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# TRADEMARK UNDER THE NEPALESE LEGAL SYSTEM: A COMPARATIVE STUDY WITH THE TRIPS AGREEMENT

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## I. INTRODUCTION AND BACKGROUND

As trademark is vital to the promotion of trade and the protection of consumer interest, a study on the protection of trademarks will be meaningful. The norms of trademark protection prescribed in the Agreement on Trade-Related Aspects of Intellectual Property Rights (hereinafter referred to as “TRIPS”) are internationally recognized as standard. In this paper, Nepalese trademark laws will be studied and compared with the minimum standards prescribed by the TRIPS. This study will suggest a few recommendations for further promotion and protection of trademarks in Nepal.

Despite the existence of a number of international treaties and conventions on the protection of intellectual property, more effective protection is currently found in national laws and practices.

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The Court of Justice of the European Community states in the *IHI International Heiztechnik GmbH v. Ideal-standard GmbH* (1994)<sup>1</sup> that national trademark rights are first of all territorial. This principle of territoriality, which is recognized under international treaty practice, means that it is the law of the country where protection of a trademark is sought which determines the conditions of that protection. Moreover, national law can only provide relief in respect of acts performed within the national territory in question.<sup>2</sup>

In general, licensing provides a firm with intellectual property or a trademark with a means for increasing the returns yielded by that property by permitting someone else to exploit it. In the international context, this capability is particularly useful: a U.S. concern with little or no experience in Nepal can contract with someone with such experience to exploit the Nepalese market.<sup>3</sup>

Hence, the study of Nepalese trademark laws seems relevant to foreign lawyers and scholars to protect their client's trademarks in Nepal.

#### A. NEPAL

Before embarking on the exploration of the legal regime regulating Nepalese Trademark Rights, it would appear relevant to mention a few words about Nepal. Nepal is a sovereign, independent Himalayan Kingdom situated between India and China in Asia. Nepal has a long and glorious history and its civilization can be traced back thousands of years. Ancient Nepal consisted of many small autonomous principalities. King Prithvi Narayan Shah, the ruler of the principality of Gorkha, integrated the autonomous principalities into modern Nepal. The country was frequently called the Gorkha Kingdom, giving rise to the British term "Gurkha."<sup>4</sup> The work begun by King Prithvi Narayan Shah was continued by his descendants. At the height of the glory of the Nepali<sup>5</sup> (then known as the Gorkhali) Empire, its territory covered an area that was at least a third more than its present confines. Around this time, Nepali expansionism came into conflict with the British, who were

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1. Case C-9/93, *IHI International Heiztechnik GmbH v. Ideal-standard GmbH*, 3 C.M.L.R. 147 (1994).

2. 1 FREDERICK ABBOTT ET AL., *THE INTERNATIONAL INTELLECTUAL PROPERTY SYSTEM: COMMENTARY AND MATERIALS* 151 (1999).

3. RICHARD SCHAFFER ET AL., *INTERNATIONAL BUSINESS LAW AND ITS ENVIRONMENT* 585 (3d ed. 1997).

4. Member of a people living in the mountains of Nepal whose young men have been recruited since 1815 for the British and Indian armies.

5. Nepali is a dialect of a northern Indic language and is the only official language of Nepal. In English it is called Nepalese, whereas local speakers traditionally referred to it as Khas.

themselves busy with their own empire-building spree. The two forces met in a series of battles that culminated in the Treaty of Sugauli in 1816. The Treaty reduced the recently expanded Nepali Kingdom by a great deal but after that Nepal was left alone.

In 1846, Jung Bahadur Rana usurped power as prime minister and arrogated to his family the right to rule by decree as prime ministers and reduced the monarch to a figurehead. This oligarchy of the Ranas lasted for 104 years in which the post of prime minister was transferred from brother to brother. The most notable feature of the Rana rule was that Nepal was kept in isolation throughout the long century of their power. This policy helped Nepal maintain its national independence during the colonial era. The revolution of 1950 brought an end to oligarchic Rana Regime. Democracy was established in Nepal under the multiparty system in 1950. Since 1960, Nepal was governed under the Partyless Panchayat system. A popular People's Movement of 1990 reinstated the multi-party democratic system under constitutional monarchy. Nepalese political parties agreed in 1991, while making the Constitution, that the monarchy as a head of State would remain to enhance political stability and provide an important symbol of national identity for the culturally diverse Nepalese people.

The beautiful majestic Himalayas covered by snow above 13,000 feet including the Mount Everest (top of the world) is situated in this region. Nepal's population is 22 million. The total area of the country is 147,181 sq. km. Within this small area lies one of the most diverse topographies and varied plant and animal life to be found in the world. This is but to be expected in a country where the land rises from a lowly 67 meters above sea level all the way to the top of Mount Everest at 8,848 meters in a distance of 100 kilometers. Within this area that makes up Nepal, lie innumerable places of breathtaking scenic beauty and an abundant variety of life. There are, in all, 6500 species of plant life, which include hundreds of exotic orchids, rhododendrons and the beautiful Himalayan blue poppies. Over 900 species of birds have been sighted; that is, one-tenth of all birds found in the world. The elusive snow leopards up in the high Himalayan and the ferocious three-ton rhinos of the Tarai are among the more than 180 species of mammals that inhabit the wilder side of the country. Nepal has a wide range of climate due to substantial topographical variations. Tropical to alpine climate exists in the country.

