



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

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

Date of hearing:

15-08-2018
11-09-2018

Commission:

Ms. Vadiyya Khalil
Chairperson

Dr. Muhammad Saleem
Member

Dr. Shahzad Ansar
Member

Assisted by:

Ms. Sophia Khan
Deputy Director (Legal)

Present on behalf of:

M/s Starbucks Corporation, USA

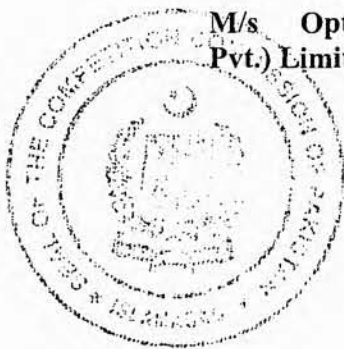
Sana Shaikh Fikree
Senior Associate

Sanaya F. Vachha
Associate
Vellani & Vellani

M/s Options
Pvt.) Limited)

International (SMC-

Muhammad Fayyaz Hashmi
Advocate
Dr. Kaiser Rafiq
Chief Executive Officer



ORDER

1. This shall disposed off the proceedings initiated *vide* Show Cause Notice No. 14 of 2018 dated 04 May 2018 (the 'SCN'), issued to M/s Options International (SMC-Pvt.) Limited (the '**Respondent**' or '**Options**') by the Competition Commission of Pakistan (the '**Commission**') for, *prima facie*, contravention of Sections 10(2)(d) and 10(2)(b) read with Section 10(1) of the Act.
2. The SCN was issued to the Respondent pursuant to the Enquiry Report dated 09 March 2018 (the '**Enquiry Report**'). The enquiry was conducted by the Commission after the complaint dated 07 June 2017 (the '**Complaint**') under Section 37(2) of the Act was lodged by M/s Starbucks Corporation of the United States of America (the '**Complainant**' or '**Starbucks**') against the Respondent.

FACTUAL BACKGROUND

3. Starbucks is an American public company. It operates one of the largest coffee houses chains by itself or through authorized licensees/franchisees across the world under the registered trademark "STARBUCKS" and various variations of its wordmark(s) and logo(s) (hereinafter, '**STARBUCKS MARKS**'). The company is widely recognized for its unique circular logo containing an image of a twin-tailed mermaid/siren in white and deep green colour with or without the Starbucks wordmarks around the logo. A comparison of the STARBUCKS MARKS and the Respondent use of them is given detailed in preceding paragraphs.
4. Starbucks claimed that its international network of authorized operators, licensees, and franchisees operating in more than 66 countries uniformly use STARBUCK MARKS. Further, they have heavily invested in STARBUCKS MARKS and associated product which are now widely recognized by consumers in the food services industry across the world.
5. Briefly, Starbucks alleged that the Respondent is engaged in the marketing, advertising, selling, and offering to sell "Starbuck coffee" using the STARBUCKS MARKS on the sign board of its coffee houses and restaurants, including on the packaging material, menus, flyers and other promotional material, its Website



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www.options.pk and Facebook page www.facebook.com/Options without any express or implied authorization from it.

6. The Complainant further alleged that in the absence of any contractual arrangement, the Respondent has no reasonable basis to claim that it sells Starbucks Coffee and/or use the STARBUCKS MARKS in any other manner. Further, the Complainant asserted that the Respondent's claims to (i) import and use original STARBUCKS coffee beans; (ii) grind the beans at the same (Starbucks) pace while using the same (Starbucks) machines and using all the same (Starbucks) imported ingredients; (iii) get the coffee made by Starbucks trained staff at the same temperature; and (iv) assure that the consumers will find the same (Starbucks) taste as they would have at any Starbucks coffee house located in Dubai, London or New York are false and misleading in contravention of Section 10(2)(d) read with Section 10(1) of the Act. The Complainant alleged that the aforesaid claims by the Respondent are intended to confuse and deceive the unwary consumers and taking unfair advantage of the reputation and goodwill enjoyed by the Starbucks business and STARBUCKS MARKS.
7. Starbucks further alleged that the Respondent's representations were materially false and capable of giving the wrong impression and to mislead/misguide the consumers into believing that they are being served by the authorized representative of Starbuck in contravention of Section 10(2)(b) read with Section 10(1) of the Act.
8. Finally, Starbucks claimed that the Respondent was engaged in the business of selling/serving coffee and other products in the name of Starbucks which is harmful to its further business plans to enter into Pakistani market, hence the Respondent is acting contravention of Section 10(2)(a) read with Section 10(1) of the Act.
9. The Enquiry Report examined whether the Respondent has contravened the aforesaid provisions of Section 10 of the Act. After solicitation of written comments of the Respondent dated 25 November 2017, the Complainant's rejoinder dated 29 November 2017, surrejoinder of the Respondent dated 16 January 2018 and conducting independent market survey authorized by the Commission from 07 November 2017 to 08 November 2017, the Enquiry Report concluded that the



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Respondent has been engaged in deceptive marketing practices in contravention of Section 10(2)(d) and 10(2)(b), and 10(2)(d) read with Section 10(1) of the Act.

10. Based on the *prima facie* findings of the Enquiry Report, the Commission initiated proceedings under Section 30 of the Act against the Respondents. The relevant parts of the SCNs are reproduced hereunder:

4. Whereas, in terms of the Enquiry Report in general and paragraphs 2.1 to 2.17 and 3.2 to 3.4 in particular, the Complainant has alleged that the Undertaking without any express or implied license or authorization is affixing the STARBUCKS marks on the signboards of its eateries as well as on its menu, packaging material, serving containers, including reusable and disposable coffee cups, flyers, and other printed material including on the Website and Facebook page, as a deceitful and misleading attempt to confuse the general public and harms the Complainant's worldwide established business interests, reputation and goodwill; and

5. Whereas, in terms of the Enquiry Report in general and paragraphs 5.13 to 5.27 in particular, it appears that the Undertaking has been engaged in deceptive marketing practices through the fraudulent use of the Complainant's STARBUCKS marks in the course of advertising, marketing and selling its products in order to free-ride on the goodwill and brand identity of the Complainant in, prima facie, violation of Section 10(1), in terms of Section 10(2)(d) of the Act; and

