

Wockhardt Limited vs Torrent Pharmaceuticals Limited on 12 September, 2018

Equivalent citations: AIR 2018 SUPREME COURT 5106, 2019 (1) ABR 386, (2019) 193 ALLINDCAS 62 (SC), (2018) 14 SCALE 143, (2018) 4 RECCIVR 545, 2019 (135) ALR SOC 35 (SC), (2019) 193 ALLINDCAS 62, (2019) 1 ANDHLD 69, (2019) 1 CLR 331 (SC), AIR 2019 SC (CIV) 1853, AIRONLINE 2018 SC 769

Author: R.F. Nariman

Bench: Indu Malhotra, R.F. Nariman

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 9844 OF 2018
(Arising out of SLP (C) No. 9878/2018)

WOCKHARDT LIMITED

...APPELLANT

VERSUS

TORRENT PHARMACEUTICALS LTD.
AND ANR.

...RESPONDENT

JUDGMENT

R.F. Nariman, J.

1) Leave granted.

2) The present Appeal arises from a Suit that was filed based on both infringement and passing off. However, at the time of the argument on the interim injunction before the learned Single Judge, the arguments were confined to passing off only.

NATARAJAN Date: 2018.09.22 12:54:00 IST Reason:

3) The skeletal facts necessary to decide this Appeal are that the Plaintiff/Respondent has a trade mark called “CHYMORAL” and “CHYMORAL FORTE”, which is a drug

administered post-surgically for swellings that may arise and/or wounds that may arise. It is interesting to note that the expression “CHYMO” comes from the generic name of the drug which is CHYMOTRYPSIN-TRYPSIN. The learned Single Judge ultimately found, after a copious reference to the facts and case law, as follows:-

“45. In the present case, I am not satisfied that any of these tests are met. Reputation as to source is not sufficiently demonstrated. The rival products have long co-existed and I cannot and will not presume misrepresentation by Wockhardt as to source, even assuming there is similarity. There is no explanation at all for Torrent’s past conduct and the inaction with knowledge, or deemed knowledge, of Wockhardt’s trade mark registration application, its advertisement and subsequent registration, with not a single objection from Torrent or its predecessor-in-title. There is no answer about the caveats or about the co- existence of other players in the market. There is simply no misrepresentation shown as required by law, at this prima facie stage. There being no prima facie case made out, I cannot grant the injunction. The balance of convenience seems to me to favour entirely the Defendants; after all, to the Plaintiff’s knowledge, they have had their product in the market for a very long time, at the very least for five years, possibly more, and an injunction at this stage is far removed from the prima facie status quo that *Wander v Antox* tells us is the primary objective. There is no injury, let alone an irreparable one, to the Plaintiff that I can tell if an injunction is refused. It has not had one all this time while the Defendants’ business has grown into crores. To grant the injunction would be unfairly monopolistic.”

4) The Division Bench, in an order of reversal, ultimately found that each one of the triple tests for passing off had been made out on the facts, namely, the establishment of reputation, misrepresentation as understood in law and likelihood of injury or damage caused to the Plaintiff. On the first count, the Division Bench held that the Plaintiff had obtained the mark by way of assignment in the year 2014, from one Elder and Company, which, in turn, had obtained the said mark from one Armour Pharmaceutical Company. The user that is claimed on behalf of the Plaintiff is at least from the year 1988 as and when Elder Pharmaceuticals Ltd.

actually sold drugs under the two trade names as aforesaid. The Division Bench also referred to the Plaintiff which, in turn, referred to sales figures of Rs. 59 Crores and Rs. 95 Crores for the years 2014-15 and 2015-16 respectively. Having thus found, the Division Bench then went on to state that it is clear that reputation has been established. When it came to misrepresentation, the Division Bench found that confusion was likely to ensue despite the fact that the purchasers of the drug, which is a Schedule-H Drug, may be persons who are Doctors and other patients who are literate. It found that the substitution of the letter ‘T’ for the letter ‘O’ is the only difference between the two trade names, and therefore, found that, in law, since confusion on the ground of deceptive similarity would ensue, misrepresentation in law is also made out. On the third count, it said, undoubtedly, there would be likelihood of damage to the Plaintiff.

