

# COMPETITION COMMISSION OF PAKISTAN

## ENQUIRY REPORT

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IN THE MATTER OF FRAUDULENT USE OF TRADE MARKS

BY

ACE GROUP OF INDUSTRIES

BY

NOMAN A. FAROOQI/ WAJEEHA SAIF

Dated: May 17, 2010

## 1. INTRODUCTION

1.1 This Enquiry Report is prepared pursuant to the Complaints filed by M/s *Bayerische Motoren Werke Aktiengesellschaft* and M/s H-D Michigan L.L.C. (hereinafter referred to as **'BMW'** and **'HD'**, respectively and collectively referred to as the **'Complainants'**) under Section 37(2) of the Competition Ordinance, 2010 (the **'Ordinance'**) before the Competition Commission of Pakistan (hereinafter referred to as the **'Commission'**); wherein it has been alleged that M/s *Ace Group of Industries* (hereinafter referred to as the **'Respondent'**) is manufacturing, offering for sale, selling, exporting leather jackets and is fraudulently and without authorization using Complainant's registered trademarks on its products. It has been further alleged that such use of Complainant's trade mark is fraudulent, *mala fide* and constitutes the acts of 'Deceptive Marketing Practices'.

1.2 Pursuant to the powers delegated to the Member (Legal/OFT) under Section 28 (2) of the Ordinance read with S.R.O. 999(I)/2008, the undersigned officers were authorized/ appointed to conduct enquiry into the allegation of *Deceptive Marketing Practices*, which is prohibited under the provisions of Section 10 of the Ordinance.

## 2. COMPLAINTS

2.1 **BMW Complaint:** In its complaint to the Commission, BMW has submitted as follows:

2.1.1 That BMW is a Company organized under and existing under the laws of Germany, having its registered office at Petuelring 130, BMW House, 80809 Munich, Germany.

2.1.2 That BMW in the year 1917 developed the famous logo of BMW. The idea of this logo was primarily based on the *Circular Design of Aircraft propeller* as well as the *blue and white segments* were reflective of the *Bavarian coat of arms*. BMW's logo has been modified but the main essence of the features remains the same. A representation of BMW's logo is as depicted herein below:



2.1.3 That BMW started its business as manufacturer of air craft engines. After World War I, the Complainant was forced to cease aircraft (engine) production by the terms of the *Versailles Armistice Treaty*. BMW consequently shifted to motorcycle production in 1923 once the restrictions of the treaty started to be lifted, followed by automobiles in 1928-29. BMW is one of the ten largest car manufacturers in the world.

- 2.1.4 That the goods sold and business conducted using trademark, service mark, company name and trade name BMW and BMW Logo throughout the world by BMW have been widely advertised in international magazines, periodicals and news papers which also have circulation in Pakistan and/or most have been seen by the Pakistani public and BMW has spent huge amount of money for this purpose which has resulted in the tremendous awareness of the trademark, trade name, service mark and company name of BMW and BMW Logo which are recognized by the traders and the general public throughout the world including Pakistan as originating and/or having association with BMW or under its authority. (copies of the advertisements appearing in Pakistan news papers are appended herewith as ‘**Annex-A1 to Annex-A5**’)
- 2.1.5 That BMW has authorized M/s Dewan Farooq Motors Limited, a Pakistani Company as authorized Importers/Dealers/Distributors for its BMW cars in Pakistan.
- 2.1.6 That BMW, over a period of time, expanded its range of goods to other allied or related goods as well as large variety of fashion and luxury merchandise, accessories, etc., and in order to distinguish its goods, business and services from those of others, BMW either itself or through its subsidiaries, licensees and/or affiliates uses amongst other BMW as Trademark logo. Businesses and services include; cars, car accessories, automobile parts, motorcycles, bikes, mountain bikes, cruise bikes, kids bikes, bags and various other products such as golf kits, golf balls, golf sticks, wallets, key chains, fountain pens, ball points, umbrellas, locks, clothing, jackets, leather

jackets, leather bags, jeans, caps, sport shirts, T-Shirts, cigarette cases & lighters etc.  
(Copy of BMW's product catalogue is appended herewith as 'Annex-B')

2.1.7 That BMW in order to protect its interest in 'BMW' and 'BMW Logo', has obtained registration of trademarks BMW and BMW logo since year 1956 in Pakistan, the details of which are as follows:

