

Alberto-Culver USA Inc. Vs Nexus Health and Home Care (P) Ltd.

Court: Delhi High Court

Date of Decision: Sept. 10, 2009

Acts Referred: Civil Procedure Code, 1908 (CPC) – Order 25 Rule 1, Order 39 Rule 1, Order 39 Rule 2, Order 7 Rule 11

Companies Act, 1956 – Section 2(l), 25

Trade Marks Act, 1999 – Section 134, 135

Citation: (2010) 1 ILR Delhi 680 : (2009) 41 PTC 197

Hon'ble Judges: Manmohan Singh, J

Bench: Single Bench

Advocate: S.K. Bansal and Shashi P. Ojha, for the Appellant; S.S. Rana, Bindra Rana and Meenu Sharma, for the Respondent

Judgement

Manmohan Singh, J.

By this order, I shall dispose of the plaintiff's application being IA No. 12969/2007 under Order XXXIX Rule 1 and

2 CPC and defendant's application being IA No. 2415/2008 under Order VII Rule 11 and Order XXV Rule 1 CPC respectively.

2. The plaintiff has filed the present suit for relief of permanent injunction against the defendant and to restrain infringement, passing off, damages

and/or rendition of accounts etc.

3. The brief facts relevant for the purpose of deciding these applications are that the plaintiff is a company organized and incorporated under the

laws of the USA. Mr. Gary P. Sschmidt, Senior Vice President and Secretary of the plaintiff is duly authorized to institute and file this suit, sign and

verify its pleadings.

Case of the plaintiff:

4. The plaintiff is engaged in the business of manufacture and trade of a wide range of cosmetics, toilet preparations, personal care products like

hair care preparations, hair shampoos, hair conditioners, hair sprays, hair dyes, vitamins and food supplements and other allied and related

products (hereinafter referred to as "the said goods and business").

5. The plaintiff has claimed to be the proprietor of his trade mark NEXXUS, NEXXUS formative marks and NEXXUS artistic/design marks as

also of the copyrights involved therein (hereinafter referred to as "the said trade marks")

6. It is averred in the plaint that since December 1979, the plaintiff through its predecessor, has honestly and bonafidely, continuously,

commercially, openly, exclusively and to the exclusion of others, uninterruptedly and in the course of trade been using the said trade marks as trade

marks in relation to its said goods and business and has built up a worldwide and globally valuable trade, goodwill and reputation and acquired

proprietary rights.

7. It is stated that the plaintiff's said goods and business under the said trade marks are global in character. The plaintiff's goods under the said

trade marks are branded and sold in about 75 countries of the world, and across all continents including North, South and Central America,

Europe, Africa, Asia, Middle and Far East, Australia and New Zealand etc. The plaintiffs said goods are sold and traded through its extensive

marketing network including through retail, internet, e- commerce and its affiliates/subsidiaries.

8. It is further stated that the plaintiff's said trade marks are duly registered and pending registration in over 70 countries of the world and across all

continents in relation to its said goods and business. The plaintiff has alleged to have built up a globally valuable trade under its said trade marks

and conducted a successful business thereunder running into millions of dollars worldwide. As per the plaintiff, his trade marks are well known

trade marks within the meaning of Section 2(l)(zg) of the Act. It is asserted that the net sales of the plaintiff for the year ended September 30,

2002 were about \$2.65 billion which was an increase of about 11.4% over the prior year sales of \$2.38 billion. The net sales in the year 2000

were \$ 2.14 billion.

9. It is averred that the plaintiff has regularly and continuously been promoting his said distinctive trade marks, goods and business through

extensive advertisements, publicities, promotions and marketing and the plaintiff has been spending enormous amounts of moneys, efforts, skills

and time on it. The plaintiff's advertisements and marketing expenditure were \$ 189,179,162 million in fiscal year 2000, 2001, 2002 respectively.