6. Whereas, in terms of the Enquiry Report in general and paragraph 5.28 to 5.30 in particular, it appears that the Undertaking has been engaged in deceptive marketing practices through the distribution of false and/or misleading information to consumers which lacks a reasonable basis, by claiming to sell STARBUCKS coffee made in STARBUCKS machines, using the same method of production (pace, temperature control and trained staff) and giving customers the authentic STARBUCKS experience



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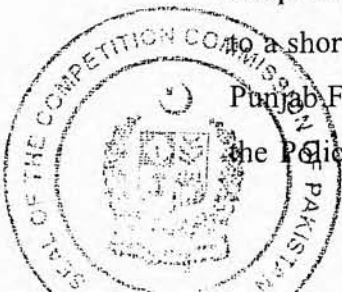
in, prima facie, violation of Section 10(1), in terms of Section 10(2)(b) of the Act;'

HEARINGS

11. On 1st August 2018, the Complainant filed an application of interim relief (hereinafter, '**IO Application**') under Section 32 of the Act read with Regulation 25(3) of the Competition Commission (General Enforcement) Regulation 2007 ('**GER 2007**'). Through the IO Application, the Complainant reiterated the contents of the Complaint contending that the Respondent continues to deliberately engage in the deceptive marketing practices which are substantially detrimental to the business interest, reputation, and goodwill of the Complainant as well as consumers. The Complainant prayed that an interim injunctive order may be passed to prevent further loss and damage to its business interest and reputation/goodwill till the conclusion of the main proceedings and final order of the Commission.

12. On 15 August 2018, the Complainant and the Respondent through their authorized representative were heard on the IO Application. The Complainant submitted that the Respondent *vide* reply to the SCN dated 4 May 2018 has admitted that it was imitating the "STARBUCKS MARKS" on its coffee cups, among other things. Referring to the Enquiry Report, the Complainant's counsel contended that it is now established that the Respondent is marketing, advertising, producing and selling coffee and other related products bearing STARBUCKS MARKS without any authorization. In addition, the Respondent continues to use the STARBUCKS MARKS on its Website and Facebook page to deceive consumers. Against this backdrop, the Complainant's counsel argued that there exists situation or is likely to emerge which is causing or could cause serious/irreparable loss to the Starbuck's goodwill and reputation in the market. Hence, the Respondent must be restrained to use any form of STARBUCKS MARKS to attract consumers.

13. In rebuttal, the Respondent's counsel submitted that since 04 April 2018, the Respondent Café and bakery have been non-operational after the fire broke out due to a short electric circuit inside the premises. This fact has been confirmed by the Punjab Forensic Department, Rescue Department, Civil Defence Department, and the Police Department. Therefore, it is no more selling/serving coffee and using



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STARBUCKS MARKS. Concerning the alleged continued use of STARBUCKS MARKS on its Facebook page, the Respondent suggested that it is possible that some third party are imitating STARBUCKS MARKS, unbeknown to them. Finally, the Respondent's counsel submitted that they are willing to comply with any directions and orders to the satisfaction of the Commission.

14. In the attending circumstances and in pursuance of Regulation 52A of the Competition Commission (General Enforcement) Regulations, 2007 (the 'GER'), we deemed it appropriate to seek assistance from Mr. Noman A. Farooqi, Director General (Legal) of the Commission. He elaborated the contents of the Enquiry Report and the evidence placed on record through the survey conducted during the enquiry proceedings. He also placed reliance on Muhammad Saleem Warind vs. Mazhar and 2 others, reported as 2015 CLD 655 & Jubilee Life Insurance Company Limited vs. United Insurance Company of Pakistan Limited, reported as 2016 CLD 1663.
15. On perusal of the record and considering the parties' submissions, we were of the considered view that a situation exists or is likely to emerge which could result serious or irreparable damage may occur, an interim order is necessary under Section 32 of the Act. Hence, the Bench concluded the proceedings to the extent of IO Application and passed an interim order on 17 August 2018 and restrained the Respondent from the use of STARBUCKS MARKS till the issuance of a final order, inter alia, under Section 31 of the Act. The Respondent was directed to refrain from marketing, advertising, producing, and supplying coffee and related products bearing STARBUCKS MARKS.
16. On 11 September 2018, the second hearing was conducted. Mr. Kaiser Rafique owner of Options appeared himself as the primary representative along with his counsel. Mr. Rafique denied all alleged contraventions as were portrayed by the Complainant's counsels and confronted the findings of the Enquiry Report. However, once the evidence on record/Enquiry Report was displayed during the hearing, the Respondent eventually admitted that they were using the STARBUCKS MARKS at their coffee houses. On the contrary, Mr. Rafique claimed that as an owner of the coffee houses and restaurants, he was unaware of such marketing and promotional practices employed by his staff. Further, he contended that upon receipt of the SCN, he ensured that all STARBUCK MARKS are removed from its coffeehouses and restaurants.



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Furthermore, he contended that adequate steps were taken to eradicate any material or social media posts that may tantamount contravention of Section 10 of the Act. Finally, the Respondents expressed their willingness to comply with the directions/orders of the Commission to ensure no infringement of Section 10 of the Act would take place in the future. The Commission advised the Respondent to submit their statements in writing with the office of the Registrar to the Commission.

17. On the other hand, the Complainant's counsel reiterated their stance that the evidence on record suffices to reflect contravention of Section 10 of the Act, the Commission, therefore, may consider imposing financial penalties on the Respondent to deter such conduct in the future and harm caused to its business concern and consumers.

