

Wander Ltd. and Another

Vs

Antox India P. Ltd.

Civil Appeal Nos. 1892-1893 of 1990, with I. A. Nos. 1 & 2 of 1990

26.04.1990

ORDER

1. Appellants in these appeals, by special leave, are the defendants in Civil Suit No. 1220 of 19888 on the original side of the High Court of Madras and assail the order dated January 19, 1990 of the Division Bench of the High Court granting in appeal and in reversal of the order dated March 2, 1989 of the learned Single Judge trying the suit, an injunction restraining appellants from passing off their medicinal product "Cal-De-Ce" as that of the respondent-plaintiff. Respondent claimed to have acquired a right in that trademark by continuous user. The temporary injunction was refused by the learned Single Judge. But in appeals, O. S. A. Nos. 111 and 112 of 1989, preferred against the refusal, the Division Bench granted the temporary injunction in appeal.

2. The appeals have come up for orders on the prayer for stay. As the considerations relevant for decision on the prayer for stay, by and large, conclude the subject matter of the main appeals, we proceed to dispose of the main appeals themselves.

3. We have heard Sri F. S. Nariman, learned senior counsel for the appellants and Sri U. N. R. Rao, learned senior counsel for the respondents. We have been taken through the orders of the learned trial Judge and of the Division Bench in appeal.

4. Wander Ltd., appellant 1, claiming to be the registered proprietor of the registered trademark "Cal-De-Ce" entered into an agreement dated March 28, 1986 with Antox India (P) Ltd. (Antox), the respondent, under which Antox agreed to manufacture vitaminised Calcium Gluconate tablets under the said registered trademark "Cal-De-Ce" and sell the entire production on the Wander Ltd. It would appear that pursuant to and in implementation of these arrangements Antox applied for the requisite manufacturing license from the Drug Controller under the Drugs and Cosmetics Act, 1940 in the course of the processing of which Wander Ltd. furnished before the Drug Controller an undertaking that Wander Ltd. would not authorise the use of its trademark "Cal-De-Ce" by any other company and further not to manufacture "Cal-De-Ce" with effect from July 1, 1986, either by itself or under sole licences from it. The Drug Controller issued the manufacturing license to Antox.

5. The working of the agreement dated March 28, 1986 between the parties, however, appears to have run into serious troubles. It is not necessary to advert to the rival contentions of the parties on the merits of this controversy as they may have to be gone into by the High Court in the pending suit. The disputes culminated in Wander Ltd. purporting to rescind the agreement by its notice dated November 30, 1988 and calling upon Antox to stop manufacture of "Cal-De-Ce" under the trademark. It would also appear that Wander Ltd., entered into a separate manufacturing agreement with Alfred Berg & Co. (I) Pvt. Ltd., appellant 2, at Madras, under licences issued to appellant 2 by the authorities administering the Drugs and Cosmetics Act, 1940 in that State.

6. It is at this stage that the Antox came forward with the present suit and sought temporary injunction.

7. The case of Antox is that its agreement dated March 28, 1986 with Wander Ltd. was itself void in that its object was one forbidden by law; that it would if permitted, defeat and violate several statutory provisions and prohibitions; that the agreement thus, out of way, the undertaking furnished on June 21, 1986 by Wander Ltd. to the Drug Controller in Karnataka had the effect, in law, of and amounted to an abandonment by Wander Ltd. of its proprietorship of the registered trademark "Cal-De-Ce" and of all such exclusive rights as Wander Ltd. had or may have had in respect of that trademark and that the subsequent continued user of the said trademark by Antox under the Drug Controller's licence amounted to an independent user of the trademark by Antox in its own right as, indeed, according to Antox, the said trademark after its abandonment by Wander Ltd. came to be in a nascent unowned condition eligible to be picked up and used by anybody. It was said that the user of the trademark by Antox after June 21, 1986 amounted to such an independent user on the strength of which Antox claimed that it was entitled to maintain a passing-off action even against Wander Ltd. The mere earlier registration of the trademark by Wander Ltd., it is urged, is no evidence of earlier user and with the abandonment of the trademark by Wander Ltd. Antox is entitled, on the strength of its continuous user, to restrain Wander Ltd. from manufacture.