The plaintiff's said trade marks have thus been alleged to be distinctive and to have acquired secondary significance with the plaintiff and plaintiff's

said goods and business. It is averred that the purchasing public, the trade and industry at large worldwide and in India identify the plaintiff's said

goods under the said trade marks with the plaintiff and from the plaintiff's source and origin alone.

10. In India, the plaintiff's said trade marks were duly registered in the name of its predecessors under trade mark registration Nos. 446836 in

class 5, 446837 in class 3, 446838 in class 5 and 446839 in class 3 since the year 1985. However, it is submitted that inadvertently, due to

oversight, communication gap and lack of receipt of Renewal O-3 notice from the Registrar of Trade Marks, the said Trade Marks could not be

renewed in the year 1999.

11. It is submitted that M/s Nexxus Products Company, 82, Coromar Drive, Goleta, California 93117, U.S.A. are the predecessor-in- title of the

plaintiff. The plaintiff acquired the said trade marks from them in India under a written Deed of Assignment dated 11.08.2005 along with the

goodwill. The term plaintiff includes his aforesaid predecessor-in-title as well. The plaintiff is a subsidiary/affiliate of M/s Alberto-Culver Company.

12. It is alleged that in the first week of March, 2007 while pursuing its various trade mark matters including applications in the normal course in the

Trade Mark Office, the plaintiff came across the defendant and its impugned trade name from the Trade Mark Office where the defendant's

applications for registration were pending. The defendant had moved an application under trade mark No. 1265315 in class 3 in the Trademark

Office and advertised in Trade Mark Journal No. 1328 Suppl. (2) dated 14th February, 2005 (made available to the public on or before 15th

April, 2005) at page 252 the mark applied for by the defendant which is deceptively similar to the said marks of the plaintiff.

13. The plaintiff enquired in the market to ascertain the defendant's impugned activities. The enquiries revealed that the defendant had not

commercially started the use of its impugned trade name on its vendible articles but was soliciting trade and business in relation to the plaintiff's

goods and business in Delhi and neighbouring areas besides other parts of the country.

14. It is submitted that the defendant is engaged in the business of manufacture and trade of cosmetics, soaps, hair oil and other related products

(hereinafter referred to as ""the impugned goods and business""). It is alleged that the defendant has adopted and is using or intends to so use the

word/mark NEXUS as an essential part of its trade name (referred to as the ""impugned trade name"") in relation to its impugned goods and

business and that the same is identical and deceptively similar to the plaintiff's said ""NEXXUS"" trade mark/label in each and every respect

including phonetically, visually, structurally, in its basic idea and in its essential features. The impugned goods and business are also alleged to be of

the same/similar/allied/cognate nature as that of the plaintiff.

15. The learned Counsel for the plaintiff argued that the defendant by its impugned adoption and user of the impugned trade name is violating the

plaintiff's aforesaid trademark/label and thereby passing off and enabling others to pass off their goods and business as that of the plaintiff as well

as diluting the plaintiff's proprietary rights. The defendant is further infringing the plaintiff's aforesaid registered trade marks under Nos. 446836 in

class 5, 446837 in class 3, 446838 in class 5 and 446839 in class 3.

16. It is stated that the defendant has adopted the impugned trade name dishonestly, fraudulently and out of positive greed with a view to take

advantage and to trade upon the established goodwill, reputation and proprietary rights of the plaintiff in its said trade mark/label. The defendant's

impugned adoption and use creates deception and confusion in the market and the plaintiff is suffering huge losses both in business and in

reputation which are incapable of being assessed in monetary terms. Hence, the present suit. Case of the defendant

17. The learned Counsel for the defendant vehemently argued that the suit of the plaintiff for passing off is not maintainable as there is not the

remotest chance of any confusion and deception in the mind of the public, because the mark "Nexus Health & Home Care" has never been used as

a trademark by the defendant in relation to any goods. "Nexus Health & Home Care (P) Ltd." is only the trading style of the defendant and its

goods are sold in West Bengal, Orissa, Assam and Tripura only with the trademark SPA.

