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

\+ CS (COMM) 895/2016

% ***Judgment dated 4th November, 2016***

FLAMAGAS, SA ..... Plaintiff

Through : Ms.Kaustubh Sinha, Adv.

versus

IRFAN AHMED & ORS ..... Defendants

Through : None

CORAM:

HON'BLE MR. JUSTICE G.S.SISTANI

G.S.SISTANI, J (*ORAL*)

1. Plaintiff has filed the present suit for permanent injunction restraining infringement of trademark, copyright, passing off, rendition of accounts, etc.
2. It may be noticed that the present suit was registered as a Commercial suit vide order dated 20.7.2016.
3. Learned counsel for the plaintiff submits that summons in the suit and notice in the application for stay were directed to be issued vide order dated 29.6.2015, when an *ex parte ad interim injunction* was granted in favour of the plaintiff and against the defendants. Counsel for defendant no.1 had entered appearance on 11.8.2015. Since none had appeared on behalf of defendant no.3, he was proceeded *ex parte* vide order dated 11.8.2015. Fresh summons were directed to be issued to defendants no.2, 4 to 6. The Joint Registrar in the order dated 2.11.2015 had noticed that defendant no.2 had been served and time was granted to file written statement and reply to the application for

stay. Since defendants no.4 to 6 could not be served, fresh summons were issued to defendants no.4 to 6. Since despite opportunities having been granted written statement/reply was not filed by defendants no.1 and 2, their right to file the same was closed vide order dated 22.3.2016. Thereafter defendants no.4 to 6 were served through publication. As no reply was filed by defendants no.4 to 6, their right to file written statement was closed vide order dated 17.10.2016. Since none is present on behalf of defendants no.2, 4 to 6 from the date of service, they are proceeded *ex parte*.

4. Learned counsel for the plaintiff submits that none has appeared on behalf of defendants, except defendant no.1, from the date of service. Counsel further submits that even despite entering appearance, defendant no.1 has not filed written statement and in fact he has stopped appearing in the matter since 4.5.2016. Counsel contends that being a commercial dispute, the present suit should be tried as a summary suit and since there is no opposition to the averments made in the plaint, the present suit should be decreed under the provisions of Order VIII Rule 10 of the Code of Civil Procedure in favour of the plaintiff and against all the defendants.

5. As per the plaint, the plaintiff company was the first to introduce refillable gas lighters in the world. For this purpose, the plaintiff adopted the mark 'CLIPPER' for identifying its products under the brand 'Clipper' printed on all of plaintiff's products and product packaging as represented below:

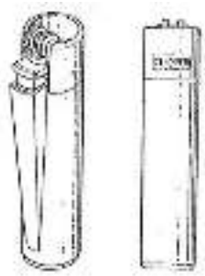
6. As per the plaint, the plaintiff company has over the years expanded and grown to become one of the largest and most successful companies in the world in the cigarette lighter segment. The plaintiff manufactures and sells, *inter-alia,* a wide range of pocket and multipurpose lighters, gas and gas refills under the mark 'Clipper'. The plaintiff company commercializes its products in more than 100 countries in the world.

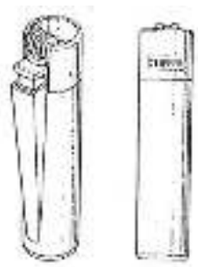
7. The cigarette lighters manufactured by the plaintiff company is cylindrical in shape, the upper part of which is protected by a metal casing. The lighter stone is extractable and consists of a wheel fixed at the base, in a lengthened shape; besides the stone there is a push button of plastic material, held by a wing that is inserted diagonally along the body of the lighter, the size of which expands from the lower part to the upper side.

8. In addition to the stone lighter, the plaintiffs' lighter is sold on the market in an electronic version, with a cylindrical general body and at the level of the push button, there is a wing that stands out, that expands from the lower part to the upper one. The push button is also of plastic material and is protected by a metallic housing. The flame is produced by pressing directly on the push button.

9. The plaintiff's lighters are sold in classic opaque colours or engraved with ornamentation using different themes. Plaintiff's lighters having a translucent body allowing the existing gas content in the container to be seen are also available in the market. These translucent lighters are manufactured in pastel tones in yellow, pink, green and pale green, as well as white.

