
(2017) 03 SHI CK 0042

High Court of Himachal Pradesh

Case No: 340 of 2016

M/s D.P. Jagan
Hardware Private
Limited.

APPELLANT

Vs

M/s D.P. Jagan & Sons
and another.

RESPONDENT

Date of Decision: March 8, 2017

Acts Referred:

- Code of Civil Procedure, 1908, Order 7 Rule 11 -
- Trade Marks Act, 1999, Section 27, Section 134, Section 27(2), Section 134 (1)(c) - No action for infringement of unregistered trade mark - Suit for infringement, etc., to be instituted before District Court - No action for infringement of unregistered trade mark - Suit for infringement, etc., to be instituted before District Court

Hon'ble Judges: Tarlok Singh Chauhan

Bench: Single Bench

Advocate: Mohan Singh, P.S. Goverdhan, Sanjay Kumar Sharma

Judgement

1. By medium of this petition, the petitioner has prayed for setting aside the order passed by the trial court on 2.4.2016 whereby the application filed by it for rejection of the plaint came to be dismissed.

2. The bare minimal facts, as are necessary for determination of this petition, are that the plaintiffrespondent filed a suit for permanent injunction restraining the petitioner-defendant from using the name of "M/s D.P. Jagan Hardware Pvt. Ltd." or any similar name in any manner as the name M/s D.P. Jagan & Sons, which was being used by the plaintiff since 1985 and in addition thereto damages of Rs. 20 lakhs were also claimed.

3. The petitioner preferred an application under order 7 rule 11 of the Code of Civil Procedure with a prayer to reject the plaint filed by the respondent mainly on the ground of maintainability as according to it, the plaint was not maintainable in view of the provisions contained in the Trade Marks Act, 1999 (for short the "Act").

4. Learned trial court vide impugned order upheld the contention of the petitioner qua the applicability of section 134 of the Act, but concluded that the plaint could not be rejected but was required to be returned to be presented to the court of competent jurisdiction. It is this order, which has been assailed by the petitioner on the ground that the learned trial court ought to have rejected the plaint instead of ordering return of the same.

5. I have heard the learned counsel for the parties and have gone through the record of the case.

6. Learned counsel for the petitioner would heavily bank upon the provisions of section 27 of the Act to contend that the suit filed by the plaintiffrespondent is not at all maintainable. What appears to have been ignored is sub-section (2) of section 27 of the Act and, therefore, it is necessary to reproduce the entire section 27, which reads thus:

"27. No action for infringement of unregistered trade mark. (1) No person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark. (2) Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof."

7. From the reading of sub-section (2) of section 27 of the Act, it is clear that the right of action of any person for passing off the goods/services of another person and remedies thereof are not affected by the provisions of the Act. Thus, the rights in passing off emanate from the common law and not from the provisions of the Act and they are independent from the rights conferred by the Act. This is evident from the reading of opening words of sub-section (2) of section 27) which are "Nothing in this Act shall be deemed to affect rights...."

8. Similar issue came up recently before the Hon"ble Supreme Court in S. Syed Mohideen vs. P. Sulochana Bai, (2016) 2 SCC 683, wherein the Hon"ble Supreme Court has been held as under:

"[24] Effect of registration is provided in Chapter IV of the Act in Section 27. This Section provides that no infringement will lie in respect of an unregistered trade mark. However, Section 27(2) recognises the common law rights of the trade mark owner to take action

against any person for passing off goods as the goods of another person or as services provided by another person or the remedies thereof. Section 27 reads as under:

"27. No action for infringement of unregistered trade mark. (1) No person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered trade mark.

(2) Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof."

25. Section 28 which is very material for our purpose, as that provision confers certain rights by registration, is reproduced below in its entirety:

28. Rights conferred by registration.-(1) Subject to the other provisions of this Act, the registration of a trade mark shall, if valid, give to the registered proprietor of the trade mark the exclusive right to the use of the trade mark in relation to the goods or services in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided by this Act.

(2) The exclusive right to the use of a trade mark given under Sub-section (1) shall be subject to any conditions and limitations to which the registration is subject.

