

\$~ 14

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

% Date of Decision: February 25, 2014

+ **CS(OS) 1025/2012**

DISNEY ENTERPRISES, INC & ANR Plaintiff
Through: Mr. Aditya Kutty, Advocate

versus

DHIRAJ & ANR Defendant
Through

CORAM:

HON'BLE MR. JUSTICE G.S.SISTANI

G.S.SISTANI, J. (Oral)

1. Plaintiffs have filed the present suit for permanent injunction, restraining infringement of trademarks and copyrights, passing off, dilution, damages, rendition of accounts of profits and delivery up.
2. Summons were issued in the suit and in the application filed by the plaintiffs under Order 39 Rules 1 and 2 the following interim order was passed on 18.4.2012:

“I have heard counsel for the plaintiffs and also perused the plaint, application and the documents filed along with the present plaint. I am satisfied that it is a fit case for grant of *ex parte ad interim injunction*. Accordingly, till the next date of hearing, defendants, their principal officers, Directors, agents, franchisees, servants and licensees are restrained from marketing, offering for sale, selling, advertising, distributing – directly or indirectly – dealing in any products, including bags such as school bags, travel bags, bearing the word mark or character device or artistic works as identical or deceptively similar to the trade mark or copyrights of the plaintiffs including but not limited to Mickey Mouse, Minnie Mouse, Winnie The Pooh, ‘Pooh’ and any other character/mark/ device/ artistic work of the plaintiffs. Plaintiffs shall comply with the provisions of Order XXXIX

Rule 3 CPC within two weeks from today.”

3. The summons issued to the defendants remained unserved, although the Local Commissioner, who was appointed in the matter and had visited the premises of the defendants, submitted in his report that the defendants were aware of the pendency of the present suit. Since the defendants were keeping out of the way of accepting service, the plaintiffs filed an application under Order 5 Rule 20 CPC for substituted service. The defendants were thereafter served through publication in the newspaper ‘The Statesman’ and ‘Dainik Jagran’.
4. Despite substituted service the defendants did not enter appearance, consequently they were proceeded ex parte on 10.1.12013.
5. Plaintiffs have filed the affidavit by way of *ex parte* evidence of Sh.Vishal Ahuja, the authorized signatory and lawful attorney of the plaintiffs. The affidavit has been marked as Ex.PW-1/A. The deponent has deposed on the lines of the plaint. It has been deposed by him that he has the power of attorney which authorizes him to file the suit. The power of attorney and other documents in relation to authorization are collectively exhibited as Ex.PW-1/1.
6. PW-1 has deposed that the plaintiff No. 1, Disney Enterprises Inc., is a corporation organized and existing under the laws of the State of Delaware in the United States of America, having its principal place of business at 500 South Buena Vista Street, Burbank, California 91521-0874, USA. It is also deposed that the plaintiff No.2, The Walt

Disney Company (India) Pvt. Ltd, is the master licensee in respect of the Plaintiff No.1's copyrights and trademarks for promotion, publishing and merchandising purposes in the territory of India (hereinafter referred to as "DEI material"). Plaintiff No.2 is a Company registered in India having its registered office located at 4th Floor, Peninsula Tower – I, Ganapatrao Kadam Marg, Lower Parel, Mumbai – 400013 and its branch office located at C-301, Third Floor, Ansal Plaza, HUDCO Place, Andrews Ganj, New Delhi - 110049. It is also deposed that on account of being the master licensee of the Plaintiff No.1, the Plaintiff No. 2 is responsible for granting licenses for commercial exploitation of the Plaintiff No.1's copyrights and trademarks in India. Thus, any infringement or piracy of the Plaintiff No.1's rights in its copyrights and trademarks, would detrimentally affect the Plaintiff No.2's business interest in India. Hence, the Plaintiff No.2 is an affected and interested party whenever the Plaintiff No.1's rights are infringed / violated in India.

7. PW-1 further deposed that the Plaintiffs are subsidiaries of The Walt Disney Company which is a leading and diversified international family entertainment and media enterprise. The Plaintiffs have established themselves in various businesses, particularly as creators and distributors of highly creative and entertaining animated motion pictures and television programmes, whose unique characters have achieved mythic proportions in popular culture. PW-1 has deposed that globally prominent characters forming an important part of the Plaintiffs' bundle of intellectual property assets

include, but are not limited to, *Mickey Mouse, Minnie Mouse, Donald Duck, Daisy Duck, Goofy, Pluto, Winnie the Pooh, Tigger, Hannah Montana*, etc. (hereinafter collectively referred to as “DISNEY Characters”); and that these DISNEY Characters have appeared in several motion pictures and television programmes for over eighty years now and have a huge fan-following of their own, cutting across all territorial, age and gender barriers.

