

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

Reserved on: 08.05.2018
Pronounced on: 24.01.2019

+ FAO(OS) (COMM) 78/2018 & CM APPL. 17358-61/2018

M/S CROCS INC USA Appellant

versus

M/S BATA INDIA LTD & ORS Respondents

+ FAO(OS) (COMM) 79/2018 & CM APPL. 17362-65/2018

M/S CROCS INC USA Appellant

versus

M/S LIBERTY SHOES LTD & ANR Respondents

+ FAO(OS) (COMM) 80/2018 & CM APPL. 17366-69/2018

M/S CROCS INC USA Appellant

versus

M/S AQUALITE INDIA LTD & ORS Respondents

+ FAO(OS) (COMM) 81/2018 & CM APPL. 17370-73/2018

M/S CROCS INC USA Appellant

versus

M/S ACTION SHOES PVT LTD & ORS Respondents

+ **FAO(OS) (COMM) 82/2018 & CM APPL. 17374-77/2018**

M/S CROCS INC USA Appellant

versus

M/S AQUALITE INDIA LTD & ANR. Respondents

+ **FAO(OS) (COMM) 83/2018 & CM APPL. 17378-81/2018**

M/S CROCS INC USA Appellant

versus

BIOWORLD MERCHANDISING INDIA LTD. & ANR. Respondents

+ **FAO(OS) (COMM) 84/2018 & CM APPL. 17382-85/2018**

M/S CROCS INC USA Appellant

versus

M/ S BATA INDIA LTD & ORS Respondents

+ **FAO(OS) (COMM) 85/2018 & CM APPL. 17386-89/2018**

M/S CROCS INC USA Appellant

versus

BIOWORLD MERCHANDISING (I) PVT LIMITED & ANR
..... Respondents

+ **FAO(OS) (COMM) 86/2018 & CM APPL. 17390-93/2018**

M/S CROCS INC USA Appellant

versus

- M/S BATA INDIA LTD & ORS Respondents
- + FAO(OS) (COMM) 87/2018 & CM APPL. 17394-97/2018**
- M/S CROCS INC USA Appellant
- versus
- M/S RELAXO FOOTWARE LTD Respondent
- + FAO(OS) (COMM) 88/2018 & CM APPL. 17398-17401/2018**
- M/S CROCS INC USA Appellant
- versus
- M/S ACTION SHOES PVT LTD & ANR Respondents
- + FAO(OS) (COMM) 89/2018 & CM APPL. 17402-05/2018**
- M/S CROCS INS USA Appellant
- versus
- M/S RELAXO FOOTWEAR LTD Respondent
- + FAO(OS) (COMM) 90/2018 & CM APPL. 17470-73/2018**
- M/S CROCS INC USA Appellant
- versus
- KIDZ PALACE & ORS Respondents
- + FAO(OS) (COMM) 91/2018 & CM APPL. 17474-76/2018**
- M/S CROCS INC USA Appellant
- versus

Present: Mr.Akhil Sibal, Sr. Adv.with Mr.S.K.Bansal, Mr.Ajay Amitabh Suman, Mr.Pankaj Kumar, Mr.Kapi Giri, Mr.Vinay Shukla, Mr.Nikhil Chawla and Ms.Tanvi Mishara, Advocates for appellants.
Mr.Neeraj Grover, Mr.Kanika Bajaj and Mr. Abhishek Butoliya, Advs. for respondent in FAO(OS) (COMM) Nos.78/2018, 84/2018 & 86/2018.
Mr.Jayant Mehta, Mr.Kapil Wadhwa, Ms.Devyani Nath and Mr.Shubhankar, Advocates for respondent in FAO(OS)(COMM)Nos.79/2018 & 81/2018.
Mr.Peeyoosh Kalra, Mr.C.A.Brijesh and Mr.Rohan Seth, Advocates for respondents in FAO(OS) (COMM) Nos.80/2018 & 82/2018.
Mr.Kapil Wadhwa and Ms.Devyani Nath, Advocates for respondent in FAO(OS) (COMM) 81/2018 & 88/2018.
Mr.Anil Dutt, Ms.Vindhya S.Mani, Advocates for respondent no.1 in FAO(OS) (COMM) Nos.83/2018 & 85/2018.
Mr.Anil Dutt, Ms.Vindhya S.Mani, Advocates for respondent nos.2 and 3 in FAO(OS) (COMM) 90/2018.

CORAM:
HON'BLE MR. JUSTICE S. RAVINDRA BHAT
HON'BLE MR. JUSTICE A.K. CHAWLA

JUDGMENT

S. RAVINDRA BHAT, J.

1. The present set of appeals impugn the common order of a learned single judge, who dismissed the plaintiff (Crocs Inc's) applications, filed in pending suits against the various defendants. The suits - as well as interim injunction applications alleged infringement of designs of which Crocs is the proprietor and owner.

2. Crocs Inc alleged in its suits that two of its registered designs (Registered Design No.197685, and Registered Design No.197686) were infringed by the defendant (herein respondents), i.e. M/s Bata India Ltd, M/s Liberty Shoes Ltd; M/s Relaxo Footwear; M/s Action Shoes Pvt. Ltd; M/s Bio-world Merchandising India Ltd.; Kidz Palace and M/s Aqualite India Ltd. The suits alleged that features of Crocs Inc's design attached to its goods (i.e. footwear) had novel, new, original and unique shape, configuration, pattern, ornamentation and composition of lines (design). It was claimed that by virtue of registration obtained by it, Crocs Inc, *inter alia*, acquired exclusive rights to use, apply, publish, expose and exploit (collectively referred as "use") the designs in relation to its goods and business (covered by it) and to prevent any rival violative third party use thereof. Crocs Inc claimed that it had obtained the exclusive copyrights in the said design registration within the meaning of Section 2(c) and 11 of the Designs Act, 2000 (hereafter "the Act"). It was also alleged that the design of the goods had become well-known with respect to their patterns and had become symbolic to its range of products in such a way that it has gained phenomenal prominence and exclusivity in relation to the products and business. Furthermore, it alleged that the public associates the products bearing that design solely with Crocs Inc only. Ever since the designs were propounded in the years of its respective registration and after the date of the designs' registration/application, Crocs had been using them in relation to its goods and business continuously, regularly and uninterruptedly in the course of trade and had built up a valuable trade, goodwill and reputation, both in India and overseas. Crocs Inc also alleged that it was carrying on its business extensively in relation to those goods and business in more than 90 countries

through its various affiliates, associates, subsidiaries, licensees, etc. and also through its websites, worldwide under the domain name www.crocs.com and in India under the domain name www.crocsindia.com.

3. It was stated that Crocs Inc, had already built a handsome revenue running into millions of dollars worldwide and crores of rupees in India in relation to the manufacture and trade of its said design being applied to its said goods. The quarterly revenue alone for the quarter ending in December, 2014 is to the tune of \$204.6 million. It had regularly and continuously been promoting its designs and the products applied thereto through extensive publicities, advertisements, promotions, marketing and research and had spent enormous amounts of money, efforts, skill and time thereon, through various means and modes including *inter alia* through distribution of product catalogues, trade literature, advertisements in leading magazines, over the internet through its exclusive websites, social networking websites etc. This resulted in tremendous reach, visibility, circulation and distribution world over, including in India, of the goods and the designs which are widely read and patronized in the trade and industry. It had been carrying its business in India through its Indian subsidiary namely M/s Crocs India Pvt. Ltd. which has its registered office in Gurugram, Haryana, India and its activities in the market through several of its exclusive stores and other retail outlets.

4. Crocs Inc. alleged that it had spent a tremendous amount of money, effort, skill, time; research and development in creating new and novel designs for its footwear and had been applying for design registrations for which it had been granted registration for many of its other designs. Having regard to these, including priority in adoption and use, creation of the said

designs and high standards of manufacture and trade maintained by it and the inherent aesthetic form of the said designs, they had acquired enviable and enduring goodwill, reputation and use in the international markets including in India. It claimed that its goods and business are known, recognized, demanded, sold and traded the world over with reference to its designs. Members of the trade, industry, and the consumers at large are well aware of the plaintiff and Crocs Inc said design and the goods and business there under. The plaintiff s said design became distinctive, associated and acquired secondary significance with Crocs Inc and the goods and business. The purchasing public, trade and industry at large world over and in India identify and distinguish the plaintiff s said goods under the said design with the plaintiff and from its source and origin alone and regard them as a high-quality product exclusively as that of the Crocs Inc in said respective goods bearing the respective design. Crocs as the proprietor of its designs as well as its goodwill and reputation has the exclusive right to use them and the right to prevent and interfere with any rival third party use thereof without its leave and license.

