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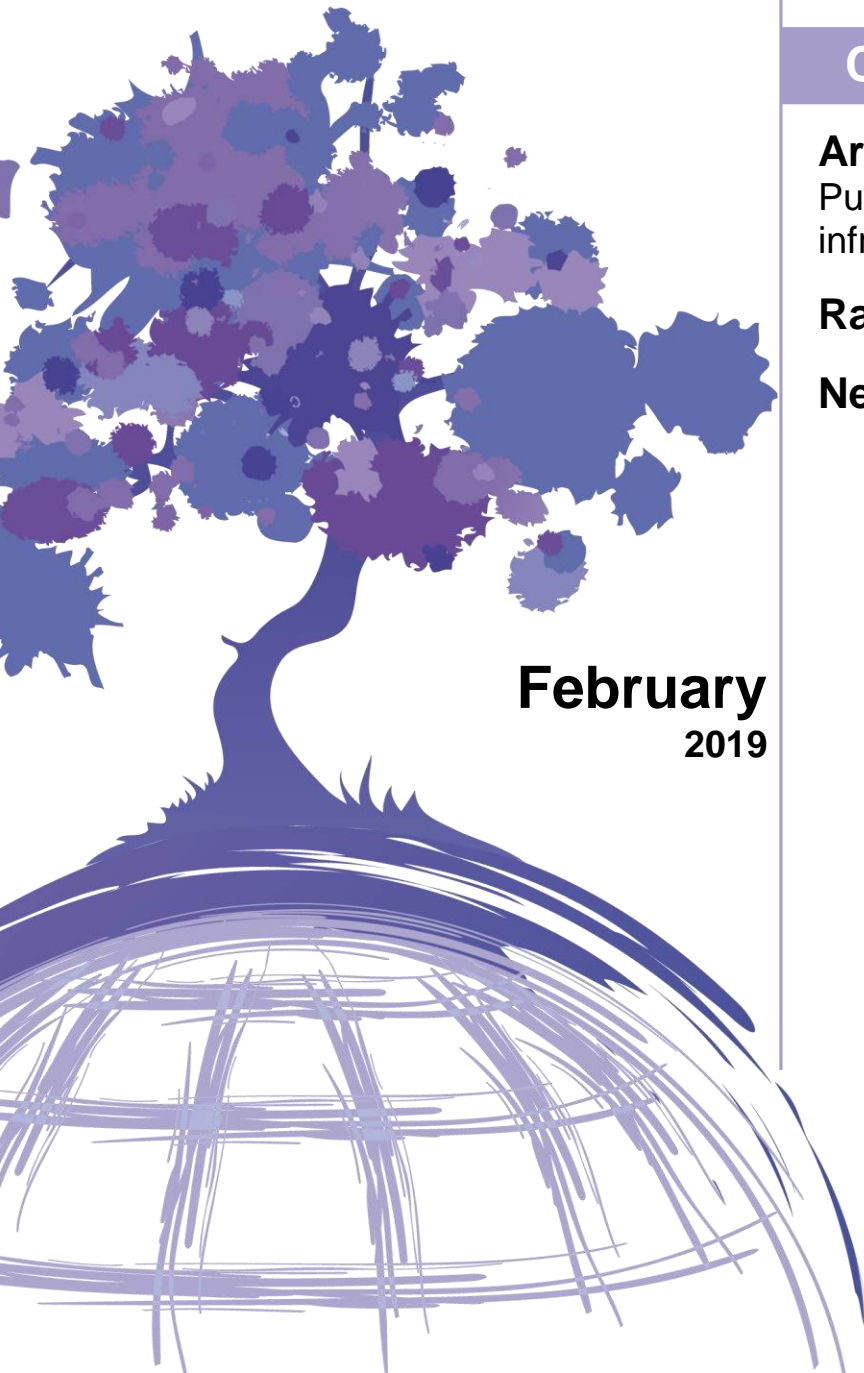
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Article

Punitive damages in trademark infringement suits

By **R. Parthasarathy** and **Gunjan Hans**

“The disobedience or breach of an injunction has to have consequences in law. If strict action is not taken, orders of Courts would not be complied with by litigants...”¹

In recent years, the grant of punitive damages in trademark infringement suits has evolved in India. There has been increase in the number of instances wherein the Courts had awarded punitive damages as means to penalize nefarious defendants. The Delhi High Court, on February 1, 2019, while disposing of a suit for trademark infringement and passing-off, awarded INR 1.85 crores (INR 18,500,000) as punitive damages. The present suit was filed by Whatman International Ltd. (Plaintiff) in 2014 against Mr. Paresh Mehta and his close family members and business concerns (Defendant No. 1 – 5, 7, 8), for permanently injunctioning the Defendants from infringing the Plaintiff’s registered trademark “WHATMAN”, trade-dress, copyright and also passing-off counterfeit products as that of the Plaintiff. An interim injunction was granted in favor of the Plaintiff on May 23, 2014; Local Commissioners were appointed; infringing products were found during raids of the Defendants’ premises in Mumbai and an FIR was lodged against the Defendants. Despite all this the Defendants continued to sell the infringing products. The repeated misconduct and disregard of law on the part of the Defendants, led to the awarding of exemplary punitive damages.