18. In pursuance of the notice under Regulation Regulation 52A of the GER read with Section 53 of the Act, Ms. Sophia Khan, Deputy Director in attendance provided assistance in the matter. With reference to the submissions of the Respondent, she submitted that the duration of the campaign and presence of the STARBUCKS MARKS on the social media of the Respondent even a day before the hearing on 15th August 2018, proof whereof was submitted by the Complainant, clearly shows that the Respondent has capitalized with the use of Star Bucks Logos and took an unfair advantage over its competing outlets. She further submitted that the stance taken by the Owner of the Respondent that the employees have been using the STARBUCKS MARKS without his knowledge and that he should not be held liable for the actions of employees is baseless and should be rejected. It was submitted that no document has been submitted by the Owner of Respondent showing that he had taken any action against the employees who engaged in the deceptive marketing practices. Further, she referred to the *Doctrine of Respondeat Superior*, which provides that an employer or principal is legally responsible for the wrongful acts done by an employee or agent, if such acts occur within the scope of the employment or agency. In this regard, she placed reliance on the judgments of the UK Supreme Court reported as The Catholic Child Welfare Society vs. Various Claimants & the Institute of the Brothers of the Christian School, [2012] UK SC 56 = 2013 SCMR 787 and Ministry of Justice vs. Cox, [2014] EWCA CIV 132 = 2016 SCMR 1340, wherein following was held:



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“[D]efendant could not avoid vicarious liability on the basis of technical arguments. For the purposes of vicarious liability the defendant need not be carrying on activities of a commercial nature. The benefit of which it derived from a tortfeasers actions need not to take form of profit. It was sufficient that there is a defendant carrying on activities in the furtherance of its own interest. The individual for whose conduct it may be vicariously liable must carry on activities assigned to him by the defendant as an integral part of its operations and for its benefit. The defendant must by assigning these activities to the tortfeasers, have created a risk of his committing an illegal act.”

19. It was submitted by her, that the employees have carried out the branding of the Respondent, inside and outside the premises, as well as on the menu cards and the social media sites, which clearly shows that the actions are infact for the publicity of the Respondent’s business and for its benefits. The Owner of the Respondent has not placed a single document on the record which can clarify that the marketing and branding of STARBUCKS MARKS on the outlet was not authorized by him and that he has taken any action, let alone a serious one, against the employees for indulging in the deceptive marketing practices i.e. unauthorized use of STARBUCKS MARKS. Foregoing, in view, based on the *Doctrine of Respondeat Superior* and the case law cited at Bar i.e. 2016 SCMR 1340 and 2013 SCMR 787 the Respondent must be held vicariously responsible for the actions of the its employees and should not be avoid the consequences under Section 38 of the Act for violating Section 10 of the Act.

ISSUES AND ANALYSIS

20. In view of the submissions made by the parties in the subject proceedings, following issues merit deliberation:

Whether the Respondent has engaged in deceptive marketing practices in contravention of clause (d), (b) and (a) of subsection (2) read with subsection (1) of Section 10 of the Act?



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If so, whether the Respondent could attribute the alleged contraventions of Section 10 its staff/employees to offset, inter alia, the financial penalties which the Commission might impose on them?

A. ISSUE I:

Whether the Respondent has engaged in deceptive marketing practices in contravention of clause (d), (b) and (a) of subsection (2) read with subsection (1) of Section 10 of the Act?

21. Before proceeding with the factual analysis, the Commission would highlight and briefly explain the scope and objective of Section 10 of the Act, which reads as follows:

'10. Deceptive marketing practices. — (1) No undertaking shall enter into deceptive marketing practices.

(2) The deceptive marketing practices shall be deemed to have been resorted to or continued of Undertaking resorts to—

(a) the distribution of false or misleading information that is capable of harming the business interests of another undertaking;

(b) the distribution of false or misleading information to consumers, including the distribution of information lacking a reasonable basis, related to the price, character, method or place of production, properties, suitability for use, or quality of goods;

(c) [...]

(d) fraudulent use of another's trademark, firm name, or product labeling and packaging.

22. At the outset, we note that the Act applies to all entities which are in anyway engaged, directly or indirectly, in the production, supply, distribution of goods or provision or control of services in Pakistan in pursuance of clause (q) of subsection (1) of Section 2 of the Act, regardless of their size and the way in which they are the established, financed or managed. The provisions of Section 10 mandate the Commission to eliminate all causes of consumer deception or deceptive marketing practices. Reliance

In this regard is placed on **In the matter of Show Cause Notice issued to M/s Utility Stores Corporation of Pakistan (Pvt.) Limited, 2018 CLD 292.**



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23. For deception to occur, there must be a representation, omission or practice (collectively, the “practices”) that is likely to confuse or mislead the consumers in a material respect acting reasonably in the circumstances. In general, “reasonableness” is examined from the perspective of the ordinary consumer of the target group, reference and reliance in this regard is placed on **In the matter of Show Cause Notices issued to China Mobile Pak Limited and Messrs Pakistan Telecom Mobile Limited, 2010 CLD 1478**. Regarding the concept of “material information” reference is made to the **Cliffdale Associates, Inc., 103 FTC 110 (1984)**, wherein it has been held that “[W]hen the first contact between a seller and a buyer occurs through a deceptive practice, the law may be violated even if the truth is subsequently known to the purchaser” [p. 42]. Thus, a marketing practice is “material” that is likely to affect the conduct of consumers in terms of their purchasing decisions. In this context, we note that advertising statements, disclosures, disclaimers or point of sale representations, *inter alia*, are the points where consumer first contact between a seller and buyers occurs. if there is the likelihood of consumer deception because it is presumed that the consumer might have chosen differently or made a different purchasing decision, but for deception. Whether a consumer buys a product is immaterial. The provisions of Section 10 of the Act may still be violated.

24. In case of contravention of Section 10(2)(d), the Commission, in the matter of **M/s DHL Pakistan (Pvt.) Limited dated 21 December 2012**, reported, **2013 CLD 1041**, has adopted the following view:

‘[...] while interpreting Section 10[2(d)] of the Act; one needs to be conscious that the interpretation of the fraudulent use of a trademark has to be in the context of deceptive marking and [it] would have a broader scope. Rather than making it too complex by focussing on “subjective intention” of the Respondents. [I]n our considered view, it is best if we adopt simplistic approach i.e. if it can be demonstrated that the Respondents by use of the trademark, intended to deceive the customer/consumer to gain an [undue] advantage...’