18. It is contended that the defendant has bona fide and honestly adopted the name "Nexus Health & Home Care (Pvt.) Ltd." and is a company

duly incorporated under the Companies Act, 1956 under No. U-51312 WB 2003 PTC0-97178 dated October 28, 2003 at Kolkata. It is stated

that the defendant has been carrying on its main business at Kolkata in West Bengal, as well as in Orissa, Assam and Tripura and no confusion or

deception has arisen since 2003. The suit by the plaintiff was filed in 2007, therefore, there is an inordinate delay and acquiescence on the part of

the plaintiff to file the present suit and the suit is liable to be dismissed by this Court as the delay defeats equity.

19. The alleged trade marks of the plaintiff admittedly got lapsed in 1999 and were not renewed, thus the same are not valid and subsisting in the

name of the plaintiff. It is well settled law that a lapsed mark cannot be assigned. The alleged unstamped assignment deed of the plaintiff with its

predecessor in title in the year 2005 is contended to be just waste paper, because there were no valid and subsisting trade marks of the plaintiff or

its predecessor in 2005.

20. It is stated that the name of the defendant company was duly approved by the Registrar of Companies and the same was incorporated in 2003

in accordance with law. The said trade name is not used in relation to any goods as a trade mark and there is no violation of the plaintiff's rights.

The defendant is the proprietor of the trading name and style and has the statutory right to use the same.

21. It is submitted that the adoption of the name Nexus Health and Home Care Pvt. Ltd was honest and bona fide, which is combination of health

and home. It is stated that NEXUS has become public juris and there are more than 150 companies shown on the internet having NEXUS as a

prominent part of their name, and that the same are registered/pending with the Registrar of Companies in India. First, I shall deal with the two

other applications filed by the defendant.

I.A. No. 2415/2008 (Under Order 7 Rule 11 CPC)

22. The defendant filed an application being I.A. No. 2415/2008 under Order 7 Rule 11 CPC for rejection of plaint or for presenting the same

before a proper forum contending that the plaintiff has its office in U.S.A and is not carrying on business or working for gain in Delhi. It is

contended that the plaintiff is also not actually and voluntarily residing or carrying on business or personally working for gain in Delhi. The plaintiff is

also not presently the registered owner of the trade-mark alleged in the plaint. It is urged that this Court has no territorial jurisdiction to entertain

and try the present suit u/s 134 of the Trade Marks Act.

23. Per contra, the plaintiff asserted that the question with regard to jurisdiction is a triable issue which requires determination and evidence. Only

the allegations in the plaint have to be seen and presumed to be correct at this stage of the proceedings. It is well settled law that the approach of

the court while dealing with an application under Order 7 Rule 11 is that the court should be rather hesitant to exercise its jurisdiction under Order

7 Rule 11, unless the circumstances warrant such exercise and the matter in issue falls within the four corners of the requirement of the provision. It

is also well settled law that the disputed question cannot be decided at the time of considering the application under Order 7 Rule 11. The power

to reject the plaint can be exercised only if the court comes to the conclusion that even if all the allegations are assumed to be proved, the plaintiff

would not be entitled to any relief whatsoever. A distinction must always be drawn in a case where the plaint on the face of it discloses no cause of

action and in a case where after considering the entire material on record the court comes to the conclusion that there is no cause of action. In the

first case the plaint can be rejected but in the later case the plaint cannot be rejected.

24. The plaintiff relied upon para 30 of the plaint wherein it is averred that the defendant is soliciting trade and business under its impugned

tradename in relation to its impugned goods and business in Delhi and neighbouring areas besides other parts of the country. It is further averred

that the plaintiff's trade marks are registered with the registrar of trademarks Delhi and the plaintiff is also carrying on the business under its said

trademark/label in Delhi.