5) The Division Bench interfered with the conclusion of the learned Single Judge by ultimately finding that wrong tests had been applied in law as a result of which the judgment was “vitiated by errors of law apparent on the face of the record”. It further went on to hold as follows:-

“102. After referring to the order of the learned single Judge, in the backdrop of the settled principles, we are of the view that it is vitiated by errors of law apparent on the face of the record. The impugned order is, ex-facie, erroneous and illegal. It ignores admitted factual materials and settled tests while denying relief to the appellant-plaintiff. For these reasons, it is unsustainable and we have no alternative, but to quash and set aside the same. It is, accordingly, quashed and set aside.” It, therefore, upset the judgment of the learned Single Judge and granted the temporary injunction asked for. It went on to stay the order for a period of 12 weeks, which stay has been continued by this Court till date.

6) Mr. Guru Krishna Kumar, learned Senior Counsel appearing on behalf of the appellant, has vehemently contended that the Division Bench judgment should be set aside as it has disregarded this Court’s judgment in *Wander Limited And Another vs. Antox India P. Ltd.* 1990 (Supp) SCC 727, in particular, para 14 thereon, which reads as under:-

“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 Limited vs. Pothan Joseph*, 1963 SCR 713 at 721:

“... These principles are well established, but as has been observed by Viscount Simon in *Charles Osenton & Co. v. Jhanaton*, 1942 AC 130, ‘..... 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 established, and any difficulty that arises is due only to the application of well settled principles in an individual case.’ The appellate judgment does not seem to defer to this principle.” According to learned Senior Counsel, the Single Judge Bench

summation at para 45 could not have been interfered with by the Division Bench because the law had been looked at threadbare, and ultimately it was found that not only had none of the three tests being satisfied but that there was clearly a case of acquiescence made out, for which the Plaintiff has to be denied interim relief. He referred to several judgments to buttress his submissions.

7) On the other hand, Dr. A.M. Singhvi, learned Senior Counsel appearing on behalf of the respondents, has supported the judgment passed by the Division Bench, also, by copiously referring to various judgments and by stating that the Division Bench judgment, in fact, upset the learned Single Judge because of errors of law and, therefore, interfered on principle and not on fact. He was at pains to point out that reputation had been established by the sales figures from 1988 onwards; “misrepresentation” had been made out in the said sense understood in law, that is, that absence of an intention to deceive is not a defence in law, and that the defendant’s state of mind is wholly irrelevant to the existence of the cause of action in passing off. He stressed the fact that as reputation had been made out, and as the learned Single Judge himself had said that “confusion” had been made out, the learned Single Judge was wholly wrong in stating that a further requirement was necessary, namely, fraud or deceit. On the third aspect, it was also pointed out that it is obvious that there would be likelihood of damage to the Plaintiff. Assuming that there was no damage caused to the general public, because the drug being sold unlike in *Cadila Health Care Ltd. vs. Cadila Pharmaceuticals Ltd.* (2001) 5 SCC 73 consisted of the same formulation, yet this would not deny them the right to interim relief, and that is only a further factor that needs to be taken into account, also to combat the plea of acquiescence.

8) Having heard learned Senior Counsel for some time, we may point out that the learned Single Judge, after referring to the case law, pointed out in para 27 as follows:- “I think I must accept Mr. Dwarkadas’s submission that confusion may be assumed, but not deceit or deception.”. In para 45, the learned Single Judge went on to state that he would not presume misrepresentation by Wockhardt as to source, even assuming there is similarity.

