CASE UPDATE

Supreme Court of Nepal renders a landmark ruling on protection of Well-Known Trademark in Nepal

ITC Limited v. Sujal Foods Pvt. Ltd.

Case No. 074-CI-0252

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KEY TAKEAWAYS

01	**An earlier Nepalese registration could not be treated as conclusive where the registration had been obtained in bad faith by taking advantage of another trader's established reputation.**
02	**A trademark may acquire reputation among Nepali consumers through cross-border advertising and media exposure, even where the goods do not have a substantial physical presence in Nepal.**
03	**The principle of first registration under Sections 16 and 21B of the Patent, Design and Trade Mark Act, 2022 (1965) (PDTA) is not absolute.**
04	**A foreign brand may establish protectable reputation in Nepal through sustained advertising and consumer recognition even where the goods have not yet achieved a substantial physical presence in the Nepalese market.**

Context

1. The dispute concerns competing claims over the trademark CANDYMAN in Nepal. ITC Limited (**ITC**) relied on its earlier creation, registration, use and reputation of the mark in India, while Sujal Foods Pvt. Ltd. (**Sujal Foods**) relied on an earlier registration of CANDYMAN trademark in Nepal.

2. The main issue before the Supreme Court of Nepal (**Supreme Court**) was whether an earlier registration in Nepal would prevail where the disputed mark was alleged to have been adopted from a foreign trademark that had already acquired reputation among Nepali consumers.

Material Facts

3. ITC had registered the CANDYMAN trademark in India on 15 November 2001 and marketed confectionery products under the brand. From around 2002, the brand was also advertised through Indian television channels that were accessible to viewers in Nepal.

4. In Nepal, CANDYMAN and its logo were registered in the name of Lord Shiva Food & Confectionery on 20 Chaitra 2059 B.S. (3 April 2003). The registration was transferred to Jaya Confectionery on 19 Poush 2064 B.S. (3 January 2008) and later transferred to Sujal Foods on 19 Ashoj 2069 B.S. (5 October 2012).

5. ITC applied to register CANDYMAN COCOLAIR in Nepal on 21 Baisakh 2069 B.S (3 May 2012). The application was published for opposition, and Sujal Foods objected on the basis of its earlier Nepalese registration. The Department of Industries (DOI) initially decided in favour of ITC on 25 Poush 2069 B.S. (9 January 2013) and issued the registration certificate on 27 Poush 2069 B.S (11 January 2013). Sujal Foods later filed a revocation petition against that registration.

6. On 13 Ashadh 2070 B.S. (27 June 2013), the DOI cancelled ITC's registration, holding that CANDYMAN had already been registered in Nepal and that the later registration would affect Sujal Foods' existing trademark rights. The Patan Appellate Court (Presently High Court Patan) upheld the DOI's decision on 17 Falgun 2072 B.S. (29 February 2016).

7. ITC sought leave of appeal to have the matter reviewed by the Supreme Court. Leave of appeal for review was granted on 25 Bhadra 2074 B.S. (10 September 2017), and the matter proceeded to final hearing. The Supreme Court delivered its final judgment on 24 Ashadh 2081 B.S. (7 July 2024). The key timeline of the dispute is set out in Annexure 1 of this Update.

KEY CASE MILESTONES

15 NOV 2001	03 APR 2003	27 JUN 2013	07 JUL 2024
ITC registration in India	**CANDYMAN registration in Nepal**	**DOI cancelled ITC registration**	**Supreme Court judgment**

The full chronology appears in Annexure 1.

Principal Questions

9. The Principal Questions iterated by the Supreme Court are as follows:

   a. Whether CANDYMAN had acquired the status of a well-known trademark among Nepali consumers?

   b. Where an application is made in Nepal for registration of a trademark already registered abroad, under what circumstances can such trademark be registered in Nepal? Can a trademark registered abroad receive protection in Nepal without being registered in Nepal?

   c. Whether, as claimed by the appellant, the registration of Sujal Foods Pvt. Ltd.'s CANDYMAN trademark can be cancelled and the registration of the appellant ITC Ltd.'s CANDYMAN COCOLAIR trademark can be maintained?

   d. Whether the judgment of the Patan High Court dated 17 Falgun 2072 B.S. (29 February 2016), which upheld the decision of the Department of Industries, was correct? Whether the appellant's grounds of appeal can be sustained?

Decision

10. The Supreme Court reversed the decision of the DOI dated 13 Ashadh 2070 B.S. (27 June 2013) and the judgment of the Appellate Court Patan dated 17 Falgun 2072 B.S. (29 February 2016). It held that an earlier Nepalese registration could not be treated as conclusive where the registration had been obtained in bad faith by taking advantage of another trader's established reputation.

11. The Supreme Court cancelled the CANDYMAN name, logo and related label registered in the name of Sujal Foods. It further held that ITC's CANDYMAN COCOLAIR registration, for which the DOI had issued a certificate on 27 Poush 2069 B.S., would remain valid.

