

CS(OS) 2399/2009 & IA Nos. 16245/2009

SOCIETE DES PRODUITS NESTLE, S.A. & ANR Plaintiffs

Through : Sh. Manish Mishra, Advocate

Versus

YADVENDRA AGRAWAL & ORS Defendants

Through : Nemo

CORAM:

MR. JUSTICE S. RAVINDRA BHAT

- | | | |
|----|---|------|
| 1. | Whether the Reporters of local papers may be allowed to see the judgment? | Yes. |
| 2. | To be referred to Reporter or not? | Yes. |
| 3. | Whether the judgment should be reported in the Digest? | Yes. |

MR. JUSTICE S.RAVINDRA BHAT, J (Open Court)

%

1. The plaintiffs seek to restrain the defendants, their partners/proprietor, assigns, distributors, licensees and dealers from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in labels, paper cups, packagings, tea, coffee or other beverages under the impugned trade mark comprising **NESCAFÉ, NESKAFÉ, RED MUG** logo or any other trademarks, logo as may be deceptively similar with the trademarks **NESCAFÉ, RED MUG** device and/or **RED MUG** logo or the slogan "**JAGAO NESCAFÉ PILAO**" as may amount to infringement of trademark and copyright, passing off, unfair competition and infringement of. A further order of delivery up of infringing materials and damages is also sought.

2. The brief facts of the case are that the first plaintiff is a company incorporated under the laws of Switzerland and has its registered office there. The second plaintiff is a company incorporated under the Companies Act, 1956. The plaintiffs are hereafter jointly referred to as "*Nestlé group*". The *Nestlé group* claims a gigantic geographical presence and goodwill in international markets, owning 465 factories worldwide and employing nearly 2,20,000 people. Further, its products are available in nearly all the countries in the world. Founded in 1867 by Henri Nestlé as a small business in Switzerland to manufacture Kindermehl, the first ever milk food manufactured for young children, the Nestlé group has since diversified into a range of businesses including infant foods, dietetic products, milk and dairy products, cereals, snacks, ice creams, chocolate, confectionery, bouillon's soups, seasonings, prepared dishes, canned food,

pasta, sauces, yogurts, frozen foods, soluble coffee, roast & ground coffee, tea, chocolate-based and malted drinks, fruit juices, cereal drinks, mineral water, pet foods, etc. The products are known for high standards of quality and hygiene.

3. The *Nestlé group* manufactures and markets over 200 varieties of coffee world-wide. The most popular coffee products of the plaintiffs are sold under the trade mark NESCAFÉ, and dominate the instant coffee section. The said trade mark, i.e. NESCAFÉ was adopted in the year 1938, and in India in the year 1940.

4. The plaintiffs conceived the “RED MUG” device in the year 1978, which is claimed to be extensively and continuously in use in over a 100 countries, including India (since 1983) as a trademark, depicted by itself as well as upon a “bed of coffee beans against a halo” (hereinafter referred to as “RED MUG” logo). Thus, on account of long and continuous use it is claimed to have acquired goodwill and reputation amongst the members of trade and public at large.

5. The plaintiffs claim that the trademark, i.e. NESCAFÉ, as well as “RED MUG” logo have been extensively advertised worldwide, including in India, through various media, viz. print and electronic, as a result of which the trademarks NESCAFÉ, RED MUG device and/or RED MUG logo have acquired a high level of distinctiveness indicating source of coffee originating from the plaintiffs. The plaintiffs contend that coffee sold under the above mentioned trademark and logo has acquired enviable goodwill and the reputation amongst the members of trade and public at large as “well-known” brands. The outlay on advertising for the trademark RED MUG logo and/or NESCAFÉ and the annual sales pertaining to NESCAFÉ Classic, as provided by the plaintiffs are reproduced below :

Advertising expenses		Sales	
Year	(In Rupees Crores)	Year	(In Rs. Crores)
1999	11	1999	207
2000	14	2000	253
2001	19	2001	317
2002	22	2002	258
2003	18	2003	277
2004	17	2004	229
2005	21	2005	252
2006	16	2006	247
2007	20	2007	320
2008	23		

6. Apart from sales in retail outlets, coffees under the brand NESCAFÉ including NESCAFÉ Sunrise Premium, NESCAFÉ Classic instant coffee are also dispensed through vending machines, mobile vans, which distinguish coffee originating from the plaintiffs by display of their trademarks. The plaintiffs claim that their products are consumed across a large section of society, as the single serve sachets are sold at as low as ₹ 1/ sachet and coffee sold

through vending machines are sold at ₹ 5 to ₹ 7 per cup. For selling coffee from the vending machines and mobile vans, disposable paper cups bearing trademarks NESCAFÉ, RED MUG device and or RED MUG logo either together or independently (manufactured by suppliers authorized by the plaintiffs) are used. Further, all paper cups are manufactured under the strict supervision of Plaintiff's 'Quality Monitoring Team' and follow strict quality and hygiene specifications such as:

- (a) Paper used should be of food grade;
- (b) Inks for the colours used should comply with food grade specifications;
- (c) Weight of the cup;
- (d) Thickness of the paper;
- (e) Leak proof;
- (f) Odour free;
- (g) Volume fill, etc.