(3) Where two or more persons are registered proprietors of trade marks, which are identical with or nearly resemble each other, the exclusive right to the use of any of those trade marks shall not (except so far as their respective rights are subject to any conditions or limitations entered on the register) be deemed to have been acquired by any one of those persons as against any other of those persons merely by registration of the trade marks but each of those persons has otherwise the same rights as against other persons (not being registered users using by way of permitted use) as he would have if he were the sole registered proprietor."

26. A bare reading of this provision demonstrates the following rights given to the registered proprietor of the trade mark.

"(i) Exclusive right to use the trade mark in relation to the goods or services in respect of which the trade mark is registered.

(ii) To obtain relief in respect of infringement of trade mark in the manner provided by this Act."

27. Sub-section (3) of Section 28 with which we are directly concerned, contemplates a situation where two or more persons are registered proprietors of the trade marks which are identical with or nearly resemble each other. It, thus, postulates a situation where same or similar trade mark can be registered in favour of more than one person. On a plain stand alone reading of this Section, it is clear that the exclusive right to use of any of those trade marks shall not be deemed to have been acquired by one registrant as against other registered owner of the trade mark (though at the same time they have the same rights as against third person). Thus, between the two persons who are the registered owners of the trade marks, there is no exclusive right to use the said trade mark against each other, which means this provision gives concurrent right to both the persons to use the registered trade mark in their favour. Otherwise also, it is a matter of common-sense that the Plaintiff can not say that its registered trade mark is infringed when the Defendant is also enjoying registration in the trade mark and such registration gives the Defendant as well right to use the same, as provided in Section 28(1) of the Act.

28. However, what is stated above is the reflection of Section 28 of the Act when that provision is seen and examined without reference to the other provisions of the Act. It is stated at the cost of repetition that as per this Section owner of registered trade mark cannot sue for infringement of his registered trade mark if the Appellant also has the trade mark which is registered. Having said so, a very important question arises for consideration at this stage, namely, whether such a Respondent can bring an action against the Appellant for passing off invoking the provisions of Section 27(2) of the Act. In other words, what would be the interplay of Section 27(2) and Section 28(3) of the Act is the issue that arises for consideration in the instant case. As already noticed above, the trial court as well as High Court has granted the injunction in favour of the Respondent on the basis of prior user as well as on the ground that the trade mark of the Appellant, even if it is registered, would cause deception in the mind of public at large and the Appellant is trying to encash upon, exploit and ride upon on the goodwill of the Respondent herein. Therefore, the issue to be determined is as to whether in such a scenario, provisions of Section 27(2) would still be available even when the Appellant is having registration of the trade mark of which he is using. After considering the entire matter in the light of the various provisions of the act and the scheme, our answer of the aforesaid question would be in the affirmative. Our reasons for arriving at this conclusion are the following:

30. "(A) Firstly, the answer to this proposition can be seen by carefully looking at the provisions of Trade Marks Act, 1999 (The Act). Collective reading of the provisions especially Section 27, 28, 29 and 34 of the Trade Marks Act, 1999 would show that the rights conferred by registration are subject to the rights of the prior user of the trademark.

We have already reproduced Section 27 and Section 29 of the Act.

30.1. From the reading of Section 27(2) of the Act, it is clear that the right of action of any person for passing off the goods/services of another person and remedies thereof are not affected by the provisions of the Act. Thus, the rights in passing off are emanating from the common law and not from the provisions of the Act and they are independent from the rights conferred by the Act. This is evident from the reading of opening words of Section 27(2) which are "Nothing in this Act shall be deemed to affect rights...."

30.2. Likewise, the registration of the mark shall give exclusive rights to the use of the trademark subject to the other provisions of this Act. Thus, the rights granted by the registration in the form of exclusivity are not absolute but are subject to the provisions of the Act.

30.3. Section 28(3) of the Act provides that the rights of two registered proprietors of identical or nearly resembling trademarks shall not be enforced against each other. However, they shall be same against the third parties. Section 28(3) merely provides that there shall be no rights of one registered proprietor vis- -vis another but only for the purpose of registration. The said provision 28 (3) nowhere comments about the rights of passing off which shall remain unaffected due to overriding effect of Section 27(2) of the Act and thus the rights emanating from the common law shall remain undisturbed by the enactment of Section 28(3) which clearly states that the rights of one registered proprietor shall not be enforced against the another person.