Basis of Rulings

12. The Supreme Court held that trademark protection cannot be determined solely by the date of registration in Nepal. It recognised that a trademark may acquire reputation among Nepali consumers through cross-border advertising and media exposure, even where the goods do not have a substantial physical presence in Nepal. In the case of CANDYMAN, the Supreme Court considered ITC's prior use and promotion of the mark in India, the availability of Indian television channels in Nepal, and the resulting consumer recognition of the brand.

13. The Supreme Court further held that the principle of first registration under Sections 16 and 21B of the Patent, Design and Trade Mark Act, 2022 (1965) (PDTA) is not absolute. Those provisions must be read together with Section 18, Section 21C, the Paris Convention and Section 9(1) of the Nepal Treaty Act, 2047 (1990). Accordingly, an earlier local registration cannot be relied upon to defeat the protection of a well-known foreign trademark where the circumstances show prior reputation and bad-faith adoption.

14. In comparing the competing marks, the Court found substantial similarity in the word CANDYMAN, lettering, font, colour combination, logo and overall presentation. Considering ITC's prior adoption and reputation, the timing and manner of the Nepalese registration, and the use of the marks for similar confectionery products, the Supreme Court concluded that the registration in favour of Sujal Foods was not entitled to protection. It therefore cancelled Sujal Foods' CANDYMAN registration and maintained ITC's CANDYMAN COCOLAIR registration.

CASE PATHWAY | COURT'S REASONING

01 REPUTATION	02 REGISTRATION	03 BAD FAITH & CONFUSION	04 OUTCOME
Cross-border advertising and media exposure may establish recognition among Nepali consumers.	**First registration is not absolute and the PDTA provisions must be read together with relevant domestic and treaty provisions.**	**The Court determined the act of close copying, similar goods as bad faith and the likelihood of consumer confusion that is created from such acts.**	**The Court cancelled Sujal Foods' CANDYMAN registration and maintained ITC's CANDYMAN COCOLAIR registration.**

Analysis

Registration-Based Protection under Nepalese Law

15. Section 16 of the PDTA provides that title to a trademark is acquired upon registration under Section 18. Section 21B further states that a trademark registered in a foreign country does not, by that fact alone, create a valid title in Nepal unless it is registered in Nepal. Sujal Foods relied on these provisions to argue that its earlier Nepalese registration should prevail.

16. The Supreme Court did not reject the registration-based structure of the Act. Instead, it held that those provisions cannot be read in isolation. The proviso to Section 18(1) prevents registration where a trademark may harm the reputation of another person's trademark, and Section 18(3) permits cancellation where such a ground exists. The Supreme Court therefore treated registration as an important source of rights, but not as protection for a registration obtained contrary to the Act or in bad faith.

Recognition of Trans-Border Reputation

17. In considering whether CANDYMAN was well known, the Supreme Court referred to the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, 1999. The relevant factors include the degree of knowledge or recognition among the relevant public; the duration, extent and geographical area of use; the duration, extent and geographical area of promotion; the duration and geographical area of registrations or applications; the record of successful enforcement; and the value associated with the mark.

18. The Supreme Court recognised that commercial reputation is capable of crossing national borders. It noted that Indian satellite channels such as Sony Max, Star Plus, Sahara One, Sun TV and Cartoon Network were accessible in Nepal and had carried CANDYMAN advertisements from the early 2000s. In that setting, the Court considered that Nepali consumers could become familiar with the mark even before ITC developed a substantial physical market in Nepal.

19. The Supree Court therefore did not treat actual physical sale of ITC's goods in Nepal as an essential condition for protection. Its reasoning focused on consumer awareness created through advertising and communication media. The principle adopted by the Court is that the reputation of a mark may cross the border even where the goods themselves have not yet obtained a substantial physical presence in the local market.

Bad Faith Registration and Trademark Squatting

20. The Supreme Court examined the surrounding circumstances of the adoption and registration of the mark. The Supreme Court considered that ITC's earlier creation and registration of CANDYMAN, the short interval before the Nepalese registration, the close copying of the name and visual presentation, the use of the mark for the same or similar goods and the absence of a convincing independent basis for adopting the same presentation as bad faith.

21. The Supreme Court treated the deliberate adoption of another trader's established mark for the purpose of obtaining an unfair commercial advantage or obstructing the genuine owner as bad faith. It held that such a registration cannot acquire legitimacy merely from being earlier in time and may be treated as invalid from the outset.

Domestic Law and International Obligations

22. The Court applied the principle of harmonious construction. Section 21B, which requires registration in Nepal for a foreign trademark to have title in Nepal, was read together with Section 21C, which provides for the registration of foreign trademarks and requires the DOI to provide facilities under the Paris Convention.

23. The Supreme Court also relied on Section 9(1) of the Nepal Treaty Act. It considered Nepal's obligations under the Paris Convention, including the protection of well-known marks under Article 6bis and the obligation to provide effective protection against unfair competition under Article 10bis. The Court therefore rejected an interpretation under which the domestic registration rule could be used to validate the bad-faith appropriation of a well-known foreign mark.

