

\$~25

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

Date of decision: 10th July, 2018

+ **CS (COMM) 449/2016, I.A. 2107/2014 & I.A. 2110/2014**

DISNEY ENTERPRISES, INC. & ANR Plaintiffs

Through: Mr. Bharat Kumar and Mr. Shobhit
K. Srivastava, Advocates.

versus

PANKAJ AGGARWAL & ORS

..... Defendants

Through: None.

CORAM:

JUSTICE PRATHIBA M. SINGH

Prathiba M. Singh, J. (Oral)

1. This is a suit for permanent injunction restraining infringement of copyright, passing off, damages, rendition of accounts of profits etc. filed by the Plaintiffs against the Defendants. Defendant No.4, M/s. Aish Enterprises is a partnership firm of Defendant No.1 and 2. Defendant No.3, M/s Aish Food Products is their marketing outlet.

2. The present suit has been filed in respect of the Plaintiffs' character, characters' names, trademark and copyright (hereinafter referred to as "*DEI Materials*"). The Plaintiffs claim trademark rights, copyrights in all the Disney's character, logos, marks, images and artistic work. The violation in the present case, however, relates to the character called as "*Lightning McQueen*" from the Disney movie called "*Cars*". The said character "*Lightning McQueen*" is a race car which speaks in the movie in animated form with several distinctive characteristics and elements. The Plaintiffs

have placed on record copyright registration certificate issued by the United States Copyright Office in respect of all the characters in the movie “Cars” of which one character is “*Lightning McQueen*”. The copyright certificate has been exhibited as EX-PW-1/3. A perusal of this certificate issued by the United States Copyright Office shows the character as copyright “*Lightning McQueen*” in the artistic mark as depicted herein below: -



3. The Defendants were manufacturing chocolates by the name of “*Choco Car*”. The “*Choco Car*” product sold by the Defendants consists of an artistic work/character which is a complete imitation of the “*Lightning McQueen*”. The Plaintiff has, therefore, filed the present suit seeking injunction against the Defendants and damages. The product packaging used by the Defendants is below:



4. Initially on 3rd February, 2014 an ex parte ad interim injunction was granted by which the Defendants were restrained from using the mark “*Lightning McQueen*” or any other mark deceptively similar to that of the

Plaintiff. The said injunction is operating till date.

5. At the time of granting the ex parte injunction, this Court had also appointed a Local Commissioner, who filed his report on 4th March, 2014. A perusal of the report of the Local Commissioner, along with an inventory of the goods seized shows that huge quantities of goods were seized at the Defendants' premises. The same was given on *superdari* to the Defendants. The total number of infringing products and packaging material which was seized by the Local Commissioner is set out herein below: -

“Inventory of Goods Seized

During the Proceedings, I seized lot of cartons, Packaging material, Boxes of chocolates etc. bearing the copyrighted mark and Impressions of the Plaintiff. The complete list of seized and sealed goods is as follows:-

- | | | |
|----|--|--|
| 1. | Three cartons containing wrapped chocolates | 3750 pieces |
| 2 | Packaging material in rolls of different sizes and weights | 2 kg - 5 Rolls
3 kg - 6 Rolls
4 kg - 16 Rolls
5 kg - 14 Rolls |
| 3 | Big cardboard cartons for Packaging | 700 Boxes |
| 4 | Small cartons for Packaging | 16,200 Boxes |

Besides the above material, we also found one hundred ninety plastic moulds (190) in all, which are in the shape of a car, however, the same are not in the shape of the Plaintiff's mark and as such bears no resemblance with the product in question and in no way infringing the rights of Plaintiff.

The counsel for defendant took the plea that they are using moulds of mobile, car etc. for their own confectionary products as well and secondly, there is

no order as such to seal the moulds also, particularly when they bear no resemblance with copyrighted mark. The counsel for Plaintiff states that the moulds are in consonance of the plaintiff's action for Passing Off against the defendants. Hence, the same should be sealed.