5. In each of the suits, it was contended that the defendants were engaged in the business of manufacture and trade of footwear, identical to that of Crocs Inc. It was complained that in the course of trade the defendants adopted and applied designs in relation to their footwear which were identical and/or a substantial and fraudulent imitation of the plaintiffs said registered designs. The defendants also adopted similar or identical design viz. features of shape, configuration, pattern, ornamentation, composition of lines, and getup etc. ("impugned designs") to that of Crocs Inc. were applying those

designs for the purpose of sale, causing and enabling to apply them to the respective impugned goods for which Crocs Inc design is registered, as also publishing, exposing or causing to be published or exposed for sale the respective articles bearing the impugned design and are otherwise so using it in relation thereto in the course of trade. This use amounted to fraudulent and/or an obvious imitation of the two registered designs and were *mala fide* and fraudulently adopted. These infringing designs were inspired from Crocs Inc's designs and its goodwill and with reference thereto and with a view to trade upon Crocs Inc's excellent goodwill and reputation in the goods. Despite their awareness of the plaintiff's rights but by virtue of plaintiff's registration, goodwill, reputation, use and all benefits in the said designs, they adopted to use them commercially. It was alleged that the resemblance between the rival designs is so close that it can hardly occur except by deliberate imitation. The defendants' use is tainted at inception and amounts to piracy and fraudulent use of Crocs Inc's design. It was also alleged that the defendants' adoption and use of the impugned designs, Crocs Inc suffered huge losses both in business and in reputation and such losses are incapable of assessment in monetary terms. Unwary purchasers in market and trade were deceived and defrauded as to the origin of the goods and business. The defendant's gains are Crocs Inc losses. It was also alleged that Crocs Inc became aware of the defendant's fraudulent use and imitation of the registered designs on various dates in 2015 when it came across the availability of the defendant's impugned designed products in the market. Aggrieved thereby, Crocs Inc immediately launched enquiry in the market and ascertained that the defendants' impugned goods are flooded in the stores of the defendant in huge quantities. Crocs Inc. enquiry further revealed that

the defendant recently started commercially using, soliciting, selling, publishing, exposing, etc. the impugned design in relation to the impugned.

6. Each suit relied on several documents; including the registration certificates in respect of the two designs; the plaintiff also relied on registration certificates issued for its designs and trademarks in various countries (Ecuador, Bolivia, Columbia, etc) to establish its widespread recognition and the association of its designs with its products in the market place. The Court had granted *ex-parte ad –interim* injunction; after receipt of summons the defendants contested the proceedings and also applied for vacation of *ex-parte* orders.

7. The defendants denied that they were infringing the plaintiff's registered designs. Defendants argue that there cannot be piracy of a registered design if the registration granted to the plaintiff with respect to footwear itself is an invalid registration. It is argued that the defendants, in a suit filed by the plaintiff of a registered design alleging piracy of the registered design under Section 22 of the Act, are entitled because of Sub-Section (4) of the said Section 22 of the Act to argue that since the registration of the design granted to the plaintiff is not valid hence no case can be made out of piracy of the registered design of the plaintiff. In sum and substance, reliance is placed by the defendants upon Sub-Section (4) of Section 22 of the Act which provides that even if the registration of the design continues to exist as a registered design under the Designs Act in favour of the plaintiff, yet the defendants in a suit alleging infringement of a registered design can show that the design which the plaintiff has got registration of was incapable of registration, and consequently, the plaintiff is

not entitled to seek any relief by filing a suit. It is argued on behalf of the defendants that in terms of Clauses (b) to (d) of Sub-Section (1) of Section 19 of the Act in case the plaintiff's registered design at the time of registration was not a new or original design or there existed any prior publication of a registered design (i.e. the design with respect to which plaintiff claimed exclusive entitlement was in public domain), then in such circumstance, it made no difference that the plaintiff was successful in getting the designs registered as such registered designs (on account of prior publication or lack of newness/originality) do not confer any legal right to the plaintiff to allege piracy of the registered design.

8. The defendants in their written statements alleged that the suits were hit by laches, acquiescence and unexplained delay since the impugned products were in the market since 2014 and were being traded continuously and extensively. This was within the knowledge of the plaintiff/Crocs Inc. Furthermore, it was contended that the extensive use and publication alleged in the suit with respect to the shape trademark since 2004 was suspect. It was contended that the alleged exclusivity was with respect to the novelty of the design was questionable. In this regard, it was argued that the exclusivity was in respect of functional and utilitarianism of the shoe/footwear, i.e. the heel strap, and holes outsole. The defendant argued that holes on the outsole is traditionally a water canal design widely used in different types of footwears down the ages, especially in the footwear design for persons belonging to fishing and marine industry since the holes facilitated flow of water, imparting functionality and suitability. It was also stated that the holes are functional as they allow air ventilation for feet inside the shoe, especially

where foot requires to be driven. The defendants alleged that Crocs Inc. had deliberately concealed that its commonality design registration for an identical design in the European Union (EU) was declared invalid by the decision of the Third Board of Appeal on 26.03.2010 by the Office of Harmonization in the Internal Market. The defendant relied upon the judgment. In the course of the judgment, the Board of Appeal had recorded the plaintiff (Crocs Inc.'s) admission that its passing off claim had been rejected earlier.

9. It was urged that the clog-shaped design of the plaintiff's footwear and shoe, cannot claim novelty. It was stated that the shape in question which Crocs claimed to be novel, is traditionally a clog, an industrial shoe invented about 80 years ago. It was further urged that a third party, i.e. Bierk adopted the shape of the impugned design in 1994. That design was sold by Holey Soles prior to the plaintiff Crocs Inc. and was in fact available to the public since December 2002 contrary to the plaintiff's prior publication claim. The Crocs Inc.'s prior publication claim was essentially based upon a website screen shot dated 22.05.2003. This was prior to the one year grace period, since the plaintiff's trademark application claim was made in the end of May 2004. The prior claim period, therefore, was 22.05.2003. Therefore, in terms of the plaintiff's admission, the design was known in the market since 2003.

Impugned judgment

10. The learned single Judge, in the impugned judgment, was of the opinion *prima facie* that the plaintiff's designs were in the public domain since 2002. The relevant discussion is as follows:

“17. On behalf of the plaintiff it could not be seriously disputed, and nor it could have been, that the printouts filed by the defendants from the website of the plaintiff itself show as on 16.10.2002, 24.11.2002, 25.11.2002, 28.11.2002 and 13.12.2002 that the registered designs were in public domain as on those dates which are prior to the date of priority of registration being 28.5.2003. In case if the aforesaid printouts were not so then nothing prevented the plaintiff from filing its own documents of its own website and only then it would be shown that the documents as filed by the defendants being the downloaded printouts of the website of the plaintiff of the different days prior to 28.5.2003 were not those as filed by the defendants. In view of the aforesaid publications of plaintiff itself existing in the public domain in the website of the plaintiff much prior to 28.5.2003 showing the registered designs footwear of the plaintiff, and that too repeatedly, the registered designs of the plaintiff are to be held to be already existing in public domain prior to 28.5.2003 and consequently the registrations of the plaintiff are liable to be cancelled in terms of Section 19(1)(b) read with Section 4(b) of the Act. In my opinion therefore clearly the registered designs of the plaintiff were in the public domain prior to priority date of 28.5.2003 and therefore registration granted to the plaintiff with respect to registered designs which are subject matter of the present suits will not afford any legal entitlement to the plaintiff to allege piracy of the designs under Section 22 of the Act.”

