

MANU/DE/2401/2009

Equivalent Citation: MIPR2010(1)61, 2009(41)PTC302(Del)

IN THE HIGH COURT OF DELHI

R.F.A. (OS) No. 31/2007

Decided On: 14.09.2009

Appellants: **Alkem Laboratories Ltd.**

Vs.

Respondent: **Mega International (P) Ltd.**

Hon'ble Judges/Coram:

Mukul Mudgal and V.K. Shali, JJ.

Counsel:

For Appellant/Petitioner/plaintiff: Valmiki Mehta, Sr. Adv. Sushant Singh an Manav Kumar, Advs

For Respondents/Defendant: Pratibha M. Singh, Adv.

Subject: Intellectual Property Rights

Subject: Civil

Acts/Rules/Orders:

Companies Act, 1956 ;Trade and Merchandise Marks Act, 1958 - Section 12; Code of Civil Procedure (CPC) - Section 10

Cases Referred:

Alkem Laboratories Ltd. v. Mega International (P) Ltd. Civil Suit Bearing No. 1926/2003; Ramdev Food Products (P) Ltd. v. Arvindbhai Rambhai Patel and Ors. (2006) 8 SCC 726; Century Traders v. Roshan Lal Duggar & Co. and Ors. AIR 1978 Delhi 250

Disposition:

Appeal dismissed

Citing Reference:

Discussed	■	1
Mentioned	■	2

Case Note:

Intellectual Property Rights - Trade marks - Infringement of - Plea of honest concurrent user of trade mark - Section 12 of the Trade and Merchandise Marks Act, 1958 - Appellant-plaintiff filed suit for injunction to restrain Respondent-Defendants from infringing plaintiff's rights in the trade mark "GEMCAL" with respect to pharmaceutical preparations - Learned Single Judge dismissed suit holding that both the plaintiffs and Defendants were concurrent users of the impugned trade mark and therefore, there was no infringement — Hence, present appeal - Appellant—plaintiff contended that the Respondent has not taken the plea of concurrent user in the pleading and therefore, the same could not have been decided by the learned Single Judge in favour of the Respondent - Held, if a plea has not been specifically taken in the written statement by a party and the reading of the whole of the written statement would make it amply clear that such a plea is reflected not only in the pleadings but also from the evidence adduced by the said party, the Court instead of ousting the Respondent on this technicality ought to consider the substance of the pleading rather than the form - Therefore, the contention of the Appellant that the plea of concurrent user is not available to the Respondent does not have any merit, particularly when the plea of prior user is a wider plea incorporating the plea of concurrent user was taken by the Respondents in the written statement - Appeal dismissed

Intellectual Property Rights - Trade marks - Passing off - Appellant contended that the Respondent had filed a suit for injunction against the Appellant seeking a restraint Order against threatened action by Appellant and that it was indicative of the fact that the Respondents were indulging in passing off - Held, seeking redressal, as is provided in law, by a party cannot be construed as an

admission of the fact that a party is indulging in "passing off" its product in respect of which the other side is claiming the proprietary rights - This fact has to be proved independently by the party who is claiming a restraint Order against a party indulging in "passing off" - Therefore, in the instant case, the onus was on the Appellant to prove by adducing positive evidence that there was passing off on the part of the Respondent, which it had failed to establish - Appeal dismissed

Intellectual Property Rights - Trade marks - Passing off - Whether there was a case of "passing off" involved or there was a "concurrent user" by the both the parties of the said trade mark - Held, in an action for passing off, relevant test is discharge of the prior user and not the registration - In the present case, neither of the two parties were the registered trade mark owners of the GEMCAL - Further, Appellant cannot prove that it was the prior user as facts showed actual use by both parties almost concurrently during the past years — Therefore, plea of Appellant that it is the prior user has to be rejected — Appeal dismissed

Ratio Decidendi:

"Plea of prior user is a wider plea incorporating the plea of concurrent user and has to be allowed even if a plea of concurrent user has not been specifically taken in the written statement by a party but is reflected in the pleadings and evidence adduced by a party."