*Sd/-
(Local Commissioner)*

*Sd/-
(Counsel for the Plaintiffs)*

*Sd/-
(Pankaj Aggarwal)”*

6. Though the suit is drafted extremely broadly and even the documents have been filed in respect of all Disney's characters, the scope of the present suit is restricted to the character “*Lightning McQueen*” since the Defendant has used the image of the said character on its chocolate wrappers.

7. The present is a classic case of character merchandising. The character and the image of “*Lightning McQueen*” is quite distinctive and the same is being used by the defendants on their chocolates. It is well settled that characters can acquire the status of trademarks and can also be protected under copyright law. In ***Star India Private Limited v. Leo Burnett (India) Private Limited (2003) 27 PTC 81***, the Bombay High Court observed:

“62. Character merchandising involves the exploitation of fictional characters or the fame of celebrities by licensing such famous fictional characters to others. The fictional characters are generally drawings in which copyright subsists, e.g. cartoon and celebrities are living beings who are otherwise very famous in any particular field, e.g., film stars, sportsmen. It is necessary for character merchandising that the character to be merchandised must have gained some public

recognition, that is, achieved a form of independent life and public recognition for itself, independently of the original product or independently of the milieu/area in which it appears. Only then can such character be moved into the area of character merchandising. This presumes that the character has independently acquired such reputation as to be a commodity in its own right independently of the goods or services to which it is attached or the field/area in which it originally appears.”

8. Subsequently, the Delhi High court in ***Chorion Rights Limited v. Ishan Apparel ILR (2010) 5 Del 481***, referring to the above mentioned decision of the Bombay High Court and dealing with the well known cartoon character NODDY also observed –

“17. The case at hand is clearly one involving character merchandising. The plaintiff has established its huge sales in India and abroad for the period during 2000 and 2008 but, unfortunately, it has failed to establish user of the mark prior to 1995. In fact, at best the user could be traced to 2001 for which the first sales figures are given or 2002 as it is stated in the “cease and desist” notice served upon the defendant that Egmont sold Noddy in India for the first time in 2002. Another aspect, which the Court cannot ignore is that the plaintiff did object to the defendant's application for registration of the “Noddy” mark, but does not appear to have followed it up. This is strange and out of character, because the materials on record suggests that such oppositions were in other instances vigorously pursued, and other applicants, compelled to give up claims for registration.

18. It is settled law in India, that when contesting parties hold trademark registrations, their rights are to be determined on the basis of principles applicable for passing off, the most important component of which is

establishing prior use of the mark. The plaintiff has not adduced any evidence to show prior user in India, it is even not the prior registered owner of the said trademark in India. A claim of dilution cannot sustain against a registered owner of the trademark, as is clear from Section 29(4). In this case the defendant has not only established prior user, at least from 1995, but also prior registration of the mark. While it may be true that some sections of the public, especially those exposed to a certain kind of education, and having access to imported books were aware of Noddy and were reading about his escapades in Toyland, so vividly created by Enid Blyton, (the author of this judgment being one such) and even retaining fond memories, yet the Court is not unmindful of the fact that there is not even a shred of evidence disclosing sales figures, as to importation of such books, authorized stockists, periodicity of such sales, advertisements, areas where such sales took place, and their volume, etc. There could have been stray cases of import of Noddy books, but evidence to that effect is also not placed before the Court. The plaintiff has not claimed that there were any exclusive or other licensees, or agents in India for the sale of NODDY prior to 1995, their best evidence dates back to 2002. NODDY could be copyrightable, yet the plaintiff has desisted from claiming copyright infringement. In these circumstances, the Court's subjective perceptions - in the absence of objective materials, or even pleadings, cannot metamorphasize into "judicial notice"; such inferences would be dangerous, and undermine the process of judicial decision making. The court is not rendering any findings or observations about other allegations leveled by the defendant regarding Chorian's so called "trafficking" in the trademark. No such findings, even of the prima facie kind, are called for, as the parties have to establish their relative strengths during the trial in the suit."