Factual matrix:

The Plaintiff is the owner of and has been using the trademark “WHATMAN” in relation to ‘filter paper’ since 1740. The Plaintiff’s trademark “WHATMAN” is registered in India in classes 1, 9 and 16. The Plaintiff uses a trade-dress consisting of a white background with blue script used for its ‘Whatman filter paper’.

The Defendants were habitual offenders, with a history of manufacturing counterfeits of Whatman filter paper since 1992. Complaints were filed by the Plaintiff against the Defendants in 1993 and thereafter in 2005 which were settled and whereby the Defendants signed undertakings to the effect that they would refrain from using Plaintiff’s trademark and trade dress for their products and also from manufacturing counterfeits of the Plaintiff’s products. Despite the undertakings, the Defendants continued to sell infringing products and the Plaintiff was thus forced to file the present suit in 2014. The Plaintiff also moved an application under Order 39 XXXIX Rule 1 & 2 of Code of Civil Procedure, 1908 (hereinafter “the Code”) for the grant of interim injunction which was allowed by the court on May 23, 2014, local commissioners were appointed to visit the premises of the Defendants and seizures of infringing products were made.

Even though an interim injunction was in force, the Defendants did not desist from selling the infringing products. In 2018, the Plaintiff received information about the continuing activities of the Defendants and moved an application under Order XXXIX Rule 2A of the Code contending that the Defendants were in

¹ CS (COMM) 351/2016 & I.A. 5235/2018, *Whatman International Limited v. P. Mehta & Ors.*, judgment dated February 1, 2019, passed by a Single Judge of the Delhi High Court.

breach of the interim injunction. The Plaintiff also lodged an FIR with the Mumbai police whereby two premises of the Defendants (which were not investigated earlier in 1992 or 2005) were raided and the police recovered infringing products.

Contentions of the parties:

It was claimed by the Plaintiff that due to its use for over 250 years, the Plaintiff's trademark "WHATMAN" had acquired a secondary meaning in trade. Moreover, the trade-dress used by the Plaintiff for its 'Whatman filter paper', its color combination, script, get-up and layout – a white background with blue script – was distinctive. The Plaintiff contended that the Defendants had been deliberately violating the Plaintiff's rights in the trademark "WHATMAN" since 1992. The Defendants had not only manufactured and sold counterfeits of the Plaintiff's products (i.e. Whatman filter paper) but had also adopted an identical color scheme, get up and layout in respect of filter paper sold by them under other trademarks like HIRAL, SUN, LABSMAN, U-CHEM and ACHME. Further, the Plaintiff emphasized that despite the criminal proceedings being launched, undertakings signed, and an interim injunction operating against them, the Defendants had continued to sell the infringing and counterfeit products. Further, the Defendant No. 1 – 5, Defendant No. 7, and Defendant No. 8 were related and clearly acting in concert with each other, and had blatantly made false, misleading and contradictory statements before the Court on multiple occasions, in their written statements.

As per the Plaintiff's computation, the value of the infringing goods seized from the Defendants' premises was INR 4,48,53,280/-. Thus, it was contended by the Plaintiff that in the facts and circumstances of the present case, Plaintiff was entitled to not only damages, but punitive damages also and the Defendants ought to be punished for lying on oath.

The Defendants, on the other hand, claimed that they had not violated the injunction order passed on May 23, 2014 and that the stock found by the police on their premises was old stock which was lying there. The Defendants categorically denied having knowledge of Plaintiff's brand and trademark. The Defendants, to a certain extent, also denied being related to each other. The Defendants challenged the computation put forth by the Plaintiff and stated that they were willing to pay a token amount as compensation nevertheless.

Decision of the Court:

After perusing the pleadings on record and the submissions made by the Defendants, the Court was of the view that the Defendants had neither seriously challenged the Plaintiff's rights in its trademark "WHATMAN" nor in the white and blue color combination of the trade-dress. Rather the Defendants had made a categorical submission that they were willing to suffer a permanent injunction. In the light thereof, the Court observed that the issue that remained to be decided was with regard to the delivery up, rendition of accounts and profits/ damages along with the application under Order XXXIX Rule 2A filed by the Plaintiff.

