

# **SUPREME COURT OF INDIA**

Dhariwal Industries Limited

Vs

M.S.S. Food Products

Civil Appeal 1407 of 2005

(B.P.Singh and P.K.Balasubramanyan)

25/02/2005

## **JUDGMENT**

**P. K. BALASUBRAMANYAN,J.**

1. The defendants in Civil Suit No. 8A of 2004 on the file of the District Court of Mandaleshwar are the appellants. That suit was filed by the respondent herein for a declaration that the defendants do not have any right to sell Pan Masala, Gutkha, Supari and Supari Mix or any other goods under the trade mark 'Manikchand' which is deceptively similar to the mark 'Malikchand' used by the plaintiff, for a perpetual injunction restraining the defendants from dealing in or selling the above articles under the name brand 'Manikchand' and to confiscate and destroy the above goods in the custody of the defendants and for other consequential reliefs. The plaintiff also filed I.A. No. 2 of 2004 under Order XXXIX Rules 1 and 2 of the Code of Civil Procedure, 1908 (for short the "C.P.C") seeking an interim injunction pending suit, restraining the defendants from selling the products referred to above under the name 'Manikchand'. The trial court passed an ad-interim order of injunction as sought for by the plaintiff. The defendants appeared and filed their objections. They also filed an application, I.A. No. 5/2004, under Order XXXIX Rule 4 of the C.P.C. seeking to get vacated the ad-interim injunction granted by the trial court. Various documents were produced by the parties and the genuineness and validity of the documents produced, were mutually challenged. The trial court, by order dated 6.4.2004, held that the plaintiff has made out a prima facie case for an interim injunction and that the balance of convenience was in favour of the grant of an interim injunction as sought for by the plaintiff. Thus, the trial court confirmed the ad-interim order of injunction granted by it earlier and allowed I.A. No. 2/2004 and dismissed I.A. No. 5 of 2004. The defendants filed an appeal before the High Court of Madhya Pradesh under Order XLIII Rule 1(r) of the C.P.C. The

High Court, on a consideration of the arguments raised before it, came to the conclusion that the order passed by the trial court could not be said to be incorrect, arbitrary or perverse, justifying interference with the discretion exercised by the trial court to grant the interim injunction. The High Court, thus, dismissed the appeal; but it directed the trial court to conclude the trial of the suit expeditiously, and finally dispose it of, preferably within a period of six months from the date of receipt of the copy of the order which was passed on 11.5.2004. The defendants have challenged this order before this Court in this appeal.

2. It is seen from the pleadings, the other materials produced, the orders passed and the arguments raised before us, that this is a passing off action. The case of the plaintiff is that the plaintiff and its predecessors were using the mark 'Malikchand' in its packets containing Pan Masala, Supari, Gutkha and Supari Mix kept for sale. Its plea is that the defendants are seen to be marketing the same products under the name 'Manikchand'. The products are marketed in pouches that are deceptively similar to the ones used by the plaintiff and this misleads the customers seeking to purchase the products of the plaintiff. The plaintiff along with its predecessors, being the prior users of the mark 'Malikchand', the plaintiff is entitled to prevent the defendant from marketing their products under the name 'Manikchand'. Since the action of the defendant would lead to the plaintiff suffering irreparable injury and incurring monetary loss and loss of reputation as the products marketed by the defendants were of sub-standard quality as could be seen from various prosecutions launched against the defendants under the Prevention of Food Adulteration Act, the balance of convenience was in favour of the grant of an injunction in its favour. The defendants challenged the claim of the plaintiff of prior user. The defendants also questioned the three unregistered assignments relied on by the plaintiff, the basis on which the right to use the mark 'Malikchand' is claimed by the plaintiff and also the claim of the plaintiff that the mark 'Malikchand' was being used from the year 1960 or so as claimed by it. It is also contended by the defendants that the defendants market quality products, under the label 'Manikchand' and their products had gained great reputation in the market. The defendants were paying huge amounts by way of tax and excise duty. The defendants had been marketing the goods for a considerable time and the plaintiff as a rival trader would have been aware of that fact and the approach of the plaintiff to the court was highly belated and an order of injunction pending suit was neither warranted nor justified. The application for interim injunction was liable to be dismissed. The defendants were prepared to maintain correct accounts of their sales pending final disposal of the suit. The suit itself was a counter blast to the suit filed by the defendants on the original side of the High Court of Bombay, inter alia, seeking a permanent injunction against the present plaintiff from using the trade mark 'Malikchand' which was deceptively similar to the mark 'Manikchand' used by the defendants. The suit was filed without bona fides and the forum for action was chosen without bona fides. The suit itself lacked merit.