Thus, while recognizing the concept of character merchandising, the Ld. Single Judge had refused the injunction as the Defendants had shown prior use and registration in India.

9. Further in ***World Wrestling Entertainment, Inc. v. Savio Fernandes & Ors. 2015 (62) PTC 573 (Del)***, a Ld. Single Judge of this court protected the characters from the WWE series and held:

“26. It is submitted by the plaintiff that the plaintiff is the creator of its original characters and holds a copyright in all modes of depiction of the said characters and the WWE Scratch Logo. Plaintiff's rights in its characters are well recognized both by the public and by the Wrestlers themselves. Therefore, the plaintiff has sole copyright and merchandising rights over the images of its talents and the WWE Scratch Logo used by the defendants. The illegal representation of the WWE characters and WWE Scratch Logo on the impugned products and website has been done without obtaining any proper license or permission from the plaintiff. The said act of the defendants has led to upfront infringement of copyrights belonging to the plaintiff as per the Copyrights Act, 1957. The WWE characters are immensely popular and appear on the various publicity material/promotional merchandise of the plaintiff and the use of the same is a blatantly dishonest and malafide attempt by the defendants to derive unfair advantage by creating the impression that its products emanate from the plaintiff or have some connection, nexus, association, affiliation with or endorsement from the plaintiff.”

10. There is no uniform opinion as to whether character merchandising is illegal. While some jurisdictions like Australia are more amenable to protect characters, in UK, the tests of passing off have to be satisfied in order to

prevent use of a well known character.

11. Insofar as India is concerned, the fact that characters can be merchandised for commercial value, has been recognized in the above judgments, though in some cases, injunctions have been granted and in some, due to the lack of evidence, no injunction has been granted. The importance of preventing well known characters from being misused for commercial products lies in the fact that the creation of fictional characters requires a great amount of creativity and an innovative mind. Characters such as “*Lightning McQueen*” have transcended the movie in which they are featured, as children recognize the said characters and treat them like living humans. It is not uncommon for children wanting to own toy cars which look like “*Lightning McQueen*”, bags and stationery products which have “*Lightning McQueen*” images printed on them, talking to “*Lightning McQueen*” cars etc., India has its own tradition of having a large number of home-grown characters which are liked and wanted, and such characters have immense commercial value. While fair use of the characters is permissible, within the legally prescribed norms, unlicensed use of the image of a known character on chocolates, which the Plaintiff also licenses for legitimate use on chocolates/ wrappers, would be unlawful and illegal.

12. A perusal of the packaging of the Defendant shows that there is no other Disney character which has been used on these packaging. The character “*Lightning McQueen*” of the Plaintiff is one of the well-known characters from the Plaintiffs’ movie “*Cars*” and has acquired enormous reputation and goodwill. He has several distinctive elements which differentiate him in appearance from any other toy car. Some such characteristic elements include:

- A distinctive build in red color along with red, orange and yellow colored lightning bolts on the sides.
- Distinctive stickers (of his sponsors “*Rust-eze*”, his racing number 95”, his name, chrome lightning bolts, etc) all over his body.
- Blue colored eyes in place of his windshield and a mouth in place of his front bumper.

The use of the image of the character on chocolates without the consent, license or permission of the Plaintiffs would be unlawful and illegal. The same would also constitute infringement of copyright and would also result in passing off the defendants’ goods as those affiliated with the Plaintiffs or sponsored by the Plaintiffs.

13. “*Lightning McQueen*” is a copyrighted character. Under the Copyright Act, 1957, any copyrighted work protected internationally is liable to be protected in India, in view of the international copyright order as also India being a party to the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention. Registration of copyright is not required for protection of an artistic work.

