

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

+ **RFA No.259/2008**

% **27th April, 2012**

M/S INDER INDUSTRIES Appellant
Through: Ms. Tanvi Mishra with
Mr. Gurpreet Singh Kahlon, Advs.

VERSUS

M/S GEMCO ELECTRICAL INDUSTRIES Respondent
Through: Mr. Amit Sibal with
Mr. Vinay P.Tripathi &
Mr. Prateek Malik, Advs.

CORAM:
HON'BLE MR. JUSTICE VALMIKI J.MEHTA

To be referred to the Reporter or not? Yes.

VALMIKI J. MEHTA, J (ORAL)

1. The challenge by means of this Regular First Appeal filed under Section 96 of the Code of Civil Procedure, 1908 (CPC) is to the impugned judgment of the Trial Court dated 26.5.2008 decreeing the suit of the respondent/plaintiff for injunction against the appellant/defendant, and thereby restraining the appellant/defendant from selling any electrical switches and accessories thereof under the trade mark "WONDER".

2. The disputes in the present case centre around ownership of the trade mark “WONDER” which is used with respect to electrical switches and accessories. Whereas the respondent/plaintiff claims ownership of the trade mark on account of prior adoption and user since the year 1984, the appellant/defendant denies the prior user of the respondent/plaintiff. The appellant/defendant claims that it was the first user of the trade mark from March, 1998. The suit for injunction which was filed was on the basis of the cause of action of passing off, as the trade mark of the respondent/plaintiff is not registered i.e. the suit is not for infringement of the trade mark.

3. By the impugned judgment, the Trial Court has held that the respondent/plaintiff is the prior user and the user was continuous from at least 1989 till the disputes started between the parties in 1998/1999 and also thereafter till the suit was filed in October, 1999.

4. The facts of the case are that the respondent/plaintiff is a partnership firm consisting of two partners, namely, Sh. Kranti Vij and Mr.Kuldeep Kumar Salhotra. The respondent/plaintiff claimed to have commenced its business by adoption of the trade mark “WONDER” since the year 1984 which was used with respect to electrical switches and accessories. The respondent/plaintiff claimed to have been registered with

the Bureau of Indian Standards. It was claimed in the plaint which was filed in October, 1999 that the appellant/defendant had recently started the manufacturing of the electrical switches and accessories under the trade mark “WONDER”, which was the trade mark owned by the respondent/plaintiff, and which trade mark was said to have been illegally copied by the appellant/defendant. The respondent/plaintiff claimed that the appellant/defendant issued a cease and desist notice dated 6.10.1999 to the respondent/plaintiff not disclosing the period of user. The suit has been filed barely within about 10 days of the respondent/plaintiff receiving the cease and desist notice. In the plaint it was claimed that the customers and the trade channels with respect to the goods are same and the trade marks are identical and consequently the appellant/defendant was guilty of passing off its goods as that of the respondent/plaintiff.

5. In the written statement, the appellant/defendant claimed to be the prior user of the trade mark “WONDER” with respect to switches which were said to have different designs, shapes and configuration. The appellant/defendant pleaded that it was set-up to manufacture switches and accessories in the year 1997 and commercial production started in March, 1998. The appellant/defendant is a registered partnership firm having partners-Sh.Jayanti Kumar Jain, Sh. Dharam Chand Jain, Sh. Debendra

Kumar Jain and Sh. Gopal Das Gupta. The manufacturing unit of the appellant/defendant is said to be at Daman. The appellant/defendant claimed to manufacture and sell various electrical appliances, namely, switches under the trade mark “WONDER” and the sister concern of the appellant/defendant is also said to be manufacturing switches, dimmers, regulators, bells, etc. The appellant/defendant claimed to have applied for registration of the trade mark “WONDER” on about 8.12.1997. The appellant/defendant claimed sale of its products under the trade mark “WONDER” throughout the country.

6. After the pleadings were completed, the Trial Court framed the following issues;-

- “1. Whether the suit is bad for lack of cause of action? OPD
2. Whether the plaintiff is prior in use of trade mark? OPP
3. Whether the defendant is in guilty of passing of their goods as of the plaintiff? OPP
4. Whether the plaintiff is entitled for perpetual injunction? OPP
5. Whether the plaintiff is entitled for rendition of account? OPP
6. Relief.”