10. As per the plaint, the plaintiff in order to protect its iconic shape of the lighters has sought numerous trademark registrations as a three-dimensional trademark in various foreign countries where the plaintiff manufactures/markets its goods. Details of such countries have been extracted in para 10 of the plaint. In India, the plaintiff holds the following registrations:

Trademark	**Reg. No.**	**Class**	**Description of Goods**	**Application Date**
CLIPPER [word]	323189	34	All kinds of lighters, refills, multi-refills and smokers' articles	18.02.1977
Device Mark 	803833	34	Lighters, Refills, Multi-Refills & Smokers articles included in Class 34	27.05.1998

Device Mark 	709140	4	Compressed combustible gases included in Class 4	10.07.1996

11. The plaintiff submits that all the aforegoing marks have been renewed from time to time and are valid and subsisting as on date.

12. As per the plaint, the plaintiff also claims that its products i.e the cigarette lighters in India and elsewhere are sold in a unique packaging comprising of a pack of 60 or 80 cigarette lighters arranged within a base or a yellow stand with slots designed to receive the cigarette lighters. The base/stand carries the 'Clipper' mark conspicuously. The same is extracted as under:

13. It is further submitted that the products of the plaintiff i.e. the CLIPPER cigarette lighters in India and elsewhere are sold in an unique packaging comprising of a pack of 6-8 cigarette lighters arranged within a transparent plastic slot, the slots being formed on a card base. The card is typically yellow with the word 'Clipper' conspicuously imprinted thereon. The said packaging also carries safety and other warnings. The same is extracted as under:

14. The Plaintiff has spent huge amount of time and money in marketing and popularizing its product CLIPPER in India. The plaintiff has extracted annual sales figures in paragraph 18 of the plaint.

15. It is the case of the plaintiff that in the month of March, 2015, the plaintiff learnt that defendant no.1 was selling counterfeit lighters with an identical shape as that of the plaintiff's lighters. Upon investigation, the plaintiff learnt that the counterfeit lighters identical to that of the plaintiff's lighters are being imported and sold in India in large quantities by defendant nos. 2 to 6, and the only difference being that the counterfeit lighters sold do not bear any trademark.

16. Learned counsel for the plaintiff submits that further investigation had revealed that defendant no.1 is in fact acting in concert with defendants nos. 2 to 6 and they were importing cigarette lighters from China in bulk and the said cigarette lighters are identical in shape and bear the same design as that of the plaintiff's cigarette lighters. The said infringing lighters are being imported at the value of Rs. 3/- or Rs. 4/- and sold in the market at around Rs. 18 to Rs. 20/-; thus, causing a huge revenue loss to the Government of India by paying less duties. Once the goods arrive in India, they are immediately collected by the defendants

and distributed to various distributors in the market and sold to the public.

17. It is contended by learned counsel for the plaintiff that the defendants are surreptitiously importing counterfeit lighters of inferior quality and selling the same in the market, thereby jeopardizing the lives of the public at large. Apart from the fact that these counterfeit goods are dangerous and harmful, they also infringe the intellectual property rights of the plaintiff. It is further contended that the adoption of the similar shape of the products is in order to free-ride upon the tremenduous goodwill that the products of the plaintiff enjoy in the market.

18. I have heard learned counsel for the plaintiff and also examined the plaint. In this case, while issuing summons in the suit an *ex parte ad interim injunction* was passed against the defendants. Defendant no. 1 entered appearance through counsel. Since none appeared on behalf of defendant no.3, he was proceeded *ex parte* vide order dated 11.8.2015. Defendants no.4 to 6 were also proceeded *ex parte* as none appeared on their behalf. Today, since none has been appearing on behalf of defendants no. 1 and 2, they are also proceeded *ex parte*.

19. Recently, I had examined the scope of Order VIII Rule 10 of the Code of Civil Procedure particularly in the background of the new Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 in ***Nirog Pharma Pvt. Ltd.* v. *Umesh Gupta & Anr.*, CS (OS) 2517/2015** dated 21.10.2016. The relevant paragraphs read as under:

> "*11. Order VIII Rule 10 has been inserted by the legislature to expedite the process of justice. The courts can invoke its provisions to curb dilatory tactic, often resorted to by defendants, by not filing the written statement by pronouncing judgment against it. At*

the same time, the courts must be cautious and judge the contents of the plaint and documents on record as being of an unimpeachable character, not requiring any evidence to be led to prove its contents. ...

…

28. The present suit is also a commercial suit within the definition of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 and it was the clear intention of the legislature that such cases should be decided expeditiously and should not be allowed to linger on. Accordingly, if the defendant fails to persue his case or does so in a lackadaisical manner by not filing his written statement, the courts should invoke the provisions of Order VIII Rule 10 to decree such cases."