"Seeking redressal as per law by a party cannot be construed as an admission of the fact that the party is indulging in "passing off" its product in respect of which the other side is claiming the proprietary rights."

"In an action for passing off, relevant test is discharge of the prior user and not the registration."

JUDGMENT

V.K. Shali, J.

1. This is a Regular First Appeal filed by the appellant against the judgment dated 08.2.2007 passed by the learned Single Judge in Civil Suit bearing No. 1926/2003 titled Alkem Laboratories Ltd. v. Mega International (P) Ltd. By virtue of the impugned judgment, the suit of the appellant for permanent injunction, passing off, rendition of accounts, in respect of trademark "GEMCAL" in relation to medicinal preparations was dismissed by the learned Single Judge.

2. Briefly stated the case of the appellant/plaintiff (hereinafter referred to as the appellant) is that it is company incorporated under the Companies Act and is carrying business inter alia as a manufacturer, seller and dealer of pharmaceutical and medicinal preparations. It was alleged, in the plaint that it had adopted a trademark "GEMCAL" in August, 1999 and applied for registration of the said trademark in respect of medicinal and pharmaceutical preparations and substances on 17.4.2000. In the month of July, 2000, the appellant started manufacturing and marketing its products on a commercial scale, bearing the said trademark. The appellant claims to have spent a huge amount of money for popularizing the product through advertisements, by circulation of trade literature including pamphlets, product information brochures, physician samples and the certified sales turn over and promotional expenses of the appellant for the years 2000- 2001, 2001-2002, 2002-2003 were to the tune of 15.54, 24.37 and 62.12 lacs respectively. On the basis of this steady progression of amount of the money spent, it was claimed that the product of the appellant namely "GEMCAL" was fast acquiring reputation and goodwill in the market.

3. It is alleged that the appellant came to know about the use of the said trademark by the respondent/defendant (hereinafter referred to as the respondent) in February, 2003 and consequently it sent notices to the respondent through its trademark attorney on 27.2.2003. A reminder was sent on 27.3.2003.

4. It is alleged that the said notices were replied by the respondent on 01.4.2003. The respondent is alleged to have filed a suit in the District Court at Gurgaon against the appellant for permanent injunction, for alleged issuance of groundless threat of legal proceedings, passing off damages against the respondent.

5. It may be pertinent here to mention that the appellant's product was stated to be a formulation which is combination of calcitrol, calcium carbonate and zinc which is available in the form of tablets and syrup whereas the defendant's product is the combination of calcium and vitamin D-3 and is also stated to be available in the form of tablets and syrup.

6. The case of the appellant is that the respondent was a subsequent user of the trademark as the appellant had obtained drug licence on 17.9.99 and commenced user in November, 2000. The use of the trademark "GEMCAL" by the respondent was alleged to be causing confusion in the minds of consumers. It is alleged that it was being done with a view to deceive the innocent purchasers by the respondents having an identical trademark to that of the appellant. This entire exercise was alleged to be done by the respondent with a view to make quick money on the basis of the goodwill earned by the appellant. Thus on the basis of the prior user of the trademark, the appellant filed the suit against the respondent for permanent injunction passing off and rendition of accounts.

manupat7. The respondent is also a company incorporated under Companies Act, 1956. It has denied that it is guilty of passing off. As a matter of fact, it claimed itself to be the lawful or legal owner/proprietor of the trademark GEMCAL. It claimed that it had been using the said trademark from November, 2000 although it had applied for registration of the said trademark on the proposed user basis in 2003. It was also stated that it had obtained a drug licence on 17.9.1999. It is denied that the respondent was using the trademark from April, 2000.