30.4. Section 34 of the Trade Marks Act, 1999 provides that nothing in this Act shall entitle the registered proprietor or registered user to interfere with the rights of prior user. Conjoint reading of Section 34, 27 and 28 would show that the rights of registration are subject to Section 34 which, can be seen from the opening words of Section 28 of the Act which states "Subject to the other provisions of this Act, the registration of a trade mark shall, if valid, give to the registered proprietor.." and also the opening words of Section 34 which states "Nothing in this Act shall entitle the proprietor or a registered user of registered trade mark to interfere..". Thus, the scheme of the Act is such where rights of prior user are recognized superior than that of the registration and even the registered proprietor cannot disturb interfere with the rights of prior user. The overall effect of collective reading of the provisions of the Act is that the action for passing off which is premised on the rights of prior user generating a goodwill shall be unaffected by any registration provided under the Act. This proposition has been discussed in extenso in the case of N.R. Dongre and Ors. v. Whirlpool Corporation and Anr, 1995 AIR(Del) 300 wherein Division Bench of Delhi High Court recognized that the registration is not an indefeasible right and the same is subject to rights of prior user. The said decision of

Whirlpool [supra] was further affirmed by Supreme Court of India in the case of N.R. Dongre and Ors v. Whirlpool Corporation and Anr, 1996 3 RCR(Civ) 697

30.5. The above were the reasonings from the provisions arising from the plain reading of the Act which gives clear indication that the rights of prior user are superior than that of registration and are unaffected by the registration rights under the Act.

31. Secondly, there are other additional reasonings as to why the passing off rights are considered to be superior than that of registration rights.

31.1. Traditionally, passing off in common law is considered to be a right for protection of goodwill in the business against misrepresentation caused in the course of trade and for prevention of resultant damage on account of the said misrepresentation. The three ingredients of passing off are goodwill, misrepresentation and damage. These ingredients are considered to be classical trinity under the law of passing off as per the speech of Lord Oliver laid down in the case of Reckitt & Colman Products Ltd. v. Borden Inc, 1990 1 ALLER 873 which is more popularly known as "Jif Lemon" case wherein the Lord Oliver reduced the five guidelines laid out by Lord Diplock in Erven Warnink v. Townend & Sons Ltd, 1979 AC 731 (the "Advocate Case") to three elements: (1) Goodwill owned by a trader, (2) Misrepresentation and (3) Damage to goodwill. Thus, the passing off action is essentially an action in deceit where the common law rule is that no person is entitled to carry on his or her business on pretext that the said business is of that of another. This Court has given its imprimatur to the above principle in the case of Laxmikant V. Patel v. Chetanbhat Shah and Anr, 2002 3 SCC 65.

31.2. The applicability of the said principle can be seen as to which proprietor has generated the goodwill by way of use of the mark name in the business. The use of the mark/carrying on business under the name confers the rights in favour of the person and generates goodwill in the market. Accordingly, the latter user of the mark/name or in the business cannot misrepresent his business as that of business of the prior right holder. That is the reason why essentially the prior user is considered to be superior than that of any other rights. Consequently, the examination of rights in common law which are based on goodwill, misrepresentation and damage are independent to that of registered rights. The mere fact that both prior user and subsequent user are registered proprietors are irrelevant for the purposes of examining who generated the goodwill first in the market and whether the latter user is causing misrepresentation in the course of trade and damaging the goodwill and reputation of the prior right holder/former user. That is the additional reasoning that the statutory rights must pave the way for common law rights of passing off.