It is a unique country inhabited by multi-lingual people. There are 70 spoken languages and 40 ethnic groups. Nepali, derived from Sanskrit, is the official language. In terms of religion, Hinduism is predominant

followed by Buddhism. Nepal is the only Hindu nation in the world and it is the birthplace of Lord Gautama Buddha. Religion is important in Nepal; Kathmandu Valley has more than 2,700 religious shrines alone. The Constitution describes the country as a "Hindu Kingdom," although it does not establish Hinduism as the state religion. Buddhist and Hindu shrines and festivals are respected and celebrated by all.

Nepal is a least developed country, and ranks among the world's poorest countries with a per capita income of US \$220. Nepal's major economic resources are tourism and hydroelectricity. Progress has been made in exploiting tourism. With eight of the world's 10 highest mountain peaks including Mt. Everest; hiking, mountain climbing and other tourism is growing. Another economic resource of Nepal, hydroelectricity has potentiality of 83,000 MW (second largest in the world after Brazil) whereas Nepal has harnessed only 300 MW. Nepal has potentiality to provide hydro-power to meet the demand of India and China if it is fully harnessed.

As a small, landlocked country wedged between two larger and far stronger powers, Nepal seeks good relations with both India and China. Nepal has played an active role in the formation of the economic development oriented South Asian Association for Regional Cooperation (SAARC) and Kathmandu, capital of Nepal, is the site of its secretariat. The Royal Nepal Army has contributed more than 36,000 peacekeepers to a variety of UN sponsored peacekeeping missions. The United States established official relations with Nepal in 1947. Relations between the United States and Nepal have always been friendly. The US Peace Corps was established in Nepal in 1962 and it is one of the largest in the world.

## B. THE WTO

The World Trade Organization (hereinafter referred to as "WTO") is a newcomer on the international intellectual property scene. The Agreement on Trade-Related Aspects of Intellectual Property Rights is one of the Agreements of the WTO. The TRIPS Accord reiterates the principles of international intellectual property protection. TRIPS gives binding effect to the WTO member countries and has a provision of dispute settlement mechanism. Hence it is important to go a little bit through the historical background of the WTO and its Annexed Agreements before entering into the provisions of trademark under the TRIPS.

The Charter of the United Nations prohibits the use of force in international relations between States<sup>6</sup> and has enjoined them to settle their disputes by peaceful means.<sup>7</sup> Historically there is a close relationship between war and trade. “Nations which are economic enemies are not likely to remain political friends for long.”<sup>8</sup> A decline in trade can depress national economies. Economic depression provides fertile ground for politically radical nostrums, and political radicals often seek foreign (military) adventures to distract domestic attention away from their domestic economic failures.<sup>9</sup>

In the middle 1940's, the major goals of the statesmen of the allied powers included preventing another World War and achieving world prosperity. The Bretton Woods Conference was held in 1944, in this context, and created the institutions of the International Monetary Fund and the World Bank. At the time of this Conference, it was recognized that, in addition, an international organization for trade, an “International Trade Organization,” should be established. A series of conferences were held to prepare the draft charter. At the same time, nations were invited to participate in negotiations for a general agreement on tariffs and trade. At the 1947 Conference in Geneva, both the General Agreement on Tariffs and Trade (hereinafter referred to as “GATT”) and the Draft Charter of the International Trade Organization (hereinafter referred to as “ITO”) were completed. The GATT came provisionally into force in the beginning of 1948. Because the US Congress refused to approve the Draft Charter of ITO, no governments accepted the Havana Charter: by 1951, it was clear that the ITO would not come into existence, as the US had been the prime mover behind the Charter.<sup>10</sup> The failure of the ITO left the GATT to evolve over time into a major treaty instrument for international trade.

The GATT has been remarkably successful over its five decades of history. As time passed, the GATT system was being challenged by the changing conditions of international economic activities. The Uruguay Round, centered on rulemaking, was a new kind of trade negotiation in

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6. U.N. CHARTER art. 2, para. 4.

7. *Id.* art. 2, para. 3.

8. Harry Hawkins, Speech by the Director of the Office of Economic Affairs of the Department of State (1944), in U.S. Dept. of State, 74 Commercial Policy Series 3, pub. no. 2104 (1944).

9. JOHN H. JACKSON ET AL., INTERNATIONAL ECONOMIC RELATIONS: CASES, MATERIALS AND TEXT 38 (2002).

10. Amelia Porges, *The Marrakesh Agreement Establishing the World Trade Organization*, in ABA SEC. INT'L L. & PRAC., THE WORLD TRADE ORGANIZATION: THE MULTILATERAL TRADE FRAMEWORK FOR THE 21<sup>ST</sup> CENTURY AND U. S. IMPLEMENTING LEGISLATION 67 (Terence P. Stewart ed., 1996).

the history of the GATT. The end of the eight-year Uruguay Round of trade negotiations in 1994 brought a profound change in the legal structure of the institutions for international trade. The Uruguay Round created the WTO, a new international organization. The WTO was established on January 1, 1995 as the legal and institutional foundation of the international trading system. It was created by the Marrakesh Agreement Establishing the World Trade Organization (hereinafter referred to as "WTO Agreement") signed by the Ministers in Marrakesh, Morocco, on April 15, 1994.<sup>11</sup>

The WTO Agreement is confined to institutional measures and contains no substantive rules. The substantive rules are included in the Annexes of the WTO Agreement. Annex 1 of the WTO Agreement contains "Multilateral Agreements," which include the bulk of the Uruguay Round results. These texts impose binding obligations on all Members of the WTO. Annex 1A, Annex 1B and Annex 1C of Annex 1 of the WTO Agreement contain the Multilateral Agreements on Trade in Goods, the General Agreement on Trade in Services (hereinafter referred to as "GATS") and the Agreement on Trade-Related Aspects of Intellectual Property respectively. The General Agreement on Tariffs and Trade 1994 (hereinafter referred to as "GATT 1994") falls under Annex 1A, the Multilateral Agreements on Trade in Goods. Annex 2 of the WTO Charter has the Dispute Settlement Rules, which are obligatory on all Members. Annex 3 of the WTO Charter establishes the Trade Review Mechanism by which the WTO will review the overall trade policy of each member on a periodic and regular basis. Annex 4 of the WTO Charter contains "Plurilateral Agreements" which are optional.

