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

\+ CS(COMM) 990/2018 & I.A. No. 15226/2018

SANDISK LLC ..... Plaintiff
Through Mr. Prithvi Singh, Advocate

versus

RAJ ENTERPRISES & ANR. .....Defendants
Through None.

% Date of Decision: 26th November, 2018

CORAM:
HON'BLE MR. JUSTICE MANMOHAN

J U D G M E N T

MANMOHAN, J: (Oral)

I.A. 15226/2018

1. Present application has been filed under Order VIII Rule 10 read with XIII-A Rule 2 read with section 151 of the Code of Civil Procedure, 1908, for summary judgment.

2. It is pertinent to mention that the present suit has been filed for permanent injunction restraining infringement of trade mark, copyright, passing off, rendition of account of profits, damages and delivery up. The prayer clause in the present suit is reproduced hereinbelow:-

> *"47. In the light of the foregoing, it is most respectfully prayed that this Hon'ble Court may be pleased to issue:*

a) *An order for permanent injunction restraining the Defendants, their proprietors/ partners, servants, agents and all others in active concert with them from manufacturing, marketing, offering for sale, selling, advertising, directly or indirectly dealing in any product bearing the Plaintiff's registered trademarks 'SanDisk', the* SanDisk *logo, 'Cruzer Blade' and the 'Red Frame Logo' and/or any mark/s confusingly or deceptively similar thereto, amounting to infringement of the Plaintiffs' registered trademarks as are mentioned in Paragraph 15 of the Plaint.*

b) *An order for permanent injunction restraining the Defendants, their partners/proprietor, servants, agents and all others in active concert with them from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in product packaging identical or deceptively similar to the product packaging of the Plaintiffs' products bearing the registered trademarks 'SanDisk', 'Cruzer Blade', the* SanDisk *logo and the 'Red Frame Logo' amounting to infringement of copyright of the Plaintiffs in the said product packaging.*

c) *An order for delivery up to the Plaintiffs by the Defendants of all infringing goods, advertising material, blocks, dies etc. bearing the Plaintiff's trademarks and/or product literature that appears on its packaging for the purposes of erasure/destruction.*

d) *An order for rendition of accounts of profits directly or indirectly earned by the Defendants from their wrongful conduct and infringing activities and a decree for the amount so found due to be passed in favour of the Plaintiffs.*

e) *A sum of Rs.1,00,01,000/- for a decree of damages as valued for the purposes of this suit towards loss of sales,* *reputation and goodwill of the Plaintiffs' trademarks caused by the activities of the Defendants;*

f) An order as to the costs of the proceedings;

g) Any further order as this Hon'ble Court may deem fit and proper in the facts and circumstances of the case."

3. Vide order dated 05th July, 2018 this Court granted an *ex parte ad interim* injunction in favour of the plaintiff and against the defendant. The relevant portion of the ex-parte injunction order is reproduced herein below:-

> *"Consequently, till further orders, the defendants, their proprietors, partners, servants, agents and all others in active concert with them are restrained from manufacturing, marketing, selling, offering for sale, advertising, directly or indirectly dealing in any product or any product packaging bearing the plaintiffs' registered trademarks SanDisk, the* SanDisk *logo, 'Cruzer Blade' and the Red Frame Logo and/or any mark/s confusingly or deceptively similar in any manner whatsoever."*

4. On 05th July, 2018, this Court also appointed two Local Commissioners. During the local commissions, the defendant nos. 2 to 4 were found selling counterfeit products infringing the plaintiff's trademark. Vide order dated 30th August, 2018, they were impleaded as defendants.

5. Vide order dated 30th August, 2018 the defendant no.1 was proceeded *ex-parte.* Since none appeared for the defendant nos. 2 to 4 despite service, they were proceeded *ex-parte* on 31st October, 2018.

