

* **HIGH COURT OF DELHI : NEW DELHI**

+ **CS (OS) No.1400/2008**

Judgment reserved on: 26th November, 2009

% Judgment decided on : 8th December, 2009

United Biotech (P) Ltd. Plaintiff
Through: Ms. Mamta Jha, Adv.

Versus

Schon Pharmaceuticals Ltd. Defendant
Through: None

Coram:

HON'BLE MR. JUSTICE MANMOHAN SINGH

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| 1. Whether the Reporters of local papers may be allowed to see the judgment? | No |
| 2. To be referred to Reporter or not? | Yes |
| 3. Whether the judgment should be reported in the Digest? | Yes |

MANMOHAN SINGH, J.

1. The plaintiff filed the aforesaid suit for permanent injunction, passing off, rendition of accounts of profits/damages and delivery up etc. against the defendant.

2. The brief factual matrix of the case is that the plaintiff is a company incorporated under the Companies Act, 1956 having its registered office at United House, E-142, Saket, New Delhi-17. Mr. Sanjiv Kumar is the authorized signatory of the plaintiff company who is duly authorized to file the present suit. The power of attorney in his favour is filed on record and exhibited as Ex-PW1/1.

3. The plaintiff claims to be one of the fastest growing and reputed pharmaceutical company in India engaged in the manufacturing and marketing drugs and formulations since the year 1997. The plaintiff Company avers that it has dedicated specialty therapy in areas like oncology medicinal preparation for the treatment of cancer. The plaintiff submits that it has recently invested Rs.15 crores on its oncology division and has tied up with Blausiegel, a Brazilian company, for its entire range of biotechnology products for cancer treatment with the vision to make and sell medicines cheaper than the drugs sold by international pharma companies. The plaintiff's manufacturing facility is located at Himachal Pradesh and is approved by WHO-cGMP and has also compliant of USFDA, UKMHRA, TGA-Australia guidelines.

4. The plaintiff avers that it has four divisions and state of the art research centre with a total work force of over 500 employees. The plaintiff has also given its sales figures for the last five years to depict its growth in Indian Pharmaceutical Industry which was Rs. 1320.11 lac in 2003-04 and Rs. 5901.78 lac in 2007-08.

5. The plaintiff submits that one of the medicinal preparations manufactured and marketed by it is piperacillin and tazobactam under the trademark TAZIN which is a semi-synthetic antibiotic and is used in therapy for appendicitis and peritonitis, uncomplicated and complicated skin and soft tissue infection, pelvic inflammatory disease, community acquired or nosocomial pneumonia, febrile neutropenia etc.

6. The plaintiff claims to the proprietor of the trade mark

TAZIN and applied for its registration on 18th October, 2002 under No.01144251 in respect of pharmaceutical preparations falling in Class 5 of the Fourth Schedule of the Trade Marks Rules, 2002. The said application is still pending.

7. The plaintiff asserts that since the trademark TAZIN is a coined and invented trademark of the plaintiff, it enjoys high degree of inherent distinctiveness and is indicative of origin and source of medicinal preparation of the plaintiff company.

8. The plaintiff entered into an agreement with Oscar Remedies Private Limited, Oscar House, Badi Mazra, Yamuna Nagar, Haryana on 30th January, 2001 and Schon Pharmaceuticals Limited 145/2-B, Jambudi Hapsi, hatod Road, Indore-453112, the defendant herein in January, 2005 for the purpose of manufacturing the said pharmaceutical preparation under its trademark TAZIN. However, counsel for the plaintiff states that as a matter of record, no manufacturing activity was undertaken by the defendant herein for the plaintiff's products, being sold under the trademark, TAZIN. The plaintiff urged that even prior to such agreement, the plaintiff has been marketing its drug under the trademark TAZIN since 2002.

9. The plaintiff submit that on 22nd February, 2006 the Drug Controller cum Licensing Authority, Shimla granted permission to the plaintiff for manufacturing pharmaceuticals preparation including TAZIN. The plaintiff avers that the plaintiff has thus been manufacturing TAZIN drug exclusively since 2006.