8. On the pleadings of the parties, the following five issues were framed:

- i. Whether the plaintiff is the proprietor of the trademark "GEMCAL" in respect of pharmaceuticals and medicinal preparations? OPP
- ii. Whether the plaintiff is the prior user of the trademark "GEMCAL" in respect of pharmaceuticals and medicinal preparations? OPP
- iii. Whether the defendant has adopted the trademark GEMCAL prior to the adaptation/user of the plaintiff? OPD
- iv. Whether the defendant is guilty of passing off its goods as that of the plaintiff by use of the trademark GEMCAL in respect of similar goods? OPP
- v. Whether the suit is liable to be stayed under Section 10 of the Code of Civil Procedure (hereinafter referred to as the said code) in view of the prior suit filed by the defendant against the plaintiff in the District Courts at Gurgaon OPD

9. The parties adduced their respective evidence in support of their case. The appellant filed an affidavit by way of evidence by one Mr. Deepak Kumar, Zonal Distribution Manager of the appellant. The affidavits of Sh. Pravin Shah and Sh. Rakesh Sood were also filed. In addition to this, the affidavit of one Mr. Arvind Manwati, the Director of M/s Banner Pharmacaps (P) Ltd. was also filed. It may be pertinent here to mention that before the appellant started selling its pharmaceuticals preparations under the name of "GEMCAL", it is the case of the appellant that the said name "GEMCAL" belonged to M/s Banner Pharmacaps (P) Ltd. which used to manufacture and sell the "GEMCAL" capsules. The appellant had allegedly purchased this brand name. On behalf of the respondent, affidavit by way of evidence of one Sh. Jimmi Jacob, Company Secretary in the respondent company was filed.

10. After hearing the arguments, the Id. Judge dismissed the suit of the appellant.

11. So far as the first issue as to whether the plaintiff is the proprietor of the trademark GEMCAL in respect of pharmaceuticals and medicinal preparations is concerned, the learned Single Judge came to a conclusion that the appellant was unable to prove that it was the proprietor of the product bearing the trademark GEMCAL and accordingly, decided the said issue against the appellant.

12. The second and third issue as to whether the appellant is the prior user of the trademark GEMCAL in respect of pharmaceuticals & medicinal preparations and whether the respondent has adopted the trademark GEMCAL prior to the user of the appellant, were dealt with together and the learned Single Judge came to a finding that as the trademark "GEMCAL" is not registered in favour of either of the parties and both the parties namely the appellant as well as the respondent have filed their applications for registration of the said mark, therefore, it is the prior user of the trademark that has to be considered as the basis of deciding rights of the parties. With regard to the prior user, the learned Single Judge came to a finding that both the appellant and respondent were concurrent users of the mark GEMCAL and no specific instances of confusion between the products of the parties have been shown or brought on record and accordingly, the said issue was also decided against the appellant.

13. With regard to the fourth issue, as to whether the respondent is guilty of 'passing off' its goods as that of the appellant by use of the trademark GEMCAL in respect of similar goods, the finding had been given by the learned Single Judge while deciding the issue Nos. 2 and 3 that the respondent was an "honest concurrent user" of the word "GEMCAL" and therefore, there was no question of "passing off" While arriving at such a finding, the learned Single Judge had placed reliance on the annual sales and promotional expenses incurred by the appellant towards the product "GEMCAL" which showed the sales turnover of the appellant for the year 2000-01, 2001-02 and 2002-03 to the tune of 15.54 lacs, 24.37 lacs and 62.12 lacs respectively in comparison to the total amount of Rs. 45,691/- for the entire three years so far as the respondent was concerned. Therefore, keeping in view the vast difference in the turnover of the parties, the learned Single Judge came to a finding that there was no question of the respondent passing off its product GEMCAL for the pharmaceutical preparations being sold by the appellant under the said name of GEMCAL.

14. In the light of the aforesaid findings, the Id. Single Judge dismissed the suit. The appellant feeling aggrieved has challenged the said judgment by way of present appeal.

15. We have heard the learned Senior Counsel for the appellant, Shri Valmiki Mehta as well as learned Counsel for the respondent, Ms. Pratibha M. Singh.

