

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Judgment reserved on: 31.10.2013

% **Judgment delivered on: 10.03.2014**

+ **CS(OS) 1723/2010 and I.A. 11288/2010**

PHILIP MORRIS PRODUCTS S.A & ANR

..... Plaintiffs

Through: Mr. Nishchal Anand, Advocate.

versus

SAMEER & ORS

..... Defendants

Through: None.

CORAM:

HON'BLE MR. JUSTICE VIPIN SANGHI

J U D G M E N T

VIPIN SANGHI, J.

1. This suit, to claim permanent injunction against infringement of trademarks & passing off, delivery up, damages etc against the defendants, claiming infringement of plaintiffs' trademarks MARLBORO and the ROOF Device (hereinafter referred to as suit trademarks), was originally filed by Philip Morris Products S.A. (hereinafter referred to as the original plaintiff no.1) and Philip Morris Services India S.A., plaintiff no.2 herein.

2. Original Plaintiff no.1, Philip Morris Products S.A., is a company duly organised and existing under the laws of Switzerland having its principal place of business in Switzerland. Plaintiff no. 2, Philip Morris

Services India S.A., is an affiliate of original plaintiff no.1, having its registered office in New Delhi.

3. The plaintiffs claim that their affiliates around the world, collectively referred to as 'PMI', constitute a leading international tobacco company, with their products being sold in approximately 160 countries and at present, producing 7 of the top 20 bestselling global cigarette brands. They have 60 cigarette plants across the world and employ around eighty thousand people. Amongst the international brands of cigarettes manufactured by PMI, the bestselling brand of cigarette is MARLBORO.

4. The Plaintiffs claim that since 1924 PMI and its predecessors have been manufacturing and selling cigarettes bearing the trademark MARLBORO. In 1955, the MARLBORO Roof Design label mark (the "Roof Device") was adopted and thereafter, a redesigned MARLBORO brand of cigarettes bearing the Roof Device was introduced in the United States in 1955. It is claimed that since 1957, the plaintiffs have been selling cigarette packs bearing the suit trademarks internationally and have expanded at a steady rate over the years. By virtue of extensive use and publicity, the MARLBORO brand of cigarettes with the ROOF Device has acquired immense global goodwill and reputation over the past decades. Further, it is claimed that MARLBORO is the top selling cigarette brand in the world; that it was ranked No. 17 in the list of "Best Global Brands" released by Interbrand in 2009, with a brand value estimated at approximately U.S. \$19 billion; and also that it was included in the top 10 brands in the report on "Most valuable Global brands, 2009" issued by BrandzTop.

5. Original plaintiff no.1 claimed to be the proprietor of the trademark MARLBORO in India in class 34 under Trademark Registration no. 390938 (Registration date: 21 October 1955), at the time of filing of the present suit. Original plaintiff no.1 also claimed that it held a number of valid & subsisting registrations for trademarks which incorporated its registered trademark MARLBORO. Following are the details thereof:

No.	Trademark	Reg. No.	Class	Reg. Date
1.	MARLBORO	390938	34	24 th April, 1951
2.	MARLBORO	390940	34	6 th October, 1956
3.	MARLBORO(LABEL)	375001	34	22 nd April, 1981
4.	MARLBORO(LABEL)	198954	34	9 th November, 1960
5.	MARLBORO LIGHTS	374853	34	18 th April, 1981

6. It is submitted that the above trademarks were registered in favour of affiliates such as Philip Morris Incorporated and Philip Morris Products Incorporated, which were then assigned to original plaintiff no.1.

7. It is claimed that Plaintiff no.2 had entered the Indian market in 2003. The plaintiffs, citing the sales figures of their cigarettes for the Indian market for the period of 2003-2008, claim that they had rapidly gained a

share in the cigarette market of the country, selling cigarettes to the tune of 120 million cigarettes in the year 2008. Therefore, by virtue of continuous and extensive use and its association with the quality products provided by PMI, including the plaintiffs, the suit trademarks command a well known reputation and goodwill in India.

8. Plaintiffs claim that apart from statutory rights, they also have also acquired common law rights in the suit trademarks. The goodwill in these trademarks is associated exclusively with the PMI, including the plaintiffs and the suit trademarks, as such, serve as source identifiers for PMI's goods in the minds of the adult consuming public.