10. The plaintiff urged that it has spent enormous money to

promote the sale of the said medicinal preparations bearing the trade mark TAZIN in medicinal journals, bulletins, etc. and also promoted it by way of leaflets, booklets and other visual aids in respect of the said preparations.

11. The plaintiff asserts that the medicinal preparations bearing the trade mark TAZIN has been widely accepted by the medical profession and the trade mark TAZIN is exclusively identified and associated by the doctors, members of the trade and public as the drug manufactured and originating from the plaintiff and no one else. The trade mark TAZIN has been extensively and commercially used by the plaintiff in the course of trade of medicinal preparations since January, 2002. The medicinal preparations bearing the trade mark TAZIN thus enjoys formidable reputation and goodwill and has been very widely accepted all over the country.

12. The learned counsel for the plaintiff submits that in November, 2006, after the expiry of the agreement with the defendant, the plaintiff came to know that the aforesaid medicines comprising of the same salts was being manufactured by the defendant under the same trademark, TAZIN. The plaintiff immediately cautioned the defendant by writing letters calling upon the defendant to stop manufacturing and marketing the said product under the impugned trademark TAZIN. Thereafter, the defendant is stated to have discontinued the infringing activity.

13. In the third week of 3rd July, 2008 the plaintiff through its sales representative learnt that the defendant has restarted

manufacturing and selling spurious medicinal preparations under the trade mark TAZIN which is plaintiff's trade mark. It is stated that the impugned trade mark TAZIN is identical to the plaintiff's trade mark TAZIN. The defendant knowingly and deliberately adopted the trademark TAZIN with mala fide intention to cause confusion and deception about the source of the goods marketed under the said trade mark.

14. The plaintiff submits that the use of the trade mark TAZIN by the defendant constitutes an act of misrepresentation of the source and origin, and leads to misappropriation of the goodwill and reputation enjoyed by the plaintiff's trade mark TAZIN. Such use by the defendant is bound to lead to passing off of the defendant's goods and business for those of the plaintiff.

15. The plaintiff alleged that the use of the trademark TAZIN by the defendant also constitutes an act of unfair competition as the mark TAZIN is identical trademark for identical drug of the plaintiff.

16. The learned counsel for the plaintiff relied upon the case of **Cadila Health Care Ltd. Vs. Cadila Pharmaceuticals Ltd. AIR 2001 SC 952** to contend that confusion between medicinal products is life threatening and may lead to infatal results to purchasers, therefore, greater protection is required in such cases. The plaintiff claims damages to the tune of Rs.20,05,000/- against the defendant in the plaint on account of loss to the goodwill and reputation to the plaintiff.

17. Summons in the suit were issued to the defendant on 25th July, 2008. An ex parte ad interim order was granted in favour of the

plaintiff on 1st August, 2008. On the same date, a local commissioner was also appointed to visit the premises of the defendant and to seize and take into custody the infringing article in possession of the defendant. The local commissioner has inspected the premises of the defendant and filed a list of inventory along with his report as annexure “A” containing the details of infringing material found at the premises of the defendant containing the mark TAZIN.

18. The defendant was proceeded ex parte by order dated 25th May, 2009. The plaintiff produced the evidence by way of affidavit of Mr. Sanjiv Kumar which is marked as PW 1/A. In the affidavit filed by Mr. Sanjiv Kumar, he has reaffirmed the averments made in the plaint. He has stated in the affidavit on the basis of local commissioner’s report that the defendant has sold more than 14,000 vials of impugned TAZIN medicinal preparation worth Rs. 55 lacs and the cost of one vial is approximately Rs. 400/-. Thus, the actual damages suffered by the plaintiff were estimated at Rs. 55 lac apart from the compensatory and penal damages.