Likelihood of Consumer Confusion

24. The Court compared the competing CANDYMAN marks and found close similarities in the name, font, style, logo, colour combination and overall presentation. It also considered the nature of the products. Chocolates and candies are generally low-value consumer goods often purchased quickly and without detailed comparison, including by children and ordinary consumers. The Court therefore found that the overall similarity was likely to create confusion as to the true source or commercial connection of the goods.

Conclusion

25. The judgment is a significant development in Nepalese trademark law because it qualifies the traditional first-registration approach. It confirms that registration remains central to trademark protection in Nepal, but an earlier registration will not be protected where it was obtained in bad faith, harms the reputation of another mark or conflicts with Nepal's applicable international obligations.

26. The decision also gives practical content to the protection of well-known trademarks and trans-border reputation. A foreign brand may establish protectable reputation in Nepal through sustained advertising and consumer recognition even where the goods have not yet achieved a substantial physical presence in the Nepalese market.

27. The ruling therefore indicates that, in future trademark disputes, the date of local registration may not be decisive by itself. The courts and the DOI may also examine who genuinely adopted the mark, whether the mark had already acquired reputation, whether the later adopter acted in good faith, whether consumers are likely to be confused and whether the registration is consistent with Nepal's treaty obligations. For Nepalese businesses, the decision highlights the need for broader trademark due diligence before adopting or registering a brand. For foreign trademark owners, it confirms that prior international use and reputation may be relevant in Nepal where the evidence establishes a well-known mark, trans-border reputation or bad-faith local registration.

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Frequently Asked Questions

1.Can an unregistered foreign trademark be protected in Nepal?
Yes. A well-known foreign trademark may receive protection based on established reputation, even without registration in Nepal.

2. Is first registration always decisive in Nepal?
No. Earlier registration does not protect a trademark registered in bad faith or contrary to applicable legal protections.

3. Can advertising establish trademark reputation in Nepal?
Yes. Cross-border advertising and media exposure may establish recognition among Nepali consumers, even without substantial local sales.

4. What constitutes bad-faith trademark registration?
Deliberately adopting another trader's established mark to gain unfair commercial advantage or obstruct its genuine owner may constitute bad faith.

5. How is consumer confusion assessed?
By examining similarities in the marks' names, logos, fonts, colours, overall presentation and the nature of the products.

6. What did the Supreme Court decide in ITC v. Sujal Foods?
The Court cancelled Sujal Foods' CANDYMAN registration and upheld ITC's CANDYMAN COCOLAIR registration.

Annexure 1

Key Timeline of the CANDYMAN Trademark Dispute

Date	Event
30 Kartik 2058 B.S. (15 November 2001)	ITC registered CANDYMAN COCOLAIR in India for confectionery products in Class 30.
20 Chaitra 2059 B.S. (3 April 2003)	CANDYMAN and its logo were registered in Nepal in the name of Lord Shiva Food & Confectionery.
19 Poush 2064 B.S. (3 January 2008)	The Nepalese registration was transferred to Jaya Confectionery.
21 Baisakh 2069 B.S. (3 May 2012)	ITC applied to register CANDYMAN COCOLAIR in Nepal.
14 Bhadra 2069 B.S. (30 August 2012)	The DOI published notice of ITC's application for opposition.
19 Ashoj 2069 B.S. (5 October 2012)	The earlier CANDYMAN registration was transferred from Jaya Confectionery to Sujal Foods.
25 Poush 2069 B.S. (9 January 2013)	The DOI decided in favour of ITC on Sujal Foods' objection.
27 Poush 2069 B.S. (11 January 2013)	The DOI issued ITC a registration certificate for CANDYMAN COCOLAIR.
13 Falgun 2069 B.S. (24 February 2013)	Sujal Foods filed a further complaint challenging ITC's registration.
13 Ashadh 2070 B.S. (27 June 2013)	The DOI cancelled ITC's registration, relying on the earlier Nepalese CANDYMAN registration.
6 Ashoj 2070 B.S. (22 September 2013)	ITC appealed the DOI decision to the Patan Appellate Court.
17 Falgun 2072 B.S. (29 February 2016)	The Patan Appellate Court upheld the DOI decision.
25 Bhadra 2074 B.S. (10 September 2017)	The Supreme Court granted leave to have the case reviewed.
24 Ashadh 2081 B.S. (7 July 2024)	The Supreme Court reversed the lower decisions, cancelled Sujal Foods' CANDYMAN registration and restored the validity of ITC's CANDYMAN COCOLAIR registration.

Official Source Links

- Patent, Design and Trade Mark Act, 2022 (1965) – WIPO Lex
- Nepal Treaty Act, 2047 – Nepal Law Commission
- Paris Convention for the Protection of Industrial Property – WIPO Lex
- WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks

Related Readings

- Supreme Court of Nepal on Trademark Infringement: Center Fruit vs Perfect Center Fillz Case Explained (Case No. 077–CI–0301)
- Supreme Court Nepal on Geographical Indications: Scotch Whisky Case 2026

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