



BEFORE THE
COMPETITION COMMISSION OF PAKISTAN

IN THE MATTER OF

SHOW CAUSE NOTICES ISSUED TO
M/S OPTIONS INTERNATIONAL (SMC-PVT.) LIMITED
ON COMPLAINT FILED BY
M/S STARBUCKS CORPORATION, USA

INTERIM ORDER UNDER SECTION 32 OF THE COMPETITION ACT, 2010

(F. NO: 282/STARBUCKS/OFT/CCP/2017)

Date of hearing: 15-08-2018

Commission:

Ms. Vadiyya S. Khalil
Chairperson

Dr. Shahzad Ansar
Member

Dr. Muhammad Saleem
Member

Assisted by:

Noman A. Farooqi
Director General (Legal)

Present on behalf of:
M/s Starbucks, USA

Sana Shaikh Fikree
Senior Associate

Sanaya F. Vachha
Associate
Vellani & Vellani

M/s Options International (SMC-Pvt.)
Limited

Muhammad Fayyaz Hashmi
Advocate High Court



ORDER

1. This order shall dispose of the application dated 01st August 2018 (the '**IO Application**') filed by M/s Starbucks Corporation of the United States of America (the '**Complainant**') for interim relief filed under Section 32 of the Competition Act 2010 (the '**Act**') read with Regulation 25(3) of the Competition Commission (General Enforcement) Regulation 2007 (the '**GER**').
2. In the instant matter, the Commission *vide* the Show Cause Notice (the '**SCN**') dated 04th May 2018 issued to M/s Options International (SMC-Pvt.) Limited (the '**Respondent**') notified that there exists a *prima facie* case of contravention of Section 10(2)(d) and 10(2)(b) read with Section 10(1) of the Act and called upon to show cause in writing within fourteen (14) days of the date of receipt of the SCN and also to appear and place before the Commission the facts and material in support of its contentions either in person or through an authorized representative on 17th May 2018 at the office of the Commission and to explain why an appropriate order under Section 31(1)(c) of the Act may not be passed and/or a penalty for the aforesaid violation may not be imposed under Section 38 of the Act.
3. On 07th May 2018, a letter was received from the Complainant's counsels stating that they are unable to attend the Commission on 17th May 2018 because they are travelling abroad to attend an international conference, hence, requested to adjourn the hearing to another date. Acceding to the request of the Complainant an adjournment was granted.
4. Through the instant IO Application, the Complainant reiterated the contents of its Complaint that the Respondent is engaged in dissemination of false and misleading information/claims representing it an international corporation selling and serving "Starbucks" coffee and allied products in Pakistan; whereas, it has no authorization or license to use the Complainant's registered and well-known trademark "**Starbucks**" and the word mark "**Starbucks Coffee**"; thereby, it is deliberately engaged in deceptive marketing practices to the Complainant's and the consumer's detriment in contravention of Section 10 of the Act.

5. The Complainant has prayed that the Commission may pass an interim order under Section 32 of the Act requiring the Respondent and the outlets owned and operated by



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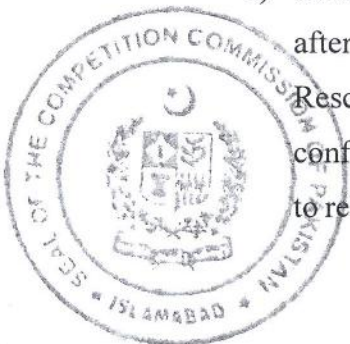
the Respondent to refrain from deceptive marking practices as explained in the Complaint in order to prevent further irreparable loss and damage to the business and goodwill of the Complainant till the conclusion of the proceedings in the subject complaint.

6. After considering the Complainant's IO Application, *vide* hearing notice dated 08th August 2018, the parties were informed that the IO Application shall be heard on 15th August 2018 and they are required to file their written submissions, if any, on the issue of interim relief under Section 32 of the Act. However, no written submission was made by them.
7. On 15th August 2018, the Complainant and the Respondent through their authorized representatives were heard on the IO Application. The submissions/contentions of the Complainant are outlined in brief as follows:

- a) In its reply to the SCN dated 4th May 2018, the Respondent has admitted that it was imitating the products *such as* coffee cups of the Respondent and other coffee houses merely as souvenirs. However, citing the contents of the Enquiry Report, the Complainant asserted that it is an established fact that the Respondent has been marketing, advertising, producing and supplying coffee and other related products' labelling and packaging bearing Starbucks' trademark and logo without any authorization from the Complainant. Further, the Respondent was and continues to use the Complainant's trademark and labelling/packaging on its Facebook page in order to deceive the consumers.
- b) The Complainant submitted that in the situation that exists or is likely to emerge, serious or irreparable damage may occur to the Complainant, hence it must be restrained to take any opportunity to ride on the back of the Starbucks brand to attract consumers.