The TRIPS Agreement gives all WTO Member countries transitional periods within which WTO Member countries bring their national legislation and regulations in conformity with the provisions of the Agreement. Although the TRIPS Agreement has come into force since January 1, 1995, the transitional periods, which depend on the level of development of the country concerned, are contained in Articles 65 and 66 of the TRIPS Agreement.

For least developed countries, the transitional period is eleven years, i. e. up to January 1, 2006. The TRIPS Agreement provides a possibility to extend the transitional period upon duly motivated request.

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11. Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 33 I.L.M. 1144 (1994) [hereinafter WTO Agreement].

During the transitional periods, member countries are required not to take any measures that will result in a lower level of protection to intellectual property rights than that already existing in their territories. This is referred to as the “non-backsliding” or the “stand-still” clause. All member countries are under an obligation to apply most favoured national treatment (MFN) and national treatment rules from January 1, 1996.

### C. THE NOTION AND SCOPE OF INTELLECTUAL PROPERTY

It would be helpful to overview the basic idea of intellectual property before we enter into the legal regime of trademark. The rights of creators of innovative or artistic works are known as intellectual property rights. Intellectual Property protects applications of ideas and information that are of commercial value. Intellectual property is an intangible concept that is not easily described. The law creates the property by defining what will be protected from others. Intellectual property is created and protected based upon policy considerations as to what types of intellectual activities should be encouraged. As with all types of property, intellectual property may be sold, transferred, or otherwise disposed of.<sup>12</sup>

Most intellectual property law is concerned with protecting the right of the owner to make money from his property. Thus intellectual property rights are primarily economic rights and in many cases the right owner can get pecuniary compensation for breach of his rights, though his primary concern would be to stop anyone else from cashing in on these rights and making money which should lawfully be his.

The objects of intellectual property are the creations of the human mind, the human intellect, thus the designation ‘intellectual property’. Foreign investment and technology transfer are relevant to the intellectual property rights. Thus intellectual property has a direct effect on economic development of a country.

The word “intellectual property rights,” in accordance with the TRIPS, refers to the rights related to: (i) Copyright and Related Rights, (ii) Trademarks, (iii) Geographical Indications, (iv) Industrial Designs, (v) Patents, (vi) Layout-Designs (Topographies) of Integrated Circuits, and (vii) Protection of Undisclosed Information.

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12. DONALD A. GREGORY ET AL., INTRODUCTION TO INTELLECTUAL PROPERTY LAW 1 (1994).

#### D. HISTORICAL DEVELOPMENT OF TRADEMARK LAWS

The origins of trademarks and commercial identification trace back into antiquity well prior to recorded history. The identifying marks of the makers frequently have been found on prehistoric implements, weapons, pottery and other articles of commerce.<sup>13</sup>

Since then, it has been the custom of traders in most countries to mark their wares so as to distinguish them from those of other traders. The word "trade mark" has traditionally been used to refer to a name, word, symbol or device which is used in relation to goods so as to indicate their origin.

Trademark jurisprudence has developed over centuries of time. The use of a mark to identify the source of a product actually began at least 3500 years ago when potters made scratchings on the bottoms of their creations to identify the sources. The first juridical recognition of trademark in a common law system did not come, however, until 1584 in what is known as *Sanforth's Case*.<sup>14</sup> It soon become a well-accepted judicial notion in England that as a mark, indicates source or origin of goods, it deserves common law protection.

Statutory protection of marks, however, was much slower in developing, and followed the path of the common law and equitable protection which was extended by the courts in the early 19<sup>th</sup> century. The modern law of trademarks is an extension from the common law of passing off which developed in the early 19<sup>th</sup> century.

The first United States trademarks were primarily proprietary marks and used for such purposes as branding cattle and serving as distributor's marks such as those that appeared on dairy bottles. The earliest trademark case on state record in the United States was decided in Massachusetts in 1837.<sup>15</sup>

As far as Nepal is concerned, the legal protection of trademark started in the beginning of the twentieth century with the commencement of the Patent, Design and Trademark Act of 1936. The Patent, Design and Trademark Act of 1936 was repealed in 1965. The Patent, Design and

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13. BEVERLY W. PATTISHALL ET AL., TRADEMARKS AND UNFAIR COMPETITION 1 (1994).

14. SHELDON W. HALPERN ET AL., FUNDAMENTALS OF UNITED STATES INTELLECTUAL PROPERTY LAW 276 (1999).

15. FRANK H. FOSTER & ROBERT L. SHOOK, PATENTS, COPYRIGHTS, AND TRADEMARKS 22 (2D ED. 1993).

Trademark Act of 1965 came into force, with all of its provisions and provided a code of trademark law applicable to all trademarks in Nepal.

