

## **‘Trademark Squatting’, an act of bad faith liable for removal of registration**

Starbucks Corporation, the world-famous coffee chain was once offered the opportunity to buy the rights to its own iconic trade mark for \$600,000/- in Russia. The mark had been registered by a Russian entity when Starbucks had not entered into the Russian market. This is the reality of trademark squatting. Companies with immense goodwill often have to face trademark squatters whenever they enter a new market. Waiting to capitalize on your business’s success, trademark squatters register a trademark so that you feel compelled to purchase it from them.

In order to give an insight on how trademark owners can tackle squatting of their trademark and can initiate action against these squatters, this article discusses a recent judgment of the Hon’ble Delhi High Court in *BPI Sports LLC v Saurabh Gulati and Another*<sup>1</sup> which outlined the reliefs that a trademark owner can obtain against trademark squatters under the Trade Marks Act, 1999 (“**the Act**”).

### **Brief Facts:**

BPI Sports LLC i.e. the Petitioner is a dietary and nutritional supplements company incorporated in the United States of America and has been using the trademark ‘BPI SPORTS’ (“**the Mark**”) for its goods since 2009. The Petitioner began utilizing its trademark in India only from 2019 onwards when its goods were imported into India by persons such as the Respondent No. 1.

When the Petitioner decided to register the Mark in India, it came to learn that the Respondent No. 1 had already registered it. Aggrieved the Petitioner filed a petition under Section 57<sup>2</sup> of

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<sup>1</sup> 2023 SCC OnLine Del 2424.

<sup>2</sup> **Section 57. Power to cancel or vary registration and to rectify the register.**—(1) On application made in the prescribed manner to the High Court or to the Registrar by any person aggrieved, the Register or the High Court, as the case may be, may make such order as it may think fit for cancelling or varying the registration of a trade mark on the ground of any contravention, or failure to observe a condition entered on the register in relation thereto.

(2) Any person aggrieved by the absence or omission from the register of any entry, or by any entry made in the register without sufficient cause, or by any entry wrongly remaining on the register, or by any error or defect in any entry in the register, may apply in the prescribed manner to the High Court or to the Registrar, and the Register or the High Court, as the case may be, may make such order for making, expunging or varying the entry as it may think fit.

(3) The Register or the High Court, as the case may be, may in any proceeding under this section decide any question that may be necessary or expedient to decide in connection with the rectification of the register.

(4) The Register or the High Court, as the case may be, of its own motion, may, after giving notice in the prescribed manner to the parties concerned and after giving them an opportunity of being heard, make any order referred to in sub-section (1) or sub-section (2).

(5) Any order of the High Court rectifying the register shall direct that notice of the rectification shall be served upon the Registrar in the prescribed manner who shall upon receipt of such notice rectify the register accordingly.

the Act before the Hon'ble Delhi High Court seeking the removal of the Respondent No. 1's registration of the Mark from the register.

### **Challenge under Section 11 of the Act:**

Though the Petitioner referred to the Respondent No. 1 as a '*trademark squatter*', before the Hon'ble Delhi High Court it only contended that the Mark registered by the Respondent No. 1 fell foul of Section 11(1), (2) and (3)<sup>3</sup> of the Act. The reason may be clear as the Court itself observed that "*trade mark squatting as an individual phenomenon does not find especial mention in the Trade Marks Act*"<sup>4</sup>. Based on the facts of the case and after highlighting the applicable principles, the Court negated the Petitioner's challenge under Section 11 of the Act as no case was made under sub-sections (1), (2) and (3) of Section 11<sup>5</sup>.

### **Invocation of Section 11(10)(ii) of the Act:**

Having negated the stands specifically taken by the Petitioner, the Court in its own wisdom invoked Section 11(10)(ii)<sup>6</sup> of the Act finding that the Petitioner was entitled to relief thereunder<sup>7</sup>. Section 11(10)(ii) requires the Registrar to take into consideration the bad faith of the applicant of a trade mark. Though the provision itself is limited and does not state that the existence of bad faith would disentitle the applicant from registration, the Court interpreting the provisions purposively held that its intent is obviously to disentitle registration of mark, the request for registration of which is tainted by bad faith.

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<sup>3</sup> **Section 11. Relative grounds for refusal of registration.**—(1) Save as provided in section 12, a trade mark shall not be registered if, because of—

(a) its identity with an earlier trade mark and similarity of goods or services covered by the trade mark; or  
(b) its similarity to an earlier trade mark and the identity or similarity of the goods or services covered by the trade mark, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.

(2) A trade mark which—

(a) is identical with or similar to an earlier trade mark; and

(b) is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered in the name of a different proprietor, shall not be registered if or to the extent the earlier trade mark is a well-known trade mark in India and the use of the later mark without due cause would take unfair advantage of or be detrimental to the distinctive character or repute of the earlier trade mark.

(3) A trade mark shall not be registered if, or to the extent that, its use in India is liable to be prevented—

(a) by virtue of any law in particular the law of passing off protecting an unregistered trade mark used in the course of trade; or

(b) by virtue of law of copyright.

<sup>4</sup> Paragraph 53, *BPI Sports LLC v Saurabh Gulati and Another*, 2023 SCC OnLine Del 2424.

<sup>5</sup> Paragraphs 21 to 45, *BPI Sports LLC v Saurabh Gulati and Another*, 2023 SCC OnLine Del 2424.

<sup>6</sup> **Section 11. Relative grounds for refusal of registration.** - ....

(10) While considering an application for registration of a trade mark and opposition filed in respect thereof, the Registrar shall—

(i) protect a well-known trade mark against the identical or similar trade marks;

(ii) take into consideration the bad faith involved either of the applicant or the opponent affecting the right relating to the trade mark.

<sup>7</sup> Paragraph 46, *BPI Sports LLC v Saurabh Gulati and Another*, 2023 SCC OnLine Del 2424.

Discussing various definitions of what would constitute ‘*bad faith*’, the Court held that trade mark squatting would certainly amount to ‘*bad faith*’ within the meaning of Section 11(10)(ii) of the Act. Next, the Court applied the above to the conduct of the Respondent No. 1 observing that it had indulged in the ‘textbook definition of trade mark squatting’. In particular the Court took notice of the fact that Respondent No. 1 was the importer of Petitioner’s goods and later registered the Mark in its own favour, this was clearly to capitalize on the Petitioner’s reputation with respect to the mark.

#### **Relief under Section 57(2) of the Act:**

With the above findings, the Court held that though the Petitioner was not entitled to relief on the grounds pleaded, as the facts made out that Respondent No. 1 had adopted the Mark in bad faith, the Mark ought to be removed from the register of trade marks invoking Section 11(10)(ii) of the Act. The Court was able to do so by reasoning that as the facts which emerged in the petition were not before the Registrar of Trade Marks, the case would fall within the scope of marks which are “*wrongly remaining on the register*” within the meaning of Section 57(2) of the Act.

#### **Conclusion:**

The Hon’ble Delhi High Court’s above judgment is a testament to the commitment of the Indian judiciary towards adopting a purposive approach to keep up with the times. This judgment sets a precedent clearly outlining the manner in which a genuine trademark owner can protect its rights against trademark squatters while also mapping the provisions under which it can do so.

If you have any questions about the issues addressed in this memorandum, or if you would like a copy of any of the materials mentioned in it, please do not hesitate to reach out to:

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