25. Therefore, the Commission is least concerned with the “subjective intention” of the contravening party. What matters is the “objective manifestation” of the practice in question to examine whether the contravening party has indulged into “fraudulent use” of another’s trademark, firm name, or product labelling and packaging. The prohibition



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under Section 10(2)(d), applies to all forms of marks, including words, numbers, logos, pictures that function as source-identifier of a product or service. Moreover, Section 10(2)(d) does not differentiate between a registered and an unregistered mark. Nevertheless, with registration, a right holders' array of options for dealing with the unauthorized or fraudulent use of the trademark, firm name, or trade dress is likely to increase. The registered trademarks, firm name or labeling and packaging are presumed to be valid and incontestable. Most importantly, they are deemed to be more authentic apparatus to seek remedy against imitators claiming unawareness of the registration. The Commission is of the considered opinion that by enacting Section 10, the legislature has clearly intended to protect consumers viz., fraudulent use of trademark (and other commercial signs e.g., trade dress, symbols, colours or colour scheme, product shapes and product packaging and marketing themes, etc.) as well as proprietors who might be deprived of the property at the instance of the contravening party.

26. It transpires from the record and parties' contention that the STARBUCKS MARKS are registered in Pakistan. Further, the Respondent is well-aware that it has no authorization or licensee relationship with Starbuck to use the STARBUCKS MARKS in any manner. At present, no undertaking is a licensee of STARBUCKS MARKS in Pakistan. Therefore, the Commission is of the considered opinion that Starbucks has a valid right to initiate remedial action(s) against the imitators of STARBUCKS MARKS within the purview of Section 10 of the Act. Above all, the Commission is concerned with the consumers' right to protection against unfair, deceptive, fraudulent trade/business practices in terms of false or misleading advertising practices.

27. In the matter of **M/s A. Rahim Food (Pvt.) Limited** dated 08 February 2016 ("K&N Order"), reported as **2016 CLD 1128**, which was subsequently followed **in the matter of Show Cause Notice issued to Shainal Al-Syed Food's Order dated 30th March 2018**, the Commission, has already observed that "parasitic copying" (Look-alikes) of trademark and trade dress of a brand are inherent in all cases of ' "fraudulent" use of another's trademark, firm name, labeling, and packaging,' and has laid down the following standards:

'a) It is now well-established principle under the majority of regulatory competition regimes around the world that mimicking the packaging



design of familiar established brands is a misleading and deceptive ploy with the end purpose of boosting sales.

b) Such a purpose or object of parasitic copycat packaging is driven [...] from [...] the perspective of the consumer. A potential purchaser is much more likely to mistake and perceive products which employ parasitic copying to be of [same] quality [...] to the aggrieved competitor or market leader (whose packaging has been copied). Hence, a consumer is more likely to purchase such a product, rather than if the packaging was clearly distinctive and distinguishable.

c) The end result of such a practice is that the consumer is misled by the "copycat" who is fraudulently attempting to pass off its products as something else. Furthermore, the copycat incurs the minimal cost and in fact none of the cost of investment and innovation of a design that the market leader has spent to build goodwill and reputation of its brand assets in the relevant market. Hence, where product differentiation is insufficient, such a practice on the part of the copycat has fatal consequences for the business of the market leader.

d) In furtherance to the interpretation of the term "fraudulent use of another's trademark" or "product labeling and packaging" within the scope of Section 10(2)(d) of the Act, it may be noted that fraud itself consists of some deceitful practice or willful device to obtain an unjust advantage and which deprives another of right or causes another injury. The Commission, entrusted with the task of adjudicating upon a potential contravention under the Act, remains of the much wider context and purpose of the said prohibition. The Commission shall, therefore, be satisfied that the evidence adduced before it is conclusive, if the strikingly similar packaging and labeling is misleading enough to cause confusion in the minds of average consumer of a commodity, with the end result of unjust advantage accruing to the copycat at the expense of and to the detriment of the complainant.

e) The Commission deems it appropriate to examine the packaging and product labelling appearance of a finished product [...] which may



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collectively include visually confusing resemblance in elements of colour scheme, layout style, design, images, labels, font usage etc., instead of each individual similarity in isolation, to come to its determination as to the contravention under Section 10(2)(d) of the Act. It may also be noted that the Commission takes into account the surrounding circumstances which may be different in each particular case, as being peculiar to the parties, products, consumers and the relevant market.

f. Lastly, it may be noted that the worldwide consumer survey-based consensus is that when copycat packaging is developed for a particular commodity, price becomes the main and sometimes only criterion which affects a consumer's choice of purchase. Furthermore, when price becomes the sole determining factor for the exercise of choice between two products with no other meaningful distinguishing factor existing between such products, it is evidence of the presence of parasitic copying.'

28. In the matter of show cause notice issued to **M/s Shainal Al-Syed Foods** dated 30th March 2018, the Commission relayed on the judgment of Delhi High Court, (reported as **Colgate Palmolive Co v Anchor Health & Beauty Care (Pvt.) Limited (2003) PTC 478 Del.**) wherein Colgate sought [...] to restrain Anchor Health's use of the trade dress and colour combination of red and white in relation to identical products i.e. tooth powder, even though the latter's trademark/tradename was completely different, the Court held that:

'52. It is overall impression that customer gets as to the source and origin of the goods from visual impression of colour combination, shape of the container, packaging etc.'

...

'If the first glance of the article without going into the minute details of the colour combination, get-up and layout appearing on the container and packaging gives the impression as to deceptive or near similarities in respect of these ingredients, it is a case of confusion and amounts to passing off one's own goods as those of the other with a view to encash upon the goodwill and reputation of the latter'.