11. With respect to prior publication, and the specific argument in regard to proceedings in the course of authorities in the EU, learned Single Judge was of the view that there was no need to express an opinion since *ad interim* injunction application could be decided on the issue of prior publication

itself. Proceeding further, however, learned Single Judge examined what was meant by base design in the context of Crocs Inc.'s complaint of piracy of the registered design under Section 22. He outlined that in case the design in question fell under Sections 4(a) to (d), it was not capable of registration. The learned Single Judge was of the opinion that having regard to the existing case laws – *B. Chawla and Sons v. M/s. Bright Auto Industries* AIR 1981 Del 95 and *Bharat Glass Tube Limited v. Gopal Glass Works Limited* 2008 (10) SCC 657, variations in existing products *per se* would not entitle someone to claim design exclusivity capable of protection. The relevant discussion and operative portion of the impugned order are extracted below:

“24. On behalf of the plaintiff it has been argued that the registered designs of the plaintiff have to be looked as a whole. It has been argued that there are various features in the registered designs of the plaintiff with respect to the placement, shape and size of the perforations/gaps/open spaces, and the hump like protrusion at the front of the footwear, and that there exists a mound above the joint portion of the limb of the foot with the foot, and the designs of the soles are unique, and that when such features are taken as a whole, they have that much amount of visual appeal for the registered designs of the plaintiff's footwear to have that much newness or originality for having been rightly granted registrations under the Act. It is argued that once registrations have been granted, then this Court must presume existence of newness and originality and that onus in such circumstances must shift upon the defendants to show that there is no newness or originality.

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26. One need not labour hard, or even labour much, to hold that footwear have existed and are known to mankind from in fact prehistoric age. Obviously footwear was originally created for the

sole purpose to protect the feet. Footwear created over passage of time has differed because of choices made by human beings. Type of footwear is also dependent on whether the same are/were used by men or women. With respect to footwear of men there were created/existed various variations and so too with respect to footwear of women. Variations obviously are with respect to shape of the footwear, look of the footwear, fashion statement as per the footwear and so on. Footwear also when created had to take into account the convenience of the wearer of the same. Besides the issue of convenience of the wearer of the same footwear also was different depending on the place where it was worn or for the purpose for which it was worn. In those areas where climatic conditions were on the colder side obviously the footwear by its very nature had to be completely covered so that besides giving protection to the feet against injury, the footwear also provided warmth. In countries and areas where climatic conditions are hot or humid obviously the footwear created were such that they would be comfortable to wear in such climatic conditions being hot and humid. In these latter areas footwear had openness or breathing spaces. So far as the purpose of manufacture of footwear is concerned it can be noted that footwear for walking is of one type, other type is for sports, then again there is footwear for horse riding, or for mountaineering, or for office wear or formal wear, and so on. Even within sports shoes the type varies as per the type of the sport. I dare say that all the aforesaid aspects need not be established in a court of law and this Court can take judicial notice of the aforesaid aspects with respect to footwear.

27.....straps at the back portions of the sandals. Where the sandals are casuals, and for being worn for short periods only, the straps at the back can be missing. Straps at the back of the sandals also existed or were left out depending on the purposes for which the same were worn. The existence of what is known as “Jootis” is well known in northern India especially in Punjab. — “Jootis” are fanciful sandals having multi-colours, with embellishments being fixed on the “Jootis” by means of fabrics of different colours. To give a further break up and elucidation it is noted that there are variations with respect to the sandals of men and women. Sandals of ladies, not unexpectedly were designed, moulded, re-moulded

and again re-moulded with respect to the aspect of shapes and heights of the soles or the upper casing. To wit we have stilettos or flats or the platforms and so on. Obviously what is being stated by this Court is that save and except where a footwear design is an Intellectual Property Right, footwear is a footwear is a footwear, shoe is a shoe is a shoe and sandal is a sandal is a sandal. All the different footwear have changed over different periods of time and also as per requirements as to who were the persons wearing the same or of the particular climatic conditions where they were worn or the footwear becoming fashion statements but ultimately all the different types of footwear are variations of nothing else but a footwear i.e. foot plus wear i.e. something that is worn on the feet. Really therefore, it would take in the opinion of this Court an effort larger than an ordinary effort to create a different footwear than the known types of footwear, to be an innovation/creation having such requisite newness and originality for that creation to become an Intellectual Property Right as a design in terms of the Designs Act.

28.(i) With the aforesaid observations with respect to what is the law of design pertaining to newness and originality, and the concept of footwear itself being of different types, let us apply the aforesaid discussion to the facts of the present case as regards the registered designs of the plaintiff. In my opinion, one does not have to travel too far to understand that footwear of the plaintiff is nothing but a sandal. Sandal with open spaces are only trade variations of a sandal. Placing of the open spaces or perforation or gaps, and sandals being with or without straps at the back, are in the opinion of this Court merely only variations or trade variations of footwear. Trade variations of footwear/sandals cannot be and should not be given exclusive monopoly. Of course every manufacturer who has done variations wants to earn maximum profit therefrom, and one of the ways to do so is by stifling competition by stopping the production of similar type of footwear as being manufactured by the plaintiff, however that eventuality does not mean that courts will allow such a plaintiff/manufacturer to create a monopoly when the law does not sanction the same. In my opinion the features which have been argued on behalf of the plaintiff as existing in its sandals/footwear

of mounds or humps or straps (or lack of them) or soles designs or perforations/open spaces etc etc, even when taken as a whole, or even individually for that matter, cannot be said to result in innovation or creation of newness or originality as is the intention of the legislature in terms of the Section 4(a) of the Act read with Section 19(1)(d) of the Act. It is therefore held that the registered design of the plaintiff with respect to its footwear, does not have the necessary newness or originality for the same to be called a creation or innovation or an Intellectual Property Right, and which must necessarily exist as stated by the Supreme Court in the judgment in the case of Gopal Glass Works Limited (supra). In my opinion the registered design of the plaintiff is such which is liable to be cancelled as per Section 19(1)(d) of the Act read with Section 4(a) of the Act, and therefore such factual defences entitles the defendants to succeed in view of Sub-Section (4) of Section 22 of the Act to argue against grant of reliefs in the injunction applications which are subject matter of the present order. On this ground itself also therefore the interim applications of the plaintiff are liable to be and are accordingly dismissed.”

12. Appearing on behalf of the plaintiffs/appellants – Mr. Akhil Sibal, learned senior counsel, Mr. Neeraj Grover and other advocates impugned the judgment of the learned Single Judge, highlighting that the defendants had dishonestly adopted and fraudulently used its registered design over which Crocs Inc. had exclusive claim and granted registration. It was urged that the plaintiff was using the subject – footwear with the design in question since 2004.

13. Learned counsel took serious exception to the procedure adopted by the learned Single Judge. It was firstly urged in this regard that besides the design infringement claims, passing off suits too had been filed against each of the defendants. In the light of the law declared by the Full Bench in *Mohan Lal, Proprietor of Mourya Industries v. Sona Paint and Hardware* 2013 (55)

PTC 61, both sets of suits, though filed at different points of time, were in fact heard together. In some of the passing off suits, *ad interim* injunctions were not operative since in the design infringement suits, such *ad-interim ex-parte* injunctions had been granted. It was submitted that the impugned order has, without discussion, vacated the injunctions given – after recording *prima facie* opinion in composite suits, i.e. claims encompassing passing off claims and design infringement claims as well, on the one hand, and pass off claims solely on the other. The impugned order, to that extent, is unreasoned. In this regard, it was highlighted that out of seven suits, in five of them *ad interim* injunctions were made. Learned counsel contended that the impugned order has in fact vacated the injunctions inured to the plaintiff's benefit in regard to passing off claim without any reason.

14. It was urged secondly that procedurally the mode adopted by the learned Single Judge was not appropriate given that *ad interim* injunctions had prevailed for over two years; in the light of *Mohan Lal (supra)* both suits were prevailing together as it were and importantly there was no finding with respect to the plaintiff's complaint (in the passing off suits with respect to obvious imitation of the trademark by the defendants).

15. Learned counsel relied on the judgment of a Full Bench of the Court in *Reckitt Benkiser India Ltd. Vs. WYETH Ltd.* AIR 2013 Delhi 101 (FB) to argue that the defendant's reliance on the publication of the design relating to "Holey Soles" was unreliable to hold that its designs had been published in the public domain earlier. The relevant portion of the judgment is extracted hereunder :

“publication unless it has complete clarity for being known what the same was, the same would not assist the defendants to argue that those designs were available in public domain.”

16. Counsel faulted with the single judge for relying on printouts downloaded from Holey Soles’ website and holding that the design had existed in public domain prior to the plaintiff’s registration, thus negating the plaintiff’s exclusivity for its registered design.