9) We may indicate, at this juncture, that insofar as the second test is concerned, this Court has in a plethora of judgments held that though passing off is, in essence, an action based on deceit, fraud is not a necessary element of a right of action, and that the defendant’s state of mind is wholly irrelevant to the existence of a cause of action for passing off, if otherwise the defendant has imitated or adopted the Plaintiff’s mark. We need only state the law from one of our judgments, namely, in *Laxmikant V. Patel vs. Chetanbhai Shah and Another*, (2002) 3 SCC 65, which reads as under:-

“13 In an action for passing-off it is usual, rather essential, to seek an injunction, temporary or ad- interim. The principles for the grant of such injunction are the same as in the case of any other action against injury complained of. The plaintiff must

prove a prima facie case, availability of balance of convenience in his favour and his suffering an irreparable injury in the absence of grant of injunction. According to Kerly (ibid, para 16.16) passing-off cases are often cases of deliberate and intentional misrepresentation, but it is well-settled that fraud is not a necessary element of the right of action, and the absence of an intention to deceive is not a defence, though proof of fraudulent intention may materially assist a plaintiff in establishing probability of deception. Christopher Wadlow in Law of Passing-Off (1995 Edition, at p.3.06) states that the plaintiff does not have to prove actual damage in order to succeed in an action for passing-off.

Likelihood of damage is sufficient. The same learned author states that the defendant's state of mind is wholly irrelevant to the existence of the cause of action for passing-off (ibid, paras 4.20 and 7.15). As to how the injunction granted by the Court would shape depends on the facts and circumstances of each case. Where a defendant has imitated or adopted the plaintiff's distinctive trade mark or business name, the order may be an absolute injunction that he would not use or carry on business under that name. (Kerly, ibid, para 16.97)." This judgment has been followed in S. Syed Mohideen vs. P. Sulochana Bai, (2016) 2 SCC 683 at 699-700. Also, in Satyam Infoway Ltd. vs. Sifynet Solutions Pvt. Ltd., (2004) 6 SCC 145, this Court held:-

"14 The second element that must be established by a plaintiff in a passing-off action is misrepresentation by the defendant to the public. The word misrepresentation does not mean that the plaintiff has to prove any mala fide intention on the part of the defendant. Of course, if the misrepresentation is intentional, it might lead to an inference that the reputation of the plaintiff is such that it is worth the defendant's while to cash in on it. An innocent misrepresentation would be relevant only on the question of the ultimate relief which would be granted to the plaintiff [Cadbury Schweppes v. Pub Squash, 1981 RPC 429 : (1981) 1 AllER 213 : (1981) 1 WLR 193 (PC); Erven Warnink v. Townend, 1980 RPC 31 :

(1979) 2 AllER 927 : 1979 AC 731 (HL)]....."

10) The Division Bench essentially interfered with the judgment of the learned Single Judge on this score and also found that the learned Single Judge was incorrect in stating that "reputation as to source is not sufficiently demonstrated".

It found that reputation was established from the sales figures, and the fact that the Plaintiff was clearly a prior user would make it clear that the first pre-requisite for the action in passing off was made out. Where the Division Bench and the learned Single Judge really locked horns was on the point of acquiescence. The learned Single Judge found that not only was there a lying by for a long period, but that there was positive action on the part of the Plaintiff in leading the defendant to believe that he could build up his business, at which point the Plaintiff swooped in to interdict and throttle that business as it was rising just as sales were rising. On this count, the Division Bench

interfered with the learned Single Judge as follows:-

“89. The learned Judge then attributes acquiescence to the plaintiff. The plaintiff's predecessor in title did not object to the trademark registration application. It allowed others to do so and it is the plaintiff's failure to bring a suit on service of a caveat. Thus, there is no objection from the plaintiff. It only means that the plaintiff kept quiet when the application for registration was made by the defendant. They failed to object to the advertisement of the defendant's application or when the defendant brought its project in market. They did not object to other entities introducing their products in the market either. This is enough to assume acquiescence. We do not think this to be the position on facts and in law. A plea of acquiescence to be raised in defence so as to succeed ought to be supported by weighty materials to that effect. Since the learned single Judge has referred to the judgment of the Hon'ble Supreme Court in the case of M/s Power Control Appliances and Ors. vs. Sumeet Machines Pvt. Ltd., (1994) 2 SCC 448, we would refer to it in some details. Paras 4, 5, 7, 11, 12, 13, 14, 15 and 16 of this judgment were heavily relied upon by Mr. Tulzapurkar. In that, the facts and the submissions are summarised. Then, in para 20, the argument of the respondents before the Hon'ble Supreme Court was set out. In paras 27, 28, 29 and 30, the English judgments were noted and up to para 31.