7. The only issue which is argued before me, and which requires determination, is as to who is the owner of the trade mark “WONDER”, i.e.

who is the prior adopter and user of the trade mark ‘WONDER’. It is trite under the trade mark law that any person who adopts a trade mark and uses the same with respect to his goods so that the members of the public identify the trade mark and the goods with the said person results in the said particular person becoming the owner of the trade mark. Before turning to the facts and the evidence as have been led in the present case, it is necessary to refer in this regard to observations made in a Division Bench’s judgment of this Court and also by the Supreme Court laying down the law with respect to the aspect as to when a person becomes owner of a trade mark. The judgment in this regard of the Division Bench of this Court is *Century Traders vs. Roshan Lal Duggar & Co., AIR 1978 Delhi 250*. The following paragraphs of the judgment are relevant and the same read as under:-

(10) In *M/s. L. D. Malhotra Industries v. M/s. Ropi Industries*, MANU/DE/0150/1975, the law regarding registered and unregistered trade marks has been very succinctly enunciated by Avadh Behari, J. and this we say with great respect. In that case two industries were engaged in the manufacture of dress hooks which are generally used in garments. One was M/s. Ropi Industries and the other was M/s. L. D. Malhotra Industries, respectively referred to in the judgment as Ropis and Malhotras. The latter, i.e. Malhotras got their mark Kismat (word per se) registered with the Registrar of Trade Marks in December, 1967. In December, 1969 Ropis made an application for registration of their trade mark KISMAT. This application was advertised in the trade

mark journal in November, 1970. In February, 1971 Malhotras filed an opposition. Ropis had sought registration of a label mark of which the word Kismat was the dominant part claiming that 'they were using the label mark Kismat since 1963. The Assistant Registrar held that Ropis were prior users of the trade mark KISMAT. In April, 1971 Ropis made an application for rectification of the register under Section 56(2) of the Act vis-a-vis the registration granted to Malhotras. That is how the matter came before Avadh Behari, J. He observed :-

"Now it will appear that Ropis were first in the field. Their user dates back to April 1, 1963. But they are later in registration. Malhotras were the first to get their trade mark registered. In other words Ropis were prior in use and anterior in Registration while Malhotras were prior in registration but posterior in use. Who has got a better right of the two. That is the question.

"In this appeal against the order of rectification four points arise for decision. First is the question of use of the trade mark. Use plays an all important part. A trader acquires a right of property in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and the extent of his trade. The trader who adopts such a mark is entitled to protection directly the article having assumed a vendible character is launched upon the market. Registration under the statute does not confer any new right to the mark claimed or any greater right than what already existed at common law and at equity without registration. It does, however, facilitate a remedy which may be enforced and obtained throughout the State and it established the record of facts affecting the right to the mark. Registration itself does not create a trade mark. The trade mark exists independently of the registration which merely affords further protection under the statute. Common law rights are left wholly unaffected."

(11) In Consolidated Foods Corporation v. Brandon and Co., Private Ltd., MANU/MH/0092/1965 : AIR1965Bom35 , it

was observed that "A trader acquires a right of property, in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and the extent of his trade- The trader who adopts such a mark is entitled to protection directly the article having assumed a vendible character is launched upon the market. Registration under the statute does not confer any new right to the mark claimed or any greater rights than what already existed at common law and at equity without registration. It does, however, facilitate a remedy which may be enforced and obtained throughout the State and it established the record of facts affecting the right to the mark. Registration itself does not create a trade mark. The trade mark exists independently of the registration which merely affords further protection under the Statute. Common law rights are left wholly unaffected. Priority in adoption and use of a trade mark is superior to priority in registration.

(12) For the purpose of claiming such proprietorship of a mark, it is not necessary that the mark should have been used for considerable length of time. As a matter of fact, a single actual use with intent to continue such use eo instanti confers a right to such mark as a trademark. It is sufficient if the article with the mark upon it has actually become a vendible article in the market with intent on the part of the proprietor to continue its production and sales. It is not necessary that the goods should have acquired a reputation for quality under that mark. Actual use of the mark under such circumstances as showing an intention to adopt and use it as a trade-mark is the test rather than the extent or duration of the use. A mere casual, intermittent or experimental use may be insufficient to show an intention to adopt the mark as a trade mark for specific article or goods. ." (emphasis added).

The emphasized portion of the judgment of the Division Bench of this Court shows that the use of the trade mark plays an all important part and a trader acquires a right of property in a trade mark by

using it in connection with his goods which are sold in the market. A trader who adopts the trade mark is entitled to protection which is used with respect to a vendible article launched in the market. Though mere casual or intermittent or experimental uses are not sufficient, however, depending on the facts of the case, even a single user with intent to continue such use *eo instanti* confers a right to such mark as a trade mark. The basic aspect being that the trade mark is distinctive of the manufacturer who adopts that mark and uses the mark in the course of its trade, extent and duration of use being irrelevant on the goods becoming a vendible article in the market.