17. It was argued by counsel that the defendants’ plea that Crocs Inc’s registered design does not fall within the definition of a design defined under section 2(d) of the Act as it is a functional one, which impelled the single judge to hold that there was nothing novel in it, is erroneous. It was pointed out that the Plaintiffs registered design specifically states that *"no claim is made by virtue of this registration in respect of any mode or principle of construction of the footwear"*. It is further submitted that for a defense of functionality to succeed it is not sufficient to say that the registered design has some relevance to its function. The defendants had to prove that the design is the only mode/option possible for performing that function. It is submitted that the present design in terms of its functionality can be achieved in various forms/modes including by the present design. They however failed to show that this is the only mode/option for achieving its function. Counsel relied on *Whirlpool of India Ltd. v Videocon Industries Ltd.* 2014(60) PTC 155 (Bom) excerpts from *Copyright and Industrial Designs* by A.D. Russell Clarke, Chapter 15; and *Mohan Lal, Proprietor of Mourya Industries v. Sona Paint & Hardware* 2013 (55) PTC 61 (Del.) (FB).

18. It was argued that reliance by the single judge, upon website printouts which purportedly amount to prior publication of Crocs Inc's registered design is erroneous. It is argued that all such website printouts have been dated using the Way Back machine only. It is only and solely through this software that the Defendants showed alleged publication prior to the Plaintiffs registered design. It is submitted that the office manager of the Internet Archive which created the Way Back machine affirmed by way of a declaration based on his personal knowledge and under the penalty of perjury that *"the date assigned by the Internet Archive applies to the HTML file but not to image files linked therein. Thus images that appear on the printed page may not have been archived on the same date as the HTML file"*. Thus, the documents under this sub head are not reliable and could not be relied on by the Defendants. In particular, the dates qua these images were unreliable.

19. Mr. Sibal, learned counsel urged that the single judge erroneously treated the designs for which the plaintiff had secured registration in a simplistic manner, stating that there were no novel or new features and typifying with an incorrect premise such as *"save and except where a footwear design is an Intellectual Property Right, footwear is a footwear is a footwear, shoe is a shoe is a shoe and sandal is a sandal is a sandal. All the different footwear have changed over different periods of time and also as per requirements as to who were the persons wearing the same or of the particular climatic conditions where they were worn or the footwear becoming fashion statements but ultimately all the different types of footwear are variations of nothing else but a footwear i.e. foot plus wear i.e. something that is worn on the feet."* It was urged that the design of even commonplace

articles can be novel, without in any manner being impeded by the functional aspects. It was argued that the novelty in Crocs' designs is its ugliness: though it lacked the "normal" appeal, the result was unusual and distinctive. This highlighted its distinctive feature, i.e. comfort.

20. Lastly, counsel argued that the defendants could not have been, under the given circumstances – since *ad interim* injunctions had been granted *ex parte* after the single judges of the court had expressed their *prima facie* satisfaction about the strength of the plaintiff's case, been inflicted with costs. Counsel argued that the choice given by the single judge, to not press the injunction applications at the stage of hearing, left the parties with a Hobson's choice. In these circumstances, imposition of heavy costs was not warranted.

21. It is contended on behalf of the defendants that the learned single judge's order is reasonable and was warranted under the circumstances. With respect to procedure, it was argued that there is no compulsion in law that the court should postpone the hearing of pending *ad interim* applications, merely because suits are at a particular stage, or have reached an advanced stage of hearing. Pointing out that the trial had not started, counsel urged that on the other hand, defendants were suffering from an *ex parte ad interim* injunction. In the circumstances, the learned single judge's order was proper inasmuch as it decided the temporary injunction applications.

22. It was next urged that design protection under the Designs Act could not be legitimately claimed by the plaintiff, because the impugned design is a combination of known designs and thus is not registrable as a design under

the Act. Section 4 of the Act prohibits registration of a design which is not significantly distinguishable from known designs or a combination of known designs. The impugned design was copied from the shape of traditional clogs and lacks novelty and originality. Besides, shoes with identical perforations, in the shape of traditional clogs, were used by several manufacturers prior to the registration of the impugned design. That the plaintiff merely added a strap to the footwear already available in the public domain and thus, by virtue of being a combination of known design, the impugned designs were not registrable.

23. Counsel for the defendants also points out that the issue of concealment of material facts is a crucial aspect, which disentitled the plaintiff to any equitable relief, much less temporary injunction. In this regard, it was argued that the plaintiff's footwear designs were the subject matter of dispute internationally; the counsel relied on the allegations made in the written statement [for instance in FAO(OS)(Com)No.78/2018] to the following effect:

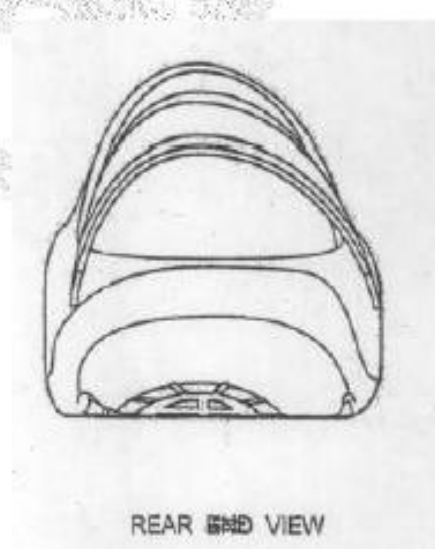
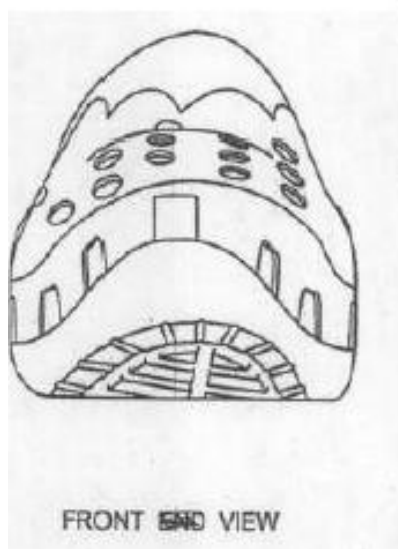
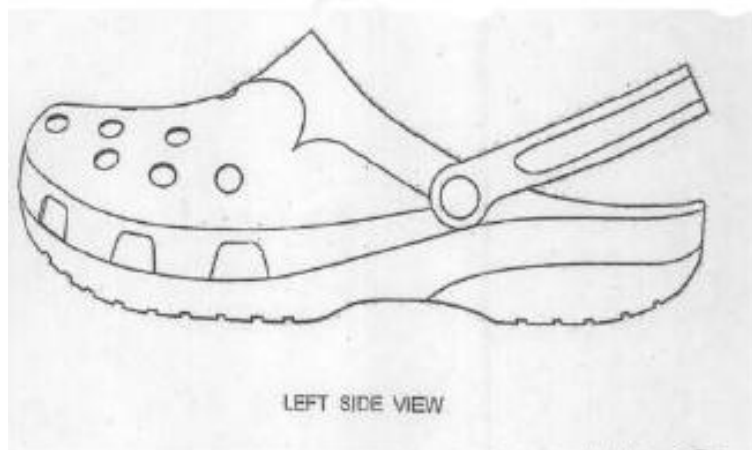
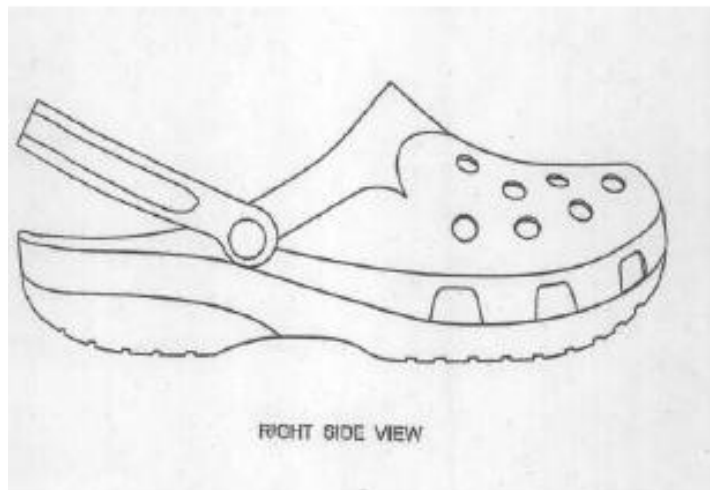
“That suit filed by the plaintiff is not maintainable and is liable to be dismissed as the plaintiff is guilty of deliberate concealment and committing a fraud upon the Hon'ble Court while seeking the ex-parte injunction. The plaintiff deliberately concealed the fact that its Community Design Registration for an identical design in the European Union has been declared invalid by a decision of the Third Board of Appeal on March 26, 2010 by the Office of Harmonization in the Internal Market. By a detailed Judgment passed by the Third Board of Appeal in proceedings duly contested by the plaintiff herein, the design of the Plaintiff was held to be invalid for various reasons elaborated in such order. Upon being confronted with such judgment in the earlier suit, the plaintiff has admitted the factum of passing of the said judgment and has filed