8. The submissions/contentions of the Respondent are summarized as follows:

- a) Since 04th April 2018, the Respondent café and bakery have been non-operational after the fire broke out on the aforesaid date. The Punjab Forensic Department, Rescue Department, Civil Defence Department and the Police Department have confirmed that it was due to short circuit and it might take them another few months to rebuild the café, if they decide to do so. Thus, the Respondent is merely operating

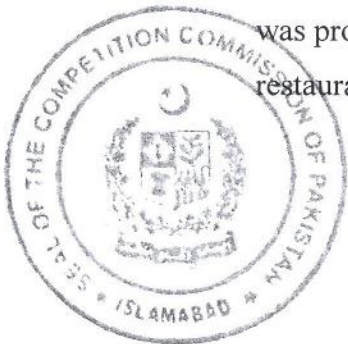


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its restaurant but the café and bakery are closed. He further asserted that at the Restaurant, which is operational, the Respondent is not serving coffee.

- b) In rebuttal, concerning the alleged continued use of Starbucks trademarks and labelling/packaging, the Respondent contended that it is possible that some third parties are imitating Starbucks' trademark and labelling/packaging, unbeknown to them.
 - c) Finally, the Respondent submitted that it is willing to comply with any directions/orders in this matter to the satisfaction of the Commission.
9. In the attending circumstances and in pursuance of Regulation 52A of the GER, we deemed it appropriate to seek assistance from Mr. Noman A. Farooqi, Director General (Legal) of the Commission. In attendance and after the submissions of the authorized representatives of the Complainant and Respondent, for assistance of the bench, following submissions were made by him:

- a) The Commission initiated the proceedings under Section 30 of the Act after considering the *prima facie* findings of the Enquiry Report dated 9th March 2018. During the enquiry, the enquiry officers also conducted a survey which is annexed with the Enquiry Report as 'Annexure-B'. The photographs in the Survey, which have not been denied by the Respondent clearly shows that the Respondent is using the Trademarks of the Complainant on its website, Facebook page, outside the Restaurant, inside the Restaurant, on the crockery as well as on the menu card.
- b) As far as the claim of the Respondent that the café and bakery are closed since 04th April 2018, it was submitted that the Officer of the Commission Mr. Imran Akhter, Senior Assistant visited the premises of the Respondent on 10th August 2018 and the Restaurant was not only operational but coffee was also being served. In addition on the directions of the Bench, the Registrar of the Commission had also inquired today about the selling of coffee at the Restaurant and a purchase receipt was produce before the Bench of 15th August 2018 for the cappuccino coffee at the restaurant owned by the Respondent.



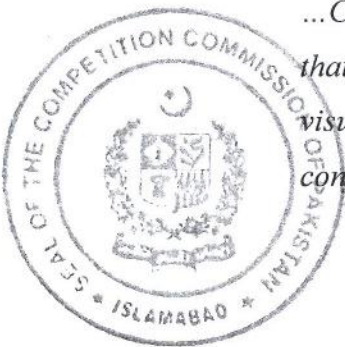
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- c) It was submitted that under Section 32 of the Act, the Commission may in any proceedings under Section 30 of the Act, (i) where final order is likely to take time, (ii) a situation exists or is likely to emerge, (iii) that situation may cause serious or irreparable damage, and (iv) an interim Order is necessary in the public interest, (v) after giving an opportunity of hearing, may pass an Order directing the undertaking concerned to do or refrain from doing or continuing to do any act or thing specified in the Order.
- d) It is on the record that the Trademarks used by the Respondent are infact registered in the name of the Complainant and the registration certificates are placed as 'Annexure-A' to the Enquiry Report. The Respondents have not placed any document on the record which shows that the trademarks 'Starbucks' used by them is infact registered in their name or the same is not registered in the name of the Complainant. Reliance was placed on the cases reported as Muhammad Saleem Warind vs. Mazhar and 2 others, reported as 2015 CLD 655, wherein it was held by the Honourable Sindh High Court that:

"...The Plaintiff by virtue of the aforesaid registrations, has the right to restrain all persons from using any mark similar to or identical with or resembling the trademark "SAKURA" which is likely to deceive or cause confusion of the course of trade that the goods of the defendant s have been produced by the Plaintiff. Therefore, the Plaintiff has a right to obtain an injunction against the person who infringes the registered mark of the plaintiff on production of the registration certificates..."