**REGISTERED TRADEMARKS**

Sr. No.	TRADEMARK	Application No.	Class	Date of Registration
01.	BMW	25352	12	26-03-1956
02.	BMW Logo	25459	12	11-04-1956
03.	-do-	190435	14	13-12-2003
04.	-do-	190433	16	13-12-2003
05.	-do-	190434	25	13-12-2003
06.	-do-	190439	28	13-12-2003
07.	-do-	197161	37	Pending
08.	BMW	197162	37	Pending

(Copies of the Registered Trade Marks Certificates are appended herewith as 'Annex-C1' to 'Annex-C8')

2.1.8 It has been alleged in the complaint that the Respondent is manufacturing, offering for sale, selling, exporting leather jackets and is putting the renowned trademark of BMW on its jackets and leather gears, without permission of BMW. It has been further alleged that, such unauthorized and fraudulent use of the registered trademarks of the BMW by the Respondent falls within the meaning of the 'Deceptive Marketing Practices' as defined under the Section 10 (2)(d) of the Ordinance and is prohibited under Section 10(1) of the Ordinance.

2.2 **HD Complaint:** In its complaint to the Commission, HD has submitted as follows:

2.2.1 That HD is an American motorcycle manufacturer. Founded in Milwaukee, Wisconsin, during the first decade of the 20th century, it was one of two major American motorcycle manufacturers to survive the Great depression. HD sells heavyweight (over 750 cc) motorcycles designed for cruising on the highway. Harley-Davidson motorcycles (popularly known as "Harleys") have a distinctive design and exhaust note. They are especially noted for the tradition of heavy customization that gave rise to the chopper-style of motorcycle. Except for the modern VRSC model family, current Harley-Davidson motorcycles reflect the styles of classic Harley designs.

2.2.2 That HD sustains a loyal brand community which keeps active through clubs, events, and a museum. Licensing of the Harley-Davidson logo accounts for almost 5% of the HD's net revenue. A representation of HD's famous logo is depicted herein below:



2.2.3 That HD also carries on, either itself or through its licensees, affiliates of associated companies, a wide range of manufacturing such as motorcycle, its parts and accessories and other wide range of products including but not limited to motorcycle clothing, motorcycle sports apparels including leather jackets, lifestyles accessories, which are marked using the Complainant's trademarks.

(Copy of images from the website of HD are appended herewith as **Annex-D1** to **Annex-D7**)

2.2.4 That HD in order to protect its interest in its trademarks has obtained registration of trademarks in Pakistan, the details of which are as follows:

**REGISTERED TRADEMARKS**

Sr. No.	TRADEMARK	Application No.	Class	Date of Registration
01.	Trademark	169806	12	03-04-2001
02.	-do-	169813	18	03-04-2001
03.	-do-	169822	16	03-04-2001
04.	-do-	169818	25	03-04-2001
05.	-do-	169817	26	03-04-2001
06.	-do-	169812	12	03-04-2001
07.	-do-	169805	09	03-04-2001
08.	-do-	169803	26	03-04-2001
09.	-do-	169804	03	03-04-2001
10.	HARLEY DAVIDSON	169807	12	03-04-2001
11.	LOGO	169814	25	03-04-2001
12.	-do-	169808	18	03-04-2001
13.	HARLEY DAVIDSON	169809	25	03-04-2001
14.	HARLEY	169810	12	03-04-2001
15.	-do-	169811	25	03-04-2001
16.	TWIN-CAM 88	148291	12	03-06-1998
17.	-do-	148292	25	03-06-1998

(Copies of the trademarks registrations certificates are appended herewith as '**Annex-E1**' to '**Annex-E17**')

- 2.2.5 There is no authorized dealer of HD in Pakistan and they have not authorized the Respondent to use their Trade Mark on its products.
- 2.2.6 It has been alleged in the complaint that the Respondent is manufacturing, offering for sale, selling, exporting leather jackets and is fraudulently and without authorization using the Complainant's registered trademarks on its products. It has been alleged that such use of complainant's trade mark is fraudulent, *mala fide* and constitutes the acts of 'Deceptive Marketing Practices'. The Complainant has also appended the images from the website of the Respondent. (Images from the website of the Respondent are appended herewith as '**Annex-F1**' to '**Annex-F11**')

### **3. COMMENTS OF THE RESPONDENT**

- 3.1 The Respondent was sent copies of Complaints along with annexures vide letters bearing nos. 3/REG/COMP/BMW/SEC.10/CCP/09 and 4/REG/COMP/H.D/SEC.10/CCP/09 dated October 28, 2009 on the address provided by the Complainants, for soliciting its comments. However, both the letters were returned on account '*address not traceable*'.
- 3.2 Since the address was provided by the Complainants therefore, verification of address was sought from the Complainants vide letters bearing no. 3/REG/COMP/BMW/SEC.10/CCP/09 and 4/REG/COMP/H.D/SEC.10/CCP/09, dated November 18, 2009. The said letters were not responded by the Complainants therefore, reminders were issued to the Complainants on December 02, 2009.