In the light of documents placed on record by the Plaintiff including the earlier complaints filed and reports of the local commissioner, the Court was convinced that the Defendants were habitual offenders, repeatedly using the Plaintiff's trademark and trade-dress – identical color scheme and get up – for the filter paper sold by them under different trademarks as mentioned above. The Court further observed that a bare perusal of the packaging of the products seized from the Defendants' premises showed that the product packaging used by the Defendants was a substantial reproduction of the Plaintiff's. Further, tests conducted on the products revealed that some of the seized products were counterfeits.

The denial of knowledge of the Plaintiff's brand or trademark by the Defendants was nothing but a baseless and bare denial. The Court was of the view that the Defendants, having full knowledge of the previous and current criminal proceedings as well as the interim injunction granted on May 23, 2014, had continued with their infringing activities.

Accordingly, the court held that the conduct of the Defendants had been completely dishonest, having made false, incorrect and misleading statements in their pleadings and also the statements made by them in the Court. The Court then referred to the statements of various Defendants recorded in the court and those in the written statements filed, in order to show inconsistency and contradiction in the arguments of the Defendants. The Court arrived at the irrefutable conclusion that the Defendants had acted in concert; that except for Defendant No. 6, all other Defendants were related to each other; the Defendants had not come clean with the Court. The Defendants in disobeying the injunction order of the Court had not only violated the provisions of Order XXXIX Rule 2A of the Code, but were also guilty of contempt under Section 14 of the Contempt of Courts Act, 1971.

The Court referred to and relied upon the case of *Louis Vuitton Malletier v. Mr. Omi & Anr.*², wherein the Delhi High Court took a strict view of the contemptuous conduct of the Defendant, and committed the Defendant to one month's imprisonment for making false statements under oath, holding that the Court cannot ignore such conduct as it will be a severe blow to the rule of law, undermine the dignity of the Court and interfere with the administration of justice.

The Court while discussing the principles that would be applicable for granting punitive damages in the present case, placed reliance on

*Hindustan Unilever Limited v. Reckitt Benckiser India Limited*³ wherein the Division Bench of the Delhi High Court, had held that the principles governing the award of punitive damages were laid down in the cases of *Rookes v. Barnard*⁴ and *Cassell & Co. v. Broome*⁵. In *Rookes (supra)*, the House of Lords sets out as one of the three circumstances for the grant of punitive damages as 'wrongful conduct by the defendant which exceeds the compensation payable to the claimant'. The Court was of the view that in the present case, the conduct of the Defendants in infringing the Plaintiff's trademark consciously, deliberately and wilfully for a period of more than 25 years was sufficient for allowing a decree of punitive damages to the Plaintiffs. The Defendants had remained undeterred even after repeated legal action, criminal proceedings, and had caused damage not only to the Plaintiff but also to the consumers who had purchased the counterfeit/ infringing products from the Defendants presuming them to be genuine 'Whatman filter paper'. Clearly, the present case was a fit case where damages awarded for wrongdoing were insufficient and called for an award of aggravated, punitive damages.

Accordingly, the Plaintiff was awarded a decree of punitive damages to the tune of INR 1.85 crores (INR 18,500,000) against Defendant Nos. 1 to 5, 7 and 8, which was to be paid to the Plaintiff within three months from the date of the order. The Court also ordered permanent injunction against all Defendants and additionally awarded costs on actual basis.

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² CS(COMM) 291/2018, Delhi High Court, order dated August 07, 2018.

³ RFA (OS) 50/2008, C.M. APPL. 17116/2008, Delhi High Court, order dated January 31, 2014.

⁴ [1964] 1 All E.R. 367

⁵ [1992] AC 1027



Ratio decidendi

Design infringement – Prior publication and mere trade variation, fatal

The Division Bench of the Delhi High Court has upheld the interim decision of the single Judge in a case where defendant had alleged prior publication of the plaintiff's design based on web-shots from Wayback machine, containing internet archive of the web pages. It observed that the plea that these were machine archived web pages and there was no guarantee to correctness of the contents, is to be looked at the time of trial. The court was of the view that at the stage of considering the prima facie merits of any given case, the court cannot carry out a mini-trial. The Court, while holding so, also noted that petitioner's registration was cancelled in the European Union on considering previous publication.

