

SUPREME COURT OF INDIA

Uniply Industries Ltd.

Vs.

Unicorn Plywood Pvt. Ltd.

C.A.No.3415-3420 of 2001

(S. Rajendra Babu and K.G. Balakrishnan JJ.)

01.05.2001

JUDGMENT

Rajendra Babu, J.:

1. Leave granted.

2. A suit was filed by the appellant in C.S.No.705/99 stating that it carries on business in all kinds of Quality Plywood, Laminates, Block Boards of various types by claiming that it was established in the year 1996; that it has been pioneer in marketing international standard plywood in innovative ways; that it is the sole selling agent and has distributorship and selling agency from various foreign dealers; that it has associates and business partners all over the world; that the said goods are sold with the trade marks UNIPLY, UNIBOARD, and UNIWUD and so on the basis of which, it claims to have acquired a very high reputation amongst the Plywood and Wood Product Traders, Architects, Interior Decorators, Carpenters and users of plywood, boards and laminates; that it pays a very high tax both on the sale tax side and on the income tax side; that it has the registered office at Tamil Nadu and branch offices at Kerala, Karnataka and Andhra Pradesh and has distributors and agents in Maharashtra, Gujarat, Delhi and Calcutta. The appellant claims to be the proprietor of the trade marks UNIPLY and UNIBOARD and has extensively advertised the same in various media. In July 1999 the appellant came to know that the respondents have copied the trade marks UNIPLY and UNIBOARD and have been selling and distributing the same in the city of Chennai and claimed for grant of an injunction with an application for temporary injunction. The trial court granted an ex parte temporary injunction by order made on September 10, 1999.

3. The respondents also filed a suit in C.S. No. 804 of 1999 against the appellant claiming that they are the manufacturers of plywood and also selling the same with the trade marks UNIPLY UNIBOARD and UNIDOOR; that it has been registered as a small scale industry in the year 1993; that advertisements had been made in 1993 containing the above trade marks in newspapers and souvenirs or dairies; that they have been continuously using the trade marks from September 14, 1993; and that the appellant is making use of the trade mark

used by the respondents. However, no temporary injunction was granted in favour of the respondents. Thereafter in the suit of the appellant an order was made on November 2, 1999 in the following terms:-

4. The records filed by the plaintiff (appellant) indicate that they were using the trade marks Uniply and Uniboard anterior in point of time. Although the Defendants (respondents) had filed records to show that there was inauguration and incorporation of the Company as early as 1993, no record filed to show that it was manufactured since 1993. As adverted to, the invoices and bills produced by the Defendants (respondents) only carried the name as Commercial Plywoods and the brand name has not been furnished. On the other hand, the invoices and bills produced on the side of the Plaintiff (appellant), in most of the documents the brand name finds a place. The first Defendant (respondent) has obtained excise registration only in 1997 and the trade mark application filed by him is only with reference to class 20. On the other hand, the trade mark application filed by the plaintiff (appellant) dated 14.1.96 and it relates to the goods covered under Class 19. The Plaintiff (appellant) had also filed the turnover of the business for number of years and the plaintiff (appellant) has contributed Rs. 282.53 lakhs towards sales tax and also Rs. 58.85 lakhs towards income tax. I am of the view that the Defendants (respondents) have not made a case to suspend the Order of interim injunction already granted to the plaintiff (appellant) on 10.9.99. The balance of convenience is also only in favour of the Plaintiff (appellant) and, hence, there is no valid reason to suspend the said Order.

5. However, by an order made on November 29, 1999, the trial court took the view that the respondents have established their factory since 1993-94 and have been using their stickers since 1994 and up to date they have been using the trade marks by roller printing/screen printing on the board itself and it cannot be removed. While the appellant had only affixed stickers UNIPLY, UNIBOARD in the plywood; thus, there is a strong circumstance to show that even prior to the use by the appellant, the respondents have been using the trade marks in question. The trial court held that there is prima facie material to come to the conclusion that the respondents alone had been using these trade marks since 1993 and the appellant had entered into trade only from 1996. On that basis, it held that the appellant has no prima facie case and balance of convenience is not in their favour, while the respondents alone have a prima facie case and also the balance of convenience is in their favour. On appeal against this order, the Division Bench of the High Court held that the material placed before them established that the respondents have been manufacturing the products at least from the beginning of 1994. On the question of carrying on business in the State of Kerala it was noticed that in two Malayalam daily newspapers and in two souvenirs or brochures, advertisements have been made in the years 1993 and 1995 and the appellant had not placed any material to show that in spite of the fact that such advertisements had been made in those respective years the said trade marks had not been used till the appellant started using the same. The High Court also relied upon certain invoices and declarations filed before the excise authorities and certain letters from dealers. The High Court held that the advertisement of the respondents was only in relation to furniture and it could not be said that the trade mark was being used by the appellant in relation to plywood, boards, etc. and accepted the finding recorded by the trial court on the question of prior user and held that

prima facie case has been established to show that the respondents had made prior use of the trade marks in question.