25. It has been held by the court in a number of cases that at the initial stage of the suit, only the allegations made in the plaint are to be looked into

while determining whether the Court has jurisdiction to try the suit or not. In *International Film Distributors v. Sh. Rishi Raj* 2009 (2) MIPR 108, a

Division Bench of this Court held as under:

24. In *LG Corporation and Anr. v. Intermarket Electroplasters (P) Ltd. and Anr.* 2006 (32) PTC 429, following observations were made in para

7:

7. ...The question as to whether the Court has territorial jurisdiction to entertain a suit or not has to be arrived at on the basis of averments made in

the plaint, that truth or otherwise thereof being immaterial as it cannot be gone into at this stage....

26. Looking at the averments made in the plaint by the plaintiff, I am of the considered opinion that this Court has jurisdiction to try the suit. As a

result, the defendant's application under Order VII Rule 11 CPC is hereby dismissed.

I.A. No. 2423/08 (under Order XXV Rule 1 CPC)

27. Another application has been filed by the defendant being I.A. No. 2423/08 under Order XXV Rule 1 of CPC on the ground that the plaintiff

is not a resident of India and does not possess any immovable property in its name in India. Therefore, it is asked that the plaintiff be directed to

give security for the costs which have been incurred and which are likely to be incurred by the defendant in defending the present suit.

28. From the provisions of Order XXV it appears that at any stage of the suit, the court after assigning reason may direct any security to be

deposited for payment of costs, if incurred or likely to be incurred by the defendant and pass such order if the plaintiff does not reside and possess

any immovable property within India other than the property in the suit.

29. It is clear from the said provision that it is not a mandatory provision that in every case of such a nature, the court must direct the plaintiff to

furnish security for costs. The mandate of this provision is that if the court is satisfied that there is no resource to recover the cost incurred and

likely to be incurred by defendant in the facts and circumstances of a particular case, it can pass the orders to the plaintiff for furnishing security.

The court has to exercise its discretion as per the merit and circumstances of each case.

30. In the case reported in 1893 by Queen's Bench Division [In the court of appeal] *Neck v. Taylor* page 560 the following principle of law was

laid down:

The rule laid down by the cases seems to be as follows. Where the counter-claim is put forward in respect of a matter wholly distinct from the

claim, and the person putting it forward is a foreigner resident out of the jurisdiction, the case may be treated as if that person were a plaintiff, and

only a plaintiff, and an order for security for costs may be made accordingly, in the absence of anything to the contrary. Where, however, the

counter-claim is not in respect of a wholly distinct matter, but arises in respect of the same matter or transaction upon which the claim is founded,

the Court will not, merely because the party counter-claiming is resident out of the jurisdiction, order security for costs; it will in that case consider

whether the counter-claim is not in substance put forward as a defence to the claim, whatever form in point of strict law and of pleading it may

take, and, if so, what under all the circumstances will be just and fair as between the parties; and will act accordingly. Therefore, the Court in that

case will have a discretion. It is clear to me in the present case that the counter-claim is not in respect of a matter wholly distinct from and

independent of that upon which the claim is based; on the contrary, it arises out of the very same transaction in respect of which the action is

brought. It is, in reality, the defendant's defence to the action, though, as a matter of pleading, it is, and necessarily is, put forward by way of

counter-claim. Under these circumstances, I think that the Divisional Court had a discretion in the matter, and I see no reason for thinking that they

exercised such discretion otherwise than rightly. For these reasons, I think that the appeal should be dismissed.

31. In the present case, the suit has been filed by the plaintiff for violation of statutory rights by the defendant and the plaintiff has also sought the

relief of recovery of Rs. 20,01,000/- as damages. It is a matter of fact that the defendant has not filed any counter claim against the plaintiff for

recovery of amount. No doubt, the court has to exercise its discretion if it feels that the claim of the plaintiff is false and frivolous. In the present

case, there is no material on record in this regard. On a bare reading of the plaint, it does not appear that the suit of the plaintiff is false and

frivolous. Therefore, this Court is not inclined to pass any order under the provision of Order XXV Rule 1 CPC. The prayer sought by the

defendant in this application cannot be granted. The application is misconceived and the same is hereby dismissed with costs of Rs. 5,000/-.