9. The plaintiffs submit that sometime in May 2010, it came to their knowledge that various retailers, in the Fort & Colaba area of Mumbai, were indulging in the sale, stocking & distribution of counterfeit as well as grey market versions of Plaintiffs' products (collectively referred to as 'infringing products' by the plaintiffs), both of which, according to the plaintiffs, are unauthorised and violative of the intellectual property rights of the plaintiffs. To ascertain the truth, services of an independent investigation agency known as M/s Secure Marc were hired the PMI. Consequently, two rounds of purchases were made on 01.06.2010 and 08.07.2010, whereby a total of 23 samples were purchased from 19 retailers. The said samples were then technically analysed. Examination of the first batch of 20 samples, including the samples purchased from defendant nos.2-5, revealed that they were grey market products which were not meant for sale in India. With regard to the second batch of 3 samples, extensive technical analysis revealed that 2 of the samples, as were purchased from defendant no.1, were counterfeit versions

of the plaintiffs' product. The plaintiffs claim that the defendants are retailers, wholesalers and distributors, collaboratively and actively, engaged in sale & distribution of infringing products involving plaintiffs' trade name and trademarks, which according to the plaintiffs, are obtained by them from common sources. Consequently, the plaintiffs instituted the present suit against the defendants, seeking the following substantive reliefs:

“(i) An order for permanent injunction restraining the Defendants, whether acting by themselves or through their partners or proprietor, as the case may be, their officers, servants, agents and representatives, or any of them, from in any manner using, by way of packing, manufacture, sale, distribution, the Plaintiffs’ trademark MARLBORO and/ or ROOFTOP Device or any mark/s similar thereto so as to amount to infringement of Plaintiff’s trademark registrations referred above;

(ii) An order for permanent injunction restraining the Defendants, whether acting by themselves or through their partners or proprietor, as the case may be, their officers, servants, agents and representatives, or any of them, from in any manner using, by way of manufacture, sale, distribution and/or advertisement, the Plaintiffs’ trademark/ packaging or any other mark/ packaging deceptively similar thereto in respect of cigarettes from doing any other thin as is likely to lead to passing off of their business and goods as and for those of the Plaintiffs;

(iii) An order for rendition of accounts of profits earned by the Defendants by the sale of the impugned goods under the impugned trademark and packaging;

(iv) A decree and order for Rs.20,00,000/- to be paid as damages to the Plaintiffs by the Defendants. The Hon'ble Court may also be pleased to award punitive, exemplary and or additional damages including interest upon all sums found due upon taking such inquiry and or account together with interest thereon at such rate and for such period as this Hon'ble Court deems fit under the facts and circumstances of the case;

(v) An order for the delivery-up of all impugned materials of the Defendants, including the products bearing the impugned mark, brochures, container boxes, labels and stationary or any other material of the Defendants containing the infringed trademarks of the Plaintiffs;”

10. When the suit came up for admission before this court on 27.08.2010, summons was issued to the defendants. In I.A. nos. 11288/10, preferred under Order 39 Rule 1 & 2 by the plaintiffs, this court, vide order dated. 27.08.2010, granted ad-interim *ex parte* order of injunction against the defendants, thereby restraining them from selling, exhibiting or offering for sale any article containing “MARLBORO” or any other mark deceptively similar to it. On the same day, disposing of I.A. no. 11289/2010, under Order 26 Rule 9 & 10 and Order 39 Rule 7, two local commissioners were appointed to visit the premises of the defendants and seize the infringing goods, if any, found therefrom: Ms. Purbali Bora with respect to the premises of defendant no. 1&2 and Ms. Nidhi Bisaria with respect to the premises of defendant no. 3-5. The commissions were duly executed in terms of the aforesaid order and the respective reports were filed in the court, which are discussed in the latter part of the judgment.