- e) In another case reported as Jubilee Life Insurance Company Limited vs. United Insurance Company of Pakistan Limited, reported as 2016 CLD 1663, the Honourable Sindh High Court held that

...Considering the background of the Plaintiffs' business, it seems that adoption of the same trademark which is phonetically and visually similar and there is likelihood that it would create confusion and deception to the customers of such class...



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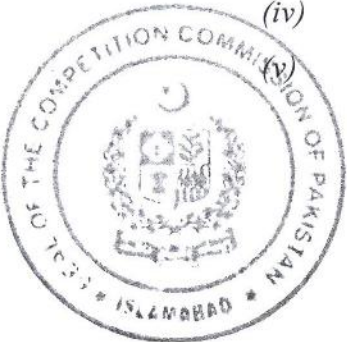
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In my view the defendants have failed to justify bona fide adoption of the word, "Amaan Plan" and/or "Amaan" as they may have other choices instead of plaintiff's registered mark which has already gained popularity and enjoying a goodwill in the market, hence, I am of the view that the plaintiff has presented a prima facie case, balance of inconvenience is also in their favour and they would suffer irreparable loss unless the application is allowed as prayed. Accordingly, application is allowed."

- f) It is also important to highlight that the Respondent's C.E.O. through written reply has made a request to fix the date of hearing after the first or the second week of September 2018 as he is travelling abroad, which satisfies another condition of Section 32 of the Act i.e. the final Order in the proceedings is likely to take time. Hence, the Bench may consider allowing the IO Application and passing of an Interim Order containing the directions as it may deem appropriate.

10. After hearing the Parties at length and considering the assistance rendered by the Director General (Legal), we are of the view that the Act was promulgated with the scope to provide free competition in all spheres of commercial and economic activity to enhance economic efficiency and to protect consumers from anti-competitive behaviours, which *inter alia* include deceptive marketing practices prohibited under Section 10 of the Act. As is evident that the interim Order under Section 32 of the Act can only be passed upon satisfaction of following conditions:

- (i). *Final Order in the proceedings is likely to take time,*
- (ii) *A situation exists or is likely to emerge,*
- (iii). *As a consequence of the above situation serious or irreparable damage may occur, and*
- (iv) *Interim Order is necessary in the public interest,*
After providing an opportunity of hearing to the concerned undertakings.





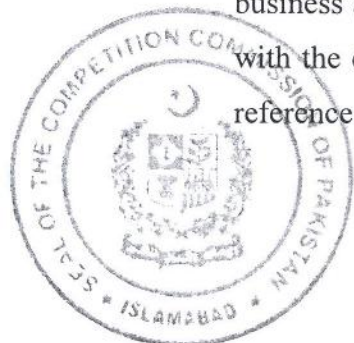
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11. Based on the material available on the record and the submissions made before us, we are of the opinion that the issuance of final order in the instant matter may take time, hence, the first condition under Section 32 of the Act stands satisfied.
12. With reference to the second condition, a *prima facie* findings of the Enquiry Report along with the evidence are available on the record, which *inter alia* include the registration certificates and the images of the Restaurant and Café owned and operated by the Respondent, and the printouts of the Respondents' Facebook page are presented by the Complainant's Counsel showing that the Respondent is using the registered trademark of the Complainant. Thus, we are of the considered view that a, *prima facie* contravention of clauses (a), (b) & (d) of subsection (2) of Section 10 read with subsection (1) of Section 10 of the Act is made out. In this regard we are in agreement with the judgments 2015 CLD 655 & 2016 CLD 1663.
13. Regarding the third condition, we are guided by the observations made in one of the earlier decisions of the Commission i.e. *In the matter of Complaint filed by DHL reported as 2013 CLD 1014*:

"It is a cardinal principle of law and fair commercial trading, that deceptive measures should not be adopted to adversely affect goodwill and recognition earned by other organization. The only reason for such conduct is to gain an advantage on the goodwill attached to the Complainant's trademark, which is indeed capable of harming Complainant's business interest; as it is in the case of all Respondents."

14. Since, the Respondent is *prima facie* using the trademark of the Complainant and the trademarks are also registered in the name of the Complainant, proof whereof is placed on the record as an annexure to the Enquiry Report, allowing the Respondent to continue with the use of Complainant's trademark may cause serious or irreparable damage to the business and goodwill of the Complainant. In reaching this conclusion we are inclined with the observations made by the Commission in 2013 CLD 1014, which for ease of reference are reproduced herein below:



“...it is important to recognize that part of any business’s identity is the goodwill it has established with consumers, while part of a product’s identity is the reputation it has earned for quality and value. In a larger sense, trademarks promote initiative and enterprise worldwide by rewarding the owners of trademarks with recognition and financial profit. Trademark protection also hinders the efforts of unfair competitors, such as counterfeiters, to use similar distinctive signs to market inferior or different products or services. This enables people with skill and enterprise to produce and market goods and services in fair conditions, thereby facilitating international trade.”