3. It is seen that at the relevant time, neither party had a registered trade mark for the respective marks claimed by them, though it appears that both of them have subsequently applied in that behalf and their applications are pending.

4. The trial court held that the plaintiff has prima facie established prior user of the mark 'Malikchand' by itself and its predecessors. It observed that the question whether the assignments relied on from its predecessors by the plaintiff were genuine and are proved to be genuine was a question that could be decided at the trial and at this prima facie stage there was no reason to discard those documents. The documents relied on by the plaintiff, prima facie showed prior user. After

referring to some of the decisions brought to its notice, it held that the plaintiff has established a prima facie case for interim injunction. It was further found by that court that the balance of convenience was in favour of the grant of interim injunction in favour of the plaintiff restraining the defendants from using the mark 'Manikchand' till the final disposal of the suit. On appeal by the defendants, the appellate court reconsidered the relevant aspects in the light of the arguments addressed before it and came to the conclusion that the trial court was justified in granting an order of injunction and the grant of interim injunction by the trial court could not be said to be in exercise of discretion which was either arbitrary or perverse. The appellate court observed that the trial court at this stage was not wrong in coming prima facie to the conclusion that the prior user of the mark was by the predecessors of the plaintiff and the plaintiff. Regarding the argument based on delay and laches and acquiescence, the appellate court took the view that the present action was triggered off by the filing of a suit by the defendants in the High Court of Bombay seeking to restrain the user of the mark "Malikehand" by the plaintiff and under the circumstances the claim for interim injunction could not be rejected on the ground of delay and laches when both sides seemed to agree that the marks were similar. The appellate court also took note of the number of prosecutions initiated against the defendants under the Prevention of Food Adulteration Act in respect of Pan Masala and Gutkha sold under the name 'Manikchand' and indicated that the plaintiff would be seriously prejudiced and its reputation affected, if the defendants are allowed to carry on their trade in these products under the name 'Manikchand'. Thus, finding no reason to interfere with the grant of interim injunction by the trial court, the lower appellate court dismissed the appeal filed by the defendants, but directed the trial court to try and dispose of the suit within a period of six months from the date of receipt of a copy of its order.

5. Before proceeding to consider the appeal, we may observe that in this appeal, various documents, not produced before the trial court or before the lower appellate court, have been produced and elaborate arguments addressed based on those documents. The present proceeding is an appeal by special leave against an order passed by the High Court in an appeal under Order XLIII Rule 1(r) of the C.P.C. and normally the appeal here must be considered based on the material that was produced before the trial court or before the appellate court in terms of the permission granted by that court under Order XLI Rule 27 of the C.P.C. At this interlocutory stage it would not be proper for this Court to enter into an adjudication based on the various documents produced before this Court, which are not of undoubted authenticity and the genuineness, acceptability and value of which are mutually questioned. Generally, the arguments based on genuineness, admissibility and so on, are ones to be raised at the trial, though no doubt they could be raised at the interlocutory stage in respect of a prima facie case or in opposition thereto. In other words, we think that it will be proper to confine ourselves to the materials available before the trial court and those made available before the lower appellate court with the permission of that court while considering this interlocutory appeal.