11. Evidently, defendant no. 1 and 3-5 were served/had refused service but despite service, they did not appear on any date fixed in the matter and consequently, vide Order dated 05.04.2011, the suit was proceeded *ex parte* against them. However, since defendant no.2 could not be served as he had left the given address, fresh summons were issued against him. By order dated 05.04.2011, interim injunction granted against the defendants on 27.08.2010 was extended till further orders. Substituted service of defendant no.2. was effected. He did not appear even thereafter. Consequently, the suit was proceeded *ex parte* against him, vide Order dated 06.08.2013, and the matter was fixed for ex-parte evidence of the plaintiff. This court, vide order dated 05.04.2013, had asked the plaintiffs to file an additional affidavit to show, how the defendants could possibly be aware that the goods sold by them were counterfeit. The plaintiffs filed an affidavit to this effect on 06.07.2013.

12. Thereafter, the plaintiffs moved I.A. no. 16004/2013, under Order 8 Rule 10, for passing of an *ex parte* decree. Plaintiffs have placed reliance on orders passed by this Court (i.e. Order dated 09.05.2013 in CS (OS) no. 57/2013 & dated 13.09.2013 in CS (OS) no. 2717/2011) whereby, similar applications had been allowed. Considering the said orders and the fact that the plaint is supported by the affidavit of the duly constituted attorney of plaintiffs namely Col. J.K. Sharma, and that none of the defendants had filed written statement, the application was allowed vide Order dated 31.10.2013. Arguments were heard *ex parte* and judgement reserved.

13. During the pendency of the judgment, plaintiffs filed I.A. no. 2384/2014 under order 22 rule 10 read with section 151 of C.P.C., 1908 to

bring on record the assignment of the suit trademarks during the pendency of the suit, in favour of the assignee Philip Morris Brands Sarl, a company duly organised and existing under the laws of Switzerland having its registered office at Sarl, Switzerland. The application was accompanied by the affidavit of the constituted attorney of the plaintiff companies. The plaintiffs placed on record the supporting documents to show the assignment, as claimed to have been made. The power of attorney executed by Philip Morris Brands Sarl in favour of Col. J.K. Sharma, the constituted attorney of the plaintiffs was also placed on record. After perusing the documents on record, which are discussed in the subsequent paragraphs of the judgement, the application was allowed vide order dated 05.02.2014. Therefore, the memo of parties was amended to change the name of plaintiff no.1 from Philip Morris Products S.A. to Philip Morris Brands sarl- the current proprietor of the suit trademarks.

14. The submission of the plaintiffs is that the investigation and technical analysis by an expert, as discussed above, reveals that the impugned products bearing the suit trademarks, purchased from the defendants were counterfeit or contrabands. Thus, the defendants are infringing Plaintiffs' statutory rights recognized under the Trademarks Act, 1999 (hereinafter referred to as the Act), as well as their common law rights by passing off their goods as that of the plaintiffs.

15. The Plaintiffs submit that the infringing products sold by the defendants incorporate all the visual elements of plaintiffs' cigarette packets, bearing the suit trademarks. The plaintiffs claim that the infringing products

so sold are of an inferior quality, materially altered in terms of packing, and thereby, dilute the brand equity of the plaintiff's trademarks.

16. The plaintiffs submit that some of the products as sold by the defendants are grey market products. According to them, these grey market versions of cigarettes are neither intended to be sold in India, nor are the defendants authorized to sell these cigarettes manufactured by the plaintiffs. They violate several packaging and regulatory laws of the country. Plaintiffs submit that said goods are being sold in violation of Sections 8 & 9 of the Cigarette and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade & Commerce, Production, supply and Distribution) Act, 2003 read with the relevant provisions of the Cigarette and Other Tobacco Products (Packaging and Labelling) Rules, 2008. Further, the said Cigarettes were also bereft of the proper packaging and labelling prescribed under the Legal Metrology Act, 2009 for the import, sale, distribution and advertising of any product. The said cigarettes contain incorrect Maximum Retail Price labels, and incorrect languages which are not recognised in India. Such sales are in violation of Section 36 of the Legal Metrology Act, 2009 read with Rule 6 of the Legal Metrology (Packaged Commodities) Rules, 2011. Therefore, the plaintiffs submit that even though the smuggled cigarettes may be fit for sale in the country of origin, the same constitute infringing goods in India, as the same differ in packaging, quality, the prescribed tar content, warning labels etc from the genuine products sold in India. In this context, counsel of the plaintiffs has relied upon the case of *Societe Des Produits Nestle SA v. Casa Helvetia, Inc.* , 982 F.2d 633 where the US Federal Court held that "*an unauthorized importation may well turn*

an otherwise "genuine" product into a "counterfeit"". He submits that section 29(1) of the Act does not distinguish between unauthorised sale of genuine or counterfeit goods, but merely states that any unauthorised use of a registered trademark itself will amount to infringement. Hence, import & sale in India, of the said unfit & impaired goods, bearing the suit trademarks, which are in gross violation of the laws of the land and without plaintiffs' authorization, would amount to infringement under Section 29(1) read with section 29(6) of the Act.