8. The point for consideration is whether there is a prima facie case on which Antox could be held entitled to restrain Wander Ltd. and Alfred Berg from manufacturing and marketing goods under the trade name "Cal-De-Ce" and whether on considerations of balance of convenience and comparative hardship a temporary injunction should issue. the corollary is that even if the injunction sought by Antox is refused, that does not, ipso facto, entitle Wander Ltd. and Alfred Berg to manufacture and market the goods if they are not otherwise entitled to do so under the relevant laws regulating the matter.

9. Usually, the prayer for grant of an interlocutory injunction is at a stage when the existence of the legal right asserted by the plaintiff and its alleged violation are both contested and uncertain and remain uncertain till they are established at the trial on evidence. The court, at this stage, act on certain well settled principles of administration of this forms of interlocutory remedy which is both temporary and discretionary. The object of the interlocutory injunction, it is stated

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

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

10. In the present case, the learned Single Judge held that, at all events as between Antox and

Wander Ltd. even to the extent considerations relevant for a passing-off action go, the latter was undisputably the earlier user of the trademark in that Wander Ltd. was manufacturing and marketing the Calcium Gluconate Vitamin tablets under the trademark "Cal-De-Ce" at its own factory in Bombay from August 1983 up to June 1986. If this is correct, Antox's user cannot be held to be prior user. It is pertinent to note, and perhaps emphasise, that the appellate bench did not disturb this finding at all. Learned Single Judge was persuaded to the view that, in any event, so far as the prima facie position as to the test of earlier user is concerned Antox could not be held entitled to interlocutory order in its favour on the basis of the earlier user claimed by it. The interlocutory relief was accordingly refused against both Wander and Alfred Berg.

11. Aggrieved by this order of the trial Judge declining the interlocutory injunction Antox preferred O. S. A. Nos. 111-12 of 1989 before the Division Bench. The Division Bench, however, reassessed the material considered by the Single Judge and came to a different conclusion. The Division Bench held :

"... The plaintiffs had licences to manufacture for sale with the trade names and had indeed sold the manufactured stock in bulk to the defendants. Its user of the trade marks pursuant to the licence obtained, was not the user of registered user under Sections 48 and 49 of the Trade and Merchandise Marks Act, nor was its manufacture carried out in pursuance of any loan licence taken out by the defendant under Rule 69-A of the Drugs and Cosmetics Rules."

"The plaintiffs manufacture with the trade names, under licences in the trade names and the consequent user of the trade names establish a prima facie case for passing off action and the balance of convenience, requiring the status quo to be maintained, the plaintiff having had the benefit of the injunction from September 23, 1988 till March 2, 1989 when it was vacated and from May 2, 1989 when this Court granted the injunction, the plaintiffs would be entitled to have the interim injunction as prayed for by them."

12. Appellants-defendants have come up in appeal here.

13. On a consideration of the matter, we are afraid, the appellate bench fell into error on two important propositions. The first is a misdirection in regard to the very scope and nature of the appeals before it and the limitations on the powers of the appellate court to substitute its own discretion in an appeal preferred against a discretionary order. The second pertains to the infirmities in the ratiocination as to the quality of Antox's alleged user of the trademark on which the passing off action is founded. We shall deal with these two separately.

14. The appeals before the Division Bench were against the exercise of discretion by the Single Judge. In such appeals, the appellate court will not interfere with the exercise of discretion of the court of first instance and substitute its own discretion except where the discretion has been shown to have been exercised arbitrarily, or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interlocutory injunctions. An appeal against exercise of discretion is said to be an appeal on principle. Appellate court will not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that court was reasonably possible on the material. The appellate court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage it would have come to a contrary conclusion. If the

discretion has been exercised by the trial court reasonably and in a judicial manner the fact that the appellate court would have taken a different view may not justify interference with the trial court's exercise of discretion. After referring to these principles Gajendragadkar, J. in *Printers (Mysore) Private Ltd. v. Pothan Joseph* : (SCR 721)

".... These principles are well established, but as has been observed by Viscount Simon in *Charles Osenton & Co. v. Jhanaton* '.. the law as to the reversal by a court of appeal of an order made by a judge below in the exercise of his discretion is well settled principle in an individual case'."

The appellate judgment does not seem to defer to this principle.