19. The plaintiff has established its case of passing off by filing documents in support of its case. The plaintiff has annexed the copy of the initial representation pertaining to the application for registration of the trademark TAZIN under No. 01144251 in respect of pharmaceutical preparations falling in Class 5 of the Fourth Schedule of the Trade Marks Rules, 2002. The plaintiff has filed on record a copy of manufacturing license granted by Drug Controller cum Licensing Authority, Shimla on 22nd February, 2006 which is marked as Ex. PW-

1/8. Sample invoices and purchase order by the plaintiff for the pharmaceutical preparation under the trade mark TAZIN for the years 2002-2008 were collectively exhibited as Ex PW-1/10 (colly). The plaintiff company has also put on record the original sample carton of the plaintiff's pharmaceutical preparations containing the trademark TAZIN which are proved as Ex. PW-1/13. The report of the local commissioner is marked as Ex. PW-1/14 (colly). Original memorandum, articles of associations and brochure of the plaintiff company are also filed on record.

20. I have heard learned counsel for the plaintiff and have also gone through the relevant pleadings and documents placed on record. It is an undisputed fact that the plaintiff has been continuously and consistently using the trade mark and trade name TAZIN from the year 2001. The plaintiff has also applied for its registration in October, 2002 and obtained a manufacturing license from the Drug Controller cum Licensing Authority, Shimla on 22nd February, 2006. Since, the goods in dispute are medicinal preparation and are sold under the identical trade mark, the defendant is conspiring and abetting sale of spurious and counterfeit medicines. The defendant is also trying to trade upon the plaintiff's goodwill and reputation associated with the drug piperacillin and tazobactam, thus, causing loss to the plaintiff company.

21. It is clear that the defendant is indulging in the acts of passing off by representing its business as that of or associated with the plaintiff by using the impugned trade mark/name of the plaintiff. The defendant has defrauded the general public and is likely to continue to

mislead/deceive or confuse the potential customers into believing that the defendant has the approval or license from the plaintiff which in fact is not true. It appears, therefore, that the adoption and use of the said trade mark by the defendant is only with a view to make illegal profits out of the same. The adoption of the said highly distinctive trade mark TAZIN by the defendant is malafide and the defendant's activities deserve to be permanently restrained by this court in relation to the relief of passing off.

22. In passing off action, one has to see as to whether the defendant is selling goods/service so marked to be designed or calculated to lead purchasers to believe that they are plaintiff's goods. The law of passing off prevents commercial dishonesty representing one's goods as the goods of somebody else. It is well settled law that an action for passing off is a common law remedy being an action in substance of deceit under the law of Tort. In **Warnik Vs Townend & Sons (HULL) Ltd. 1979 AC 731**, Lord Diplock identified the following five characteristics which must be represented in order to create a valid cause of action for passing off:-

- A misrepresentation.
- Made by a trader in course of trade,
- To prospective customers of his or ultimate customers of goods or services supplied by him,
- Which is calculated to injure the business or goodwill of another trader (in the sense that there is a reasonable forceably consequence) and

- Which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in quia timet action) will probably do so.

23. In view of the above discussion, the plaintiff has established his case for passing off.

24. In the case of *Time Incorporated v. Lokesh Srivastava*, **2005 (30) PTC 3 (Del)**, the Court has recognized third type of damages as punitive damages apart from compensatory and nominal damages.

The court held that:

“The award of compensatory damages to a plaintiff is aimed at compensating him for the loss suffered by him whereas punitive damages are aimed at deterring a wrong doer and the like minded from indulging in such unlawful activities...”

"This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trademark, copy rights, patents etc. should not only grant compensatory damages but award punitive damages also with a view to discourage and dishearten law breakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them."

25. As regards the relief of damages is concerned, the plaintiff has prayed for the loss of profits at Rs.55 lac by filing of the affidavit.

26. The suit of the plaintiff is accordingly decreed in terms of Para 22(a) and (b) of the plaint. The relief of damages as prayed is granted to the extent of Rs.2 lac (Rupees Two Lac) as compensatory damages and further sum of Rs.2 lac (Rupees Two Lac) as punitive/exemplary damages. The plaintiff is also entitled for the costs

in the proceedings.

DECEMBER 8, 2009
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MANMOHAN SINGH, J.