17. The Plaintiffs aver that defendants, using the suit trademarks without original plaintiff no. 1's consent (the registered proprietor of the suit trademarks at the time of filing of the suit), are wrongfully benefitting from the goodwill created by the plaintiffs in the suit trademarks; are passing off the business & goods of the defendants' as those of the plaintiffs', and are deceiving the adult consumers by selling either low quality fake products under the garb of the plaintiffs' well known trademarks, or products not intended for domestic sale. Also, the defendants are causing huge loss to the national exchequer by illegally importing the grey market versions and by evading the legitimate sales tax and customs duties on the same. They submit that such infringing activities are commonly known to be linked with terrorism & mafia. Plaintiffs have placed on record Newspaper reports and a study titled 'Counterfeiting, Piracy, & smuggling- growing threat to national security', and relied upon the same.

18. The plaintiffs submit that defendants have no justification for the use of the suit trademarks, except to make unlawful profits and thereby

depriving the plaintiffs of their marketing efforts (where lawful) & causing huge losses to the plaintiffs, as well as to authorized channels of trade.

19. It is further submitted that the defendants are not the manufacturers of the counterfeit cigarettes, but due to the clandestine manner in which the entire operation is carried out in cases like the present one, it is difficult to ascertain the actual perpetrators who cause the actual manufacture of these products. However, the defendants, being the retailers, wholesalers & distributors of such counterfeit and smuggled cigarettes, play an important role in the entire operation, because they are the actual point of sale of the impugned cigarettes to the consumer. Therefore, they ought to be stopped through legal actions, as the present one. It is for the said reason that the present action has been initiated against the defendants, and not against the manufacturers. In this context, the counsel has referred to the case of ***Ardath Tobacco Company & Ors. v. Munna Bhai***, 2009(39) PTC 208 (Del), wherein this Court, dealing with a similar situation, had taken note of the fact that the defendants therein were "*merely stockists or vendors of the cigarettes and not manufacturers thereof. It is the case of the plaintiffs that the said cigarettes are manufactured in Myanmar and are smuggled to India through the border in violation of other laws. It is for this reason that the plaintiffs are able to only prohibit their sale in India by the vendors/stockist such as the defendants but not in a position to act against the manufacturers.*"

20. The counsel further submits that the retailers (such as the defendants) are aware of the differences between the counterfeit and the genuine cigarettes, and usually sell counterfeit cigarettes to earn a higher profit

margin. The goodwill and reputation of the 'Marlboro' brand in India helps such retailers to dupe customers into buying the said counterfeit or contraband cigarettes.

21. Learned counsel for the plaintiff places reliance on the decision in *Disney Enterprises Inc. Vs. Mr. Rajesh Bharti & Ors., 2013 (54) PTC372 (Del.)* and the judgments referred to therein, where Courts have granted both exemplary & punitive damages in ex-parte matters of similar nature.

22. Some of the relevant documents placed on record and relied upon by the plaintiffs are: (a) The certificate of registration of the trademark MARLBORO; (b) The recording of assignment of trademark MARLBORO in favour of the original plaintiff no.1; (c) The recording of assignment of trademark MARLBORO in favour of the substituted plaintiff no.1; (d) Affidavits of the independent investigator, Mr. Lakhn Kashinath Dutt, engaged by the plaintiffs and the technical expert, Ms. Adilah Mohd. Yasin, who had analysed the impugned cigarette packs; (e) Original products/packs of the plaintiffs; (f) Documents to show the media coverage of their products and the promotional activities undertaken by the plaintiffs (prior to the ban on print & outdoor advertising w.e.f May 1, 2004) not only in India, but also in the neighbouring countries.