Infringement of Trademark:

32. The plaintiff has filed the suit for infringement of trademark under Sections 134 and 135 of the Trademark Act. In the prayer, the plaintiff is

seeking relief based on the fact that the trademarks are duly registered in the name of the plaintiff's predecessors under trademark registration

Nos. 446836 in class 5, 446837 in class 3, 446838 in class 5 and 446839 in class 3. In the status report filed by the plaintiff on 5th May, 2008, it

is stated that subsequent renewal in the year 1999 was not filed by the predecessors due to non-receipt of the prescribed O-3 notice from the

Registrar of Trade Marks and accordingly the said trade marks were not renewed in the year 1999. However, the said trademarks always

remained on record and were never taken off from the records on ground of non-payment of renewal fee. It is further stated that the plaintiff

company filed two renewal applications for each of the marks on Form TM-12 dated 4th October, 2006 for regularizing the renewal for the

period 13.12.1999 to 13.12.2006 and from 13.12.2006 onwards which have no doubt been filed beyond the period of extension of time u/s 25 of

the Act. The said renewal applications are pending in the Trade Mark office. It is alleged that the plaintiff company filed a writ petition bearing

W.P. (C) Nos. 448/2009, 446/009; 449/2009 and 447/2009 seeking directions to be given to the Registrar of Trade Marks for regularization of

the renewals. In the writ petition order dated 23rd January, 2009 issued directions to the Registrar of Trade Marks to consider the plaintiff's

renewal applications, since it is an undisputed fact that the renewal applications have been filed by the plaintiff beyond the time prescribed and in

the absence of renewal of the said trademarks, which are the subject of the present case, under these circumstances the suit for infringement of

trademark is not maintainable. The writ petition is yet to be disposed of, hence, there is no force in the submission that the said trade marks of the

plaintiff have not been removed from the Registrar of Trade Marks, therefore relief sought by the plaintiff for infringement of trade marks can be

considered.

Passing off:

33. Learned Counsel for the plaintiff has argued that the plaintiff has also sought the relief of passing off, therefore, an injunction order can be

passed on account of that action. The contention of the defendant is that it has not used "Nexus" trademark. The defendant is merely using the

tradename "Nexus Health and Home Care Pvt. Ltd". It is further argued that the main business of the defendant is at West Bengal, Orissa, Assam

and Tripura. The said name of the company "Nexus Health and Home Care Pvt. Ltd." was incorporated in the year 2003. It is also argued that the

defendant has no intention to use the trade name by sending the merchandise goods within the territory of this Court as the defendant's business is

only restricted to the areas mentioned above.

34. In view of the above, learned Counsel for the defendant submits that there is not even a sliver of a chance of any confusion or deception and

the suit filed by the plaintiff for passing off therefore is not maintainable. Learned Counsel for the parties have referred to a number of decisions in

support of their rival submissions. However, I do not think it proper to refer and discuss each and every judgment while deciding the interim

application in the facts and circumstances of the present case.

35. In the action of passing off, one has to see the evidence of goodwill and reputation of the mark of the plaintiff. It appears from the record that

the defendant has never used the trademark "Nexus" nor any evidence in this regard has been produced by the plaintiff although the plaintiff has

also sought the relief of injunction for using the said trademark. In order to prove the case of passing off, the plaintiff has filed invoices of sale of its

products from the year 2002 onwards which belong to the predecessor of the plaintiff. The said invoices are filed upto the period 2005. There is

no sufficient evidence placed on record by the present plaintiff about the user of the mark in question after the date of assignment, i.e. 11.08.2005,

of the trademarks in question.

36. Per contra, the defendant company was incorporated in the year 2003 which is four years prior to the filing of the suit and by this there is

continuous use of the name of the defendant company for the last more than 6 years. I am of the considered opinion that id restraining orders are

passed against the name of the company at this stage, the defendant will suffer irreparable loss and injury. Further, the trademarks of the defendant

are entirely different. Learned Counsel for the defendant during the argument has submitted that the defendant has no intention to use the mark

Nexus. Therefore, the plaintiff is also not entitled to the relief of injunction on this pertaining to the restraint of trading style.