15. We may now examine the tenability of the grounds on which a Division Bench reversed the Single Judge's refusal. The passing-off action was based on the asserted right to a trademark said to have been acquired by continuous user. According to the appellate bench the user by Antox pursuant to the Drug Controller's licence and after the undertaking given by Wander Ltd.".. was not registered user under Sections 48 and 49 of the Trade and Merchandise Marks Act nor was it a manufacture carried out in pursuance of a loan because...". In a passing-off action this would be relevant only in a negative way. Positively, the plaintiff must establish a prior user of his own. *Prime facie*. Antox's case appears silent on this requirement in the context of a specific finding of the Single Judge as to user by Wander Ltd. prior to June 1986. Antox's user is admittedly after June 1986.

16. An infringement action is available where there is violation of specific property right acquired under and recognised by the statute. In a passing-off action, however, the plaintiff's right is independent of such a statutory right to a trade mark and is against the conduct of the defendant which leads to or is intended or calculated to lead to deception. Passing-off is said to be a species of unfair trade competition or of actionable unfair trading by which one person, through deception, attempts to obtain an economic benefit of the reputation which another has established for himself in a particular trade or business. The action is regarded as an action for deceit. The tort of passing-off involves a misrepresentation made by a trader to his prospective customers calculated to injure, as a reasonably foreseeable consequence, the business or goodwill of another which actually or probably, causes damages to the business or good of the other trader. Speaking of the legal clarification of this form of action, Lord Diplock said.

"Unfair trading as a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law, Conspiracy to injure a person in his trade or business is one, slander of goods another, but most protean is that which is generally and nowadays, perhaps misleadingly, described as "passing-Off". The form that unfair trading takes will alter with the ways in which trade is carried on and business reputation and goodwill acquired. Emerson's maker of the better mousetrap of secluded in his house built in the woods would today be unlikely to find a path beaten to his door in the absence of a costly advertising campaign to acquaint the public with the excellence of his wares."

17. Antox says that it is free from the inhibitions of the terms of that agreement dated March 28, 1986 on the ground that agreement is itself void for all purposes and, therefore, do not attach to or diminish the quality of its user, though commenced under that agreement. Antox says its user is referable to the Drug Controller's licence. But even assuming that the terms of the agreement dated

March 28, 1986 are not to be put into the scales to determine the title to and character of the user by Antox, two crucial positions still stare Antox in the face.

18. The first is that the Drug Controller's licence claimed by Antox as the source of its right to the user of the trademark, itself expressly stipulates that the goods to be manufactured pursuant to the said licence shall be goods under the registered trademark of Wander Ltd. The effect of this on the quality of the user has not been examined by the appellate bench.

19. Secondly, even if a prior registration of a trademark is not necessarily evidence of prior user as contended by Sri Rao, Antox cannot, prima facie, explain how in a passing-off action its user subsequent to June 1986 would prevail over the prima facie finding that Wander Ltd. was manufacturing Calcium Gluconate tablets under the trademark "Cal-De-Ce" at its own factory in Bombay from August 1983 to June 1986. The appellate bench does not dislodge this finding nor does it recognise the crucial effect of prior use by the defendant on the plaintiff's case in a passing-off action. It appears to us that it was not an appropriate case where the appellate bench could have interfered with the discretion exercised by the learned Single Judge.

20. We, accordingly, allow these appeals, set aside order dated January 19, 1990 of the Division Bench insofar as it pertains to Civil Suit No, 1220 of 1988 and restore the order dated March 2, 1989 made by the learned Single Judge on Applications Nos. 4941 and 4942 of 1988. Since we are examining the matter at an interlocutory stage, none of the observations contained in this order shall affect the final decision of the suit on the merits after evidence

21. The order of the appellate bench is common to the present suit as well as certain other proceedings between Antox on the one hand and certain other parties on the other. This judgment and the observations therein are confined to the facts Civil Suit No. 1220 of 1988. The correctness of the appellate order in respect of other cases is not the subject matter of these appeals and that, therefore, whatever we have said shall not prejudice the parties in those other proceedings.

22. Having regard to the nature of the controversy, it will be appropriate for the High Court do dispose of the suit expeditiously and we request the High Court to dispose of the suit within six months from today.

23. In the circumstances of this case, there will be no orders as to costs in these appeals.

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