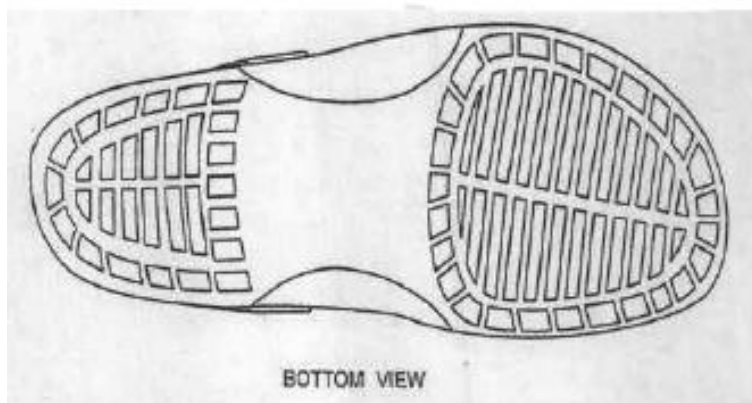
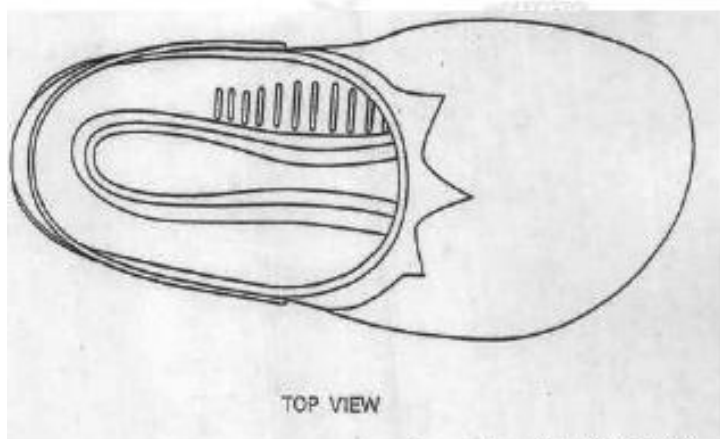
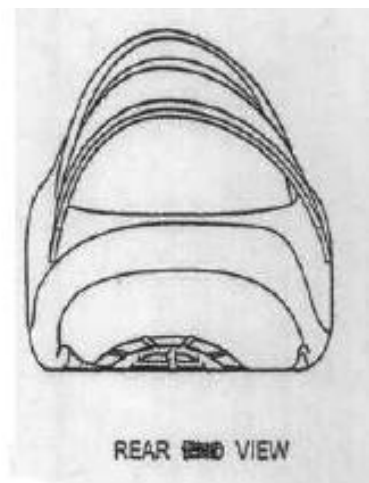
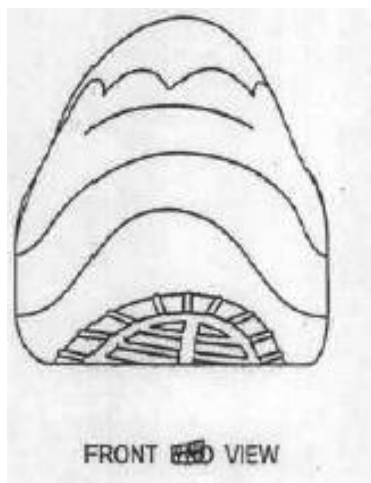
an order dated November 23, 2012 which reflects that plaintiff though filed an appeal against the aforesaid order but later on by its own accord did not proceed with the same on merits. The decision dated March 26, 2010 thus was never disturbed and is valid even on date.”

24. It was argued, next that by virtue of Section 22 (3) of the Designs Act, in spite of the fact that a design is a registered design, whenever any suit is filed for the relief alleging piracy of the registered design in any suit, then every ground on which registration of a design may be cancelled under Section 19 of the Act shall be available to the defendant as a ground of defence. Counsel stated that if the defence of “newness” and (lack of) “originality” is made, in a given case, the court is within its rights to consider those points on merits: even to the extent it has to do so to discern if the plaintiff has a *prima facie* case for ad-interim injunction. Insofar as there is statutory basis for such inquiry and *prima facie* finding, the impugned order, it is contended, is sound and irreproachable. Counsel relied on *Pentel Kabushiki Kaisha & Anr. v M/s Arora Stationers & Ors.* 2018 SCC Online 6512 (Del) in this regard.

Analysis and Conclusions

25. For better appreciation of the controversy, it would be appropriate to reproduce, diagrammatically, the plaintiff’s visual representation of its design, which was granted registration; this reproduction is from the impugned judgment:





26. By Section 2(d) “design” means *“only the features of shape, configuration, pattern, ornament or composition of lines or colours applied to any article whether in two dimensional or three dimensional or in both forms, by any industrial process or means, whether manual, mechanical or chemical, separate or combined,”* which in the finished article appeal to and are judged solely by the eye; but *“does not include any mode or principle of construction or anything which is in substance a mere mechanical device, and does not include any trade mark as defined in clause (v) of sub-section (1) of section 2 of the Trade and Merchandise Marks Act, 1958...or any artistic work as defined in clause (c) of section 2 of the Copyright Act, 1957 (14 of 1957)”* Section 4 prohibits registration of certain categories of designs (what is (a) is not new or original; or “(b) has been disclosed to the public anywhere in India or in any other country by publication in tangible form or by use or in any other way prior to the filing date, or where applicable, the priority date of the application for registration;” or “(c) is not significantly distinguishable from known designs or combination of known designs;”

27. Section 19, which enables cancellation of designs stipulates that any “person interested” can move the Controller on the following grounds, for cancellation of registration, i.e. (a) that the design has been previously registered in India; or (b) that it has been published in India or in any other country prior to the date of registration; or (c) that the design is not a new or original design; or (d) that the design is not registerable under this Act; or (e) it is not a design as defined under clause (d) of Section 2. Section 22 defines what is “piracy” of registered designs; it stipulates as follows:

“Section 22. Piracy of registered design.- (1) During the existence of copyright in any design it shall not be lawful for any person-

(a) for the purpose of sale to apply or cause to be applied to any article in any class of articles in which the design is registered, the design or any fraudulent or obvious imitation thereof, except with the license or written consent of the registered proprietor, or to do anything with a view to enable the design to be so applied; or

(b) to import for the purposes of sale, without the consent of the registered proprietor, any article belonging to the class in which the design has been registered, and having applied to it the design or any fraudulent or obvious imitation thereof, or

(c) knowing that the design or any fraudulent or obvious imitation thereof has been applied to any article in any class of articles in which the design is registered without the consent of the registered proprietor, to publish or expose or cause to be published or exposed for sale that article.

(2) If any person acts in contravention of this section, he shall be liable for every contravention-

(a) to pay to the registered proprietor of the design a sum not exceeding twenty-five thousand rupees recoverable as a contract debt, or

(b) if the proprietor elects to bring a suit for the recovery of damages for any such contravention, and for an injunction against the repetition thereof, to pay such damages as may be awarded and to be restrained by injunction accordingly:

Provided that the total sum recoverable in respect of any one design under clause (a) shall not exceed fifty thousand rupees:

Provided further that no suit or any other proceeding for relief under this subsection shall be instituted in any court below the court of District Judge.

(3) In any suit or any other proceeding for relief under sub-section (2), every ground on which the registration of a design may be

cancelled under section 19 shall be available as a ground of defence....”

28. The learned single judge’s analysis – based on the decisions in *Bharat Glass* (supra) and *B. Chawla & Sons* (supra) that firstly a design should be new and original, secondly it should not have been disclosed to the public earlier (prior publication) thirdly that it should be significantly “distinguishable” from known designs or combination of known designs, is sound and acceptable inasmuch as it succinctly re-states the law on the subject; even the plaintiff/Crocs Inc does not appear to seriously object to it. What is controversial, for the plaintiff/appellant, however is the application of those principles to the facts of this case. The single judge held *prima facie* that printouts downloaded from the website of Holey Soles could have been filed by Crocs Inc to show that its footwear designs were not on public domain between 10.12.2002 and 17.2.2003 and that designs may not have been available on the website of Holey Soles as on 17.2.2003. The single judge noted that there was no difficulty for the plaintiff filing copies printout downloads of website of Holey Soles as on 10.12.2002 and 17.2.2003, and which the plaintiff did not. Consequently, the single judge held that the designs were available on Holey Soles’ website, before the plaintiffs and were therefore known to the public.