(i) That the learned Single Judge has grossly erred in observing that the appellant has been unable to prove that it is the proprietor of the product bearing trademark GEMCAL.

(ii) The learned Single Judge's finding that both the appellant and the respondent were the concurrent users of the trademark GEMCAL is not substantiated by the evidence on record as the learned Single Judge has failed to appreciate that it was the appellant who had applied first in point of time, as compared to the respondent for registration of the trademark. In any case he was not bona fide concurrent user of the trademark as there was no pleading to this effect by him.

(iii) The learned Single Judge has grossly erred by not appreciating the fact that it was the respondent himself who had filed a suit before the District Court, Gurgaon against the appellant for allegedly issuing unlawful threats pertaining the passing of which tantamounted to an admission on the part of the respondent that the appellant alone was the owner of the trademark GEMCAL.

(iv) The learned Single Judge has failed to appreciate that there was no necessity for the appellant to produce the agreement between the appellant and M/s Banner Pharmacaps (P) Ltd. as an affidavit for and on behalf of M/s Banner Pharmacaps (P) Ltd. was duly submitted who had testified to the effect that they were manufacturing and selling pharmaceutical preparations under the name of GEMCAL before it was sold to the appellant in July, 1999.

(v) That the learned Single Judge has failed to appreciate that the respondent has not explained as to why it had consciously changed the trademark of its pharmaceutical preparations from CALDOSE to GEMCAL which in fact clearly established that the respondent was indulging in passing off the products being manufactured by the appellant. The respondent had obtained drug licence to manufacture the drug by trademark CALDOSE.

17. The learned Counsel for the respondent refuted the submissions of the appellant and contended that it was a bona fide user of the trademark GEMCAL and for this purpose, all the requirements of Section 12 of the Trade and Merchandise Marks Act, 1958 were duly satisfied by the respondent. The learned Counsel for the respondent has supported the finding arrived at by the learned Single Judge in this regard. It was further contended that the question of passing off the drug by the respondent did not arise, as there was a vast difference in the sales figures of the appellant and the respondent.

18. We have carefully considered the submissions of the respective sides and perused the record.

19. The first question which arises for consideration is as to whether the appellant was having the trademark GEMCAL duly registered in its favour or not. In this regard, the learned Single Judge has examined the evidence. It has taken note of the fact that the appellant had applied for registration of the trademark GEMCAL on 16.4.2000 on a proposed to be used basis for which Ex.P-5 was brought on record. The moment the appellant detected the user of the said trademark by the respondent, it sent notice dated 27.2.2003 Ex.P-13 to the respondent. The respondent was duly intimated that the trademark GEMCAL is pending registration in favour of the appellant. Ex.P-6 is the search report proved by the appellant which showed that on 17.4.2000 issued by the name of GAMCIL and GEMCYL was also registered. As against this, the respondent had applied for registration on the basis of its continued user since 17.9.99 on 16.9.2003 Ex.D-1. The learned Single Judge also observed that the appellant was not able to establish the drug licence granted in its favour. The drug licence Ex.P7 dated 17.6.2000 purported to have been issued by the Drug Control Administration of Gujarat was issued in favour of M/s Banner Pharmacaps (P) Ltd. and not the appellant. The appellant had also filed an affidavit of one Mr. Arvind Manwati, Director of M/s Banner Pharmacaps (P) Ltd. who had stated that manufacturing of the drug under the trademark GEMCAL was started in the month of July, 2000. The said company namely Manwati manufactured GEMCAL capsules for the appellant and the same were delivered to the appellant under an invoice. On the basis of this evidence, which has been adduced by the respective sides, none of them established that the trademark GEMCAL is registered trademark in favour of either of them. Therefore, the finding of the learned Single Judge on deciding the issue No. 1 against the appellant cannot be found fault with. The appellant cannot be said to be proved to be proprietor of the trademark GEMCAL.