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29. To cap it all, the Commission, for the purposes of Section 10(2)(d) contravention, will be satisfied when the evidence before it is conclusive if the net general impression of the product at first glance it reflects that:

- a. there is a complete absence of distinctive features between the trademark/logo of the competitor or the right-holder;*
- b. there exist striking similarities that are misleading enough to cause confusion in the minds of the targeted consumers;*
- c. mere likelihood of confusion or deception is enough; and*
- c. the end-result of which is an unjust enrichment by the Respondents at the expense and to the detriment of the Complainant.*

30. Keeping in view, the Respondent's conduct and submissions before the Commission, the factual scenarios, in this case, may be summarized as follows:

The Complainant has established its claim to be the registered proprietor of the STARBUCKS MARKS in Pakistan. It has also established that it uses STARBUCKS MARKS, among other things, for its coffee products, mugs, paper cups, accessories, and other packaged goods. It has yet not launched its products in Pakistan, however, it intends to do so in the near future. Starbuck has claimed that on account of the quality, methods and rigorous marketing the STARBUCKS MARKS have accumulated immense goodwill and worldwide reputation including amongst the consumers in Pakistan. Against this backdrop, Starbuck has alleged that by use of STARBUCKS MARKS without any authorization or license, the Respondent has intended to encash upon the goodwill and reputation of Starbucks and ultimately deceive consumers, hence the Respondent has acted in contravention of Section 10 of the Act.

31. The Respondent, on the other hand, has firstly denied the allegations of deceptive marketing practices. However, during the hearing, the Respondent has admitted all the allegations leveled against it. For an assessment of the degree of phonetic, visual, constructive and conceptual similarity, the Respondent's product/packaging bearing STARBUCKS MARKS are shown below:



STARBUCKS MARKS



1992-2011



Since 2011

Starbucks' Coffee Products with STARBUCKS MARKS



OPTIONS' IMITATION OF STARBUCKS MARKS



Figure (3) and (4), Enquiry Report



Option's Website

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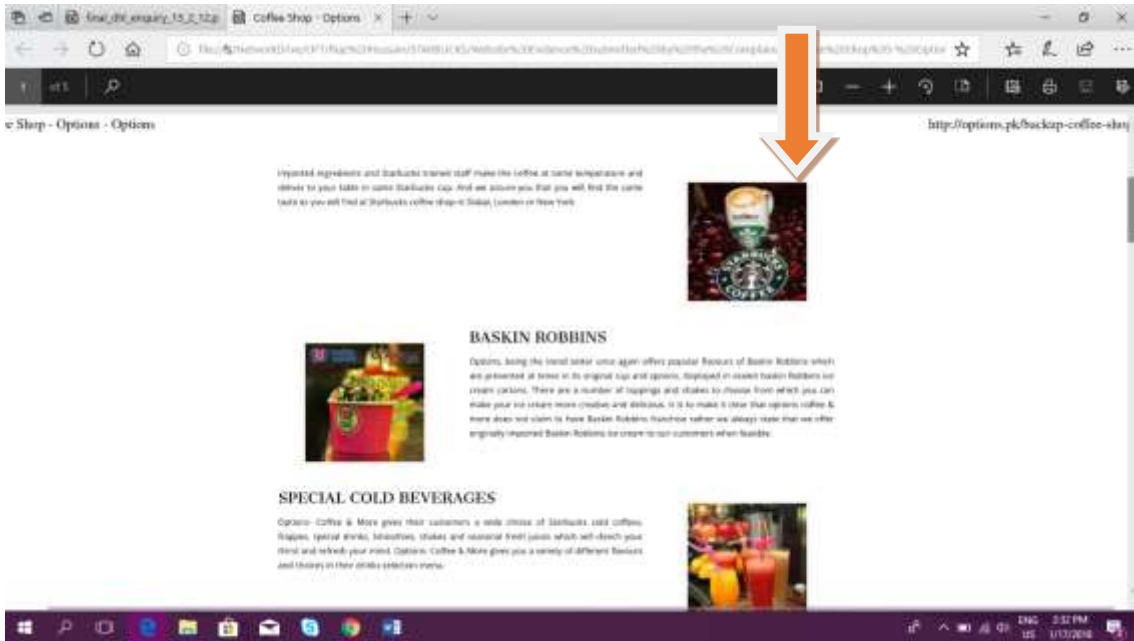


Figure (2), Enquiry Report

Respondent's Facebook Page



Figure (5), Enquiry Report

32. It is pertinent to mention that the STARBUCKS MARKS have been duly registered and renewed with the Trade Mark Registry, Karachi of Pakistan in class 16, 18, 28, 29, 35 since 2008. As noted above, the criteria for evaluation of “fraudulent use” is whether the net general impression from the look of branding/ labeling/packaging containing products can reasonably injunct the rival/rightsholder/consumers. Further, the net general impression is evaluated by drawing a comparison of the most significant features or the leading characteristics rather than examining the minute details of copied marks. Followed on, a glimpse of the Respondent’s products and its promotional material sufficiently reflects that it has adopted the STARBUCKS

MARKS in relation to goods/services which are exclusively owned by the Complainant and it's authorized/licensed entities.

33. Considering the above, we find that the Respondent has acted in contravention of Section 10(2)(d) of the Act by imitating and adopting phonetic, visual, and conceptual designs of STARBUCK MARKS, in particular, the figurative mermaid logo in white and deep green, for the promotion of its coffeehouses in different cities of Pakistan. The Commission is also of the considered opinion that the Respondent has directly or indirectly (through its employees) wilfully intended to create an association with the STARBUCKS MARKS and to encash upon the goodwill and reputation of the brand to sell its products. Therefore, the Respondent, Mr. Rafique's plea that he is unaware of the alleged use of STARBUCKS MARKS by employees is unfounded. In all eventualities, the Respondent had the knowledge or by the exercise of reasonable care should have known that its employees are engaged in the unauthorized/fraudulent use of the STARBUCKS MARKS at its coffeehouses and restaurants and promoting it on its website and other media. Thus, we hold that the Respondent has resorted to deceptive marketing practices by "fraudulent use" of the STARBUCKS MARKS in contravention of Section 10(2)(d) read with Section 10(1) of the Act.