29. In CS (OS) 2850/2017 (later renumbered as a commercial suit), the relevant averments relating to prior publication are as follows:

“8. That suit filed by the plaintiff is not maintainable and is liable to be dismissed as the particular design in respect of which the Plaintiff has obtained registration was pre published by the

Plaintiff much prior to its registration at least in 2002 when the particular design was launched. As per the admitted claim of the Plaintiff itself, made on its website www.crocs.com at this boat show, the design of the clog was introduced and 10,000 pairs were sold out. It is further claimed by the Plaintiff itself that pursuant to the boat show, the Plaintiff conducted the first footwear exhibition in March, 2003 shoe Market of the America where the particular shoe was widely marketed. Further, the Plaintiff has been displaying such design on its website much prior to the year 2000. In such circumstances, the novelty, if any, in the Plaintiff's design was lost by its own conduct and leaves the impugned registration inherently and patently invalid and liable to be cancelled."

30. The replication filed by Crocs Inc., however, contained the following averments, in relation to the above allegations:

"That the contents of Para No. 8 are wrong and denied. It is wrong and denied that the product with subject matter design was launched at the Ft. Lauderdale Boat Show in the United States of America in 2002. It is submitted that the clog design of shoe of the plaintiff went through several changes and the particular new and original design which is subject matter of the present proceedings was for the first time commercially launched in the year 2004 and design registration obtained. The submissions made by the defendants in para under reply are misconceived and misrepresented."

31. It is therefore, evident that prior publication was a controversy that the court had to *prima facie* decide, having regard to the materials on the record. The defendants relied on two pieces of evidence: first web-shots from the "Wayback machine", containing internet archive of web pages. The defendants alleged that the plaintiff's designs were available in the public domain, from late 2002 to 2003 and consequently, it cannot claim priority of publication. It was also contended that the Holey Soles' claims against Crocs

and cancellation of its EU registration, by the first instance chamber, clearly revealed that the design was available to the knowing public.

32. The plaintiffs had urged that the learned single judge erred in relying on the screen-shots of the website in question; however, the court notices that the screenshots were duly affirmed to be correct, by an affidavit stipulated under Section 65B of the Evidence Act, 1872. The plaintiff's argument was that though the Wayback machine archived web pages, there was no guarantee to the correctness of its contents. At the stage of considering the *prima facie* merits of any given case, the court cannot carry out a mini-trial; it has to consider the broad probabilities of the rival claims, having regard to the available pleadings and the documents. Whether the plaintiff's argument that the Wayback machine or search engine (or web archive) might be correct so far as web sites or web pages are concerned, but not true and therefore, unreliable because of the reasons mentioned by it, are to be considered during the trial.

33. *American Cyanamid Co. v. Ethican Ltd.* [1975] 1 All ER 504 a salient decision on application of principles for grant of *ad interim* injunction, stated that "*The court is not justified in embarking on anything resembling a trial of the action on conflicting affidavits in order to evaluate the strength of either party's case.*" This rule was followed by the Supreme Court in *Colgate Palmolive (India) Ltd. vs. Hindustan Lever Ltd.* 1999 (7) SCC 1. In *Wander v Antox* (1990) Suppl. SCC 727, the Supreme Court held that:

"Usually, the prayer for grant of an interlocutory injunction is at a stage when the existence of the legal right asserted by the plaintiff and its alleged violation are both contested and uncertain and

remain uncertain till they are established at the trial on evidence. The court, at this stage, acts on certain well settled principles of administration of this form of interlocutory remedy which is both temporary and discretionary. The object of the interlocutory injunction, it is stated

"... is to protect the plaintiff against injury by violation of his rights for which he could not adequately be compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial. The need for such protection must be weighed against the corresponding need of the defendant to be protected against injury resulting from his having been prevented from exercising his own legal rights for which he could not be adequately compensated. The court must weight one need against another and determine where the 'balance of convenience' lies."

The interlocutory remedy is intended to preserve in statu quo, the rights of parties which may appear of a prima facie case. The court also, in restraining a defendant from exercising what he considers his legal right but what the plaintiff would like to be prevented, puts into the scales, as a relevant consideration where the defendant has yet to commence his enterprise or whether he has already been doing so in which latter case considerations somewhat different from those that apply to a case where the defendant is yet to commence his enterprise, are attracted.

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The appeals before the Division Bench were against the exercise of discretion by the Single Judge. In such appeals, the appellate court will not interfere with the exercise of discretion except where the discretion has been shown to have been exercised arbitrarily, or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interlocutory injunctions. An appeal against exercise of discretion is said to be an appeal on principle. Appellate court will not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court

would normally not be justified in interfering with the exercise of discretion under appeal so lay on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion. If the discretion has been exercised by the trial court reasonably and in a judicial manner the fact that the appellate court would have taken a different view may not justify interference with the trial court's exercise of discretion. After referring to these principles Gajendragadkar, J. in Printers (Mysore) Private Ltd. v. Pothan Joseph [1960] 3 SCR 713 :

"...These principles are well established, but as has been observed by Viscount Simon in Charles Oseinton and Co. v. Jhanton 1942 AC 130, '...the law as to the reversal by a court of appeal of an order made by a judge below in the exercise of his discretion is well established and any difficulty that arises is due only to the application of well settled principles in an individual case."

34. The court is also of the opinion that whatever be the outcome of the challenge to Crocs Inc's designs, what is a matter of record is that the plaintiff's designs were questioned; the authority of first instance reversed the design right; however, later, it appears that there was a compromise between the parties. That material, in the form of an order (though reversed with consent, later because of the plaintiff settled with the challengers) is part of the record. However, the visuals i.e the screenshots clearly showed that the design of Holey Soles was made published prior to the plaintiff's designs.

35. The registration granted to the plaintiff Crocs India Ltd. in India is effective from 2004. In the U.S. too, the design was registered on 28.5.2004 but in terms of the provisions of the Designs Act as applicable in U.S. the plaintiff will have the benefit of registration for one year prior to 28.5.2004 i.e. from 28.5.2003. Consequently, once the design of the footwear of the plaintiff is found in the public domain as evident from Holey Soles' website,

prior to 28.5.2003, then clearly in view of Section 4(b) read with Section 19 (d) of the Act the registration granted to Crocs Inc was facially faulty and was liable to be cancelled under Section 19 of the Act. Crocs Inc, in these circumstances cannot seek the benefit of its registered design for seeking reliefs in the present case.

36. The Plaintiff/Appellant had argued that the archives from the Holey Soles website as on 10.12.2002 and 17.2.2003, was no guarantee that the footwear in question existed and was depicted as on the two dates in the printouts downloaded and filed. It was contended that there is no finality as to the design of the footwear found on the website of the Holey Soles. The single judge however, expressed his *prima facie* conclusion that printouts downloaded from the website of Holey Soles had in fact shown the footwear design on 10.12.2002 and 17.2.2003 and the plaintiffs had no *prima facie* case because if what the plaintiff contended was right, i.e. that the designs may not have been available on Holey Soles' website as on 17.2.2003- there was no difficulty for it (the plaintiff) to file copies of printouts of downloads from the website of Holey Soles as on 10.12.2002 and 17.2.2003. Crocs' inability to produce copies of print outs of material downloaded from the website of Holey Soles as on 10.12.2002 and 17.2.2003, resulted in the single judge saying that *prima facie* the factum that a design similar to Crocs Inc's design was published and sold by M/s Holey Soles prior to 28.5.2003, and consequently, the design existed in public domain prior to the plaintiff's registration. Likewise, the issue of prior publication was held against Crocs Inc as its case regarding exclusivity of its design "*is from 28.5.2003, and the defendants have filed the printouts from the website of the plaintiff itself,*

prior to 28.5.2003 i.e. as on 16.10.2002, 24.11.2002, 25.11.2002, 28.11.2002 and 13.12.2002 showing as per these downloads that the subject designs were clearly in the public domain w.e.f. 16.10.2002, 24.11.2002, 25.11.2002, 28.11.2002 and 13.12.2002 i.e. prior to the priority date of registrations of the plaintiff w.e.f. 28.5.2003. The printouts filed by the defendants (pages 87-91) from the website of the plaintiff itself show as on 16.10.2002, 24.11.2002, 25.11.2002, 28.11.2002 and 13.12.2002 that the registered designs were in public domain as on those dates which are prior to the date of priority of registration being 28.5.2003. If the aforesaid case was not so then nothing prevented the plaintiff from filing its own documents of its own website and only then it would be shown that the documents as filed by the defendants, being the printouts of downloaded material from the website of the plaintiff, on different days prior to 28.5.2003, were not those as filed by the defendants. In view of the aforesaid publications of plaintiff itself existing in the public domain on the website of the plaintiff much prior to 28.5.2003 showing the registered designs footwear of the plaintiff, and that too repeatedly, the registered designs of the plaintiff are to be held to be already existing in public domain prior to 28.5.2003 and consequently, the registrations of the plaintiff are liable to be cancelled in terms of Section 19(l)(b) read with Section 4(b) of the Act.”