8. The judgments of the Supreme Court in this regard to which reference can be made are *Uniply Industries Ltd. vs. Unicorn Plywood Pvt. Ltd.*, (2001) 5 SCC 95 and *Satyam Infoway Ltd. vs. Sifynet Solutions (P) Ltd.*, (2004) 6 SCC 145. The relevant observations of the Supreme Court in the case of *Uniply Industries Ltd. (supra)* read as under:-

“8. Some courts indicate that even prior small sales of goods with the mark are sufficient to establish priority, the test being to determine continuous prior use and the volume of sale or the degree of familiarity of the public with the mark. Bona fide test of marketing, promotional gifts and experimental sales in small volume may be sufficient to establish a continuous prior use of the mark. But on some other occasions courts have classified small sales volume as so small and inconsequential for priority purposes.

Therefore, these facts will have to be thrashed out at the trial and at the stage of grant of temporary injunction a strong prima facie case will have to be established. It has also to be borne in mind whether the appellant had also honestly and concurrently used the trade marks or there are other special circumstances arising in the matter. The courts below have merely looked at what the prima facie case is and tried to decide the matter without considering the various other aspects arising in the matter. Therefore, we think, the appropriate order to be made is that injunction either in the favour of the appellant or against them or vice versa is not appropriate and the proceedings in the suit shall be conducted as expeditiously as possible or the Registrar under the Trade and Merchandise Marks Act, 1958 may decide the matter which may govern the rights of the parties.” (underlining added).

The aforesaid para in the judgment of the *Uniply Industries Ltd.*

(*supra*) shows that even prior small sales of goods with the mark are sufficient to establish priority and a continuous prior user with certain volume of sales resulting in a degree of familiarity of the public with the trade mark is the test. Even activities of test marketing, promotional gifts and experimental sales in small volumes are sufficient to establish a continuous prior use of the mark depending on the facts of each case, however, if sales are really so small and inconsequential, then same cannot confer distinctiveness on a trade mark and does not help for priority purposes.

9. The relevant observations of the Supreme Court in the case of *Satyam Infoway Ltd.* (*supra*) read as under:-

“13. The next question is, would the principles of trade mark law and in particular those relating to passing off apply? An action for passing off, as the phrase “passing off” itself suggests, is to restrain the defendant from passing off its goods or services to the public as that of the plaintiff’s. It is an action not only to preserve the reputation of the plaintiff but also to safeguard the public. The defendant must have sold its goods or offered its services in a manner which has deceived or would be likely to deceive the public into thinking that the defendant’s goods or services are the plaintiff’s. The action is normally available to the owner of a distinctive trade mark and the person who, if the word or name is an invented one, invents and uses it. If two trade rivals claim to have individually invented the same mark then the trader who is able to establish prior user will succeed. The question is, as has been aptly put, who gets these first? It is not essential for the plaintiff to prove long user to establish reputation in a passing-off action. It would depend upon the volume of sales and extent of advertisement.” (underlining added).

The aforesaid para therefore shows that volume of sales and the extent of advertisement are relevant factors to determine the issue of distinctiveness of the trade mark, taken with the fact that a person who uses the mark first becomes the owner; long user being not essential.

10. The law with respect to passing off has been very exhaustively stated by the Supreme Court in the case of *Laxmikant V. Patel vs Chetanbhai Shah & Anr., 2002 (3) SSC 65*. The relevant paragraphs of this judgment read as under:-

10. A person may sell his goods or deliver his services such as in case of a profession under a trading name or style.

With the lapse of time such business or services associated with a person acquire a reputation or goodwill which becomes a property which is protected by courts. A competitor initiating sale of goods or services in the same name or by imitating that name results in injury to the business of one who has the property in that name. The law does not permit any one to carry on his business in such a way as would persuade the customers or clients in believing that the goods or services belonging to someone else are his or are associated therewith. It does not matter whether the latter person does so fraudulently or otherwise. The reasons are two. Firstly, honesty and fair play are, and ought to be, the basic policies in the world of business. Secondly, when a person adopts or intends to adopt a name in connection with his business or services which already belongs to someone else it results in confusion and has propensity of diverting the customers and clients of someone else to himself and thereby resulting in injury.