20. In this case, the grievance of the plaintiff is that the defendants is surreptitiously importing counterfeit lighters, which are identical in shape as that of the lighters of the plaintiff, and the defendants are selling it in the open market at a price of Rs.12/- to Rs.18/-, per piece. The persons with average intelligence are purchasing the said lighters of the defendants believing that the said lighters are the products of the plaintiff. The aforestated illegal activities of the defendants are causing serious damage to the reputation and goodwill of the plaintiff company.

INFRINGEMENT OF TRADEMARK

21. Based upon the documents placed on record, there is no doubt that the plaintiff is the registered proprietor of the trade marks mentioned in paragraph 10 aforegoing. Section 29 (2) of the Trade Marks Act stipulates the conditions when usage by a person amounts to infringement of a registered trademark. Section 29 (2) and (3) read as follows:

"*(2) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of*

permitted use, uses in the course of trade, a mark which because of—

(a) its identity with the registered trade mark and the similarity of the goods or services covered by such registered trade mark; or

(b) its similarity to the registered trade mark and the identity or similarity of the goods or services covered by such registered trade mark; or

(c) its identity with the registered trade mark and the identity of the goods or services covered by such registered trade mark,

is likely to cause confusion on the part of the public, or which is likely to have an association with the registered trade mark.

(3) In any case falling under clause (c) of sub-section (2), the court shall presume that it is likely to cause confusion on the part of the public."

(Emphasis Supplied)

22. I have examined the lighters of the plaintiff and the lighters of defendants, which have been scanned at paragraph 21 of the plaint, and am of the opinion that the lighters being sold by defendants are an exact imitation of the plaintiff's lighters in all respects including the shape of the lighter. Since the marks being used are identical and the the goods being applied to are also identical, I accordingly hold that the activities of the defendants are infringing the registered mark of the plaintiff under Section 29 of the Trade Marks Act. The presumption contained in sub-section (3) of Section 29 also comes to the aid of the plaintiff in the present matter.

PASSING OFF

23. Passing off action arises out of common law and is not pre-conditioned on registration. The term 'passing off' was explained by James, L.J. in ***Singer Manufacturing Co.* v. *Loog*, (1880) 18 ChD 395** as under:

> "*...I have often endeavoured to express what I am going to express now (and probably I have said it in the same words, because it is very difficult to find other words in which to express it) — that is, that no man is entitled to represent his goods as being the goods of another man; and no man is permitted to use any mark, sign or symbol, device or other means, whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer.*"
>
> (Emphasis Supplied)

24. Lord Diplock in ***Erven Warnink Besloten Vennootschap* v. *J. Townend & Sons (Hull) Ltd*, [1979] A.C 731** had identified five essentials to establish an action of passing off. The relevant excerpt is as under:

> "*My Lords, A.G Spalding and Brothers v. A. W. Gamage Ltd., 84 L.J.Ch 449, and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to propsective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.*"
>
> (Emphasis Supplied)

25. The aforegoing essentials have been accepted by the Supreme Court in ***Cadila Health Care Ltd.* v. *Cadila Pharmaceuticals Ltd.*, (2001) 5 SCC 73** and ***Heinz Italia* v. *Dabur India Ltd.*, (2007) 6 SCC 1**. In ***Cadila Health Care Ltd.* (Supra)**, the Supreme Court had further laid down the following decisive tests for checking deceptive similarity:

"*35. Broadly stated, in an action for passing-off on the basis of unregistered trade mark generally for deciding the question of deceptive similarity the following factors are to be considered:*

> *(a) The nature of the marks i.e. whether the marks are word marks or label marks or composite marks i.e. both words and label works.*
> *(b) The degree of resembleness between the marks, phonetically similar and hence similar in idea.*
> *(c) The nature of the goods in respect of which they are used as trade marks.*
> *(d) The similarity in the nature, character and performance of the goods of the rival traders.*
> *(e) The class of purchasers who are likely to buy the goods bearing the marks they require, on their education and intelligence and a degree of care they are likely to exercise in purchasing and/or using the goods.*
> *(f) The mode of purchasing the goods or placing orders for the goods.*
> *(g) Any other surrounding circumstances which may be relevant in the extent of dissimilarity between the competing marks.*

36. Weightage to be given to each of the aforesaid factors depending upon facts of each case and the same weightage cannot be given to each factor in every case."

(Emphasis Supplied)

26. In the present case, applying the aforegoing test, I hold that the defendants have tried to dupe the general public by portraying their products in a manner that they originate from the plaintiff. Such usage would inevitably lead to loss of revenue as also that of goodwill. Accordingly, I am of the view that the defendants have indulged themselves into the offence of passing off.