37. The court is satisfied that the appropriate test for *prior publication* was gone into. In this respect, it would be relevant to notice the decision in *Rosedale Associated Manufacturers Ltd. v. Airfix Products Ltd.* 1957 R. P. C. 239 for what constitutes a prior publication. The court held:

“Thus, approaching the matter, I have for my part come to the clear conclusion that the design was not published by Clarice Jones' specification. To conclude otherwise would, in my judgment, at least require that somewhere in the specification the design or something substantially the same as the design was described with reasonable clarity on a fair reading of the document. In this respect the test of prior publication of an alleged invention should, in my judgment, be no less applicable in the case of a registered design, and as regards the 'former, I venture to cite once more the oft-quoted language of Lord Westbury in Hills v. Evans (1862) 31 L. J. (Ch.) 457 at p. 463 : "the antecedent statement must, in order to invalidate the subsequent patent, be such that a person of ordinary knowledge of the subject would at once perceive and understand and be able practically to apply the discovery without the necessity of making further experiments". By a like reasoning, to my mind, if a document is to constitute prior publication then a reader of it, possessed of ordinary knowledge of the subject, must from his reading of the document be able at least to see the design in his mind's eye and should not have to depend upon his own originality to construct the design from the ideas which the document may put into his head...."

38. In the facts of the present case, given the nature of the tests applicable (which were also the considered in *Gopal Glass*) the court is of the opinion that there is no infirmity with the appreciation of the law on the subject, by the learned single judge.

39. This court also notes that on the previous publication issue interestingly, Crocs's registration in the European Union was cancelled in 2016 by reason of decision of the General Court of the European Union in T-424/16 *Gifi Diffusion v EUIPO* which held that that European Union Intellectual Properties Office (EUIPO) did not err in finding that with the disclosure events, and that Crocs Inc did not establish that its designs were

not available to the public prior to 28th May, 2003. This decision was not available when the impugned order was made.

40. The reasoning and conclusions that the plaintiff was not entitled to injunction on the ground of prior publication, for the reasons discussed above was arrived at after a careful, though *prima facie* analysis of the materials on record. In keeping with the instruction in *Wander* that unless exercise of discretion (an exercise which undoubtedly the single judge did) is fundamentally flawed, no interference is called for:

“In such appeals, the appellate court will not interfere with the exercise of discretion except where the discretion has been shown to have been exercised arbitrarily, or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interlocutory injunctions.”

41. Given the nature of the materials, this court is of the opinion that the analysis carried out in the impugned judgment with respect to prior publication and the existence of the Holey Soles’ designs in the public domain, as undermining the plaintiff’s claim in regard to the novelty of the design or the lack of any similar design in the public domain, is in consonance with the law and the facts of these cases.

42. As far as the other aspect of novelty, is concerned (i.e. the distinctiveness of the Crocs design – its uniqueness being its ugliness, which in turn imparts comfort to the user) this court notices that footwear generally and sandals, in particular have a design constraint: unlike other objects of use, footwear have to necessarily cater to the somewhat irregular foot-shape, which is narrow at the heel and much broader at the toes. Therefore,

worldwide, footwear manufacturers have little “play” in creating new designs: their single most constraining factor is the utility which is largely dictated by comfort. If one understands this basic constraint, the single judge’s description that a “*footwear is a footwear is a footwear, shoe is a shoe is a shoe and sandal is a sandal is a sandal*” and further that the basic design has remained unchanged, cannot be faulted. No doubt, there are observations in several judgments that functionality is not such a constraint as to overbear the novelty of a particular design. Thus, in *Mohan Lal* the Full Bench had noticed that this peculiar challenge (i.e. functionality/novelty or uniqueness problem) was not incapable of resolution:

“There may be, however, cases where the design while fulfilling the test of being appealing to the eye, is also, functional. [See judgment in the case of Cow (P.B.) & Coy Ltd. Vs Cannon Rubber Manufacturers Ltd. (1959) RPC 347]. In this case the diagonal ribs on a hot water bottle were both appealing to the eye as well as functional. They were functional in as much as they permitted the heat to be radiated without singeing the user. The conundrum of functionality was resolved by taking note of the fact that it would make no impact on the articles functionality if, the ribs on the hot water bottle were either horizontal or vertical or even diagonal formations.”

43. Similarly, in *Sommer Allibert (UK) Ltd v. Flair Plastics Ltd* (1987) R.P.C. 599 at 621 it was held that grooves moulded into plastic garden chairs constituted part of the “shape and configuration” of the chairs.”

44. In the opinion of this court, the statement of the single judge with respect to certain common place designs and the limited scope for variation in design expressed in an unusual manner *per se* did not render the application of the law incorrect. Rather, what appears from the record is that the two

designs, over which Crocs Inc claims novelty and originality are repetitions of age-old designs, with some variations – in strap, etc. A design for an article that simulates a well-known or naturally occurring object or person is unprotectible. Thus, a mere trade variation of an existing design does not entitle the originator of the design to protection through registration. Bernard Shaw once said “*Shakespeare was a much taller man than I, but I stand on his shoulders*”. He did not mean to sound arrogant, but merely underlined an idea that knowledge is incremental. Every innovation – in ideas, in technology, in music or any other protectable form is founded on previous knowledge and the unique twist that the innovator gives to it. The expression of that births a copyrightable subject matter; the application of those and the product emanating is the subject matter of design and the strong association of it with goods or services sold becomes the object of trademark. The finding of the single judge on the issue of lack of novelty, based on the materials on record, cannot be faulted; it is reasonable.

45. That brings this court to two surviving aspects: of de-linking the design infringement suits from the passing off suits and the costs imposed. The single judge had de-linked two suits [CS(OS)Nos.52/2018 and 53/2018] on a separate date, delinking them from the other suits. These other suits had claimed design infringement; the two suits (that were de-linked) concerned passing off claims. This procedure, of de-linking was not appropriate, given that the directions in *Mohan Lal* (where the Full Bench had stated that the two causes of action could not be clubbed, but that the separate suits had to be listed and heard together) were operative. Of course, *Mohan Lal* has since been overruled on that point subsequently, in *Carlsberg v Som Distilleries*

A/S, 2018 SCC OnLine 12912. However, because two separate set of suits had been preferred by Crocs Inc and they were travelling together, so to say, it was not appropriate that the passing off suits/ shape mark infringement claims were segregated. Furthermore, in the composite suits, there was a subsisting *ad-interim* injunction. In view of the impugned order, which does not contain separate reasons for vacating the injunction so far as it concerns the passing off claims, this court is of the opinion that in the said two suits the single judge should – along with the suits containing passing off claims, hear the matter. However, this observation does not in any manner mean that the findings with respect to the merits of the claim for *ad interim* injunction in regard to the design infringement claims of the single judge are interfered with in any manner; for the reasons discussed above, they are affirmed.

46. On the second aspect, i.e. the costs imposed, the relevant discussion by the single judge is as follows (after the impugned judgment set out the amended Section 35 of the Code of Civil Procedure, after the enactment of its amendment by the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015):

“31. A reading of Section 35 CPC as applicable to commercial courts shows that costs can be imposed at different stages of the suits including at the time of disposal of the interim applications. Costs awarded are under different heads as provided under Sub-Section (4) of Section 35 CPC. In making an order of payment of costs Courts have to take note of the conduct of the parties and the fact that whether any reasonable offer is made by one party to settle the disputes and which is refused by the other party. At this stage it is required to be noted that after some arguments in the injunction applications, on behalf of the defendants a suggestion was put to the plaintiff that judgment need not be invited from this

Court and plaintiff should simply agree to vacate the interim injunctions granted in its favour and not press the injunction applications, and in which circumstances no further relief could be asked for by the defendants, but on behalf of the plaintiff after taking instructions, its counsel stated that a judgment is invited from this Court.