This team regularly audits the market and checks vending machines and mobile vans, including the paper cups used.

7. The plaintiffs assert that the RED MUG device and/or logo are registered in many countries worldwide including Albania, Austria, Balarus, Benelux, Bulgaria, China, Dominican Republic, Egypt, Finland, Georgia, Hungary, Italy, New Zealand, Romania, San Marino, Sarawak, Spain, Switzerland, United Kingdom, Vietnam etc. In India, the first plaintiff had obtained registrations of the trademark NESCAFÉ in various classes, i.e. 32, 29, 30, 16, 9, 42, 24, 21, 41, 11 and for the RED MUG and/or RED MUG logo in class 30 and NESCAFÉ with RED MUG logo in classes 30 and 32. It is claimed that these registrations are conclusively valid and subsisting in favour of the first plaintiff. The second plaintiff is the licensee thereof in India, authorized to manufacture and sell coffee preparations using the trademarks NESCAFÉ, RED MUG device and/or RED MUG logo.

8. The plaintiffs contend that the instant coffee manufactured by the second plaintiff, in India, under their distinctive trademarks NESCAFÉ, RED MUG device and/or RED MUG are not only marketed in India but also exported to various countries all over the world. Further, they have extensively advertised their trademarks, as well as logo through print and electronic media. Thus, they contend that, on account of prior adoption and extensive use upon labels, hoardings, coffee vending machines, café style outlets, restaurants, motels, disposable paper glasses, etc., the trademark NESCAFÉ has become 'well-known' and the RED MUG device and/or RED MUG logo have come to acquire 'secondary significance' and become distinctive. The trademarks RED MUG device and/or RED MUG logo have lost its primary meaning, if any, and have acquired meaning and are associated with the plaintiffs and none else.

9. The plaintiffs allege that the defendants are engaged in the business of unauthorizedly manufacturing, trading and selling of disposable paper cups bearing the trademarks NESCAFÉ, NESCAFÉ, RED MUG device and/or RED MUG logo. The first defendant is proprietor of the second defendant, alleged to be engaged in manufacturing and supplying the infringing paper cups and the third and the fourth defendants are printers allegedly involved in printing and supplying paper cups, bearing the impugned trademarks to them. This, it is alleged, is done with

intent to pass them off as the plaintiffs products. The plaintiffs rely upon the investigation report of a private investigator, dated 07.12.2009, according to which the defendants were engaged in such infringement. The plaintiffs allege that the conduct of the defendants is *mala fide*, dishonest, unethical, unlawful and solely motivated to encash upon the goodwill and the reputation of plaintiffs' goodwill. Thus, the defendants are committing multiple offences, such as infringement of trademark, passing off, unfair competition and infringement of copyright. The plaintiffs claim that the defendants' actions have irreparably damaged their business and they estimate the loss suffered at over Rs. 20,05,800/- and also stating that the loss to goodwill and reputation cannot be assessed in monetary terms.

10. By order dated 27.04.2010 the defendants were proceeded *ex-parte*, as they did not enter appearance ever in the suit. Further, the suit was amicably compromised between the third and fourth defendants and the plaintiffs, and was disposed of in respect of these defendants on the same day. An *ex-parte ad interim injunction* was passed against the defendants on 15.12.2009 and local commissioners were appointed to visit the premises of the defendant nos. 2, 3 and 4.

11. As the matter was compromised between the plaintiffs and the third and fourth defendants, the report of the Local Commissioner, i.e. Syed Abdul Haseeb, who visited their premises is being excluded from discussion in this judgment. Ms. Ritu Mishra, visited the premises of the first and second defendants on 17.12.2009, she filed her report on 21.12.2009. According to the Inventory (Annexure- B to her Report) (a) 165 brown cartons containing 5000 cups in each carton, i.e. 8,25,000 cups; (b) 7000 sheets on which 28 cups were printed on each sheet; and (c) 8 trays containing 5000 cutting of cups in each tray, i.e. 40,000 cuttings of cups- all bearing the impugned mark "NESCAFÉ/NESKAFÉ".

12. The Court has considered the plaint, supported by an affidavit, and report of the Local Commissioner. Since the defendants have chosen not to file a written statement and were proceeded *ex-parte*, only the facts urged by the plaintiffs and supported by documents and the findings of the Local Commissioner as recorded in the report, shall be considered for adjudication of the suit.

