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

\+ CS(COMM)695/2017 & I.A.No.11854/2017

SANDISK LLC, & ANR ..... Plaintiffs

Through Ms. Shwetasree Majumder, Advocate with Mr.Prithvi Singh and Ms. Pritika Kohli, Advocates.

versus

TRANSTON ..... Defendants

Through None

% Date of Decision: 10th May, 2018

CORAM:
HON'BLE MR. JUSTICE MANMOHAN

<u>J U D G M E N T</u>

<u>MANMOHAN, J</u>: (Oral)

1. Present suit has been filed for permanent injunction restraining infringement of trade mark, passing off, rendition of account of profits, damages, delivery up, etc. against the defendant. The prayer clause in the present suit is reproduced hereinbelow:-

> *"a) An order for permanent injunction restraining the defendants, its partners, proprietors, servants, agents and all others in active concert with them from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in infringing products bearing the plaintiff's SanDisk trademarks being SANDISK, SanDisk and the Red Frame Logo;*

b) An order for permanent injunction restraining the Defendant, its partners, proprietors, servants, agents and all others in active concert with them from manufacturing, selling, offering for sale, advertising, directly or indirectly dealing in products in packaging that is identical to the plaintiff no. 1's product packaging so as to result in an act of passing off its goods as those of Plaintiff No. 1 or doing business in a manner as may suggest a connection of association with the Plaintiff;

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

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

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."

2. Vide order dated 13th October, 2017, this Court granted an *ex parte ad interim* injunction in favour of the plaintiffs and appointed a Local Commissioner to visit the premises of the defendant. The relevant portion of the *ex-parte* injunction order is reproduced

hereinbelow:-

> *"9. Accordingly, till further orders, the defendant, its partners, proprietors, servants, agents and all others in active concert with them are restrained from manufacturing, selling, offering for sale, advertising, directly or indirectly in dealing in infringing products bearing the plaintiffs' trademarks SANDISK, and the Red Frame logo."*

3. The Local Commissioner visited the premises of the defendants on 17th October, 2017 and seized 493 units of microSDHC cards bearing the plaintiffs' SANDISK trademark/product packaging. The seized products were sealed by the Local Commissioner and were given on *Superdari* to the defendant. The relevant portion of the Local Commissioner's report is reproduced hereinbelow:-

> *"10. An inventory of the impugned products was made and we recovered 493 pieces. A list of product particulars is provided below:*

Data capacity	Number of counterfeit products recovered
4 GB	94 pieces
8 GB	194 pieces
16 GB	187 pieces
32 GB	18 pieces
TOTAL	493 pieces

> *The said products were kept in a sealed carton. I have signed on all the sides of the said carton to ensure that the products cannot be tampered by the Defendant. The Plaintiff's counsel supplied the Defendant with suit papers in the matter."*

4. Vide order dated 03rd April, 2018, the defendant was proceeded *ex parte* and the ad injunction was confirmed till the disposal of the suit.

5. The relevant facts of the present case are that the plaintiff No. 1, a company founded in 1998, is one of the world's largest dedicated providers of flash memory storage solutions under the house mark SANDISK and has been directly selling its products in the Indian market since 2005. The plaintiff No. 1 is a Fortune 500 and S&P 500 company which designs, develops and manufactures data storage solutions in a range of form factors using the flash memory, controller and firmware technologies. The plaintiff no. 2 is the registered user of the trademarks SanDisk, SanDisk and the Red Frame Logo belonging to the plaintiff no. 1.

6. 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 annual revenue of the plaintiff no.1 in the year 2015 was over USD 5 billion. The plaintiff no.1 also spends hundreds of millions of dollars in Research and Development of its products and on advertising.

7. It is stated in the plaint that the plaintiff No. 1 possesses both common law trade mark rights as well as trade mark registrations for

the mark SanDisk in more than 150 countries worldwide. The said trademark has been in extensive, continuous and uninterrupted use globally since 1995 and in India since 2005 and in addition to the worldwide trademark registrations, the plaintiff No. 1 is 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 2003 under Class 9 of the Trade Marks Act, 1999 and all these trademarks are valid and subsisting.