37. In M/s. Gujarat Bottling Co. Ltd. and others Vs. Coca Cola Company and others, , it was observed as under:

46. ...The object of the interlocutory injunction is to protect the plaintiff against injury by violation of his right for which he could not be adequately

compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial. The need for such protection has,

however, to 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 weigh one need against another and

determine where the "balance of convenience" lies. See: Wander Ltd. and Another Vs. Antox India P. Ltd.,

32. In order to protect the defendant while granting an interlocutory injunction in his favour the Court can require the plaintiff to furnish an under

taking so that the defendant can be adequately compensated if the uncertainty were resolved in his favour at the trial.

38. The principle of law relating to temporary injunction during pendency of a suit is well recognized in the decision of the Supreme Court in Dalpat

Kumar and another Vs. Prahlad Singh and others, The relevant portion of the observations of the Supreme Court in the said case is as under:

...It is settled law that the grant of injunction is a discretionary relief. The exercise thereof is subject to the Court satisfying that:

(1) there is a serious disputed question to be tried in the suit and that an act, on the facts before the court, there is probability of his being entitled to

the relief asked for by the plaintiff/defendant.

(2) The court's interference is necessary to protect the party from the species of injury. In other words, irreparable injury or damage would ensue

before the legal right would be established at trial; and

(3) That the comparative hardship or mischief or inconvenience which is likely to occur from withholding the injunction will be greater than that

would be likely to arise from granting it.

The Supreme Court further held:

...Prima facie case is not to be confused with prima facie title which has to be established, on evidence at the trial. Only prima facie case is a

substantial question raised, bona fide, which needs investigation and a decision on merits. Satisfaction that there is a prima facie case by itself is not

sufficient to grant injunction. The court further has to satisfy that non-interference by the court would result in ""irreparable injury"" to the party

seeking relief and that there is no other remedy available to the party except one to grant injunction and he needs protection from the consequence

of apprehended injury or dispossession of apprehended injury or dispossession. Irreparable injury, however, does not mean that there must be no

physical possibility of repairing the injury, but means only that the injury must be a material one, namely on that cannot be adequately compensated

by way of damages. The third condition also is that ""the balance of convenience"" must be in favour of granting injunction. The court while granting

or refusing to grant injunction should exercise sound judicial discretion to find the amount of substantial mischief or injury which is likely to be

caused to the parties, if the injunction is refused and compare it with that it is likely to be caused to the other side if the injunction is granted. If on

weighing competing possibility or probabilities of likelihood of injury and if the court considers that pending the suit, the subject matter should be

maintained in status quo, an injunction would be issued. Thus the court has to exercise its sound judicial discretion in granting or refusing the relief

of ad interim injunction pending the suit.

39. In view of the above said facts and circumstances, the application of the plaintiff under Order XXXIX Rule 1 and 2 is disposed of with the

following directions in order to strike an equitable balance at this stage:

1. The defendant is restrained from using the trademark "Nexxus" in relation to the goods in which the plaintiff is dealing.

2. The defendant is allowed to carry on its business under the trade name/trading style "Nexus Health and Home Care Pvt. Ltd." in the States of

West Bengal, Orissa, Assam and Tripura till the disposal of the suit. However, the defendant shall not use the corporate name in any other manner

which may be treated or may appear as a trade mark.

3. The defendant shall maintain true accounts of the business of the defendant under the name and style of "Nexus Health and Home Care Pvt.

Ltd." and shall file the accounts for its business every quarterly.

4. Liberty is also granted to the plaintiff to file fresh application for injunction, if necessary, in case the trademarks of the plaintiff get renewed in

accordance with law on account of change in circumstances. The application under Order XXXIX Rule 1 and 2 is disposed of with the above

directions. List this matter before the court on 30th October, 2009 for framing of issues.