6. The contentions and submissions advanced by learned counsel for the plaintiff are as under:-

i. It is stated in the plaint that the plaintiff no.1 is a company founded in 1998 and is one of the world's largest dedicated provider of flash memory storage solutions under the mark SanDisk and has been directly selling its products in the Indian market since 2005. The plaintiff no.1 designs, develops and manufactures data storage solutions in a range of form factors using the flash memory, controller and firmware technologies. It is stated that the plaintiff no.2 is the wholly owned subsidiary of the plaintiff no.1 and is the registered user of the trademarks 'SanDisk' the SanDisk logo and the Red Frame Logo.

ii. It is stated in the plaint that the plaintiff no 1's pioneering flash memory technologies, which are marketed directly to retail consumers and enterprises as well as to other equipment makers, are integrated into and/or used in a wide range of consumer electronic devices, i.e. mobile phones, tablets, digital cameras etc. It is further stated that approximately 3,00,000 storefronts worldwide stock and sell the plaintiffs' products and the plaintiffs spend hundreds of millions of dollars in Research and Development of their products and on advertising.

iii. It is stated in the plaint that the plaintiffs possess both common law trade mark rights as well as trade mark registrations for the mark SanDisk in more than 150 countries worldwide. It is stated that the plaintiffs are also the registered proprietor of both, a variety of word marks and device marks in India, including the SanDisk logo and the Red Frame logo, since 2013 and 2009 respectively, under Class 9 of the Trade Marks Act, 1999 and all these trademarks are valid and subsisting.

iv. It is averred in the plaint that the plaintiff no.1 sells its memory cards in a unique packaging and some of the key elements which are common to its product packaging are reproduced hereinbelow:

A. Red product packaging with white lettering.
B. “Red Frame Logo” which describes the capacity of the memory card, on the top right corner.
C. The SanDisk logo in a unique font with white lettering prominently at the bottom.

v. Learned counsel for the plaintiff states that in June 2018, it came to the knowledge of the plaintiffs’ that unauthorised third parties, were marketing and selling counterfeit microSDHC cards and USB flash drives bearing identical trademarks and packing as the plaintiffs’ products.

vi. Learned counsel for the plaintiffs states that the plaintiffs deputed an investigator to carry out an investigation in the Koti area of Hyderabad, to ascertain the identity of the unauthorised manufacturers/wholesalers/retailers who were engaged in the manufacture, marketing and sale of counterfeit microSDHC cards and USB flash drives. She states that the investigator noticed that the premises of defendant no.1 contained large quantities of counterfeit ‘SanDisk’ and ‘Cruzer Blade’ products (microSDHC cards and USB flash drives). She states that the investigator also purchased some samples of the memory cards. She further states that the investigator also found infringing goods at another shop belonging to defendant no.1 in the same locality. She states that the analysis of the sample products purchased from defendant no. 1 were confirmed to be counterfeit products. A photographic comparison of the plaintiffs' and defendants' products is reproduced hereinbelow:-

Original Product of the Plaintiffs	Counterfeit Products of Defendant
	
	


SanDisk
SanDisk
Cruzer Blade
16 GB
SanDisk
Cruzer Blade
16 GB
SanDisk


SanDisk
SanDisk

vii. Learned counsel for the plaintiffs states that the following features further make it apparent that the aforesaid products of the defendant no.1 are pirated/counterfeit:-

a. Low quality printing-Images featured on the product packaging of both the microSDHC cards and the USB flash drives of defendant no.1 are less sharp and the colour quality both on the front and back of the said packaging has been heavily compromised.

b. Poor quality packaging of defendant no.1's products, easily flips open and does not tear on opening.

c. The blister package of the counterfeit microSDHC cards are not properly packed in new cling film packing like the microSDHC cards of the plaintiffs. Likewise, the counterfeit USB flash drives of defendant no.1 also have cheap quality blister packaging because of which the USB flash drives are not properly fitted into the packaging.

d. The counterfeit 16 GB microSDHC cards of the defendant no.1 come in simple plastic packaging where the memory card is kept in place by an ordinary paper strip bearing adhesive. Likewise, the counterfeit USB flash drives of defendant no.1 also has simple packaging. The plastic packaging of both the counterfeit 16 GB microSDHC cards and USB flash drives do not contain the unique code/serial number and symbols as are borne on the plaintiffs' products.

e. Key elements and information as contained on the original and genuine product packaging of the plaintiffs are missing in the defendants' counterfeit products.

f. Lastly the lettering, font and colour featured on the counterfeit products of defendant no.1 are different from the one borne on the plaintiffs' original products.

viii. Learned counsel for plaintiff states that the total value of goods seized during the local commission from the premises of the defendant no.1 was Rs.33,250/-, from the defendant no. 2 was Rs 60,700/-, from the defendant no.3 was Rs 7,600/- and from the defendant no.4 was Rs 2,400/-.