8. It is averred in the plaint that the plaintiff no. 1 sells memory cards with a unique packaging. The key elements of the product packaging are described hereinbelow:-

a. Red product packaging with white lettering.
b. A "Red Frame Logo" which described the capacity of the memory card on the top right corner.
c. The SanDisk logo in a unique font in white lettering prominently at the bottom.

9. Learned counsel for the plaintiffs states that in October, 2017, upon inquiry, an investigator found that the defendant was dealing in loose microSDHC cards which appeared to be counterfeit products and were in a packaging identical to the plaintiff No. 1's packaging. She states the aforesaid microSDHC cards were sold in retail packaging to the plaintiffs' investigator under a *kaccha* invoice. A photographic comparison of the original SanDisk products of the plaintiffs and the counterfeit products of the defendant is reproduced hereinbelow:

ORIGINAL PRODUCT | COUNTERFEIT PRODUCT

10. Learned counsel for the plaintiffs further states that defendant has infringed upon the statutory rights of the plaintiffs' by copying each and every element of the plaintiffs product and/or product packaging, with the sole intent of duping unwary customers by selling counterfeit products and to ride on the plaintiffs reputation and goodwill.

11. She states that the sample products procured by the investigator have been analyzed by the plaintiffs and the same have been determined to be counterfeit.

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

"4 …….

a) Actual lost sales
If the quality seized by the local commissioner is the

stock for 15 days (considering the fast-moving nature of the products), and the Defendant had been doing business for at least 6 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 Defendant's products would be Rs. 2,76,360/- (value of stock seized by the Local Commissioner) x by 6 = Rs. 33,16,320. The detailed computation is as below:-

Particulars of Products	*Price of Original product*	*Quantity discovered during the Local Commission*	*Total Cost*
4 GB MicroSD cards	*Rs. 500*	*94 pieces*	*Rs. 47,000*
8 GB MicroSD cards	*Rs. 540*	*194 pieces*	*Rs. 1,04,760*
16 GB MicroSD cards	*Rs. 600*	*187 pieces*	*Rs. 1,12,000*
32 GB MicroSD cards	*Rs. 700*	*18 pieces*	*Rs. 12,600*
Total		*493 pieces*	*Rs. 2,76,360*

The value of stocks for 6 months would be Rs. 33,16,320

b) Additionally, the Plaintiffs pray for damages of Rs. 67,00,000 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.

5. *Actual cost of litigation in the matter is Rs. 10,31,125/-. The breakdown is provided below:*

   a. *Court fees, Costs for drafting and filing the lawsuit: Rs. 4,99,200/-*
   b. *Costs for various court appearances from October 2017 till date:*
   c. *Costs for all forms of Service : Rs. 12,675*
   d. *Costs for the Local Commission proceedings:*
      i. *Fee of Local Commissioner : Rs. 1,00,000/-*
      ii. *Coordinating assisting and travelling for the commission : Rs. 2,82,750/-"*

13. This Court is of the view that due to extensive use, the plaintiffs' mark SANDISK, and Red Frame logo have acquired reputation and goodwill globally as well as in India.

14. 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.

15. Consequently, the allegation that the trademark 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.

16. 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:*
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> *xxxx xxxx xxxx xxxx*
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> *(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."*

17. Consequently, as the plaintiffs in their evidence have stated that the actual value of the goods seized by the Local Commissioner was Rs. 2,76,360/-, and if it is assumed that the quantity of the seized goods seized is stock for fifteen days and that the defendant had been doing business for at least six months prior to the institution of the present suit, this Court is of the opinion that the plaintiffs are entitled to

compensation of Rs. 33,16,320/- (Rs. 2,76,360/- x 6).

18. 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.

19. In view of the aforesaid, the present suit is decreed in favour of the plaintiffs and against the defendant in accordance with prayer clause 22 (a) and (b) as well as actual costs incurred by the plaintiff. The costs shall amongst others include the lawyer's fees as well as the amount spent on Court-fees.

20. The plaintiff is also held entitled to compensation of Rs. 33,16,320/-.

21. Prayer (d) is allowed to the extent that the 493 units of infringing goods seized by the Local Commissioner shall be delivered by the defendant to the plaintiffs for destruction within two weeks of passing the order. Registry is directed to prepare a decree sheet accordingly. Consequently, the present suit and application stand disposed of.

MANMOHAN, J

MAY 10, 2018
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