On the issue of novelty, i.e. the distinctiveness of the plaintiff's design, the court observed that footwear generally and sandals in particular have a design constraint, and that footwear manufacturers have little 'play' in creating new designs. Further, observing that mere trade variation of an existing design does not entitle the originator of the design to protection through registration, it stated that the designs, over which petitioner claimed novelty and originality, were repetitions of age-old designs, with some variations – in strap, etc. [*Crocs Inc. USA v. Bata India Ltd.* – Judgment dated 24-1-2019 in FAO(OS) (COMM) 78/2018 and Ors., Delhi High Court]

Trademark - No infringement of words 'Officer's Choice' by word 'Fauji'

Rejecting the submission that the word 'Fauji' means a Military Officer, Delhi High Court has

rejected the suit alleging trademark infringement by use of the word 'FAUJI' by the defendant in a case where the petitioner used the words 'OFFICER'S CHOICE', for alcoholic beverages.

The Plaintiff had claimed that the defendants mark 'Fauji' is conceptually and deceptively similar to the plaintiff's trademark 'Officer's Choice' and is having the same meaning. The Court however held that there is no similarity between the two marks, which are phonetically different and are in different fonts. It also observed that defendant's product used three stars of a soldier whereas plaintiff showed epaulette of an officer. The court was hence of the view that there is no similarity between the marks and labels of both the parties and there is no likelihood of deception or a consumer getting confused to buy the defendant's product thinking to be that of the plaintiff's. [*Allied Blenders and Distillers Pvt. Ltd. v. Govind Yadav* – Judgment dated 31-1-2019 in CS(COMM) 819/2018, Delhi High Court]

Trademark - No exclusive meaning to term 'BOOKMY'

The Delhi High Court has held that word 'BOOKMY' has not attained exclusive meaning with respect to the plaintiff's 'BookmyShow', and that the term BOOK MY is descriptive and part of the common English parlance. It also observed that the link with booking for shows, events, films, etc., is but obvious, and that it is a common general term descriptive of the services which are sought to be provided. Grant of injunction restraining use of mark 'Bookmyevent' or 'Bookmy' which plaintiff claimed as similar to its online ticketing entity 'BookmyShow', was hence refused.

The court was of the view that *prima facie* the visual effects were not same in the buyers' minds, and that the colour scheme and font of both the trademarks were different. It was held that people are unlikely to be misguided or confused by the said trade names and looks of the defendant's trade mark. Further, plaintiff's contention that the defendants have relinquished the use of the impugned trademark, was rejected because the application for registration of a trademark was amended, as it may not amount to relinquishment of any right to use the trademark. [*Bigtree Entertainment Pvt. Ltd. v. D Sharma* – Judgement dated 21-1-2019 in CS(COMM) 609/2016, Delhi High Court]

Use of mark 'The TICER' replicating mark 'TIGER' is a case of "chunking"

In a suit for permanent injunction restraining infringement of trademark, copyright, design and passing off and for ancillary reliefs, the Delhi High Court has held that use of the mark 'The TICER' by the defendant as opposed to 'TIGER' of the plaintiff is a case of 'chunking' or 'word superiority effect'. It observed so as people generally presume words without reading each alphabet, as human mind is capable of recognising words with few clues.

The court in this case, where both plaintiff and defendant were in business of safety industrial shoes and the plaintiff was the prior user, granted permanent injunction on use of identically and deceptively similar mark which also had same font. It was held that the mark adopted by the defendants is identical and deceptively similar to the mark of the plaintiff with the only difference between the two being of alphabet 'G' in the mark of the plaintiffs and of alphabet 'C' in the mark of the defendants. The court was also of the view that the word 'the' in the mark of the defendants is not capable of distinguishing the two. *Ex-parte*

ad-interim order of injunction was made absolute during the pendency of the suit. [*Mallcom (India) Ltd. v. Rakesh Kumar* – Order dated 17-1-2019 in CS(COMM) 480/2016, Delhi High Court]

Copyright suit by owner who is not a copyright society, maintainable

In a case involving copyright in sound recording, the Delhi High Court has held that an individual owner, despite having granted license to copyright society, can further grant licenses with respect to copyright works owned by him, and sue the infringer. Interpreting the latter part of the first Proviso to Section 33(1) of Copyright Act, the court was of the view that if the owner of the copyright work has retained with himself the right to give license, although the license is also granted to the copyright society, then such an individual owner can further keep granting licenses with respect to the copyright works owned by him.

The court rejected the plea that only a copyright society registered under the Copyright Section 33, is entitled to grant licenses and collect license fee or royalty, and since the appellant is not a registered society, it cannot claim license or royalty and sue for infringement.