15. With reference to the fourth condition, we note that the Commission may issue an Interim Order under Section 32 of the Act, where the issuance is in the public interest. Although the term “*public interest*” is not defined under the Act, however, we have taken guidance from the judgment of the Honourable High Court in the case *Nasrullah vs. Province of Baluchistan, reported as 2000 PLC (C.S.) 769*, wherein the Honourable Court observed as follows:

“The word public interest has not been defined in the statute, therefore, to view of its definition in above quoted citation in our opinion in broader sense this expression can be defined which is action that can be taken to protect the legal rights of the general public or a class of public with whom justice is required to be done by a competent authority keeping in view the relevant rules and laws available on the subject. In this behalf it is also to be added that competent authority though enjoys jurisdiction to adjudge in view of the prevailing circumstance to do or not to do a particular act in the public interest but at the same time care should be taken that such act may not cause injustice to some or majority of the members of the public who are also entitled equally for protection of a law/rules under which action has been taken.”



16. As mentioned earlier, the Commission is entrusted with the role of protecting the consumers from anti-competitive behaviours which *inter alia* include the deceptive marketing practices being prohibited under Section 10 of the Act. Further, the

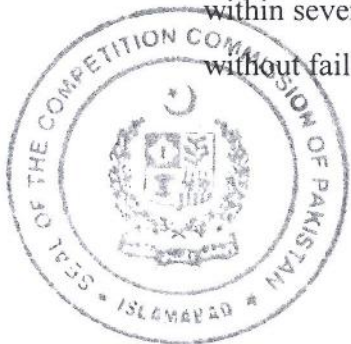
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Commission is right in its steed to restrain the undertakings from resorting to unfair competitive practice such like using someone else's trademark and that too a registered trademark without any authorization or license, which may not only harm the business interest of the owner of trade mark but will also deceive the consumers in making them believe that the products which they have purchased belonged to or is associated with the owner of trademark, which in fact is not the case. Hence, we are of the considered view that the fourth condition also stands satisfied in the instant matter.

17. In view of the above, we are constrained to issue the following directions to the Respondent:

- (a). Till the issuance of the final Order and conclusion of the proceedings under Section 30 of the Act under Show Cause Notice No. 14 of 2018, the Respondent is directed to refrain from marketing, advertising, producing and supplying coffee and other related products' labelling and packaging bearing Starbucks' trademark and logo anywhere which inter alia include the website and Facebook page, without any authorization from the Complainant; and
- (b). The Respondent is directed not to claim any association or affiliation with the Complainant or using the trademarks or logos of the Complainant on any of its marketing material, while selling any of its products, in particular coffee or other related products at any of its Restaurants/Cafés till the conclusion of the proceedings under Section 30 of the Act and until further Orders.

18. The Respondent is cautioned that in case any violation of the above said directions is committed, the Respondent in pursuance of clause (b) of sub-section (1) of Section 38 of the Act read with clause (b) of sub-section (2) of Section 38 of the Act, shall be liable to a fine of Rs. 10,000,000/- (Rupees Ten Million Only). The Respondent is also directed to file the compliance report with reference to the directions given in Para 17 above within seven (7) days from the date of this Order with the Registrar of the Commission, without fail.



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19. Needless to say, the observations made hereinabove are tentative in nature and without prejudice to further proceedings in the instant matter.

20. In terms of the above, the IO Application stands allowed and the Registrar of the Commission is directed to transmit copies of this Order to the concerned parties and also to issue hearing notices to the parties concerned for 11th September 2018.



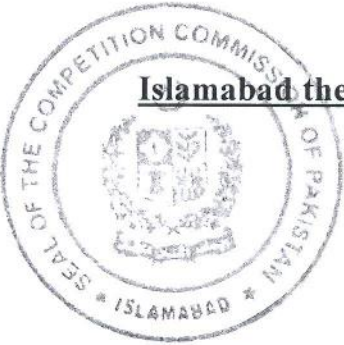
Ms. Vadiyya Khalil
Chairperson



Dr. Shahzad Ansar
Member



Dr. Muhammad Saleem
Member



Islamabad the 17th August 2018