

Landmark Legal Analysis: Supreme Court of Nepal Formally Adopts Transborder Reputation and Protects Well-Known Marks

ITC Limited v. Sujal Foods Pvt. Ltd.

(Case No. 074-CI-0252, Decision Date: July 8, 2024 / 2081/03/24 BS)

1. Executive Summary & Final Verdict

In the landmark decision of **ITC Limited v. Sujal Foods Pvt. Ltd.** (Case No. 074-CI-0252, decided on July 8, 2024 (2081/03/24 B.S.)), the full text of which was published in September 2026, a Division Bench of the Supreme Court of Nepal, comprising Hon. Justice Sapana Pradhan Malla and Hon. Justice Sunil Kumar Pokharel, fundamentally reshaped Nepalese intellectual property (IP) jurisprudence.

Reversing previous rulings of both the Department of Industry and the Patan High Court, the Supreme Court cancelled the domestic trademark registration of Sujal Foods' '**CANDY MAN**' label and restored/upheld the registration of ITC Limited's trademark '**CANDYMAN COCOLAIR**'.

Key Jurisprudential Shift: The judgment marks a pivotal transition in Nepal's IP regime—shifting away from a mechanical, strict 'First-to-File' territorial doctrine toward a modern, equitable framework that recognizes Transborder Reputation, First in the World Market, Spillover Reputation, Well-Known Marks, and Protection against Bad-Faith Registrations.

2. Case Background & Dispute Origin

- International Adoption and Indian Registration:** ITC Limited, a multinational entity based in India, registered the trademark 'CANDYMAN' in India on November 15, 2001 (2058/07/30 BS) in Class 30. Starting in 2002, ITC embarked on extensive advertising and promotion of the 'CANDYMAN' brand across prominent satellite television channels broadcasted into Nepal (including Star Plus, Sony Max, Zee TV, Cartoon Network, and Sahara One).
- Local Preemptive Registration:** On March 3, 2003 (2059/12/20 BS), a local confectionery business (Lord Shiva Food & Confectionery, subsequently transferred to Jaya Confectionery and ultimately acquired by Sujal Foods Pvt. Ltd. of Kaski, Nepal) registered an identical mark, 'CANDY MAN (& logo)', in Class 30 with the Department of Industry.

- **Application and Opposition:** On May 3, 2012 (2069/01/21 BS), ITC Limited applied to register 'CANDYMAN COCOLAIR' in Class 30 under Section 21(c) of Nepal's Patent, Design and Trademark Act, 2022 (PDTA). Sujal Foods filed an opposition claiming prior local registration and usage. The opposition was rejected on account of being filed beyond the permissible timelines and ITC's trade mark 'CANDYMAN COCOLAIR' proceeded to registration. Sujal Foods then filed a cancellation against the said registration.
- **Lower Administrative and Judicial Decisions:** On June 27, 2013 (2070/03/13 BS), the Department of Industry canceled ITC Limited's registration for 'CANDYMAN COCOLAIR' on the ground that Sujal Foods held a prior domestic registration for 'CANDY MAN'. On March 1, 2016 (2072/11/17 BS), the Patan High Court upheld the Department's ruling, strictly adhering to the territorial registration rule under Section 21(b) of the PDTA. ITC Limited subsequently appealed to the Supreme Court of Nepal which admitted the appeal.

3. The Four Primary Legal Issues Framed by the Supreme Court

1. **Status of Well-Known Mark:** Whether ITC Limited's trademark 'CANDYMAN COCOLAIR' qualifies as a well-known trademark.
2. **Protection of Unregistered Foreign Marks:** Under what circumstances foreign-registered trademarks can be registered and protected in Nepal without prior domestic registration.
3. **Validity of Local Registration:** Whether Sujal Foods' local registration of 'CANDY MAN' should be canceled and ITC Limited's 'CANDYMAN COCOLAIR' mark restored.
4. **Legality of High Court Decision:** Whether the judgment of the Patan High Court upholding the Department of Industry's order was legally sound.

4. Core Judicial Holdings & Key Insights

A. Formal Recognition of Transborder & Spillover Reputation

The Supreme Court explicitly recognized the Doctrine of Transborder Reputation and Spillover Reputation.

- **Abandonment of Rigid Physical Presence Requirements:** Rejecting archaic 19th-century territorial models (Tea-Rose Rectanus Doctrine), the bench held that physical sales of physical goods within local borders are no longer a strict prerequisite for acquiring protectable business goodwill.
- **Impact of Cross-Border Media:** Continuous satellite television broadcasts, print media, international travel, and open-border proximity between Nepal and India create an indelible brand awareness (Spillover Reputation) in the minds of Nepalese consumers prior to formal commercial import.
- **Judicial Precedents Adopted:** The Court drew support from global jurisprudence, including the landmark Indian cases *N.R. Dongre v. Whirlpool Corp.*, *Milmet Oftho Industries v. Allergan Inc.*, and *Apple Computer Inc. v. Apple Leasing & Industries*.