6. Section 27 of The Trade Marks Act, 1999 provides that nothing in that Act shall be deemed to affect the right of action against any person for passing off goods or services as the goods of another person or as services by another person or the remedies in respect thereof. Therefore, the fact that neither party has a registered trade mark as on the date of the suit cannot stand in the way of entertaining the claim of the plaintiff and granting the plaintiff an injunction in case the plaintiff is in a position to show prima facie that it was the prior user of its mark, that it had prima facie case and that the balance of convenience was in favour of the grant of an interim injunction. It is provided in Section 39 of the Act that an unregistered trademark may be assigned or transmitted

with or without goodwill of the business concerned. It is, therefore, possible for a plaintiff or a defendant to show that an unregistered trade mark that was being used by another person earlier had been assigned to it and that it can tack on the prior user of its predecessor.

7. At the threshold, learned senior counsel appearing for the respondent the plaintiff, submitted that the trial court and the appellate court had considered the relevant aspects from the proper perspective and have exercised their discretion to grant an order or interim injunction and normally this Court exercising jurisdiction under Article 136 of the Constitution of India should not interfere with it and interference generally should be confined to cases where an order has been passed which can be termed either perverse or grossly unjust. Counsel submitted that in the case on hand, it could not be said that the order of injunction passed was perverse or was so unreasonable, that no court trained in law could have passed it. He submitted that a correct approach had been made by the courts below and in the situation obtaining, the direction given by the appellate court to the trial court to try and dispose of the suit itself within a period of six months, would suffice to protect the interests of the defendants-appellants and interference by this Court would not be justified. Learned counsel for the appellants, on the other hand, contended that the order of interim injunction was granted without proper application of mind to the relevant aspects arising for consideration and the order could be termed perverse so as to enable this Court to correct the same in exercise of its jurisdiction under Article 136 of the Constitution of India. Counsel further submitted that the irreparable injury that would be caused to the defendants has been ignored by the courts below clearly justifying interference by this Court. We think that there cannot be any absolute rule regarding interference or non-interference by this Court with an order on an application for interim injunction. But certainly these arguments addressed on behalf of the rival contenders have to be kept in mind while this Court considers whether this is a fit case for interference in an appeal of this nature. Suffice it to indicate that while considering all the relevant aspects this would also be an aspect to be borne in mind by this Court. At the same time, this Court must guard against finally pronouncing on any aspect, lest it prejudices a fair trial of the issues involved in the suit.

8. The principles governing the grant of interim injunction are well settled and do not require to be repeated. The interim injunction has been granted in favour of the plaintiff in this case mainly on the finding that there was prior user of the mark "Malikchand", if not by the plaintiff, by his assignors and the use of the mai'k "Manikchand" by the defendants in respect of Pan Masala and Gutakha and Supari commenced only at a later point of time. This prima facie finding of prior user was arrived at by the trial court relying on the deeds of assignments produced by the plaintiff and some documents and affidavits produced in support of its claim. Some inconsistencies in the claim of the defendants were also referred to. The High Court, in appeal, appreciated that the main contention on behalf of the defendants regarding prior user claimed by the plaintiff was based on a challenge to the assignments relied on by the plaintiff and the documents filed in support. The High Court noticed that the plea was that the entire series of documents were forged or manufactured for the purpose of litigation and hence were not reliable. The High Court felt that a wholesale condemnation of the documents produced by the plaintiff as forged or got up, could not be made at this interlocutory stage and this question seriously raised on behalf of the defendants has to be decided only at the trial. In other words, the High Court took the view that at this stage there was no reason for it to discard the various documents relied on by the plaintiff to establish prior user, first by its predecessors and then by itself, on the ground that they were not genuine.

9. Before us also, learned counsel for the defendants made a strenuous attempt to argue that the documents were forged or manufactured and they could not be relied on. In fact, considerable time was taken up by the appellants in challenging the genuineness of the documents and the respondents in supporting the genuineness of the documents. We are inclined to agree with the High Court that it is not possible for this Court to decide at this stage, even prima facie, whether these documents have been got up or manufactured for the purpose of this litigation. Prima facie, it appears to us that at least one of the prior documents relied on by the plaintiff was allegedly seized during an income tax raid sometime in the year 2001 and prima facie a document is produced in support of acknowledgement of such seizure. The other assignments are challenged essentially on the ground of discrepancy in the alleged sale of stamp paper by a licensed stamp vendor, the date of execution and the question whether the alleged stamp vendor had a valid license on the relevant date, to sell those stamp papers. These aspects, we also feel, have to be decided at the trial and it will be premature to take a view on the contentions thus raised by the defendants. The said approach adopted by the trial court and the first appellate court, in the circumstances, cannot be said to be perverse or so unreasonable as to warrant correction by this Court, considering that this Court is sitting in appeal by special leave, at an interlocutory stage. Suffice it to say, prima facie on the materials produced, it could not be said that the trial court and the High Court committed such an error in prima facie accepting the case of prior user of the mark "Malikchand" set up in the plaint so as to warrant interference by this Court.

