines offer only generic protections. This regulatory gap enables counterfeiters to operate freely in online marketplaces.

The Digital Personal Data Protection Act, 2023²⁵ introduces Consent Managers to enforce data rights, but like in trademark and competition law, detection remains a challenge. Without a visible breach, parties often remain unaware of violations - enabling entities to misuse trademark rights or engage in anti-competitive practices with little oversight.

At the same time, India's customs department – a key line of defence against IP violations in international trade – lacks clear procedures for dealing with deceptively used well-known or unregistered marks, especially in cases of parallel import; wherein, if a genuine good, imported illegally is sold at a lower price in the black market, it will still be considered legal²⁶. A coordinated digital and cross-border enforcement strategy is essential, one that includes real-time IP watchlists, mandatory due diligence by e-commerce platforms, and specialized customs training to protect brand value and uphold market integrity.

IV. CONCLUSION

Balancing trademark protection with healthy market competition in India presents a complex challenge. While trademarks play a crucial role in safeguarding brand identity and consumer

²⁵ The Digital Personal Data Protection Act, 2023, s. 2.

²⁶ *Cadila Healthcare Ltd. v. Cadila Pharmaceuticals Ltd.*, AIR 2001 SC 1952.

trust, their misuse can hinder market entry and stifle innovation, as seen in anti-competitive practices like tying arrangements and exploitation in online advertising.

As illustrated by the 2024 U.S. District Court ruling on Google's misuse of trademarks in online advertising, trademarks can be leveraged not just for protection, but as tools of market control, creating artificial barriers to entry, particularly in digital and e-commerce spaces.

In India, these challenges are compounded by systemic issues: the absence of coherence among judicial interpretations, enforcement mechanisms, and trademark registration procedures. The lack of alignment between various IP laws and competition norms has created a regulatory maze, which foreign entities are reluctant to navigate - resulting in a competition vacuum often filled by dominant domestic players who may not face meaningful checks.

To address these structural and legal inconsistencies, India must adopt a more harmonized and proactive approach. Establishing inter-agency frameworks, creating dedicated IPR enforcement cells with trained officials, and enhancing institutional capacity are not just reforms - they are prerequisites to ensure that trademark law serves its true purpose: to encourage innovation and fair competition, not to shield monopolies or deter market participation.