13. The plaintiffs have filed copies of trade mark registration certificates for NESCAFÉ, RED MUG and RED MUG logo with and without NESCAFÉ on pages 25 to 98 of the documents. The plaintiffs have also filed statement of annual sales and advertising expenditure by the second plaintiff for the brand NESCAFÉ for the years 1999 to 2002 and 2002 to 2006, which are certified by the Chartered Accountant. They have also filed sample photographs of NESCAFÉ preparations packagings bearing the RED MUG and the RED MUG logo being used in the domestic, as well as international market. The Investigation Report dated 07.12.2009 of the private investigator is also filed at pages 409 to 412. The photographs of the defendants' paper cups bearing the trade mark NESCAFÉ, NESKAFÉ, RED MUG device and slogan JAGAO NESCAFÉ PILAO. A consideration of the Local Commissioner's Report and its Annexures, i.e. A (Samples of cups), A-1 (cutting of cups), A-2 (sheets containing cup cuttings) the marks and logo (NESKAFÉ, NESCAFÉ and RED MUG) and E (photographs of the defendants manufacturing unit and products) being used on paper cups reveals that the defendants' products are identical and/or deceptively similar to those of the plaintiffs.

14. With effect from 01.07.2002, after the amendment in Order VI, Rule 15 of the Code of Civil Procedure, clause (4) was inserted to state as under:

“(4) The person verifying the pleading shall also furnish an affidavit in support of his pleading”

Consequently, the affidavit required to be filed in support of the pleading has the effect of fixing additional responsibility on the deponent as to the truth of facts stated in the pleadings. However, such an affidavit is not evidence for the purpose of trial (*Salem Advocate Bar Association v. Union of India*, AIR 2005 SC 3353). Further, the provision of Order VIII, Rule 10 prescribes the procedure when a party fails to present written statement called for by Court, as under:

“Where any party from whom a written statement is required under rule 1 or rule 9 fails to present the same within the time permitted or fixed by the Court, as the case may be, the Court shall pronounce judgment against him, or make such order in relation to the suit as it thinks fit and on the pronouncement of such judgment a decree shall be drawn up.”

15. The averments in the plaint and the documents supplied by the plaintiffs and the Local Commissioner's Reports remain unrebutted in the absence of the defendants or any contrary pleadings by them. The plaintiffs have established that the defendants have infringed their registered trademark in respect of the product in question; this activity does not have any explanation except that the defendants' actions are deliberate and actuated with *malafide*, with the intention of exploiting the plaintiffs' goodwill and reputation to cause confusion and deception in the minds of the public at large. The plaintiffs have established that they are the registered owners of the said trademarks and the logo in question.

16. Insofar as the relief of rendition of accounts and a consequential decree on the basis of the aforesaid accounts is concerned, since the defendants were proceeded against *ex-parte*, there is no material on the record by way of production of books of accounts, ledgers, etc., to establish the volume of sales of the infringing product or the profits earned by it under the said trademarks. Having said so, the Court considers this to be a fit case for awarding punitive damages in view of the huge quantities of offending products and raw material bearing the marks in question recovered at the defendants' premises by the Local Commissioner. If damages are not awarded in favour of the plaintiffs, then the same would amount to a premium on the conduct of the defendants. This Court held in *The Heels v. V.K. Abrol and Anr.*, CS (OS) No. 1385/2005:

“12. No doubt it is not possible to give an exact figure of damages on the basis of actual loss, but certain token amounts on the basis of the sales of the plaintiff can certainly be made. The plaintiff is unnecessarily dragged into litigation and the defendants must bear consequences thereof. In fact in such a case both compensatory and punitive damages ought to be granted apart from the costs incurred by the plaintiff on such litigation.”

17. Further, para 10 of the report and 13 of the On-the-Spot proceedings of the Local Commissioner, Ms. Ritu Mishra reveals that she had to face untoward circumstances during the execution of the Commission. The local lawyers sent by the first defendants hurled insults at her and she was able to complete the proceedings with great difficulty. The Court, therefore, in light of the grave inconvenience faced by the Local Commissioner deems it appropriate to make a suitable order.

18. In view of the above, the suit is entitled to succeed. The plaintiffs are also entitled to damages to the extent of ₹ 2,00,000/-. Accordingly the suit is decreed in terms of para 37 (a), (b), (c), (d), (e) and (f) of the plaint. The Counsel's fee and cost of proceedings is quantified at ₹ 50,000/-. The amounts shall be paid by the defendants to the plaintiffs within 4 weeks from today. Further, the defendants are directed to compensate the Local Commissioner of this Court, Ms. Ritu Mishra, to the extent of ₹ 25,000/-. The keys to the defendants' precisely shall be released to them, by the Court, if and when they approach with an application for this purpose. The defendants are also directed to destroy the impugned paper cup and sheets, seized during the inspection by the local commissioner. The suit is decreed in these terms.

JULY 06, 2010

(S.RAVINDRA BHAT)
JUDGE