20. Since none of the parties were the registered owners of the trademark GEMCAL consequently the question which fell for consideration of the learned Single Judge was as to whether there was a case of "passing off" involved or there was a "concurrent user" by the both the parties of the said trademark.

21. There is no doubt that a trademark is the property of a manufacturer and the party of the trademark establishes a connection between the goods and the source thereof which would suggest the quality and the reputation of the goods. If the trademark is registered, indisputably the user thereof by a person, who is not otherwise authorized to do so would constitute infringement. Originally under the law, there can be only one mark, one source and one proprietor. It has been also held in the above case that ordinarily the persons are

manupatra not entitled to use the same trademark unless there exists an express licence in that half. But the honest concurrent user is an exception to this rule (see Ramdev Food Products (P) Ltd. v. Arvindbhai Rambhai Patel and Ors. MANU/SC/3725/2006 : (2006) 8 SCC 726).

22. The next plea which was urged by the learned Senior Counsel for the appellant was that even if the appellant is not able to prove that as the trademark was duly registered, still on account of the previous and first user of the trademark GEMCAL, the respondent was guilty of "passing off" and accordingly, deserves to be permanently restrained by the learned Single Judge from using the said trademark.

23. The learned Counsel for the respondent on the other hand contended that there is no dispute about the proposition that the person or the Company which had been using the trademark GEMCAL (in the absence of registration) first will be entitled to the restraint order as against the user of the said trademark and the opposite side would be guilty of passing off the product. However, it was contended that the respondent was admittedly the first user of the trademark GEMCAL. In this regard, the learned Counsel for the respondent contended that it had proved before the learned Single Judge the licence issued by the State Drug Controller, Directorate General of Health Services, Chandigarh dated 07.7.1999 Ex.DW1/C wherein the respondent had applied for the change of the name of the product from CALDOSE to GEMCAL. It was further contended that the change was permitted by the State Drug Controller vide letter dated 17.9.99 (Ex.DW1/D) and it was on the strength of the said letter that the respondent was manufacturing the product under the name of GEMCAL as per their formula indicated in the written statement. It was also contended that the appellant had only filed an application before the State Drug Controller on the proposed user basis on 17.4.2000 Ex.P-5 as against the actual user by the respondent.

24. There is no doubt in the proposition that any action for passing off, discharge of the prior user and not the registration which is relevant test. Admittedly, in the instant case, neither of the two parties were the registered trademark owners of the GEMCAL. The concept of passing off has been elaborated by Courts in number of judgments as to when can the said principle be made applicable. Notable in this regard, the observations of the Division Bench by our own High Court in Century Traders v. Roshan Lal Duggar & Co. and Ors. MANU/DE/0153/1977 : AIR 1978 Delhi 250, wherein it was held:

...that a trader acquires a right of property in a distinctive mark merely by using it upon or in connection with his goods irrespective of the length of such user and the extent of his trade. The trader who acquires such mark is entitled to protection directly, the article having assumed vendible character is launched upon the market. In this case, it was observed that for the purpose of claiming such proprietorship of a mark, it is not necessary that the mark should have been used for a considerable length of time. As a matter of fact a single actual use with intent to continue such use confers a right to us such mark as a trademark. It is sufficient if the article with the mark upon it has actually become a vendible article in the market with intent on the part of the proprietor to continue its production and sales. It is not necessary that goods should have acquired a reputation for quality under such mark. Actual use of the mark under such circumstances showing an intention to adopt and use it as a trademark is a test rather than the extent or duration of time. A mere casual, intermittent or experimental use may be insufficient to show an intention to adopt the mark as a trademark for specific article or goods.