As goods and services move more freely and quickly throughout an increasingly integrated global economy, producers and distributors need to assure that the creative or innovative elements of these goods and services and the elements that give these goods and services their unique character are protected against misappropriation. The absence of effective protection of intellectual property in many parts of the world in essence amounts to new types of trade barriers. Indeed, imported products may be freely copied and reproduced at considerably lower costs. The more that products and services contain intellectual property rights components, the more such barriers have effects in international trade. For such reasons, demands for increased levels of intellectual property rights protection emerged with intensity in the early 1980s.<sup>16</sup>

These demands led to the negotiation of a major new international intellectual property rights protection agreement. The Agreement on Trade-related Aspects of Intellectual Property Rights that entered into force on January 1, 1995 adds important texture to the international intellectual property rights landscape.<sup>17</sup>

With regards to other international arrangements, the Paris Convention for the Protection of Intellectual Property of 1883 includes trademarks among the forms of industrial property within its scope. Well-known trademarks are protected under Article 6bis of the Paris Convention. Further protection arose from the Madrid Agreement on the International Registration of Marks 1891, which was a special arrangement within the Paris Convention. There are the Madrid Protocol, 1989 and the Trademark Law Treaty, 1994, which were signed by few countries. Nepal was not a signatory of the Paris Convention. Nepal became a member of the World Intellectual Property Organization (WIPO) in 1997. Nepal has applied for membership to the World Trade Organization (WTO). After accession to the WTO, Nepal must ensure that its intellectual property rights laws, regulations and procedures are compatible with the provisions of the TRIPS Accord.<sup>18</sup>

The TRIPS includes the prescription of minimum levels of substantive intellectual property rights protection for all WTO Member countries, a

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16. 1 ABBOTT, *supra* note 2, at 2.

17. *Id.*

18. WTO Agreement, *supra* note 11, art. XVI, para. 4. "Each Member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements."

requirement of providing adequate enforcement mechanisms (including judicial processes), and the potential for authorization of trade sanctions against a Member that fails to implement the requirements.<sup>19</sup>

#### E. A GENERAL INTRODUCTION TO TRADEMARK

Trademark is defined as “any word, name, symbol or any combination thereof used by a manufacturer or retailer of a product, in connection with that product, to help consumers identify that product and distinguish that product from the products of competitors.”<sup>20</sup> The trademark is a device used by a business enterprise to identify its products and distinguish them from those made or carried by other companies. It may consist of fancy and descriptive words, of pictures, figures, letters, dress labels, business equipment and the like, and a combination of all of these. It may be a business mark, a merchandise mark, or a service mark. Where a trademark is used in connection with services, it is sometimes specifically called a “service mark.”<sup>21</sup> Trade names and other symbols such as the appearance of goods are like trademarks if they can be registered as such.

The Supreme Court of the United States, in the *Qualitex Company v. Jacobson Products Company (1995)*,<sup>22</sup> goes far beyond the ordinary definition of trademark in stating that a colour may sometimes meet the basic legal requirements for use as a trademark and hence the Lanham Trademark Act of 1946 permits the registration of colours alone as a trademark. Some jurisprudence has considered colours to have a generic nature and have reasoned that they need to be combined with other elements in order to achieve the necessary distinctiveness. The notion and scope of trademark may vary, in the details, from country to country.<sup>23</sup>

The owner of a trademark may exclude others from using a similar trademark on similar goods or services.<sup>24</sup> Trademark laws confer on the proprietor the exclusive right to prevent all third parties not having the consent of the owner from using in the course of trade any sign which is identical with the trademark or any sign whose similarity to the trademark is such that there exists a likelihood of confusion on the part

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19. 1 ABBOTT, *supra* note 2, at 2.

20. MICHAEL A. EPSTEIN, MODERN INTELLECTUAL PROPERTY 7-4.1 (3D ED. 1998).

21. 1 ABBOTT, *supra* note 2, at 128.

22. *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159; 115 S. Ct. 1300 (1995).

23. 1 ABBOTT, *supra* note 2, at 144.

24. RICHARD STIM, INTELLECTUAL PROPERTY 10 (1994).

of the public between the sign and the trademark.<sup>25</sup> Such a right acquired by use is recognized as a form of property in the trademark, and protected under common law. Such an unregistered trade mark can be kept alive and protected for as long as it continues to be used provided the owner of the mark takes appropriate action against infringers. A person can also acquire a similar right over a trademark, not so far used but only proposed to be used, by registering it. In the United States, trademark protection is a common law concept that exists independent of any statute.<sup>26</sup>

In general, it may be said that trademarks traditionally perform four main functions. These functions relate to the distinguishing of marked goods and services, their origin, their quality and their promotion in the market place.<sup>27</sup> Another essential function consists in assuring that all the goods bearing the mark have been produced under the control of a single undertaking which is accountable for their quality.<sup>28</sup>

Both traders and consumers alike should have an equal interest in ensuring that other traders do not use the same or misleading or deceptive marks in relation to their goods. The underlying principle of trademark law is to protect consumers against confusion.<sup>29</sup>

A trademark can only be registered if it is distinctive or capable of becoming distinctive and it becomes liable to removal if it loses this distinctiveness or becomes generic.

Patents and copyrights are based on the creative efforts of the mind of man. A trademark, on the other hand, is not based on any such thing. Trademark is merely a convenient way of identifying goods and a service mark is a convenient way of identifying services. The right to use the mark is not granted by the government and registration of a mark does not in itself create any exclusive rights. Rights in a mark are acquired by use and use must continue if the rights are to continue. Registration is simply recognition by the government of the right of the owner to use the mark in commerce to distinguish his goods or services. The rights in relation to a registered mark, unlike a patent or a copyright, may be forfeited or lost during the term for which the registration was granted.

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25. 1 ABBOTT, *supra* note 2, at 129.

26. HALPERN, *supra* note 14, at 275.

27. 1 ABBOTT, *supra* note 2, at 129.

28. 1 ABBOTT, *supra* note 2, at 146.