34. Certain marketing practices are considered unlikely to deceive consumers. In general, the subjective claims (taste, feel, appearance, smell) or cases involving obvious exaggerated or puffing representations are not actionable under Section 10 of the Act. The Enquiry Report has found that alongside the use of STARBUCKS MARKS on its Website and Facebook, the Respondent has used them inside and outside its coffeehouses and restaurants and other promotional material. A few of the images are reproduced below to evaluate the totality of the ads or the practices and their likely effect on consumers.



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OPTIONS COFFEE SHOP

Options Coffee & More which we call "The Social Lounge" where friends gather to enjoy conversation, retreat from the chaos of everyday life, take a moment to relax and enjoy our world class Starbucks coffee which is only available at options coffee & more. To complement our unique hot and cold beverages, we offer a wide selection of snack items including pastries, cold & hot sandwiches, fresher burgers, exclusive pizza, scrumptious drinks, special sandwiches, homemade options ice cream and world's best brand BaskinRobbins ice-creams. Options Coffee & More is an ideal venue for dining, casual meetings, business talks and have fun. To keep you entertained at Options, we have largest LED screen, chess table tables, news corner, 3D gaming zone, separate family and party lounges where you just need to grab a cup of coffee or snack and enjoy all at Options-Coffee & more in a perfect ambience. We take coffee serious while having fun and never stop experimenting.

UNIQUE FEATURES

STARBUCKS COFFEE

For the first time ever in Pakistan, Options - Coffee & more is serving you Starbucks coffee. Once you enter Options - Coffee & more aroma of Starbucks beans brewing will freshen you up. You can choose from a number of light, medium and strong coffees, hot or cold, or enjoy original Starbucks frappes. It is to make it clear that options coffee & more does not claim to have Starbucks franchise rather we always state that we import and use original Starbucks coffee beans, grind them at the same pace while using same machines, use all other same imported ingredients and Starbucks trained staff make the coffee at same temperature and deliver to your table in same Starbucks cup. And we assure you that you will find the same taste as you will find at Starbucks coffee shops in Dubai, London or New York.



BASKIN ROBBINS

Options, being the trend setter since again offers popular flavours of Baskin Robbins which are presented at times in its original cup and spoon, displayed in sealed Baskin Robbins ice cream cartons. There are a number of toppings and shakes to choose from which you can make your ice cream more creative and delicious. It is to make it clear that options coffee & more does not claim to have Baskin Robbins franchise rather we always state that we offer originally imported Baskin Robbins ice cream to our customers when available.