23. I have perused the material on record. Since no written statements have been filed on behalf of the defendants, there is no reason, not to accept the averments of the plaintiffs, and the documents filed by them to the extent that they are uncontroverted.

24. The plaintiffs have placed on record the letter dated 12.12.2008 from the office of the trade Mark Registry, Kolkata, conveying to the original plaintiff no.1 that its request in form TM-16, TM-19, TM-20, TM-23, TM-24, TM-33, TM-34, TM-35, TM-36, TM-38, TM-50 dated 16.04.2001, had been allowed in respect of suit trademarks. Also placed on record is the letter dated 12.12.2008 from the office of the trade Mark Registry, Kolkata, allowing the request made by original plaintiff no.1 for change of address of the proprietor. This shows that, at the time of filing of the suit, original plaintiff no.1 was the proprietor of the suit trademarks by virtue of an assignment in its favour. Plaintiffs have also placed on record Letter dated 05.04.2013 from the office of the trade Mark Registry, Mumbai, conveying to plaintiff no.1's attorney, that plaintiff no.1's request in form TM-24 dated 30.11.2011 had been allowed in respect of suit trademarks, which is supported by online information on the registration status of the said trademarks. Thus, in view of the assignment of the said trademarks in favour of plaintiff no. 1, statutory as well as common law rights in the suit trademarks now vest in the present plaintiffs.

25. The plaintiffs have filed the copies of publications in various magazines, the photographs of displays (outdoor hoardings/banners) and other promotional material (posters, buntings, jumbo packs etc) issued by the plaintiffs, advertising/promoting plaintiffs' products under the suit trademarks. Thus, the Plaintiffs appear to have made substantial investments in advertisement and promotion (where lawful) of its products, bearing the suit trademarks. The plaintiffs have demonstrated considerable popularity & demand of its products and significant sales turn over. This is evident from

the sales figures of the plaintiffs' cigarettes for the Indian market, indicating sales to the tune of 98.9 million cigarettes in the year 2006, 123.5 million in 2007 and 120 million in 2008.

26. Before proceeding further, I would like to refer to the findings of the two local commissioners appointed by this court. As per the report of Miss Nidhi Bisaria, directed to visit the premises of defendant nos. 3-5, she had visited the said premises on 08.09.10, accompanied by advocates for the plaintiffs and technical expert of the plaintiffs. On visit to defendant no.5's shop (Abhishek Pan Shop), she checked not only the material available for sale in the shop, but also at a spot in a nearby building where to-be-sold items from the shop were kept by defendant no.5. Nothing incriminating or infringing was found at either of the locations. Also, despite a thorough checking of the shop of defendant no. 3(Ramakrishna Mandal), no infringing material whatsoever was found therein. On search of defendant no.4's shop (Mogambo Pan shop), 4 packs of impugned cigarettes were found which were confirmed to be counterfeits by the technical expert. However, name of the supplier was not known. On the very same day, the other local commissioner, Miss Purbali Bora, had visited the premises of defendant nos.1&2 along with advocates for the plaintiffs and technical expert of the plaintiffs. As per her report, infringing goods (11 packs) were found from the defendant no.2's shop (Prem Beedi Shop), which were confirmed to be counterfeits by the technical expert. Defendant no.2 claimed them to be a gift from a friend. Infringing material was also found at the two shops (near Food Inn restaurant), supposedly owned by defendant no.1. At one spot, impugned packs were found in the shop, while at the other

location, they were retrieved from a locked trunk. The impugned material (7 cartons) was confirmed to be counterfeit version of plaintiffs' products. The manager of the shops, present at the spot, stated that owner of the shops was a person named Rajesh Chaurasia, and the packets in question had been given by some foreign tourists. The seized goods of the defendants were released on superdari. Pertinently, all the said premises visited by the local commissioners are roadside tobacco stalls/small temporary structures and no books of accounts, ledgers, cash register, stock register, invoices book etc were found.

27. In view of the report of the local commissioner, Miss Nidhi Bisaria, I am not inclined to proceed against defendant nos. 3&5 as nothing incriminating was recovered from them upon the local commissioner's visit. As far as defendant no.1, 2 & 4 are concerned, I proceed to discuss the reports of the said investigator and the technical expert.