25. With regard to the concurrent user, the contention of the learned Counsel for the appellant is that the respondent has not taken the plea of concurrent user in the pleading and therefore, the same could not have been decided by the learned Single Judge in favour of the respondent. It may be pertinent here to reproduce Section 12 of the Trade and Merchandise Marks Act, 1958, which reads as under:

12. Registration in the case of honest concurrent use, etc.--In the case of honest concurrent use or of other special circumstances which in the opinion of the Registrar, make it proper so to do, he may permit the registration by more than one proprietor of the trademarks which are identical or similar (where any such is already registered or not) in respect of the same or similar goods or services, subject to such conditions and limitations, if any, as the Registrar may think fit to impose.

26. Although the plea of honest concurrent user was not taken in the pleadings but the respondent had specifically pleaded the prior user of the said trademark. Therefore, the learned Single Judge has rightly observed that the plea of the honest concurrent user being a lesser plea than the plea of prior user can certainly be permitted to be raised by the respondent and accordingly, the said plea of the appellant does not have any merit. If a plea has not been specifically taken in the written statement by a party and the reading of the whole of the written statement would make it amply clear that such a plea is reflected not only in the pleadings but also from the evidence adduced by the said party then in our considered opinion, the Court instead of ousting the respondent on this technicality ought to consider the substance of the pleading rather than the form. Therefore, the contention of the appellant that the plea of concurrent user is not available to the respondent does not have any merit, particularly when the plea of prior user is a wider plea incorporating the

27. The contention of the learned Counsel for the appellant to effect that the respondent had filed a suit for injunction against the appellant in Gurgaon seeking a restraint order against threatened action was indicative of the fact that they were indulging in passing off, cannot be accepted. It may be pertinent here to mention that the seeking redressal, as is provided in law, by a party can by any stretch of imagination be construed as an admission of the fact that a party is indulging in "passing off" its product in respect of which the other side is claiming the proprietary rights. This fact has to be proved independently by the party who is claiming a restraint order against a party indulging in "passing off". Therefore, in the instant case, the onus was on the appellant to prove by adducing positive evidence that there was passing off on the part of the respondent, which it had failed to establish on account of the reasons mentioned hereinabove.

28. It has come in evidence that the appellant had filed an application for the registration of the mark "GEMCAL" in the month of April 2000 and started selling the products in question bearing the said mark from the end of July 2000. As against this, the defendant had obtained the drug licence in September 1999, started the manufacturing and sale of the product in November 2000. The plea of the appellant that the trade name was changed from the CALDOSE to GEMCAL does not in any manner show that there was any mala fide intention on the part of the respondent to indulge in passing off. Not sufficient evidence was brought on record to show that in the three month period between the commencement of user by the appellant and the commencement of user by the respondent, the appellant had acquired such reputation which may be affected by the commencement of user by the respondent.

29. Both the parties have been selling products under the said mark for over two years prior to the notice sent by the plaintiff to the defendant in February 2003. The actual use by both parties has been thus almost concurrent except for the period of about three months for which the plaintiff was selling its product prior to sale by the defendant till the first notice was sent by the plaintiff to the defendant. As the mark has not been registered in the name of either party, the search in the trademark registry also did not yield any result in this regard.

30. No instances of confusion between the products of the parties have been shown from any material on the record. We had also seen the labels on the small boxes of the medicine manufactured by the appellant and respondent under the said mark which showed that they were visually distinct from each other. Even the sales figures which were produced by the respective sides before the learned Single Judge belied the allegation that the respondents were guilty of passing off. There is a tremendous difference in the sales figures of the two, e.g. the sales figure of the appellant was in lacs and that of the respondents in thousands.

31. This clearly shows that the appellants were only creating a false image so as to marginalize and scuttle the functioning of a small time pharmaceutical manufacturer only on account of the fact that the appellant was a leading pharmaceutical company. Therefore, this contention of the learned Counsel for the appellant that the respondent was not a bona fide concurrent user or that it had not taken the plea of concurrent user or that it was indulging in passing off of its pharmaceutical preparations in the name of pharmaceutical preparations of the appellant is not tenable in law.

32. For the reasons mentioned above, we are of the considered opinion that the appeal of the appellant does not have any merit. Accordingly, the same is dismissed.