6. In attacking the decisions of the High Court both on the original side and the appellate side, the learned Senior Advocate for the appellant, submitted that principles laid down by this Court in *Cadila Health Care Ltd. v. Cadila Pharmaceuticals Ltd.*¹, have been ignored. Apart from giving a finding on the prima facie case, no findings have been given on balance of convenience or on question of irreparable hardship if interim injunction is not granted. He adverted to several decisions to pinpoint the distinction between action in a claim of passing off and infringement of a right arising on registration of a trade mark under the statute. He emphasised that valid cause for passing off action is misrepresentation made by a trader in the course of business to customers which is calculated to injure and cause actual damage to a business or goodwill of the trader by whom the action is brought. He elaborated that the material available to the court did not establish the gist of the action for passing off. The principle of prior user is wrongly applied.

7. The learned Senior Advocate for the respondents controverted these contentions advanced on behalf of the appellant by stating that the two courts have concurrently held in favour of the respondents and the same should not be disturbed. The respondents having advertised their goods with trade mark in question since 1993 and produced invoices for the period 14.12.1993 to 17.8.1999 it is clear that ample material was placed before the court to establish the claim of prima facie case of entitlement to trade mark and infringement of the same would definitely damage his reputation in business and that the rule of prior user applied in this case is justified.

8. Considering the nature of pleadings in the two suits filed by the parties, it is clear that there is common field of activity between two parties in respect of goods and trade marks sought to be used by either are identical. Hence the decision in *Cadilas* case [supra] and of similar context may not be of much use in this case. Inasmuch the areas of activity and the nature of goods dealt with or business carried on being identical, and the trade marks being of similar nature the only question that needs to be decided is as to who is the prior user. In deciding this question, the High Court relied upon : (1) advertisement made by the respondents, (2) invoices, and (3) letters of dealers.

9. It is no doubt true that advertisement of goods had been made by the respondents in 1993 itself. Whether that was followed up by goods being dealt with the trade mark in question is not clear as is to be seen by the following discussion.

10. So far as the invoices are concerned, it is not very clear from the same that they were in relation to goods containing the trade marks in question because there is no mention of any particular trade mark in the same and may be they pertain to such goods, but this is a fact which is yet to be established by placing proper material before the court. So far as the declarations made before the excise authorities are concerned, the High Court itself found the material to be dubious. The letters issued by the dealers are both in favour of the appellant and the respondents. In this state of materials the courts below should have been wary and

cautious in granting an injunction which would affect the trade and business of another person using an identical trade mark. Both the appellant and the respondents have applied for registration of their respective trade marks before the Registrar under the *Trade and Merchandise Marks Act, 1958* and the respective rights of the parties will have to be investigated by the Registrar and appropriate registration granted to either of them or both of them, as the case may be, bearing in mind the provisions of Section 12(3) of the Trade and Merchandise Marks Act, 1958. There are many precedents to the effect that for inherently distinctive marks ownership is governed by the priority of use of such marks. The first user in the sale of goods or service is the owner and senior user. These marks are given legal protection against infringement immediately upon adoption and use in trade if two companies make use of the same trade mark and the gist of passing off in relation to goodwill and reputation to goods.

11. Some courts indicate that even prior small sales of goods with the mark are sufficient to establish priority. The test being to determine continuous prior user and the volume of sale or the degree of familiarity of the public with the mark. Bona fide test of marketing, promotional gifts and experimental sales in small volume may be sufficient to establish a continuous prior use of the mark. But on some other occasions courts have classified small sales volume as so small and inconsequential for priority purposes. Therefore, these facts will have to be thrashed out at the trial and at the stage of grant of temporary injunction a strong prima facie case will have to be established. It has also to be borne in mind whether the appellant had also honestly and concurrently used the trade marks or there are other special circumstances arising in the matter. The courts below have merely looked at what the prima case is and tried to decide the matter without considering the various other aspects arising in the matter. Therefore, we think, the appropriate order to be made is that injunction either in the favour of the appellant or against them or vice-versa is not appropriate and the proceedings in the suit shall be conducted as expeditiously as possible or the Registrar under the Trade and Merchandise Marks Act, 1958 may decide the matter which may govern the rights of the parties.

12. The order made by the High Court shall stand set aside and it is made clear that there shall be no order of temporary injunction in favour of either party.

The appeals are disposed of accordingly. No costs.

¹*JT 2001 (4) SC 243*