29. STIM, *supra* note 24, at 10.

There is a theory of trademark that adoption and use acquire the ownership of a trademark, registration under the statute merely affects procedural rights. Registration is merely declaratory of title to the mark and therefore does not affect or perfect the trademark rights. Trademark rights are derived from the common law, a system of legal rules derived from the precedent and principles established by court decision.<sup>30</sup>

Hence, a trademark identifies the product and its origin, guarantees its quality, advertises the product, and creates an image for the product.

The TRIPS Agreement defines “trademark” as consisting of “any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings.”<sup>31</sup>

In Nepal, the term “trade mark” is defined under the Patent, Design and Trademark Act, 1965 as “words, symbols, or pictures or a combination thereof to be used by any firm, company or individual in its products or services to distinguish them from the products or services of others.”<sup>32</sup>

## II. LEGAL REGIME OF TRADEMARK IN NEPAL

Any person may acquire title to a trademark after having it registered in the Department of Industry<sup>33</sup> under the Patent, Design and Trademark Act, 1965 in Nepal. No person shall use a trademark registered in the name of any other person without the written permission of the latter, or operate such trademark by imitating it in such a manner as to deceive the general public.<sup>34</sup>

The Patent, Design and Trademark Act, 1965 contains provision for the general exclusion from registrability. In case it is felt by the Department of Industry that such trademark may hurt the prestige of any individual or institution, or adversely affect public conduct or morality, or undermine the national interest or the reputation of the trademark of any other person, or in case such trademark is found to have already been registered in the name of another person, it shall not be registered.<sup>35</sup> Likewise, the name, emblem or official seal of an international

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30. *Id.*

31. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Annex 1C, art. 15 (1), 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

32. Patent, Design and Trademark Act, § 2 (C) (1965) (Nepal).

33. *Id.* at § 16 (1).

34. *Id.* at § 16 (2).

35. *Id.* at § 18 (1), para. 1 (Restrictive Clause of Sub-section).

organization or Government, such as a national flag, is not registrable as a trademark.

The Department of Industry may cancel the registration of any trademark if it is satisfied the existence of above mentioned ground of general exclusion from registrability. The Department of Industry shall, before canceling the registration of any trademark in this manner, provide a reasonable opportunity to the holder of the trademark to show cause, if any, why his trademark should not be cancelled.<sup>36</sup>

In case a trademark registered at the Department of Industry is not brought into use within one year from the date of registration thereof, the Department of Industry shall conduct necessary inquiries and cancel such registration.<sup>37</sup>

The title of the person in whose name a trademark has been registered shall remain valid for a period of seven years from the date of registration thereof, except when it is renewed.<sup>38</sup> A trademark may be renewed any number of times for a period of seven years at a time.<sup>39</sup>

If any one wishes to allow others to make use of a trademark registered in his name, both parties must submit a joint application and the Department of Industry may grant permission in this respect but the ownership of the trademark will be transferred into the name of the user.<sup>40</sup>

The title to any trademark registered in a foreign country shall not be valid in Nepal unless it is registered in Nepal by the concerned person.<sup>41</sup> The Department of Industry may register trademarks registered in foreign countries without conducting any enquiries if an application is filed along with a certificate of their registration in foreign countries.<sup>42</sup>

If a person uses a trademark registered in the name of any other person under the Patent, Design and Trademark Act, 1965, without the written permission of the latter, or operates such trademark by imitating it in such a manner as to deceive the general public, or brings into use a trademark which has been cancelled under the Patent, Design and

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36. *Id.* at § 18 (3).  
37. *Id.* at § 18C.  
38. *Id.* at § 18D.  
39. *Id.* at § 23B.  
40. *Id.* at § 21D  
41. *Id.* at § 21B  
42. *Id.* at § 21C

Trademark Act, 1965, or uses a trademark as a registered trademark without registering it at the Department of Industry, he may be punished with a fine, as well as the confiscation of all articles and goods connected with such offense, on the orders of the Department of Industry.<sup>43</sup>

If a registered trademark proprietor actually suffers any losses as a result of any other person contravening the provisions of this Act in respect to such trademark, the Department of Industry may have the appropriate amount of such losses recovered from such offender in the form of compensation.<sup>44</sup>

Any person who is not satisfied with the decision issued by the Department of Industry may file an appeal with the Appellate Court<sup>45</sup> under the Patent, Design and Trademark Act, 1965. Furthermore, the Appellate Court has power to issue an injunction order under the Justice Administration Act, 1991 with respect to the protection of trademark.

### III. TRADEMARK RELATED PROVISIONS UNDER THE TRIPS AGREEMENT

Section 2 (Article 15 to 21) of the TRIPS agreement contains the major provision of the trademark and its protection. The general provisions of TRIPS follow those of the Paris, Berne, and Rome Conventions providing for national treatment and most favored national treatment.<sup>46</sup>

The TRIPS agreement states that any sign, or any combination of signs, capable of distinguishing the goods and services of one undertaking from those of other undertakings is eligible for registration as a trademark, provided that it is visually perceptible.<sup>47</sup> The TRIPS Agreement requires service marks to be protected in the same way as marks distinguishing goods.

The TRIPS agreement requires Member States to ensure that the owner of a registered trademark is granted the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.<sup>48</sup> The TRIPS

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43. *Id.* at § 19.

44. *Id.* at § 25.

45. *Id.* at § 27.

46. TRIPS Agreement, *supra* note 31, Arts. 3, 4.

47. TRIPS Agreement, *supra* note 31, Art. 15.

48. TRIPS Agreement, *supra* note 31, Art. 16 (1).

agreement contains certain provisions on well-known marks, it obliges Members to refuse or to cancel the registration, and to prohibit the use of marks whose appearance conflicts with that of a mark which is already well known.