32. Thirdly, it is also recognized principle in common law jurisdiction that passing off right is broader remedy than that of infringement. This is due to the reason that the passing off doctrine operates on the general principle that no person is entitled to represent his or her business as business of other person. The said action in deceit is maintainable for diverse reasons other than that of registered rights which are allocated rights under Recent Civil Reports the Act. The authorities of other common law jurisdictions like England more specifically Kerry's Law of Trademarks and Trade Names, Fourteenth Edition, Thomson, Sweet & Maxwell South Asian Edition recognizes the principle that where trademark action fails, passing off action may still succeed on the same evidence. This has been explained by the learned Author by observing the following:-- 15-033 "A claimant may fail to make out a case of infringement of a trade mark for various reasons and may yet show that by imitating the mark claimed as a trademark, or otherwise, the Defendant has done what is calculated to pass off his goods as those of the claimant. A claim in "passing off" has generally been added as a second string to actions for infringement, and has on occasion succeeded where the claim for infringement has failed"

32.1. The same author also recognizes the principle that Trade Marks Act affords no bar to the passing off action. This has been explained by the learned Author as under:-- 15-034 "Subject to possibly one qualification, nothing in the Trade Marks Act 1994 affects a trader's right against another in an action for passing off. It is, therefore, no bar to an action for passing off that the trade name, get up or any other of the badges identified with the claimant's business, which are alleged to have been copies or imitated by the Defendant, might have been, but are not registered as, trade marks, even though the evidence is wholly addressed to what may be a mark capable of registration. Again, it is no defense to passing off that the Defendant's mark is registered. The Act offers advantages to those who register their trade marks, but imposes no penalty upon those who do not. It is equally no bar to an action for passing off that the false representation relied upon is an imitation of a trade mark that is incapable of registration. A passing off action can even lie against a registered proprietor of the mark sued upon. The fact that a claimant is using a mark registered by another party (or even the Defendant) does not of itself prevent goodwill being generated by the use of the mark, or prevent such a claimant from relying on such goodwill in an action against the registered proprietor. Such unregistered marks are frequently referred to as "common law trade marks"

32.2. From the reading of aforementioned excerpts from Kerly's Law of Trademarks and Trade Names, it can be said that not merely it is recognized in India but in other jurisdictions also including England/UK (Provisions of UK Trade Marks Act, 1994 are analogous to Indian Trade Marks Act, 1999) that the registration is no defense to a passing off action and nor the Trade Marks Act, 1999 affords any bar to a passing off action. In such an event, the rights conferred by the Act under the provisions of Section

28 has to be subject to the provisions of Section 27(2) of the Act and thus the passing off action has to be considered independent of "Truttukadai Halwa" the provisions of Trade Marks Act, 1999.

33. Fourthly, It is also well settled principle of law in the field of the trade marks that the registration merely recognizes the rights which are already pre-existing in common law and does not create any rights. This has been explained by the Division Bench of Delhi High Court in the case of Century Traders v. Roshan Lal Duggar Company, 1978 AIR(Del) 250 in the following words:

"First is the question of use of the trade mark. Use plays an all important part. 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 adopts such a mark is entitled to protection directly the article having assumed a vendible character is launched upon the market. Registration under the statute does not confer any new right to the mark claimed or any greater right than what already existed at common law and at equity without registration. It does, however, facilitate a remedy which may be enforced and obtained throughout "THE State and it established the record of facts affecting the right to the mark. Registration itself does not create a trade mark. The trade mark exists independently of the registration which merely affords further protection under the statute. Common law rights are left wholly unaffected."

33.1. The same view is expressed by the Bombay High Court in the case of Sunder Parmanand Lalwani and Ors. v. Caltex (India) Ltd, 1969 AIR(Bom) 24 in which it has been held vide paras "32" and "38" as follows:

"32. A proprietary right in a mark can be "Truttukadai Halwa" obtained in a number of ways. The mark can be originated by a person, or it can be subsequently acquired by him from somebody else. Our Trade Marks law is based on the English Trade Marks law and the English Acts. The first Trade Marks Act in England was passed in 1875. Even prior thereto, it was firmly established in England that a trader acquired a right of property in a distinctive mark merely by using it upon or in connection with goods irrespective of the length of such user and the extent of his trade, and that he was entitled to protect such right of property by appropriate proceedings by way of injunction in a Court of law. Then came the English Trade Marks Act of 1875, which was substituted later by later Acts. The English Acts enabled registration of a new mark not till then used with the like consequences which a distinctive mark had prior to the passing of the Acts. The effect of the relevant provision of the English Acts was that registration of a trade mark would be deemed to be equivalent to public user of such mark. Prior to the Acts, Prior to the Acts, one could become a proprietor of a trade mark only by user, but after the passing of the