27. Having held that the defendants have infringed the registered trademarks of the plaintiff as well as committed the tort of passing off, the only other issue which remains in the present suit is damages.

28. A coordinate bench of this court in the case of ***Relaxo Rubber Limited & Anr.* v. *Selection Footwear & Anr.*, AIR 2000 Del 60** which while granting injunction also granted damages under Order VIII Rule 10 in a case for infringement of copyright and trade mark.

PUNITIVE DAMAGES

29. With regard to the relief of damages as claimed by the plaintiff in para 39 h) of the plaint, this Court has previously granted punitive damages against the defendants in *ex parte* matters of similar nature.

30. In ***Time Incorporated* v. *Lokesh Srivastava & Anr.*, 2005 (30) PTC 3 (Del): 2005 (116) DLT 599**, while awarding punitive damages of Rs. 5 lakhs in addition to compensatory damages also of Rs. 5 lakhs, Justice R.C. Chopra observed as under:

> "*8. This Court has no hesitation on 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 realise 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 Economy 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 torfeasor 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 times he gets away. This Court feels that this approach is necessitated further 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 since 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. This Court is of the view that the punitive damages should be really punitive and not flea bite and quantum thereof should depend upon the flagrancy of infringement."

(Emphasis Supplied)

31. This court in the case of ***Microsoft Corporation* v. *Rajendra Pawar & Anr.*, 2008 (36) PTC 697 (Del.)** has held:

"*22. Perhaps it has now become a trend of sorts, especially in matters pertaining to passing off, for the defending party to evade Court proceedings in a systematic attempt to jettison the relief sought by the Plaintiff. Such flagrancy of the Defendant's conduct is strictly deprecatory, and those who recklessly indulge in such shenanigans must do so at their peril, for it is now an inherited wisdom that evasion of Court proceedings does not de facto tantamount to escape from liability. Judicial Process has its own way of bringing to task such erring parties whilst at the same time ensuring that the aggrieved party who has knocked the doors of the Court in anticipation of justice is afforded with adequate relief, both in law and in equity. It is here that the concept of awarding punitive damages comes into perspective.*

23. Punitive damages are a manifestation of equitable relief granted to an aggrieved party, which, owing to its inability to prove actual damages, etc., could not be adequately compensated by the Court. Theoretically as well as practically, the practice of awarding of punitive damages may be rationalized as preventing under-compensation of the aggrieved party, allowing redress for undetectable torts and taking some strain away from the criminal justice system. Where the conduct of the erring party is found to be egregiously invidious and calculated to mint profits for his own self, awarding punitive damages prevents the erring party from

taking advantage of its own wrong by escaping prosecution or detection."

(Emphasis Supplied)

32. A coordinate bench of this court in the case of ***The Heels* v. *Mr. V.K Abrol and Anr.*, CS (OS) NO.1385 of 2005 decided on 29.03.2006** has held:

> "*11. This court has taken a view that where a defendant deliberately stays away from the proceedings with the result that an enquiry into the accounts of the defendant for determination of damages cannot take place, the plaintiff cannot be deprived of the claim for damages as that would amount to a premium on the conduct of such defendant. The result would be that parties who appear before the court and contest the matter would be liable to damages while the parties who choose to stay away from the court after having infringed the right of the plaintiff, would go scotfree. This position cannot be acceptable.*
> *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. In view of the given sales figure of the plaintiff, I consider it appropriate to grant a decree of damages in favor of the plaintiff and against the defendants for a sum of Rs 3 lakh apart from costs of the suit.*"
>
> (Emphasis Supplied)

33. Having regard to the facts of this case, Rupees three lakhs as punitive damages be granted in favour of the plaintiff and against the defendant in terms of para 39 h) of the plaint.

34. Accordingly, the present suit stands decreed in favour of the plaintiff and against the defendants in terms of paragraphs 39 a), b), c), e) and i) of the plaint along with damages of Rupees three lakhs.

35. Let decree sheet be drawn up accordingly.

I.A. No. 12145/2015 (O XXXIX R 1 & 2 CPC)

36. In view of the order passed in the suit, interim order dated 29.6.2015 is made absolute. Application stands disposed of.

I.A. No. 5484/2016 (O V R 20 CPC)

37. This application was filed seeking substituted service on the defendant nos. 4 to 6 and has been allowed on 04.05.2016. Accordingly, the application is disposed of.

G.S.SISTANI, J

NOVEMBER 04, 2016
//msr

HIGH COURT OF DELHI
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