The TRIPS agreement further states that the initial registration and each renewal of the registration of a trademark shall be for a term of no less than seven years. The registration of a trademark shall be renewable indefinitely.<sup>49</sup> Cancellation of a mark on the grounds of non-use cannot take place before three years of uninterrupted non-use. Use of a trademark by another person, when subject to the control of its owner, must be recognized as use of the trademark for the purpose of maintaining the registration.<sup>50</sup> Use of the trademark in the course of trade shall not be unjustifiably encumbered by special requirements<sup>51</sup> and the compulsory licensing of trademarks shall not be permitted.<sup>52</sup> Other substantive and procedural aspects are described in the comparative analysis part VI below.

Article XVI(4) of the Agreement Establishing the World Trade Organization requires each Member to ensure the conformity of its laws, regulations and administrative procedures as provided in the TRIPS agreement.

#### IV. ARGUMENTS IN FAVOUR OF NEPALESE TRADEMARK LAW'S ABILITY TO PROVIDE TRADEMARK PROTECTION

The Government officials and local business community plead that the existing provision of trademark in Nepal is able to give protection to the trademark. They argue that the provisions of registration and protection of trademark under the Patent, Design and Trademark Act, 1996, is not discriminatory between foreigners, nor between nationals and foreigners. Hence, it maintains the national treatment obligation and most favored national treatment obligation requirements. It has no provision of compulsory licensing of trademark. Trademark will be registered for seven years and it may be renewed time and again. It does not allow parallel importation, which would weaken the protection of trademark.

There is an authority, i.e., the Department of Industry, to settle disputes relating to trademarks. The Department of Industry may punish the infringer and can award compensation to the proprietor of the trademark

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49. TRIPS Agreement, *supra* note 31, Art. 18.

50. TRIPS Agreement, *supra* note 31, Art. 19

51. TRIPS Agreement, *supra* note 31, Art. 20.

52. TRIPS Agreement, *supra* note 31, Art. 21.

in case of violation of trademark rights. Any concerned party may appeal the decision of the Department of Industry. The Appellate court may grant an injunction order in respect of protection of trademark. Hence there is provision of immediate remedy as well. Regarding the provision of criminality, even the provision of TRIPS has not said that it should be obligatory. Further necessary measurements may be enhanced in law by court's interpretation.

Furthermore, Nepal has applied for the membership of the WTO which is a kind of commitment towards making its trademark laws compatible to the provisions of TRIPS. Hence, the Nepalese law (Patent, Design and Trademark Act, 1996) is able to provide protection to the proprietors of trademarks and in fact, has been providing such protection.

#### V. ARGUMENTS IN FAVOUR OF NEPALESE TRADEMARK LAW'S INABILITY TO PROVIDE TRADEMARK PROTECTION

The proprietors of trademarks with significant reputations among consumers have grievances related to the infringement of their trademark rights in Nepal.

Many foreign trademark proprietors are surprised to learn that their trademarks have been registered by others before they have applied for their own registration in Nepal. These groups of proprietors of trademark argue that the institution governing trademark is not fully equipped to provide protection and there is a lack of trained personnel. The law has no systematic and full provisions of trademark protection. Furthermore, the existing laws are not fully implemented and not well interpreted by the courts.

These groups argue that, under the existing law, the punishment to the infringer is minimum and there is no provision of imprisonment for counterfeiting goods and the law is inadequate to deter the infringement of another's trademark. This group suggests, in order to better protect trademark, there should be provisions of imprisonment for counterfeiting goods. The law should be well drafted and cover all provisions in simple language. The institution and enforcement mechanism should be further developed and better equipped for the protection of trademark.

#### VI. COMPARATIVE STUDY WITH THE TRIPS AGREEMENT

Trademark rights are described in Nepal under the Patent, Design and Trademark Act, 1965. Here several important sections of Patent, Design

and Trademark Act, 1965, will be discussed and analysed, with reference to the corresponding provisions of TRIPS.

The principle of non-discrimination is the foundation of all intellectual property conventions, and it is likewise an essential component of TRIPS.

The Patent, Design and Trademark Act, 1965 has accepted the national treatment principle and most favoured nation principle. Both nationals and foreigners are required to register their trademark for title and protection.<sup>53</sup> Besides the provision of double fee for the registration and renew for the foreigners,<sup>54</sup> there are basically no discriminatory provisions. Although it is a minor discrimination, this discriminatory provision should be removed from the Act.

Under the TRIPS agreement, the obligations of each Member are enforceable by invoking a built-in mechanism for adjudicating disputes. An effective dispute settlement mechanism subjects all signatories to multilateral scrutiny and reduces the use of unilateral action to protect intellectual property. In WTO/TRIPS, there are provisions and outlines to regulate how disputes are to be settled.

The Patent, Design and Trademark Act, 1965 has a provision regarding dispute settlement. The Department of Industry is the authority for the settlement of disputes<sup>55</sup> and any party of the dispute may submit an appeal against the decision of the Department of Industry before the Appellate Court.<sup>56</sup>

The Nepalese minimum standard requirement concerning trademarks is examined and analysed in the following subheadings:

#### 1. Definition of “Trademark”

The elements of definition, capable to distinguish, prescribed by TRIPS<sup>57</sup> are covered in the definition of trademark under Patent, Design and Trademark Act, 1965.<sup>58</sup>

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53. Patent, Design and Trademark Act, §§ 16 (1), 21B (1965) (Nepal).

54. *Id.* at § 23.

55. *Id.* at § 19.

56. *Id.* at § 27.