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12. In *Oertli v. Bowman* the gist of passing-off action was defined by stating that it was essential to the success of any claim to passing-off based on the use of given mark or get-up has become by user in the country distinctive of the plaintiff's goods so that the use in relation to any goods of the kind dealt in by the plaintiff of that mark or get-up will be understood by the trade and the public in that country as meaning that the goods are the plaintiff's goods. It is in the nature of acquisition of a quasi-proprietary right because of the plaintiff having used or made it known that the mark or get-up has relation to his goods. Such right is invaded by anyone using the same or some deceptively similar mark, get-up or name in relation to goods not of plaintiff. The three elements of passing-off action are the reputation of goods, possibility of deception and likelihood of damages to the plaintiff. In our opinion, the same principle, which applied to trade mark, is applicable to trade name.

13. In an action for passing-off it is usual, rather essential to seek an injunction, temporary or ad interim.

The principles for the grant of such injunction are the same as in the case of any other action against injury complained of. The plaintiff must prove a *prima facie* case, availability or balance of convenience in his favour and his suffering an irreparable injury in the absence of grant of injunction. According to Kerly passing-of cases are often cases of deliberate and intentional misrepresentation, but it is well settled that fraud is not a necessary element of the right of action, and the absence of an intention to deceive is not a defence, though proof of fraudulent intention may materially assist a plaintiff in establishing probability of deception. Christopher Wadlow in Law of Passing-Off states that the plaintiff does not have to prove actual damage in order to succeed in an action for passing-off. Likelihood of damage is sufficient. The same learned author states that the defendant's state of mind is wholly irrelevant to the existence of the cause of action for passing-off. As to how the injunction granted by court would shape depends on the facts and circumstances of each case. Where a defendant has imitated or adopted the plaintiff's distinctive trade mark or business name, the order may be an absolute injunction that he would not use or carry on business under that name." (underlining added).

The Supreme Court therefore has held that when by lapse of time a business associated with a person which acquires goodwill and reputation, then, such business becomes a property which is protected by Courts and a competitor initiating sale of goods or services under the same name will cause injury to a person who is already doing business under the same name which the law does not permit. The Supreme Court clarifies that it makes no difference whether the subsequent person has adopted its trade mark fraudulently or otherwise i.e. even if a person honestly adopts a trade mark, once there is a prior user, it is not necessary to prove that the

adoption by the subsequent user is a fraudulent adoption. Supreme Court has said that honesty and fair play should be the basic policies in the world of business. Referring to *Salmond Heuston* in law of Torts the Supreme Court observed that law on this matter is designed to protect traders against that form of unfair competition which consists in acquiring for oneself, by means of false or misleading devices, the benefit which has already been achieved by rival traders. The Supreme Court also has clearly laid down in this judgment that plaintiff does not have to prove actual damages in order to succeed in an action for passing-off, likelihood of damage being sufficient.

11. In the light of the aforesaid principles of law, let me examine the facts and the evidence which have emerged on record. The respondent/plaintiff has filed on record and proved its bill books from the year 1989 to 1997 as Ex.PW1/L (colly.). These documents are various bill books containing hundreds of bills over this period. It is relevant to mention at this stage that the respondent/plaintiff sells goods not only under the trade mark “WONDER” but also under the trade mark “GEMCO”, and therefore these bill books do contain sales pertaining to both the trade marks i.e. “GEMCO” & “WONDER”, however, it is undisputed that there are dozens of bills for this period from 1989 to 1997 which show sale of the

electrical switches under the trade mark “WONDER”. Of course, as argued on behalf of the appellant/defendant, total of the bills where the expression “WONDER” is used comes to about ₹47,000/-, however, in my opinion, this aspect will not cause any prejudice to the respondent/plaintiff qua the ownership of the trade mark because of two reasons. Firstly, even small amount of sales- vide *Uniply Industries (supra)* as also *Century Traders (supra)*-can be good enough so as to bring about distinctiveness of a trade mark. Secondly, I tend to agree with the counsel for the respondent/plaintiff that it is not necessary that when sales are made with respect to the trade mark “WONDER”, all the bills necessarily should have mentioned that the goods which are sold are sold under the mark “WONDER” inasmuch as, it is nothing unusual for the bills to mention sale of the items without the trade mark under which they are sold. Also, I note that it is not as if with respect to all other bills which show the sales there is a mention that those are only with respect to the trade mark “GEMCO” i.e. at best there is no mention of the mark, however, the said issue shows that I cannot totally overlook the hundreds of bills which have been filed by the respondent/plaintiff showing the sale of its goods for around a decade. In my opinion, these bills are more than enough to show sales of the goods under the trade mark “WONDER” by the

respondent/plaintiff for it to claim distinctiveness and hence the ownership in the trade mark “WONDER”. At this stage, I may also mention that at one point of time, an objection was sought to be raised on behalf of the appellant/defendant as to the weight to be attached to such documents pertaining to the authenticity of the bills, however, counsel for the respondent has rightly urged that the bills of this period from 1989 to 1997, (and which are contained in a small pink suit case) are bill books which are sealed bill books i.e. there is absolutely no scope whatsoever for any interpolation of bills, and thereafter the counsel for the appellant/defendant conceded that the bill books may not be bound bill books but definitely they are sealed bill books. I therefore hold that the bill books should be read into evidence, and there cannot be an issue of lack of authenticity as the bill books being sealed bill books there is no scope of the bills being not genuine.