Figure (1), Enquiry Report



Figure (3), Enquiry Report

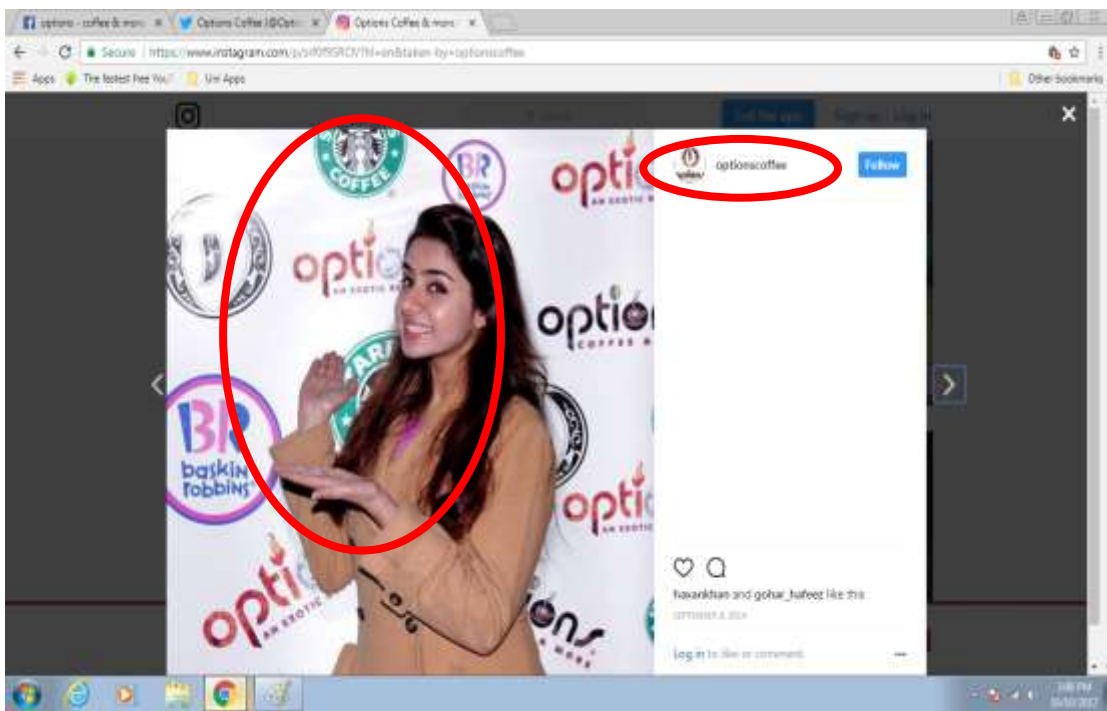


Figure (5), Enquiry Report

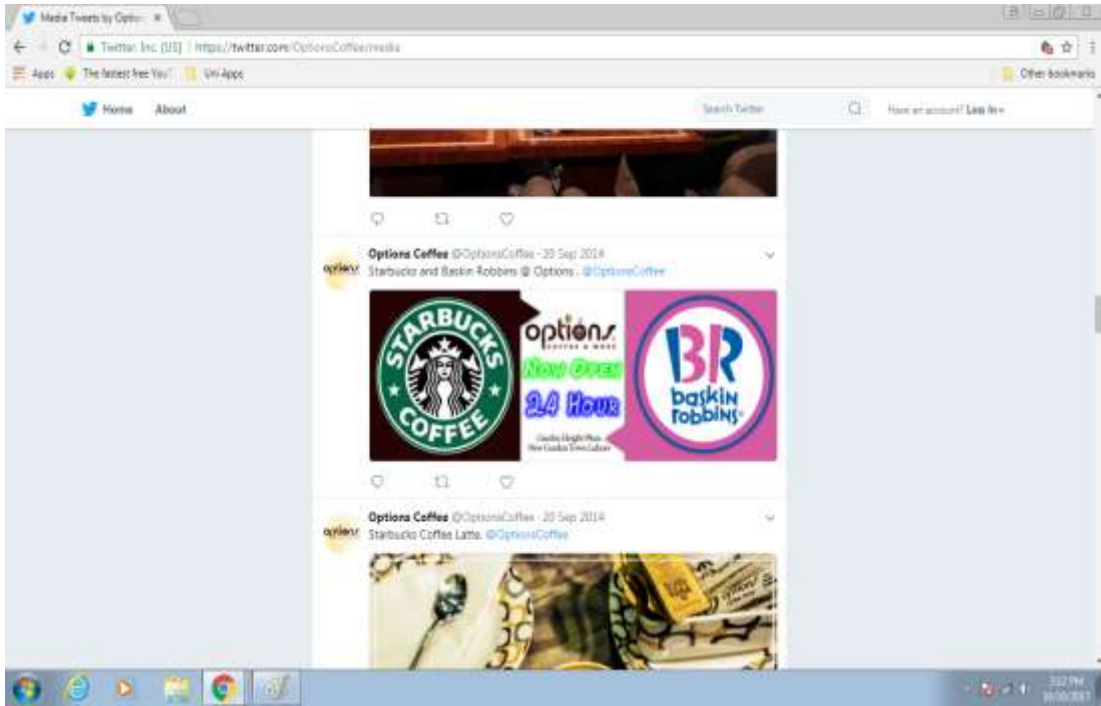


Figure (6), Enquiry Report

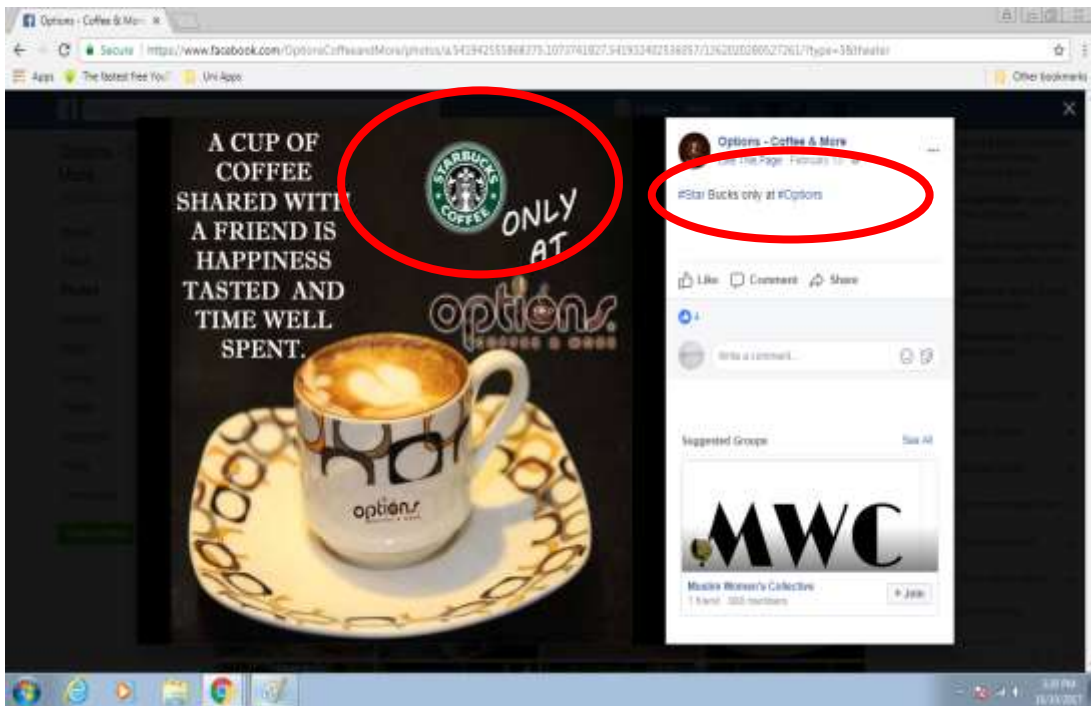


Figure (7), Enquiry Report



Figure (10), Enquiry Report



35. On the juxtaposition of the above images and their contents, it is substantively evident that the Respondent has developed and employed vigorous marketing/promotional plans among strategies to advance its business and attract consumers. These facts remain uncontradicted by the Respondent during the enquiry stage and the course of hearing before the Bench. Under Section 10 (2)(b) of the Act, any form of advertising that lacks a reasonable basis or prior substantiation is also deceptive. The concept of reasonable basis is based on the presumption that the advertised claims, expressly or impliedly, have ascertainable and substantive grounds for the claims. Where the advertiser fails to show a reasonable basis or prior substantiation for the claims, the consumer is believed to be acting under false or misleading representation(s).
36. Against the above background, we find that it is highly likely that the consumers would have perceived differently if they had known that the Respondent has no reasonable basis for the advertised claims viz., the STARBUCKS MARKS and the character, method/place of production and properties or the quality of its coffee and related products. Therefore, we are of the considered opinion that the Respondent has actively been engaged in deceptive marketing practices in contravention of Section 10(2)(b) read with Section 10 of the Act.
37. **In the matter of Show Cause Notice issued to Dairy Companies for Deceptive Marketing Practices dated 18 January 2017, reported as 2017 CLD 789**, the Commission has observed that:

'47. In regard to harm to competing business undertakings, the Commission has [...] held that [...] "to prove conduct under Section 10(2)(a) of the Act, it is not necessary to show actual harm to a competitor. It is sufficient to show the existence of deceptive marketing practice that has the potential to harm the business interests of the competitors..." [and effect consumer's purchasing decision]'

38. It is an established fact that the Respondent had no authorization/licensing arrangement with the Complaint to sell and promote its business using the STARBUCKS MARKS. We, therefore, hold that the Respondent's conduct is liable to harm the business interest of Starbucks and other competing coffeehouses in Pakistan which constitutes a contravention of Section 10(2)(a) read with Section 10(1) of the Act.