B. 'First-to-File' is Relative, Not Absolute

While Section 21(b) of the PDTA establishes a territorial registration framework, the Court ruled that the 'First-to-File' principle is relative and cannot be weaponized to shield bad-faith registration or trademark squatting.

- **First in the World Market & Priority of Adoption:** Where a local entity preemptively registers a globally established mark with knowledge of its international goodwill to block market entry or extort payouts, such registration constitutes fraud upon the statute (*Void ab initio*). In such situations, the equitable doctrines of First in the World Market and Priority of Adoption supersede technical domestic filing dates.

C. Comprehensive Application of WIPO Well-Known Mark Criteria

Noting that domestic statutory law (PDTA 2022) lacks an explicit definition for 'well-known marks,' the Supreme Court evaluated ITC's brand using all six parameters from the WIPO / Paris Union Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks (1999):

- **Public Knowledge/Recognition:** High brand awareness in Nepal created via over a decade of continuous satellite advertising prior to litigation.
- **Duration & Extent of Use:** Established in India since 2001 and registered across multiple international jurisdictions.
- **Promotion & Advertising:** Over 12 years of uninterrupted promotional investment via television and media.
- **Geographical Registrations:** Extensive record of international filings and registrations.
- **Financial & Brand Equity Value:** Substantial commercial value and intangible brand equity established through quality control and capital investment.

The Court concluded that 'CANDYMAN' met every WIPO benchmark to qualify as a Well-Known Mark.

D. Harmonious Construction of Domestic Laws and International Treaties

- **Overriding Status of Treaties (*Lex Superior*):** Under Section 9(1) of the Nepal Treaties Act, 1990, ratified international treaty provisions override conflicting domestic statutory provisions.
- **Paris Convention Mandates:** Nepal is bound by Article 6bis (mandatory protection of well-known marks against unauthorized imitation/cancellation of bad-faith filings) and Article 10bis (prohibition of unfair competition) of the Paris Convention.
- **Harmonious Interpretation:** Section 21(b) of the PDTA must be read together with Section 18(1) proviso (which forbids registering marks that damage another's reputation/goodwill) and Section 21(c) (facilitating foreign registration under the Paris Convention). The law must be interpreted to be effective rather than futile (*ut res magis valeat quam pereat*).

E. Deceptive Similarity & Public Interest in Impulse Purchasing

- **Test of Deceptive Similarity:** The Court applied the standard of an 'average intelligence consumer with imperfect recollection'.

- **Impulse Purchases:** Low-cost, fast-moving consumer goods like chocolates and candies are bought casually by children and general consumers without technical scrutiny or meticulous visual comparison.
- **Phonetic, Visual, and Conceptual Identity:** The local mark 'CANDY MAN' was identical in sound, script, and visual layout to ITC's 'CANDYMAN', creating severe likelihood of confusion regarding product origin.
- **Consumer Protection Imperative:** Trademark enforcement safeguards dual interests: protecting the creator's goodwill from free-riding and securing consumer rights against deception.

5. Supreme Court Decision Summary Matrix

Legal Issue	High Court / Dept. Position	Supreme Court Final Ruling	Key Legal Principle
Primary Rule	Strict 'First-to-File' territorial rule (Section 21(b) PDTA).	Transborder Reputation & Priority of Adoption.	First in the World Market overrides bad-faith local filings.
Foreign Reputation	Requires local registration / physical sales.	Satellite media & ad spillover establish local goodwill.	Spillover Reputation Doctrine (Apple Computer rule).
Well-Known Mark	Disregarded global status.	Formally recognized under WIPO 1999 criteria.	Article 6bis Paris Convention enforcement.
Treaty vs. Domestic Law	Prioritized Section 21(b) PDTA.	Treaties Act Section 9(1) gives priority to Paris Convention.	Lex Superior & Harmonious Construction (ut res magis valeat quam pereat).
Final Decision	Upheld Sujal Foods' 'CANDY MAN'.	Canceled Sujal Foods' 'CANDY MAN'; Restored ITC's 'CANDYMAN COCOLAIR'.	Bad-faith squatting is void ab initio.

6. Practical & Strategic Takeaways for Businesses and IP Practitioners

1. **Deterrence Against Trademark Squatting:** Local entities can no longer hoard or copy famous international marks expecting court protection based solely on quick domestic filings.
2. **Evidentiary Standard for Foreign Brand Owners:** Foreign companies seeking to protect unregistered marks in Nepal must compile and present concrete evidence of regional brand awareness, including cross-border TV/digital ad schedules, border proximity usage, global registrations, and enforcement records.

3. Alignment with Global Standards: Nepal’s judiciary has firmly aligned its domestic enforcement practices with the Paris Convention, TRIPS Agreement, and WIPO recommendations, offering strong IP certainty for foreign direct investment (FDI) and multinational brand portfolios.

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