12. At this stage, I must also refer to and deal with one of the issues which came up during the arguments in this case that the respondent/plaintiff has not filed its Sales Tax Returns during this period and therefore the bills, Ex.PW1/L cannot be relied upon. Though learned counsel for the respondent/plaintiff said that he has got the Sales Tax Returns and he can file the same, but since the stage of appeal cannot be

said to be the stage for filing additional documents, I am not allowing the same, however, in my opinion, merely because Sales Tax Returns are not filed, need not necessarily be reflective of the actual sales of goods in the market under the trade mark “WONDER”, once dozens of bills have been filed showing actual sales of the goods in the market with the trade mark, “WONDER”, considering that in trade mark law what is necessary to prove is the aspect of sale in the market, and Sales Tax Returns are not the only method to show sale of the goods in the market with a particular trade mark.

13. Further, the respondent/plaintiff has led evidence of one of its buyer one Sh. Mukand Shah as PW4 and this buyer has during his evidence exhibited the Sales Tax Returns form with respect to bills, three of which are part of Ex.PW1/L, and which three bills show that the respondent/plaintiff did in fact sell way back in the year 1989 electrical goods under the trade mark “WONDER” to the said Sh. Mukand Shah who was the owner of firm, M/s. MDN Enterprises. Therefore, it is not as if that there is no public document with respect to actual sales of goods under the trade mark “WONDER”, and Ex.PW4/A is a categorical document of the Sales Tax Authorities, being the Sales Tax form to show sale of the

electrical goods under the trade mark “WONDER” by the respondent/plaintiff.

14. At one stage, counsel for the appellant/defendant sought to urge issues of abandonment of the trade mark by the respondent/plaintiff, as also honest concurrent user by the appellant/defendant, however, I note that both these are factual issues and being factual issues it was necessary for the appellant/defendant to take up such pleadings in the written statement, get issues on the same framed so that not only it can lead evidence on these aspects but the respondent/plaintiff is put to notice so that it can respond to the same by leading its evidence to show that there was no abandonment or existence of an honest concurrent user. On these pleas however there is neither any pleading nor any issue has been framed. In fact I may add that if these pleas were taken possibly the respondent/plaintiff would have been additionally careful to file even other bills and Sales Tax Returns, and on which aspects I need not comment any further inasmuch as factual issues cannot be permitted to be argued in an appeal taking opposite party by surprise who has not been put to notice of such defences and issues and are thus handicapped by not having led appropriate evidence to dislodge the defences which are now being taken.

15. In the present case, the trade marks are identical, trade channels are identical, customers are identical with the fact that many customers could also be illiterate persons, and therefore, it is necessary that besides protecting the right of the respondent/plaintiff, it is necessary to ensure that there is no confusion in the market with respect to origin and ownership of the trade mark “WONDER” for protection of the innocent public vide *Satyam Infoway Ltd. (supra)*. The observations of the Supreme Court in the case of *Laxmikant V. Patel (supra)* squarely apply that once a trader such as the respondent/plaintiff has sold goods under the trade mark “WONDER”, built-up goodwill, then even if adoption by the appellant/defendant is not fraudulent, yet, the appellant/defendant cannot take the benefit of the goodwill which has been created by the respondent/plaintiff by selling of its goods under trade mark “WONDER”.

16. A civil case is decided on balance of probabilities. The impugned judgment of the Trial Court arrives at basically correct conclusions of facts and law on the whole. Though there may be certain observations of the Trial Court to which I may not agree, but, considering the reasons which have already been given above, I have no doubt in my mind that the respondent/plaintiff was prior adopter and user of the trade mark “WONDER” with respect to electrical goods and therefore, the

appellant/defendant has been rightly injuncted by the Trial Court from using the trade mark “WONDER” with respect to the same goods being the electrical goods.

17. In view of the above, I do not find any merit in the appeal, which is accordingly dismissed leaving the parties to bear their own cost. Trial Court record be sent back.

APRIL 27, 2012
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VALMIKI J. MEHTA, J.