10. As has been noticed already, the prima facie establishment of prior user goes a long way in enabling the plaintiff to claim an injunction in a passing-off action. In that context, learned counsel for the defendants raised certain aspects for consideration. He submitted that the plaintiff has not come to court with clean hands and has, in fact, come to court with a false case of date of knowledge of the user of the mark "Manikchand" by the defendants and this fact has been found by the High Court itself. He further submitted that once the story of the plaintiff that he came to know of the user of the mark by the defendants only the previous day to the filing of the suit was discarded, obviously, it was a case where the plaintiff had not come to court promptly to object to the user of the mark by the defendants and this delay and laches, disentitle the plaintiff to an injunction. Counsel submitted that the High Court has not properly appreciated the effect of its own finding on the question of delay and the finding on the arising of the cause of action as set up by the plaintiff, on the bona fides of the claim for injunction itself. Counsel submitted that the defendants had been using the mark "Manikchand" for quite some time; that it has attained popularity; that the mark was being widely used and advertised and there was no reason to interfere, with an interim injunction, preventing such use by the defendants. Counsel in this context also submitted that the present suit was really a counter-blast to the action initiated by the defendants in the High Court of Bombay seeking to restrain the plaintiff from using the mark "Malikchand", being deceptively similar to the mark "Manikchand" being used by the defendants. In answer, learned counsel for the plaintiff submitted that the filing of the suit by the present defendant in the High Court of Bombay, though not against the real owner of the mark, created apprehension in the mind of the plaintiff about the user of its mark "Malikchand" and that resulted in the filing of the suit by the plaintiff in the trial court. It was submitted that there was no proper plea of delay and laches either in the objection to the application for injunction or in the petition filed under Order XXXIX Rule 4 of the C.P.C. so as to warrant denial of injunction on the ground of delay and laches by this Court. It was submitted that even in the written submissions filed, a case of delay and laches had not been set out and in any event, there was no adequate plea of delay and laches based on which the plaintiff could be denied relief. It was submitted that the defendants may be having a large volume of trade, but

that does not mean that the big fish should be allowed to swallow the small fish in circumstances like the present. While considering the balance of convenience, the question of delay and laches might be a relevant aspect to be considered, but once that aspect has been adverted to and an interim injunction granted by the trial court and confirmed by the High Court in appeal, this Court may not be justified in refusing the grant of interim injunction on the ground of delay and laches. In any event, this was a case where both sides were trying to assert their respective rights and the litigations were the result of such attempts. The High Court had adverted to this aspect while confirming the order of injunction. We see no reason to interfere on this ground at this prima facie stage.

11. Prima facie, it appears to us that the mark "Malikchand" was being used, though not much publicized by the original user, leading to the alleged acquisition of the right to use the mark by the plaintiff. The defendants appear to have started the use of the mark "Manikchand" in a large scale at a subsequent point of time. As noticed by the High Court, both sides had used their respective marks for some time. The litigation arose when the defendants herein approached the High Court of Bombay seeking to prevent the use of the mark "Malikchand" by suing what they thought was the proprietor of the business. It was then that the present plaintiff came forward with the suit seeking an injunction against the user of the mark "Manikchand" by the defendants. To some extent it may be possible to conceive that the present suit by the plaintiff was a counter-blast to the suit filed by the defendants in the High Court of Bombay; but at the same time, the point made by the High Court that the plaintiff probably was apprehensive of its mark being annihilated, had approached the trial court for relief based on its prior user of the mark. It was in this context that the High Court took the view that the application for interim injunction could not be rejected on the ground of delay and laches. We also feel, that we cannot completely brush aside the argument of counsel for the plaintiff, that the case of delay and laches has not been properly projected on behalf of the defendants in their pleadings either in the trial court or in the appellate court, though no doubt that aspect has been projected seriously before us by learned counsel for the defendants and to some extent is covered by the pleadings in the written statement.