32. In view of the aforesaid discussion, while dismissing the injunction applications filed by the plaintiff in the suits, in favour of the defendants in the suit each of the defendants costs are awarded being costs incurred by them towards fees paid and payable till date by these defendants to their counsels. In this regard, affidavits of fees and charges paid and to be paid till date by the defendants to their counsels be filed by filing affidavits within two weeks from today and which affidavits will be supported by the details of the payments made by the defendants to their counsels. Such costs shall be the costs in favour of the defendants and against the plaintiff with respect to and till the stage of disposal of the interim injunction applications. Costs shall be paid by the plaintiff to the defendants within a period of four weeks of the affidavits of costs being filed by the defendants.

33. In addition to the awarding costs to be paid to the defendants towards the legal costs as stated above, defendants in my opinion are also entitled for the present to costs incurred by them which would be towards time and man hours spent by these defendants for conducting their defences in the present suits, and subject to final decision as to costs. On behalf of the defendants it has been argued that they have also suffered losses of profits running into lacs and lacs, and even crores of rupees, on account of interim injunctions having been obtained by the plaintiff, and obdurately and illegally continued by the plaintiff. Therefore, in addition to the actual legal costs being granted to the defendants, each of the defendant is granted for the present a sum of Rs. 2 lacs each subject to final decision towards costs incurred for these proceedings except the head of legal costs. These costs will be paid by the plaintiff to each of the defendants within a period of eight weeks from today.”

47. Award of costs generally was perceived to be a matter of discretion. Traditionally, courts were reluctant to award “high” amounts as costs. This led, over a period of time, to steady disconnect between the costs *actually incurred by a party to prosecute or defend a claim*, and what it was awarded, in the form of *recompense* in the event of success on the merits. The Supreme Court in *Vinod Seth vs. Devinder Bajaj* 2010 (8) SCC 1, observed as follows:

“53. The lack of appropriate provisions relating to costs has resulted in a steady increase in malicious, vexatious, false, frivolous and speculative suits, apart from rendering Section 89 of the Code ineffective. Any attempt to reduce the pendency or encourage alternative dispute resolution processes or to streamline the civil justice system will fail in the absence of appropriate provisions relating to costs. There is therefore an urgent need for the legislature and the Law Commission of India to revisit the provisions relating to costs and compensatory costs contained in Section 35 and 35-A of the Code.”

48. The court cited with approval *Manindra Chandra Nandi vs. Aswini Kumar Acharjya*, ILR(1921) 48 Cal 427 –in *Vinod Seth*’s case the following passage:

“... We must remember that whatever the origin of costs might have been, they are now awarded, not as a punishment of the defeated party but as a recompense to the successful party for the expenses to which he had been subjected, or, as Lord Coke puts it, for whatever appears to the Court to be the legal expenses incurred by the party in prosecuting his suit or his defence. The theory on which costs are now awarded to a plaintiff is that default of the defendant made it necessary to sue him, and to a defendant is that the plaintiff sued him without cause; costs are thus in the nature of incidental damages allowed to indemnify a party against the expense of successfully vindicating his rights in court and consequently the party to blame pays costs to the party without fault. These principles apply, not merely in the award of

costs, but also in the award of extra allowance or special costs. Courts are authorized to allow such special allowances, not to inflict a penalty on the unsuccessful party, but to indemnify the successful litigant for actual expenses necessarily or reasonably incurred in what are designated as important cases or difficult and extraordinary cases.”

49. The Supreme Court then observed and held what ideally ought to be the considerations that weigh with the law makers in framing a legislation, and the courts, while awarding costs:

“(a) It should act as a deterrent to vexatious, frivolous and speculative litigations or defences. The spectre of being made liable to pay actual costs should be such, as to make every litigant think twice before putting forth a vexatious, frivolous or speculative claim or defence.

(b) Costs should ensure that the provisions of the Code, the Evidence Act and other laws governing procedure are scrupulously and strictly complied with and that parties do not adopt delaying tactics or mislead the court.

(c) Costs should provide adequate indemnity to the successful litigant for the expenditure incurred by him for the litigation. This necessitates the award of actual costs of litigation as contrasted from nominal or fixed or unrealistic costs.

(d) The provision for costs should be an incentive for each litigant to adopt alternative dispute resolution (ADR) processes and arrive at a settlement before the trial commences in most of the cases. In many other jurisdictions, in view of the existence of appropriate and adequate provisions for costs, the litigants are persuaded to settle nearly 90% of the civil suits before they come up to trial.

(e) The provisions relating to costs should not however obstruct access to courts and justice. Under no circumstances, the costs should be a deterrent, to a citizen with a genuine or bona fide

claim, or to any person belonging to the weaker sections whose rights have been affected, from approaching the courts.”

50. It is evident, therefore, that the *rationale* for awarding costs, is *adequate indemnity for the expenditure incurred*. In other words, there can be cases where the costs may exceed the claim, calculated over a period of time. In such instances, unless *real costs* are awarded, not only is victory pyrrhic, but also the ultimate outcome is also injustice. Section 35 (2)- as amended by the Commercial Courts Act, enacts that while awarding costs, the general rule is that the unsuccessful party should be directed to pay costs to the successful party. Interestingly, Parliament also envisioned payment of costs in respect of partial success of claims; it also contemplated the direction to pay costs at different *stages* or for *different steps* in the proceedings, as is evident from Section 35 (4):

“(4) The orders which the Court may make under this provision include an order that a party must pay—

- (a) a proportion of another party’s costs;*
- (b) a stated amount in respect of another party’s costs;*
- (c) costs from or until a certain date;*
- (d) costs incurred before proceedings have begun;*
- (e) costs relating to particular steps taken in the proceedings;*
- (f) costs relating to a distinct part of the proceedings; and*
- (g) interest on costs from or until a certain date.”*

51. Thus, one of the obvious and apparent object of amending the law relating to commercial claims and the procedure to be adopted, was to ensure

that successful parties secured reimbursement for the costs they incurred; at the same time, the court was clothed with an overall discretion. This important step was preceded by the Law Commission's Report (No. 240, May, 2012) on "*Costs in civil litigation*") and the Report entitled *Commercial Division and Commercial Appellate Division of High Courts and Commercial Courts Bill, 2015*" (No. 253, in 2015). Also, this court notices that one of the stated objectives of the Act was articulated as follows:

"A new regime of costs to be introduced, providing for "costs to follow event"."

Therefore, the imposition of costs, or even *real costs* cannot be an event too late, in the Indian legal system; it was mandated by the legislation through enabling conditions to cater to a long standing and sorely felt need. This court is also of the opinion that the retention of discretion with the court, by Section 35 (1) and 35 (2) is an important feature, because there may be cases where one party or another engages counsels or avails legal assistance which is commensurate to its status or financial standing ("deep pockets"), which might not be matched by the other party, or may be incommensurate with the nature of the litigation. The disparity in financial standing of the parties in such cases, in the event the more affluent or rich party succeeds, can lead to the ruination of the unsuccessful party, even though it might have had a credible defence that warranted a full trial.

52. In the facts of this case, the approach and directions to pay costs, made to the plaintiff/appellants, cannot be termed unreasonable. Hearings took over a long span of time; the defendants had to engage and avail of counsel's services and laboured under interim orders. Given these circumstances, the costs imposed are neither unreasonable nor disproportionate.

53. For the above reasons, this court holds that the appeals have to fail. However, the single judge shall ensure that all suits hitherto listed together, shall now be listed together for further proceedings. The defendants' contentions in respect of the *ad-interim* injunctions – and whether they are to be confirmed during pendency of shape trademark/passing off suits of the plaintiff as well as plaintiff's arguments for interim injunction in the passing off claim (in the composite suits) shall be taken up together and decided, by the Single Judge. The rights of parties are kept open with regard to respective contentions in that regard. The appeals are accordingly dismissed, without order on costs.

S. RAVINDRA BHAT
(JUDGE)

A.K. CHAWLA
(JUDGE)

JANUARY 24, 2019