14. In the present case, the film “*Cars*” of Disney was released in the year 2006. As per the United States Copyright Certificate (EX-PW-1/3), the style guide for the said movie which is registered as an artistic work shows that the work was created sometime prior to the release of the movie in the year 2005. The copyright certificate dated 28th February, 2005 clearly shows that it is based on and incorporates pre-existing Disney pictures artwork. Thus as of 2005, the character “*Lightning McQueen*”, the artistic work and the character comprising thereof deserves to be protected both under copyright law as also trademark law.

15. The Defendants did not put in appearance and they were finally served by way of publication. The Defendants were then proceeded ex-parte on 21st December, 2016. The fact that the Commission was executed on the Defendants' premises and seizure was made itself shows that they had the knowledge of the litigation and they deliberately avoided the Court proceedings. The evidence of Mr. Vishal Ahuja, authorized representative of the Plaintiffs, has been placed on record. He appeared and tendered his evidence as PW-1. He has exhibited *inter alia* the United States copyright registration certificate, the products of the Defendants and the Local Commissioner's report (EX.PW-1/5). He has also exhibited a price list of chocolate wrappers bearing the licensed DEI characters as appearing online to substantiate the claim for damages.

16. "*Lightning McQueen*" being a recognized device and copyright work of the Plaintiff, the Defendants are not entitled to use the same in any manner whatsoever. The use of the said device and work on chocolates, which are meant for children, is in violation of the Plaintiffs' rights. The said device has acquired the character of a well known device associated with the Plaintiffs.

17. Considering the evidence on record, it is clear that the use of the "*Lightning McQueen*" character violates the copyrights of the Plaintiff as also the rights in the character. It is likely for any consumer to presume that the chocolates from the Defendants originate under a license from the Plaintiff, as the Plaintiff has placed on record various chocolate wrappers which are licensed users of the Plaintiff's characters and works. Plaintiffs pray that a decree in terms of paragraph 25(a) be passed as prayed for in the plaint. However, paragraph 25(a) of the plaint prays for an injunction in

respect of character devices/trademarks not just limited to “*Lightning McQueen*” but extending to all such character devices/trademarks owned by the Plaintiffs. Since the present suit deals only with the infringement and passing off of the character device “*Lightning McQueen*”, a decree is passed in respect of the same.

18. The seized products lying in superdari shall be delivered up by the Defendants to the Plaintiffs. The Plaintiff’s representative is permitted to visit the Defendants’ premises on 25th July, 2018 in order to collect the infringing packaging material/cartons and products bearing the “*Lightning McQueen*” device and the same shall be destroyed.

19. Considering that the Local Commissioner had seized a large quantity of infringing products, the Defendants are directed to pay legal costs to the tune of Rs.1 lakh to the Plaintiff. The Plaintiff has also prayed for rendition of accounts of profits. The Plaintiff’s witness has claimed loss to the tune of Rs.10 lakhs. The accounts of the Defendants not being available, the only evidence on record is the Local Commissioner’s report, which shows that 16,200 boxes of small cartons and 700 boxes of big cartons were seized at the Defendants premises. Considering the huge amount of inventory which the Defendants had at the time of the execution of the Local Commission, which consisted of both chocolates and packaging rolls that would translate into thousands of chocolates, the suit is decreed in favour of the Plaintiff against the Defendants for a sum of Rs.5 lakhs as damages.

20. A decree of permanent injunction is accordingly granted in favour of the Plaintiff against the Defendants from manufacturing, selling, offering for sale, advertising, marketing chocolates or any other products bearing the image or character of the device/work “*Lightning McQueen*”. A decree of

damages to the tune of Rs. 5 lakhs is also passed. Costs are quantified at Rs.1 lakh. Decree sheet be drawn.

21. Suit is disposed of. All pending I.A.s are also disposed of.

PRATHIBA M. SINGH
JUDGE

JULY 10, 2018

Rekha