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A handwritten signature in black ink, appearing to be 'H.D.' or similar.

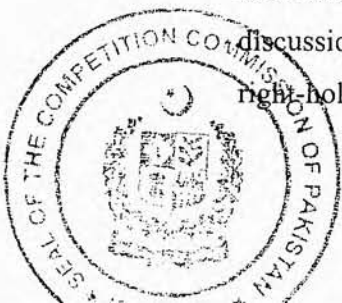
B. ISSUE II:

If so, whether the Respondent could attribute the alleged contraventions of Section 10 its staff/employees to offset, inter alia, the financial penalties which the Commission might impose on them?

39. With reference to the Issue No. II, although the Owner of the Respondent appeared before us and submitted that the unauthorized use of STARBUCKS MARKS was by the employees without his knowledge and permission, however, we are unable to agree with this submission. He failed to place any single document on the record which establishes that he has taken any action against a single employee for indulging in illegal activities which violates Section 10 of the Act. Further, we are in agreement with the submissions made by Ms. Sophia Khan, Deputy Director (Legal) that the acts of the employees were not of personal nature, rather the same was under the employment and part of the employment and furtherance of the business and activities of Respondent. In this regard, under the Doctrine of Respondeat Superior the Respondent is vicariously responsible for the acts committed by the employees of the Respondent. Even otherwise, from the material placed on record and particularly the images as mentioned in subsequent paragraphs, it shows that the STARBUCKS MARKS have been used inside and outside the Respondent's outlet, on the social media pages, and on the menu cards, the same cannot be done without the knowledge of the Respondent's owner. Hence, we are of the considered view that the Respondent cannot offset the consequences under Section 38 fo the Act by attributing the contraventions over the employees. The reliabce placed on 2016 SCMR 1340 and 2013 SCMR 787 is approved and the owner of the Respondent is liable for the contraventions of Section 10 under this Order.

REMEDIES AND PENALTY

40. Before imposing remedies and penalties, we would like to highlight the issue at the heart of this case is whether the Respondent contravened Section 10 "deceptive marketing practices" prohibitions viz., the consumers and likely harm to business interests of Starbucks and other competing undertakings. In view of the aforesaid discussion, the Complainant has made out its case that it is registered and authorized right holder of the STARBUCKS MARKS and their use by the Respondent tantamount



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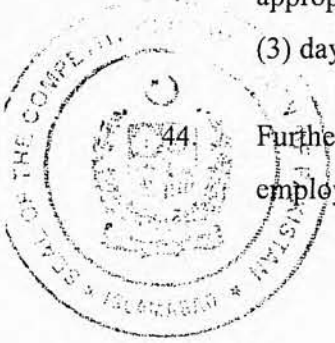
to contravention of Section 10 in general and Sections 10(2)(d), 10(2)(b) and 10(2)(a) read with Section 10(1) of the Act in specific.

41. The Respondent has submitted that it has withdrawn the use of STARBUCK MARKS upon realizing that its conduct constitutes a contravention of Section 10 of the Act and it is further willing to comply with any directions/orders of the Commission. Reference is made to the Commission's Guidelines on Imposition of Financial Penalties (the '**Fining Guidelines**') adopted by the Commission provide a non-exhaustive list aggravating and mitigating factors which are taken into account while imposing financial penalties on undertakings whose conduct is found in contravention of Chapter II of the Act, including Section 10. The Fining Guidelines state that one such mitigating factor may be whether the contravening undertaking has taken '*adequate steps [...] with a view to ensuring compliance with the prohibition of Chapter II of the [Act]*'. Further, the duration of the contravention may affect the quantum of fines to be imposed.

42. We note that the unauthorized use of STARBUCKS MARKS by the Respondent is spanned over a substantial period of time. While, the Respondent has taken steps to remove the trademark of the Complainant from its Restaurant and has also stopped marketing, however, on its social media, still some images were found during the instant proceedings i.e. on 15th August 2018. Further, the deceptive marketing in lieu of STARBUCKS MARKS continued for a substantial time, which factor cannot be ignored while imposing the penalty on the Respondent. In view of the foregoing, and for violating the provision of Section 10 of the Act, we are constrained to impose a penalty of Rs. 5,000,000/- (Rupees Five Million Only) on the Respondent, which the Respondent shall deposit with the Registrar within sixty (60) days from the date of this Order.

43. The Respondent is further directed to inform the public at large, that it has used the STARBUCKS MARKS without any authorization or license from Starbuck in contravention of Section 10(2)(d) read with Section 10(1) of the Act through appropriate clarifications in two (2) major daily Urdu and English newspapers for three (3) days consecutively from the date of this order.

44. Furthermore, the Respondent, its proprietors, partners, directors, associates, employees, agents, dealers, among others, are hereby restrained from using the

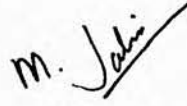


STARBUCKS MARKS or any other mark having phonetic, visual and/or constructive similarity to that of the Complainant. The Respondent is further directed to file a compliance report with reference to the directions made in Para 42-43 of this Order within sixty (60) days.

45. The office of the Registrar of the Commission is directed to send a copy of this order to the Respondent for compliance under the provisions of the Act and the Rules and Regulations promulgated thereunder.
46. The Office of the Registrar of the Commission is further directed to send copies of this order to the Respondents' respective chamber of commerce and/or trade association for general information in the market.
47. In case of non-compliance with this order, the Respondent shall be made further liable under subsection (3) of Section 38 of the Act to pay an additional penalty amounting to PKR 100,000 (Rupees one hundred thousand) per day from the date of this order.
48. Before parting with the Order we would like to record our deep appreciation for the valuable assistance rendered by the law officers of the Commission appearing on notice under Regulation 52A of the GER read with Section 53 of the Act and Counsels for the parties and their associates.



Ms. Vadiyya Khalil
Chairperson



Dr. Muhammad Saleem
Member



Dr. Shahzad Ansar
Member

Islamabad the 19th day of December 2018.