28. The investigator, Mr. Lakhn Kashinath Dutt has annexed to his affidavit a detailed description of the said sample purchases made by him. The purchases made from defendant nos. 2&4 (in the first round of purchase) are exhibits no. 11&13 respectively in annexure A. The purchases made from defendant no.1 (in the second round of purchase) are exhibit no. 2 in annexure B. With respect to the samples purchased from defendant nos. 2&4, perusal of the affidavit of the expert, Ms. Adilah Mohd. Yasin, reveals that all these packs are the genuine Philip Morris products, manufactured in different countries but meant for sale either outside India, or only in Duty Free market in India.

29. Looking at the said exhibits, it is discernible that, in comparison to the original products of plaintiffs meant for sale in India, these impugned packs do not strictly conform to the requirements and standards of the aforementioned Indian laws cited by the plaintiffs in terms of health warning, MRP labelling, origin/importer details, language etc. For instance, on the original pack of the plaintiffs' product, the statutory health warning consists of a pictorial depiction of human lungs along with the messages reading: 'smoking kills', 'tobacco causes cancer'. On the other hand, impugned pack (exhibit no.11 (b)) consists of a warning –'Cigarettes damage your physical fitness', without any pictorial depiction.

30. With regard to the samples purchased from defendant no. 1's shops, i.e. exhibit no. 19(a)& (b), based on the following observations, she has deposed that the impugned products are neither produced by Philip Morris Incorporated & its affiliates, nor produced with their authorization:

i. Tear tape on each sample pack is inconsistent with the tear tape used by PMI for production of the genuine packs.

ii. The sample packs are hand packed and glued, whereas the genuine packs of PMI are packed with high speed packaging machines.

iii. The samples lack the adhesive dry patch area on the tipping paper, whereas the tipping paper used by PMI for production of genuine cigarettes bears an adhesive dry patch area.

31. Therefore, from the reports of the local commissioners and the aforesaid affidavits, it appears that defendant nos. 1,2 &4 were selling counterfeit/grey market versions of plaintiffs' products. Defendant nos. 1, 2 or 4 have not come forward to defend the version of the plaintiffs.

32. The affidavit filed by the counsel of the plaintiffs, pursuant to this Court's order dated 05.04. 2013, shows that the retailers selling cigarettes, such as the said defendants, are normally aware that the goods sold by them are counterfeit and can spot the difference between a genuine and a counterfeit cigarette. Counterfeits are not only cheap but inferior in terms of the quality of the paper & the tobacco.

33. Section 29 in The Trade Marks Act, 1999, insofar as it is relevant, reads as follows:

“29. Infringement of registered trademarks.-

(1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark.

*(2)*****

*(3)*****

*(4)*****

*(5)*****

(6) For the purposes of this section, a person uses a registered mark, if, in particular, he-

(a) affixes it to goods or the packaging thereof;

(b) offers or exposes goods for sale, puts them on the market, or stocks them for those purposes under the registered trade mark, or offers or supplies services under the registered trade mark;

(c) imports or exports goods under the mark; or

(d) uses the registered trade mark on business papers or in advertising.

*(7)*****

*(8)****”*

34. Counterfeits, which are not the genuine products manufactured by the plaintiffs/affiliates, but are sold by the said defendants under the suit trademarks as plaintiffs' original products, indeed infringe plaintiffs' rights in the suit trademarks under section 29 of the Act. They are selling the impugned cigarettes, bearing the suit trademarks, to the patrons of the plaintiffs' brand of cigarettes, who buy these cigarettes in question from their stalls believing them to be the genuine 'Marlboro' cigarettes, i.e. the product of the plaintiffs. Thus, the counterfeit products of the said defendants are being passed off as the cigarettes of the plaintiffs.

35. Coming to the aspect of grey market goods/parallel imports, at the very outset, it is expedient to reproduce the relevant part of Section 30 of the Act, which reads as follows:

“30.Limits on effect of registered trade mark.-

*(1)*****

*(2)*****

(3) Where the goods bearing a registered trade mark are lawfully acquired by a person, the sale of the goods in the market or otherwise dealing in those goods by that person or by a person claiming under or through him is not infringement of a trade by reason only of-

(a) the registered trade mark having been assigned by the registered proprietor to some other person, after the acquisition of those goods; or

(b) the goods having been put on the market under the registered trade mark by the proprietor or with his consent.