7. The plaintiffs have filed their *ex parte* evidence by way of affidavit of Mr. Vishal Vig (PW1) the Constituted Attorney of the Plaintiffs. In his affidavit, PW1 has deposed as under:-

"a) Actual lost sales:

If the quantity seized by the local commissioner is the stock for 15 days (considering the fast-moving nature of the products), and each of the Defendants have been doing business for at least 3 months prior to the institution of the present suit and the grant of the ex parte ad interim injunction by this Hon'ble Court, the actual value of the Defendants' products have been computed below: -

Defendant No. 1

Particulars of Products	*Price of Original product*	*Quantity discovered during the Local Commission*	*Total Cost*
8 GB Pen Drive	*350*	*3*	*1050*
16 GB Pen Drive	*500*	*2*	*12,000*
64 GB Pen	*950*	*1*	*950*

Drive			
8 GB microSD	*350*	*7*	*2,450*
16 GB microSD	*500*	*18*	*9,000*
32 GB microSD	*600*	*13*	*7,800*
Total		*66*	*33,250*

The value of stocks for 3 months would be Rs. 33,250 x 6 = Rs. 1,99,500

Defendant No. 2.

Particulars of Products	*Price of Original product*	*Quantity discovered during the Local Commission*	*Total Cost*
16 GB Ultra microSD	*700*	*33*	*23,100*
32 GB Ultra microSD	*800*	*47*	*37,600*
Total		*80*	*60,700*

The value of stocks for 3 months would be Rs. 60,700 x 6 = Rs.3,64,200/-

Defendant No. 3

Particulars of Products	*Price of Original product*	*Quantity discovered during the Local Commission*	*Total Cost*
64 GB Ultra microSD	*1,900*	*4*	*7,600*
Total		*4*	*7,600*

The value of stocks for 3 months would be Rs. 7,600 x 6 = Rs.45,600/-

Defendant No. 4

Particulars of Products	*Price of Original product*	*Quantity discovered during the Local Commission*	*Total Cost*
32 GB Pen Drive	*800*	*3*	*2,400*
Total		*3*	*2,400*

The value of stocks for 3 months would be Rs. 2,400 x 6 = Rs. 14,400/-

b) Additionally, the Plaintiffs pray for damages of Rs. 93,76,300 for the following heads:
- *Loss of business due to confusion and deception of its customers*
- *Loss of confidence and trust of customers owing to poor quality of the Defendant's products.*
- *Loss of "image" among members of the trade as the Plaintiffs' goodwill as the Plaintiffs have no control over the production.*

Loss of the confidence or trust of the customers of the Plaintiffs and its subsidiaries in genuine products of the Plaintiffs, as a consequence of having placed undue reliance on the inferior quality, spurious merchandise being marketed by the Defendants in identical packaging.

14. Actual cost of litigation

The actual costs of litigation in the matter is Rs. 10,88,731.42. The detailed Statement of costs, showing the breakdown of costs is filed in the present proceedings and I crave leave to exhibit the same as Ex. PW 1/5."

8. This Court is of the view that due to extensive use, the plaintiffs' mark

SANDISK, SanDisk and Red Frame logo have acquired reputation and goodwill globally as well as in India.

9. Keeping in view the pleadings, documents as well as evidence on record, this Court is also of the view that the defendants are using the registered trade mark SANDISK of the plaintiffs and its product packaging to sell counterfeit products with a view to trade upon and benefit from the reputation and goodwill of the plaintiffs' mark and pass off its services as that of the plaintiffs.

10. Consequently, the allegation that the trademark SANDISK, SanDisk and Red Frame logo used by defendant amounts to infringement of plaintiffs' trademarks is correct. The use of the plaintiffs' mark by the defendants is bound to cause incalculable losses, harm and injury to the plaintiff and immense public harm.