8. PW-1 has next deposed that the Plaintiff No.1 has come to be recognized for the distinctive flavor of its work and has proven itself as a force to reckon with, not only in the entertainment industry but in every business it has ventured into. In addition to providing entertainment services, Plaintiff No.1 has enhanced the popularity and relatability of its protected characters, trademarks, trade name and service marks by building theme parks and spawning toys, books, bags, apparel and merchandise industry which revolves around these characters, trademarks, trade name and service marks. The degree of association of the DEI Materials, particularly Character Names, Character Devices or Characters with the Plaintiffs is so intense that any reference to these would lead a substantial part of the relevant public to recognize, acknowledge and associate the same exclusively with the Plaintiffs and the Plaintiffs alone. Moreover, irrespective of whether the goods and services are provided by the Plaintiffs themselves, or through its licensees, use of the DEI Materials in relation to any business, goods or services signifies the highest standards of quality and integrity. It is also

deposed that the public has come to link such products which carry the Plaintiff's Marks with attributes such as unassailable integrity, highest levels of excellence, impeccable and unimpeachable quality and value for money.

9. PW-1 has also deposed that the reputation and goodwill of the Plaintiff's Characters and trademarks spill over into every business that the Plaintiffs have ventured into, be it travel, real estate, management and design services, print and publishing industry, consumer goods and merchandising, internet and direct marketing, interactive media like gaming and mobile applications or educational services, apparel, beverages, clothing, giftware, novelty items, sports equipments, bags etc.
10. The witness has further deposed that to protect the DEI Materials, the Plaintiff has registered hundreds of Trademarks across many countries including India. It is also deposed that the characters "Mickey Mouse" and "Minnie Mouse" have been held to be extremely popular and famous world over and hence were accorded the status of 'well known marks'. It is deposed that being the holder of the Trademarks over the DEI Materials, only the Plaintiff has the right to authorize usage or issue licenses related to the Trademarks. A list of all relevant registrations of the Plaintiff is attached and exhibited as Ex.PW-1/2. Copies of Legal Proceeding Certificates of the Trademark registrations are collectively exhibited as ExPW-1/3. In addition, copies of the relevant extracts of the trademark registrations of the Plaintiff's Characters, are also

collectively exhibited as ExPW-1/4.

11. PW-1 has further deposed that to protect the DEI Materials, the Plaintiff also holds hundreds of Copyrights over the characters across the world including India. The plaintiff being the exclusive owner of Copyrights over them has the right to reproduce or authorize/ license its reproduction in either two dimensional or three directional forms. Copies of the Copyright Registration Certificates of the Plaintiff's character guide have been collectively exhibited as Ex.PW-1/5.
12. PW-1 has also deposed that every licensed product (including packaging) of the plaintiffs bears a permanently affixed copyright notice (generally ©Disney) and/or trademark notice as may be communicated by the Plaintiffs' to the Licensee in writing. The authorized/ genuine merchandise of the Plaintiffs' bears the name, address and country of origin of the Licensee on permanently affixed labels. Furthermore, authorized goods of the Plaintiff also contain certain statutory declarations such as name and/or address of the manufacturer/packer, retail sale price, quantity of goods, consumer helpline number etc. The photographs of authorized goods bearing such authentication features have been filed along with the suit have been collectively exhibited as Ex.PW-1/6. Copy of a sample agreement executed between the Plaintiff No. 2 and prospective licensees have also been filed along with the suit and the same have been exhibited as Ex.PW-1/7.

13. It is also deposed that given the Plaintiffs' enormous goodwill,

various entities have in the past often attempted to illegally encash on the Plaintiffs' reputation by unauthorizedly using their protected marks. It is also deposed that in the proceedings initiated by the Plaintiffs to protect their statutory and common law rights in the said marks, the courts have repeatedly safeguarded the Plaintiffs' rights and passed orders in their favour, copies of such orders have been filed and collectively exhibited as Ex.PW-1/8.

14. The witness has deposed that defendant No.1, Dhiraj is the proprietor of Defendant No.2 and lives at 5752, Singhara Chowk, Factory Road, Nabi Karim, New Delhi- 110055; and the defendant No.2 Dhiraj Bag House, which is the front for illegal activities of Defendant No. 1 is located at 5752 Singhara Chowk, Factory Road, Nabi Karim, New Delhi-110055. It is deposed that defendant No. 1 is in charge of defendant No.2 and is responsible for selling, wholesale distribution, trading, stocking and dealing in *interalia* a variety of bags, such as school bags, carry bags etc.
15. The witness has further deposed that in April 2012, the Plaintiffs were informed by their market sources that the Defendants herein are engaged in retailing, offering for sale, selling, trading, wholesale distribution and other dealings in a variety of bags bearing the Plaintiff's DEI Materials, without Plaintiff's permission. To verify the information, one Mr. Neeraj Dhaiya was deputed by the plaintiff to visit Defendant No.2 and verify the Defendant's involvement in such blatant infringement. On 03.04.2012, Mr. Neeraj visited defendant No.2 and reported that defendants were engaged in sale and

distribution of goods with the Plaintiffs' trademark and copyright protected Characters affixed on them such as "Mickey mouse", "Minnie Mouse", "Winnie the Pooh" etc. And upon receipt of the investigation undertaken by Mr. Neeraj Dahiya, the present suit was filed.