12. It is one thing to say that this Court, if it were exercising its original jurisdiction, might have refused an interim injunction on the ground that the plaintiff was not prompt in approaching the court for relief or that having allowed the defendants to use the mark for some time, no occasion had arisen for preventing the user by the defendants by way of an interlocutory injunction. But this Court is not exercising its original jurisdiction and is, in fact, exercising only the jurisdiction under Article 136 of the Constitution of India in a case where both the trial court and the appellate court have granted the injunction, considering the circumstances available in the case. In such a situation, the question is whether this Court ought to interfere with the grant of interim injunction on the ground of delay and laches, as canvassed for by counsel for the defendants. It appears to us that it may not be proper for this Court, in an appeal of this nature and on the facts of this case to interfere with the discretion exercised by the trial court and the appellate court in that behalf on this ground. The argument in that behalf raised on behalf of the defendants is left open for decision in the suit itself. Learned counsel for the defendants then contended that this was not a case where the balance of convenience was in favour of the grant of an interim injunction and that this was a case where the defendants could be called upon to maintain separate accounts in respect of their transactions of sale regarding the products in question so as to protect the plaintiff, if ultimately the plaintiff succeeds. Counsel contended that the defendants had offered to maintain proper accounts in the trial court and in the High Court and those courts should have accepted the said submission and refused the injunction. Learned counsel for the plaintiff, on the other hand, submitted that the interim injunction

granted has been in force from 16.3.2004 and the defendants had, pursuant to the injunction, changed the format of their wrapper and were continuing to sell their products under the brand "R.M.D." and there was no reason to interfere with the orders, by directing the defendants at this stage to maintain separate accounts of their sales of the products in question and on that basis dissolving the injunction. Counsel also pointed out that the High Court had directed that the suit be tried and disposed of within a period of six months from the date of receipt of a copy of the order of the High Court and interests of justice would be met by the said direction being complied with by the trial court. In fact, counsel pointed out that the suit should have been tried and disposed of by the trial court by this time and the said court had made some progress, and in such a situation, it was not just and proper to accede to the submission of the defendants that they be permitted to keep separate accounts of the sales of their products under the name of "Manikchand" and on that basis, vacate the interim order of injunction. Now that the trial court had granted the interim injunction which had been affirmed by the High Court and the same had been in force for at least seven months or more, we do not think that it will be appropriate to modify the order by permitting the defendants to keep separate accounts of their sale of these products especially since the products are being marketed under a different name, subsequent to the order of injunction passed by the trial court.

13. In the broader context of this case, we cannot also ignore what has been noticed by the High Court in its order. The High Court has noticed that a number of cases under the Prevention of Food Adulteration Act have been registered against the defendants on the basis of alleged adulteration of the products marketed by the defendants. Even otherwise it is stated, that Gutakha and Pan Masala that are marketed are harmful to health. If they are harmful as claimed, what would be the consequence, when they are adulterated, is an aspect that requires anxious consideration by the authorities concerned. The State cannot ignore the mandate of Article 47 of the Constitution. Any way, that aspect is referred to us only for the purpose of reinforcing the conclusion that ultimately, in the exercise of discretion by this Court, it may not be necessary to interfere with the order of interim a injunction granted by the courts below.

14. Thus, on the whole, we are satisfied that the courts below cannot be said to have erred in thinking that the balance of convenience was in favour of the grant of interim injunction in favour of the plaintiff. In any event, we are satisfied that a case for interference under Article 136 of the Constitution of India is not made out in this case. We, therefore, decline to interfere with the order of the High Court and, dismiss this appeal. We direct the trial court to comply with the direction of the High Court and complete the trial and disposal of the suit, in any event, within a period of six months from this date.

J