(4) Sub- section (3) shall not apply where there exists legitimate reasons for the proprietor to oppose further dealings in the goods in particular, where the condition of the goods, has been changed or impaired after they have been put on the market.”

36. A Division Bench of this Court in FAO(OS) 93/2012, ***Kapil Wadhwa & Ors. Vs. Samsung Electronics Co. Ltd & Anr***, 194 (2012) DLT 2, dealt with a case, wherein, a suit for permanent injunction against the infringement of registered trademark of the plaintiffs, i.e. 'SAMSUNG', was instituted against the defendants who were allegedly purchasing, from the foreign market, printers manufactured and sold by the plaintiffs under the said mark, and after importing the same into India, were selling them in the Indian market under the said trademark. The defendants, relying on the principle of International exhaustion, contended that the impugned import & subsequent sale in India was legal, as they were selling the genuine, unaltered, original Samsung printers, acquired by them from legitimate channels. After a detailed discussion of the law with respect to parallel imports , the learned single judge held that India followed the principle of national exhaustion as opposed to international exhaustion, thereby excluding imports from the purview of section 30(3) and thus, granted interim injunction restraining the defendants from importing, exporting and

dealing in printers and their ink cartridges/toners bearing the trademark SAMSUNG. However, in appeal, the Division bench, interpreting section 29 and 30, particularly sec 30(3)(b), held that India followed the principle of international exhaustion, and vacated the interim injunction against the impugned import & sale by the defendants/appellants.

37. The Division Bench concurred with the learned single judge to the extent that in the context of Section 29, even import of 'genuine goods' under a trade mark which is registered in India, and proprietorship whereof vests in some third party in relation to the description of the goods would constitute an act of infringement. It agreed with the learned single judge that section 30 places limits on the effects of registration of a trade mark and shall be a good defence to an action for infringement, and also, that section 30(3) encompasses further exceptions to the rule of infringement provided in Section 29. But, it disagreed with the learned single judge on the narrow interpretation placed on section 30(3), which had led the learned single judge to hold that India follows the principle of national exhaustion.

38. The Division Bench observed that the learned single judge had erroneously read 'lawfully acquired' in section 30(3) so as to assume that only acquisition with the consent of the proprietor of trademark is lawful acquisition, and it has to originate from the domestic market itself where the trademark is registered. The Division Bench, inter-alia, held that "*There is no law which stipulates that goods sold under a trade mark can be lawfully acquired only in the country where the trade mark is registered. In fact, the legal position is to the contrary. Lawful acquisition of goods would mean*

the lawful acquisition thereof as per the laws of that country pertaining to sale and purchase of goods. Trade Mark Law is not to regulate the sale and purchase of goods. It is to control the use of registered trademarks. Say for example, there is food scarcity in a country and the sale of wheat is banned except through a canalizing agency. Lawful acquisition of wheat in that country can only be through the canalizing agency." The Division bench did not concur with the conclusion of the learned single judge that section 30(3)(b) is applicable only when the goods put for sale by the registered proprietor in the market are lawfully acquired from the same(domestic) market and are further sold in the same(domestic) market. The Division bench, observed that 'the market' contemplated by Section 30(3) is the international market and not the domestic market. Further, the Division bench observed that under sec. 30(4), proprietor has a right to oppose the further dealing in the goods placed in the market under its trademark where legitimate reasons exist to oppose such dealings. The section embraces all legitimate reasons to oppose further dealings in the goods. It observed that "*changing condition or impairment is only a specie of the genus legitimate reasons, which genus embraces other species as well.*"

39. Rejecting the objections of the respondent/plaintiffs therein with respect to difference in physical conditions of the printers sold abroad as compared to the ones sold in India, Division bench observed that for the purpose of sec 30(4), it was irrelevant as long as the goods placed in the international market are not impaired or condition changed. However, it did find some merit in the objection with regard to after sales warranty, which

was overcome by prescribing directions for display of certain disclaimer with regard to the import of the said printers and after sale warranties.