57. TRIPS Agreement, *supra* note 31, Art. 15 (1).

58. Patent, Design and Trademark Act, § 2(C) (1965) (Nepal).

## 2. Enforceability of Registrations

Article 16:1 of the TRIPS provides that the owner of a registered trademark shall have the right to prevent unauthorised persons from using identical or similar signs for identical or similar goods or services as those covered by the registration, where such use would result in a likelihood of confusion. The Patent, Design and Trademark Act, 1965 also has provided this right to the owner of a registered trademark.<sup>59</sup> Hence, Nepalese laws meet this important requirement.

The notion of parallel importation is one of the main issues of trademark which is highly in debate in those days. In the *Mattel Canada case*,<sup>60</sup> an injunction was granted to an exclusive registered user against a parallel importer. In *Mattel*, the trademark registration was treated as a territorial right. With respect to this issue, a case is pending at the Appellate Court of Nepal.<sup>61</sup> The Appellate Court has granted an injunction order against parallel importation in this case. In fact, it is important with respect to the protection of trademark. EU allows parallel importation within the EU countries. But the situation of EU is different because within the European Community border does not exist from this point of view.

Article 15 (3) of the TRIPS agreement provides that registrability may depend on use, but actual use shall not be a condition for filing an application. Provisions of the Patent, Design and Trademark Act, 1965 do not require actual use as a condition for filing an application for registration.

## 3. Well-known Marks

The TRIPS agreement requires the Parties to apply the provisions of well-known marks of Article 6bis of the Paris Convention to services.<sup>62</sup> The Patent, Design and Trademark Act, 1965 requires that the trademark should be his own trademark for the application of the registration of the

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59. *Id.* at § 16 (2), which reads: "No person shall use a trademark registered in the name of other person without the written permission of the latter, or operate such trademark by imitating it in such a manner as to deceive the general public."

60. *Mattel Canada Inc. v. GTS Acquisitions Ltd.*, (1990) 27 C.P.R. (3d) 358 (Fed. Ct., Trial Div.) (Can.).

61. *Hindustan Lever Ltd. v. Departmental Store*, Appellate Court, Nepal (2001). The author had argued the case before the Supreme Court of Nepal and the Appellate Court representing *Hindustan Lever Ltd.*

62. TRIPS Agreement, *supra* note 31, Art. 16 (2).

trademark.<sup>63</sup> Hence, this provision excludes the registration of others well-known trademarks.

#### 4. Term and Termination

The text of the TRIPS provides, in Article 18, that the initial term, and each renewal term of a registration shall be for not less than seven years. Also, under the TRIPS, a registration may be cancelled for non-use only after an uninterrupted period of at least three years of non-use.

The TRIPS agreement states that circumstances beyond the control of the owner of the registration are to be recognized as valid reasons for non-use, especially circumstances such as import restrictions on, or other government requirements for, goods and services identified by the trademark.

The Patent, Design and Trademark Act, 1965 provides a period of seven years for initial registration<sup>64</sup> and each renewal term shall be for seven years.<sup>65</sup> Hence it meets the basic requirement of the TRIPS. But it has a provision of cancellation of registration of trademark in case of a non-use period of one year<sup>66</sup> which is to be changed and extended to at least three years. It also should include a provision for valid reasons for non-use.

#### 5. Licensing and Assignment

The TRIPS agreement provides that a Member may determine conditions on the licensing and assignment of trademarks, but compulsory licensing of trademarks is not permitted.<sup>67</sup> In addition, it is stated that the owner of a registered trademark shall have the right to assign its trademark with or without the transfer of the business to which the trademark belongs.<sup>68</sup>

Compulsory licensing is not permitted under the Patent, Design and Trademark Act, 1965. The owner of the registered trademark has a right to assign its trademark with or without the transfer of the business to which its trademark belongs. But if the parties go to the Department of Industry for this purpose, the Department of Industry may transfer the owner's name into the name of the license user.<sup>69</sup> Hence, parties prefer to make private contracts and give to others for their use. As it is against

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63. Patent, Design and Trademark Act, § 17 (1)-(2) (1965) (Nepal).

64. *Id.* at § 18D.

65. *Id.* at § 23B.

66. *Id.* at § 18C.

67. TRIPS Agreement, *supra* note 31, Art. 21

68. *Id.*

69. Patent, Design and Trademark Act, § 21D (3) (1965) (Nepal).

the basic rights of trademark, this right of the Department of Industry of transferring owner's name needs to be removed from the said Act.

## 6. Exhaustion

Article 6 of the TRIPS agreement has a provision of exhaustion whereas the meaning of this Article is not clear yet. The Patent, Design and Trademark Act, 1965 does not contain the provision of exhaustion. In fact the provision of exhaustion will weaken the protection of trademark in any country.

In contrast, the principle of exhaustion contained in the Treaty of Rome prevents the use of intellectual property rights to restrict the flow of goods from one member of the European Community to another, although there is no such prohibition in the case of goods imported from outside the European Community.

## 7. Enforcement

### a. Specific Enforcement Procedures:

The TRIPS contain detailed provisions concerning procedures and remedies relating to enforcement of all intellectual property rights covered by the agreement. The same enforcement procedures apply to trademark as well. The provisions reflect the basic elements of many systems of justice, such as timely and detailed written notice to defendants, the right to independent counsel, and the right to present relevant evidence.<sup>70</sup> The provisions also include the right to discovery, interlocutory or final orders in the event of refusal of a Party to provide access to evidence within that Party's control, injunctions, damages, costs, and damages against a Party at whose request enforcement measures were taken and who has abused the enforcement procedures in order to provide compensation for the loss suffered by any Party wrongfully enjoined.<sup>71</sup> In addition to these familiar remedies, the TRIPS agreement contains provisions intended to deter infringement. These include, orders requiring disposition of infringing goods or of the tools from which they were made, outside normal trade channels, or destruction of such goods or tools.<sup>72</sup> Simple removal of the trademark

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70. TRIPS Agreement, *supra* note 31, Art. 42.