Thereafter, the decisions rendered by our Hon'ble Supreme Court and other courts have been noted.

90. We are in agreement with Mr. Tulzapurkar that even at this prima facie stage, there is no positive act which can be attributed to the plaintiff so as to deny the relief. There is no acquiescence which can be culled out. Beyond referring to some general principles, we do not find any material placed before the learned single Judge from which an inference of acquiescence can be drawn. Mr. Dwarkadas has, on this point, relied upon certain judgments and even in the written submissions, there is reference to general principles. All that the first defendant says is as under:-

“(ii) The defence of the acquiescence is available to Respondent No. 1 since the plaintiff was aware of its right and the defendant was ignorant of its own right and despite the same, the plaintiff assents to or lays by in relation to the acts of the defendant and in view of the same, it would be unjust in all circumstances to grant the relief of injunction to the plaintiff. It is submitted that the requirements stand duly fulfilled and on the above set of facts where from 2009/11, the Appellant/its predecessors are duly aware of Respondent No. 1's trademark; the use of Respondent No. 1's mark openly and on an extensive scale; and at no point for over 7 years did the appellant or its predecessors contest the same. On the contrary, the appellant's 2014 acquisition of the trademark is with full notice of the adoption and use and registration of Respondent No. 1's trademark. As such, the principles of acquiescence and waiver apply with full vigour.

(iii) Acquiescence is a species of estoppel and therefore both a rule of evidence and a rule in equity. It is an estoppel in pais: a party is prevented by his own conduct from enforcing a right to the detriment of another who justifiably acted on such conduct.

(iv) The 'positive act' as referred to in the decision of the Hon'ble Apex Court in M/s Power Control Appliances and Ors. vs. Sumeet Machines Pvt.

Ltd. reported in (1994) 2 SCC 448 (relied upon by the appellant) cannot mean that the plaintiff 'green lighting' the defendant's action only to later complain of it. The 'positive act' is the 'sitting by' or 'laying by' i.e., not mere silence or inaction but a refusal or failure to act despite knowledge of invasion and opportunity to stop it. In the present case, from 2009, the appellant and/or its predecessors have been at notice of Respondent No. 1's adoption, use and registration of its trademark and against that there has been a complete failure to register any protest or objection. In 2014, the appellant acquired the trademark with full notice of Respondent No. 1's registration and use of the trademark "CHYMTRAL". This qualifies for both acquiescence and estoppel defences."

91. Thus, the attempt is to equate delay with acquiescence and which is not correct. We do not think that because the appellants stepped in the year 2014 with notice of the first respondent's registration and use of the mark that means the appellant-plaintiff has acquiesced in the same. That is not a positive act and which is required to deny the relief on the ground of acquiescence."

11) We are of the view that this is not a case where Wander Ltd. (supra) has not been heeded. On the contrary, the Division Bench has interfered on a matter of principle, pointing out errors of law by the learned Single Judge. We may also point out one other significant fact that has occurred in the meanwhile. After 17.11.2017, despite the fact that the Division Bench of the High Court stayed its own order, which stay was continued by this Court till date, the Appellant has started to sell the same product under a new trade name, namely, 'Chymowok'. We have been shown sales figures in the last 10 months of sales made by the Appellant under this new trade name which amounts to a figure of Rs. 2.71 Crores from 17.12.2017 till 18.08.2018.

12) We may also state, that this trade name was registered in the name of the Appellant way back on 14.11.2009 with effect from a date in 2008, but had not been utilized till the Division Bench judgment was passed against the Appellant. We are also told that the remaining stock of material has been disposed of under the trade name "CHYMTRAL", and that material manufactured after the Division Bench judgment is not being sold under the said trade name despite the stay granted in favour of the Appellant. Seeing the sales figures of 'Chymowok' from December, 2017 till August, 2018 and the fact that the Appellant's sales under the "new" trade name are substantial, we do not think that we should exercise our discretionary jurisdiction under Article 136 of the Constitution of India in favour of the Appellant, seeing that the balance of convenience is well served by the judgment under appeal. The Appeal is, therefore, rejected.

.....J. (R.F. Nariman)J. (Indu Malhotra) New Delhi;

September 12, 2018.