Act of 1875, one could become a proprietor either by user or by registering the mark even prior to its user. He could do the latter after complying with the other requirements of the Act, including the filing of a declaration of his intention to use such mark. See observations of Llyod Jacob J. in 1956 RPC 1. In the matter of Vitamins Ltd."s Application for Trade Mark at p. 12, and particularly the following:

"A proprietary right in a mark sought to be registered can be obtained in a number of ways. The mark can be originated by a person or can be acquired, but in all cases it is necessary that the person putting forward the application should be in possession of some proprietary right which, if questioned, can be substantiated". Law in India under our present Act is similar."

33.2. We uphold said view which has been followed and relied upon the courts in India over a long time. The said views emanating from the courts in India clearly speak in one voice which is that the rights in common law can be acquired by way of use and the registration rights were introduced later which made the rights granted under the law equivalent to the public user of such mark. Thus. we hold that registration is merely a recognition of the rights pre-existing in common law and in case of conflict between the two registered proprietors, the evaluation of the better rights in common law is essential as the common law rights would enable the court to determine whose rights between the two registered proprietors are better and superior in common law which have been recognized in the form of the registration by the Act.

34. When we apply the aforesaid principle to the facts of the present case, we find that the impugned judgment of the High Court, affirming that of the trial court is flawless and does not call for any interference. From the plethora of evidences produced by the Respondent she has been able to establish that the trade mark "Truttukadai Halwa" has been used of by her/her predecessors since the year 1900. The business in that name is carried on by her family. It has become a household name which is associated with the Respondent/her family. The Court has also noted that the Halwa sold by the Respondent's shop as "Truttukadai Halwa" is not only famous with the consumers living in Tirunelveli, but is also famous with the consumers living in other parts of India and outside. Reference is made to an article published in Ananda Viketan, a weekly Tamil magazine dated 14.9.2003, describing the high quality and the trade mark "Truttukadai halwa" sold by the Plaintiff, the findings and conclusions reached by the Court below is perfectly in order, hence, the same does not call for interference, carries more merit, for, this name has been further acknowledged in a Tamil song from the movie "Samy" as follows:

"Tirunelveli Halwada, Tiruchy Malai Kottaida (Rock Fort) Tirupathike Ladduthantha Samyda Iruttukadai Alwada, Idli Kadai Ayada (grandma)"

9. From the aforesaid exposition of law, it is abundantly clear that the suit of the plaintiff was maintainable in view of sub-section (2) of section 27 of the Act and, therefore, the application filed by the petitioner for rejection of the plaint was misconceived and not maintainable.

10. As regards the return of the plaint, the course adopted by the learned court below is perfectly in tune with the provisions of Section 134 of the Act, which reads thus:

"134. Suit for infringement, etc., to be instituted before District Court.

(1) No suit-

(a) For the infringement of a registered trade mark; or

(b) Relating to any right in a registered trade mark; or

(c) For passing off arising out of the use by the defendant of any trade mark which is identical with or deceptively similar to the plaintiffs trade mark, whether registered or unregistered, Shall be instituted in any court inferior to a District Court having jurisdiction to try the suit.

(2) For the purpose of clauses (a) and (b) of sub-section (1), a "District Court having jurisdiction" shall, notwithstanding anything contained in the Code of Civil Procedure, 1908 or any other law for the time being in force, include a District Court within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceeding, the person instituting the suit or proceeding, or, where there are more than one such persons any of them, actually and voluntarily resides or carries on business or personally works for gain.

Explanation: For the purposes of sub-section (2), "person" includes the registered proprietor and the registered user."

11. Admittedly, the case of the respondent-plaintiff is based upon unregistered trade mark and as per its own saying, the application for registration of trade mark is lying pending before the Registrar, Trade Mark, Ludhiana and, therefore, in the given facts, the provisions of section 134 (1) (c) of the Act would clearly come into operation.

12. In view of aforesaid discussion, I find no merit in the petition and the same is dismissed, leaving the parties to bear their own costs.