16. I have heard counsel for the plaintiff carefully. The affidavit by way of evidence which has been filed and also the documents which have been placed on record, are unrebutted. The relevant list of all registrations of the plaintiffs have been marked and exhibited as Ex.PW-1/2. Copy of the legal proceeding certificates of trade-mark registrations have been collectively exhibited as Ex.PW-1/3, also the copies of the relevant extracts of the trade mark registrations of the plaintiffs' characters have been collectively exhibited as Ex.PW-1/4, which would show that the plaintiffs are the registered proprietors of the trade mark and the characters. The plaintiffs have also been able to establish based on the copyright registration certificates, collectively exhibited as Ex.PW-1/5, that they hold copyrights over the characters, across the world, including India; and the plaintiffs alone have the right to reproduce or authorize or licence its reproduction either in two or three dimensional forms. Plaintiffs have also been able to establish before the Court that they enjoy enormous goodwill and also that they have been vigilant in protecting their rights. Copies of the orders passed in favour of the plaintiffs have been filed and collectively exhibited as Ex.PW-1/8.

The local commissioner has also filed his report, wherein he states

that on inspection he found more than 40 school bags bearing the plaintiff's trademark. The local commissioner has also filed supporting photographs along with the report.

17. The plaintiff has also claimed damages for loss of reputation, business and cost of proceedings. It is trite to say that the defendant has deliberately stayed away from the present proceedings with the result that an enquiry into the accounts of the defendant for determination of damages cannot take place. In the case of **Time Incorporated v. Lokesh Srivastava and Anr.** Reported at 2005 (30) PTC 3 (Del) where apart from compensatory damages of Rs.5 lakhs, punitive damages have also been awarded, it would be useful to reproduce paras 7 and 8 of the said judgment, which are as under :-

“7. Coming to the claim of Rs.5 lacs as punitive and exemplary damages for the flagrant infringement of the plaintiff's trade mark, this Court is of the considered view that a distinction has to be drawn between compensatory damages and punitive damages. 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. Whenever an action has criminal propensity also the punitive damages are clearly called for so that the tendency to violate the laws and infringe the rights of others with a view to make money is curbed. The punitive damages are founded on the philosophy of corrective justice and as such, in appropriate cases these must be awarded to give a signal to the wrong doers that law does not take a breach merely as a matter between rival parties but feels concerned about those also who are not party to the lis but suffer on account of the breach. In the case in hand itself, it is not only the plaintiff, who has suffered on account of the infringement of its trade mark and Magazine design but a large number of readers of the defendants' Magazine 'TIME ASIA SANSKARAN' also have suffered by purchasing the defendants' Magazines under an impression that the same are from the reputed publishing

house of the plaintiff company.

8. This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trade marks, 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. In Mathias v. Accor Economi Lodging, Inc., 347 F.3d 672 (7th Cir. 2003) the factors underlying the grant of punitive damages were discussed and it was observed that one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes. It was further observed that the award of punitive damages serves the additional purpose of limiting the defendant's ability to profit from its fraud by escaping detection and prosecution. If a tortfeasor is caught only half the time he commits torts, then when he is caught he should be punished twice as heavily in order to make up for the reason that it is very difficult for a plaintiff to give proof of actual damages suffered by him as the defendants who indulge in such activities never maintain proper accounts of their transactions who they know that the same are objectionable and unlawful. In the present case, the claim of punitive damages is of Rs.5 lacs only which can be safely awarded. Had it been higher even this court would not have hesitated in awarding the same. The Court is of the view that the punitive damages should be really punitive and not flee bite and quantum thereof should depend upon the flagrancy of infringement."

18. I am in agreement with the aforesaid submission of learned counsel for the plaintiffs that damages in such cases must be awarded and a defendant, who chooses to stay away from the proceedings of the Court, should not be permitted to enjoy the benefits of evasion of court proceedings. Any view to the contrary would result in a situation where a defendant who appears in Court and submits its account books would be liable for damages, while another defendant who, chooses to stay away from court proceedings would escape the

liability on account of failure of the availability of account books. A party who chooses not to participate in court proceedings and stays away must, thus, suffer the consequences of damages as stated and set out by the plaintiffs. There is a larger public purpose involved to discourage such parties from indulging in such acts of deception and, thus, even if the same has a punitive element, it must be granted. R.C. Chopra, J. has very succinctly set out in **Time Incorporated's case (supra)** that punitive damages are founded on the philosophy of corrective justice.

19. For the reasons stated above, the plaintiffs have made out a case for grant of decree as prayed in the plaint. Accordingly, the order dated 18.04.2012 is confirmed and the suit is decreed in favour of the plaintiffs and against the defendants. Plaintiffs are also entitled to damages to the tune of Rs.2.0 lacs. Decree sheet be drawn up accordingly.

I.A.Nos.6935/2012 & 16906/2012

In view of the order passed in the suit, the present applications stand disposed of.

**(G.S. SISTANI)
JUDGE**

FEBRUARY 25, 2014 ssn //dkb//pdf