40. In light of the legal position enunciated by the Division Bench in Kapil Wadhwa (supra), once the goods have been lawfully acquired i.e. purchased in accordance with the law of sale and purchase of goods, whether in India or any other country, the sale of such goods in India would not infringe the registered trademark in India. Therefore, importer of grey market goods/person representing him/subsequent purchaser would not be liable for infringement under section 29, if the imports/subsequent dealings fall under the purview of section 30(3). The importer/defendant has to prove that the impugned goods, bearing a particular trademark, were placed in any market worldwide by the registered proprietor of the said trademark or with its consent and thereafter, the defendant lawfully acquired them therefrom.

41. In the present case, unlike the Kapil Wadhwa case, plaintiffs are manufacturing the “Marlboro” cigarettes in India, which are sold by the authorised channels in the local Indian market. The impugned packs which the defendants are selling are not the ‘made in India’ cigarettes but are cigarettes made abroad which are earmarked for sale outside India or only in duty free Indian market. So, these are not the cigarettes meant for sale in the local Indian market. Nevertheless, if the impugned packs, which are genuine products of the plaintiffs meant for sale outside India/in duty free Indian market, have been lawfully acquired from the said market by a person and thereafter sold in the local market by him or others representing him or purchasing them from him, it would not amount to infringement of plaintiffs trademarks by virtue of section 30(3)(b) of the Act.

42. But in the present case, no defence has been raised by the defendants. There is no material whatsoever to indicate that the defendants acquired the impugned goods from the market through legitimate sources. Before the local commissioners, they had rather vaguely conceded that the impugned material possessed by them was from unknown supplier or a gift from a friend or given by foreign tourists. In any of these cases, the goods could have been, at best, used personally but not dealt with in the manner that the defendants did. Therefore, in the circumstances of the case, protection of section 30(3) is not available to the defendants because they have failed to show that the impugned cigarettes were lawfully acquired by them from the market. Having said that, there is no need to examine whether the objections raised by the plaintiffs with respect to difference in packaging, quality, prescribed tar content, warning labels etc constitute 'legitimate reasons' under sec 30(4) for opposing further dealing in plaintiffs' products. Thus, the sale of the impugned cigarettes by the said defendants amounts to infringement of plaintiffs' rights in the suit trademarks under section 29(1) read with 29(6) of the Act. Consequently, the plaintiffs are entitled to injunctive reliefs.

43. In **Disney Enterprises Inc. Vs. Mr. Rajesh Bharti & Ors.**, 2013 (54) PTC372 (Del.), dealing in detail with the aspect of damages in exparte matters & punitive damages, this Court had awarded to the plaintiff compensatory damages of Rs. 2,00,000/- and punitive damages of Rs. 3,00,000/-. The court was of the view that, in actions for infringement of trademarks, copyrights etc, courts should not only grant compensatory

damages but also award punitive damages, which have a deterrent effect not only on the defendant but also on others. It further observed that punitive damages can be granted by the court even in the *ex parte* matters, where exact damages cannot be assessed due to non-availability of sales figures of the defendants under the infringing trademark. The court observed that in cases of flagrant infringement, proof of actual benefit to the defendant or actual loss to the plaintiff is not necessary for the award of damages.

44. In *Ardath Tobacco Company & Ors. v. Munna Bhai*, 2009(39) PTC 208 (Del), the Court had found it to be a clear case of trademark infringement and passing off. Infringing goods were found in the premises of defendant nos. 1-3 therein, who were small panwalas. The court observed that the defendants being small vendors and not having contested the suit, the plaintiffs had fairly pressed for nominal damages. Court, granting permanent injunction against defendant nos. 1-3, had awarded punitive damages of 25,000/- against each of the said defendant. On the aspect of damages, present case stands on a similar footing as *Ardath Tobacco Company* (supra). The defendants in question are small/temporary roadside panshops without any books of accounts or godowns where huge quantities of infringing material could be stocked. In my view, interest of justice would be served in the present case by granting permanent injunction along with awarding nominal damages against the said defendants.

45. Accordingly the suit is decreed in favour of the plaintiffs and against defendant no. 1, 2 & 4 in terms of prayers (i), (ii), (iii) & (v) made therein. The plaintiffs are also entitled to the damages of Rs. 10,000 against

defendant no.1 and Rs. 5,000 against each of the other two defendants, in addition to the costs of the suit to be borne by the said defendants equally.

(VIPIN SANGHI)
JUDGE

MARCH 10, 2014