The court further observing the difference between musical work and sound recording, held that when the second Proviso to Section 33(1) talks of issuing or granting of license with respect to the musical work in sound recordings, it is only for the musical work in the sound recording and not the sound recording itself. It was of the view that second proviso to Section 33(1) does not prohibit licensing by individual not being the copyright society. [*Novex Communication Pvt. Ltd. v. Lemon Tree Hotels Ltd.* – Judgement dated 11-1-2019 in RFA No. 18/2019 & CM Nos. 786-789/2019, Delhi High Court]

Adoption of a mark even if done innocently does not confer any protection

The Delhi High Court has ruled that adoption of a mark even if done innocently does not confer any protection in respect of violation of rights. The Court, in a case where trademark 'Millennium' was registered by the plaintiff as well as the defendant in the same class of cognate products, decreed permanent injunction holding that it was a clear case of infringement and passing off as plaintiff was a prior user of the mark. The Defendants were using the mark MILLENNIUM in respect of mobile phones under the mark "CELKON MILLENNIUM" while plaintiff's mark was registered in respect of computer software components and other electronic equipment UPS, spare parts, accessories, etc. The court was of the view that Defendants had no justification for adoption of the mark "MILLENNIUM" as even a basic trademark search would have revealed that the Plaintiff has registered the mark MILLENNIUM in class 9. [*Millenium Automation & Systems Ltd. v. Celkon*

Impex Pvt. Ltd. – Judgement dated 15-1-2019 in CS(COMM) 1229/2016 and Ors., Delhi High Court]

Copyright suit is maintainable even if the plaintiff firm is unregistered

Relying on Supreme Court judgement in the case of *Haldiram Bhujawala v. Anand Kumar*, the Delhi High Court has held that a copyright suit is maintainable even if the plaintiff firm is not registered at the time of filing of suit. It further held that merely because some additional or ancillary issues are also arising in the course of adjudication of the controversy in the plaint, it would not be sufficient to hold that the suit is barred under Section 69(2) of the Partnership Act. The Defendant had a contract of transfer of copyrights of books, but later demanded to stop publishing them. It was pleaded by the defendant that plaintiff is not a registered firm hence present suit was non-maintainable because of the bar provided for under the Section 69(2). [*Blueberry Books v. Bharati Goyal* – Judgement dated 14-1-2019 in CS(OS) 1498/2014, Delhi High Court]



News Nuggets

Commercial suit valued up to Rs. 2 cr. to be transferred to District Court

The Chief Justice of Delhi High Court has directed transfer of all commercial suits valued up to Rs. 2 crores and pending on or after 3-5-2018, to district courts. The direction, however, provides exception to cases specifically ordered and/or liable to be tried by the High Court. Circular No. 106/DHC/Orgl/2019, dated 30-1-2019 takes note of Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts (Amendment) Act, 2018. The

Cases transferred will be listed before Joint Registrars (J) after publishing a notice in cause list consecutively for 7 days.

Double bull and single bull device of Red Bull, are well-known trademarks

The Delhi High Court has decreed that marks Double Bull Device and the Single Bull Device of the plaintiff *Red Bull AG* are well known trade marks in India. It noted that plaintiff's trademark has large coverage in India and abroad with substantially large volume of business, having almost 97% of sales of energy

drinks within India. It noted that marks are used extensively for products and services and have a wide geographical trading area within India. Relying on the judgement in the case of *Tata sons Ltd. v. Manoj Dodia*, the Court granted injunction restraining infringement and passing off.

Myanmar: New Trademark and Industrial Design Law enacted

On January 30, 2019, Myanmar's long-awaited Trademark and Industrial Design Law were passed by the Parliament. As per the said law, a person can now file an application seeking registration of its trademark or service mark with the Myanmar Intellectual Property Office. It is also possible to apply for the registration of collective marks, certification marks, product packaging and 3D logos under the new trademark law. The new trademark law implements the first-to-file system from the previous first-to-use system, which means

that the "Trademark holders who registered under the first-to-use system will need to re-register their marks under the current first-to-file system".

Morality, one of the ground in granting registration to the trademark

Recently, USPTO has denied registration to a trademark 'Erik Brunetti's FUCTION' being immoral/scandalous. The Court of Appeals for the Federal Circuit (CAFC) ruled that the refusal was unconstitutional since it violated the constitutional guarantee of 'free speech'. The US Government appealed before the Supreme Court and has been now granted certiorari with the direct question: "*Whether Section 1052(a)'s prohibition on the federal registration of "immoral" or "scandalous" marks is facially invalid under the Free Speech Clause of the First Amendment.*" The Supreme Court will hear arguments on the subject matter shortly.

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