71. TRIPS Agreement, *supra* note 31, Arts. 43 (1) - (2); 44 (1); 45 (1) - (2), 48 (1).

72. TRIPS Agreement, *supra* note 31, Art. 46.

unlawfully affixed to counterfeit goods will not normally be sufficient to permit release of the goods into trade channels.<sup>73</sup>

In Nepal, the Patent, Design and Trademark Act, 1965 and other provisions of law, i. e., the Administration of Justice Act, 2048, the Evidence Act, 2032, the Civil Rights Act, 2012, etc. provide the requirements of written notice to the defendant, the right to independent council, the right to present relevant evidence, interlocutory and final orders, compensation, etc. It would be better if these provisions were written in the Patent, Design and Trademark Act, 1965.

b. Provisional Measures:

The TRIPS agreement provides for interlocutory or interim measures to prevent infringement and in particular to prevent the entry into channels of commerce of allegedly infringing goods, including measures intended to prevent the destruction of evidence.<sup>74</sup> Any person applying for such relief may be required to prove that the applicant is the right holder; that the applicant's right is being infringed soon or that such an infringement is imminent, that any delay in the granting of the requested relief is likely to cause irreparable harm to the right holder, or that there is a real risk that evidence might be destroyed.<sup>75</sup> The rights of defendants are protected by provisions which require revocation of provisional orders in the event proceedings leading to a decision on the merits are not initiated in a timely manner.<sup>76</sup> In addition, defendants who are damaged by reason of improper application of provisional measures, e.g. if it turns out there was no infringement or threat of infringement, will be compensated for any injury caused by the measures.<sup>77</sup>

In Nepal, these interlocutory measures are used by the Appellate Court through the injunction order under the Civil Rights Act, 2012. Hence, the provision of injunction order respects the right of the defendant as well but there is no provision of compensation to the defendant in case of improper application of injunction. Hence, provisions relating to the provisional measures should be incorporated in the same law which governs trademark.

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73. *Id.*

74. TRIPS Agreement, *supra* note 31, Art. 50 (1).

75. TRIPS Agreement, *supra* note 31, Art. 50 (3).

76. TRIPS Agreement, *supra* note 31, Art. 50 (6).

77. TRIPS Agreement, *supra* note 31, Art. 50 (7).

c. Criminal Procedures and Penalties:

Each Member is required under the TRIPS agreement to provide criminal procedures and penalties at least in respect to wilful trademark counterfeiting on a commercial scale including fines or imprisonment, or both.<sup>78</sup> In addition, provisions are made for seizure, forfeiture and destruction of infringing goods and materials used in the commission of the offence.<sup>79</sup>

There are provisions of fines, seizure, forfeiture in such situations under the Patent, Design and Trademark Act, 1965 but there is no provision of imprisonment. Regarding imprisonment, the TRIPS agreement has proposed this proposition but has not made it compulsory.

d. Enforcement of Intellectual Property Rights at the Border:

The TRIPS agreement requires each Member to adopt procedures to enable a trademark owner who has valid grounds for suspecting that importation of counterfeit trademark goods may take place, to apply for suspension by the customs administration of the release of such goods into free circulation.<sup>80</sup> Such authorities also have the right to order the destruction or disposal of infringing goods.

Neither the Patent, Design and Trademark Act of 1965 nor any other statute has such provision of enforcement at the border. Hence, this provision should be included in the relevant law in Nepal.

## VII. SUGGESTIONS AND CONCLUSION

Although, there are instances of protection of trademark provided by the authority punishing the infringer and prohibiting the imitation of another's trademark, the Patent, Design and Trademark Act, 1965, is not able to provide full protection to trademarks in Nepal.

We need to consider the law and practice with respect to the protection of trademarks. Sometimes there may be a perfect law but its implementation may be very poor. Nepal is a least developed country and the concept of intellectual property is new. For an efficient enforcement mechanism, a nation needs both sincerity and economic strength. It costs a lot of money to maintain good office, well-trained

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78. TRIPS Agreement, *supra* note 31, Art. 61.

79. *Id.*

80. TRIPS Agreement, *supra* note 31, Art. 51.

officers and other physical materials. So it is a serious problem for Nepal how to maintain effective enforcement mechanism.

As regards law, Nepal already has basic provisions with respect to the protection of trademark rights. As we have come to know by comparison with international standards, these existing laws are not enough for the protection of trademark in the present situation. The increase of global trade and frequent violations of trademark have created a complex situation. Hence, few recommendations are proposed to be adjusted in Nepalese law for the better protection of trademark in Nepal.

We can summarize that the discriminatory provision, i.e., double fees for registration and renew for foreign trademark should be abolished. The Department of Industry should not transfer the owner's name on trademark to the user in case of use by other with the consent of owner. It is a serious violation of trademark rights, and this provision should be abolished. Likewise, the provision of cancellation of a registered trademark in the case of non-use should be set at three years minimum instead of its current one-year time frame and the law should include provisions for valid reasons for non-use. Measures of enforcement of trademark rights at the border mentioned in the TRIPS agreement ought to be included in the law. Instead of maintaining different provisions in different laws, it would be better if the provisions related to the "specific enforcement procedures" and "provisional measures," provided in the TRIPS agreement, are written in one law. Law should increase monetary punishment, higher than the existing one, so that it deters the infringement of trademark rights.