- 3.3 The Complainant's counsel vide its letter dated December 21, 2009, provided us the fax numbers of the Respondent and also requested that substituted mode of service may please be adopted for serving the complaints to the Respondent.
- 3.4 The Complaints were again sent through fax and through courier vide letter bearing nos. 3/REG/COMP/BMW/SEC.10/CCP/09 and 4/REG/COMP/H.D/SEC.10/CCP/09, dated December 22, 2009. This time the Complaints were received by the Respondent both through fax and through courier.
- 3.5 The Respondent filed identical reply to both the complaints on January 06, 2010, which is as follows:

*That the Respondent is neither any incorporated concern nor a registered firm rather a small businessman under sole proprietorship. On initiation of business desirous to have some website and after having got prepared the same it was placed on web.*

*That the Respondent having no knowledge about such type of special laws innocently offered the garments from trade, with no intention to deceive any person in the universe in any manner whatsoever. However, if this hurt the Complainants, I am Sorry for the act and ready to amend the same and change the website accordingly rather has asked for it.*

#### **4. ISSUE**

Whether the Respondent has engaged itself in deceptive marketing practices by fraudulently using the registered Trademarks of the Complainants, in violation of Section 10 of the Ordinance?

#### **5. ANALYSIS AND CONCLUSION**

5.1 The matter in hand is of deceptive marketing practices by fraudulent use of registered trademarks by the Respondent. It needs no emphasis that the Complainants are very famous companies among the general public of not only Pakistan, but in the world as well and their logos are not only well recognized but also a symbol of prestige all over the world.

5.2 From the material and evidence presented by the complainants along with their complaints there appear to be no doubt in our minds that they are the registered owners of the trademarks purportedly used by the Respondent.

5.3 Furthermore, the products which are advertised on the website of HD and that of Respondents looks 100% identical upon comparing them with the website images of the websites of HD and the Respondent. The images are appended herewith as Annex-D & F.

5.4 From the bare perusal of the website images of the Respondent, it makes clear that the registered logos of the Complainants have been used by the Respondent on its merchandise and the images of the merchandise on the website can easily deceive a

purchaser viewing the website that the products advertised are that of the Complainants. However, it is relevant to point out that the Complainants never licensed or leased out their respective trademarks to the Respondent and never authorized the Respondent to use their respective trademarks on its products and advertise the same. Therefore, *prima facie*, the Respondent did not have any permission or authorization from the Complainants to use their registered trademarks. Furthermore, the Respondent in its reply *ibid.* has clearly admitted that he has been using the trademarks of the Complainants as he do not have any knowledge about such type of special laws i.e., the Ordinance.

5.5 Although it can be said that the Respondent by publishing the images of its product on its website might have caused financial harm to the Complainants and deceived the consumers that the products advertised for sale on the website are that of reputed companies, however, no evidence was adduced by the complainant of actual sales being made by the Respondent.

5.6 Though the conduct and attitude of the Respondent may appear to be innocent and ignorant of special laws such as the Ordinance, however, we are inclined with the legal principle that ignorance of law can be of no excuse. Therefore, in view of the above facts, annexures appended herewith, images of the website of the Respondent, and clear admission of the Respondent that, *prima facie*, there is a violation of Section 10 (1) of the Ordinance and in particular clause (a), (d) of sub-section (2) of Section 10 of the Ordinance, on part of the Respondent.

## **6. RECOMMENDATIONS**

6.1 The deceptive marketing practices have a direct impact on the public at large. It is in the interest of the general public that the undertakings should be stopped to advertise their products in an unfair and misleading manner and be encouraged to resort to the advertising practices which are transparent and gives consumers/customers true and correct information. *Prima facie* violations under the Ordinance in terms of the findings of this enquiry report warrant initiation of proceedings under Section 30 of the Ordinance in accordance with law.

**NOMAN A. FAROOQI**  
**Deputy Director (Legal)**

**WAJEEHA SAIF**  
**Junior Executive Officer (Legal)**

**Dated: May 17, 2010**