11. Coordinate Benches of this Court in ***M/s General Electric Company v. Mr. Altamas Kha & Others CS(OS) No. 1283/2006 decided on 18.12.2008*** and ***Microsoft Corporation v. Yogesh Papat & Anr. 118 (2005) DLT 580*** have granted compensatory damages based on certain assumptions of sales. The relevant portions of the said judgments are reproduced hereinbelow:-

A) ***M/s General Electric Company v. Mr. Altamas Kha & Others CS(OS) No. 1283/2006 decided on 18.12.2008:***

> *"13. The next question which arises is of the claim of the plaintiff for damages. The Chartered Accountant engaged by the plaintiff by his unrebutted evidence assessed the loss caused to the plaintiff to be of Rs.25 lac. The claim for damages in the plaint was however confined to Rs.20 lac only. As aforesaid, 23 Dehumidifiers were seized by the court commissioner from the premises of the defendants and were left in the superdari of the*

defendant No.1… The evidence of the plaintiff shows that the defendant was selling each Dehumidifier for approximately Rs.25,000/-. The defendant avoided to show his books of accounts also. From large consignment of 23 Dehumidifiers seized from the premises of the defendants, it is apparent that the defendant No.1 was dealing in large volumes. The cost of the Dehumidifiers to the defendants has not been established but considering that in the last few years, the return on investments in stocks and mutual funds itself has been in excess of 15%, it can safely be assumed that the defendants would be carrying CS(OS) No.1283/2006 Page 9 of 10 on business for returns in excess of return on investments in stocks and mutual funds. Following the said principle I assume that the defendants had a margin of 22 to 25% at least on each Dehumidifier i.e. of over Rs.5,000/- on each Dehumidifier. On this basis I consider the award of damages in the sum of Rs.10 lacs as appropriate.

B) ***Microsoft Corporation v. Yogesh Papat & Anr. 118 (2005) DLT 580:***

"6. Plaintiff has also affidavit by way of evidence of Shri Sanjiv Sharma, a Chartered Accountant. Said evidence brings on record and proves the following:

xxxx xxxx xxxx xxxx

(iii) On the assumption that the defendant sell approximately 100 computers a year, which is purely assumptive, on the further assumption that keeping in view the operating systems Windows 1998, 400 computers would be loaded with said system, lesser sales of the other software, assumption would be that 200 computers and 20 computers respectively were loaded with the Software Office 2000 STD and Visual Studio 6.0, on the cost per unit of the licensed software estimated loss of business to the plaintiff comes to Rs. 64 lacs.

xxxx xxxx xxxx xxxx

12. Though assumptive i.e. based on the assumption of sale of 100 computers each year and on the basis of the popularity of the computer software, as also sold computers being loaded with the pirated software, loss of profit to the plaintiff in sum of Rs. 19.75 *lacs stands established.*

13. It may be true that the financial loss is based on certain assumption, but it cannot be helped for the reason the defendant has chosen to remain ex parte."

12. Consequently, the suit is decreed in favour of the plaintiffs and against defendants in terms of para 47(a) and (b) of the plaint along with costs. The costs shall amongst others include the lawyers' fees as well as the amounts spent on purchasing the court fees. The Bill of Cost already filed by the plaintiff shall be scrutinised by the learned Registrar. The plaintiff is also held entitled to compensation of Rs. 1,99,500/- to be paid by the defendant no.1, Rs 3,64,200/- by the defendant no.2, Rs 45,600/- by the defendant no.3 and Rs. 14,400/- by the defendant no. 4.

13. However, keeping in view the judgments of this Court in ***Super Cassettes Industries Private Limited v. HRCN Cable Network 2017 (72) PTC 556 [Del]*** and in ***Hindustan Unilever Limited Vs. Reckitt Benckiser India Limited, 2014 (57) PTC 495 [Del] [DB]***, this Court is of the opinion that the plaintiffs are not entitled to any punitive damages.

14. The defendants shall hand over the goods seized by the Local Commissioners to an authorised representative of plaintiffs for destruction within three weeks.

15. Registry is directed to prepare a decree sheet accordingly. Accordingly, the present suit stands disposed of.

MANMOHAN, J

NOVEMBER 26, 2018
mn/rn