

Laxmikant V.Patel vs Chetanbhat Shah & Anr on 4 December, 2001

Equivalent citations: AIR 2002 SUPREME COURT 275, 2002 (3) SCC 65, 2001 AIR SCW 4989, 2002 CLC 1 (SC), (2002) 2 BANKCAS 530, 2002 (2) ALL CJ 950, (2002) 1 ALLMR 673 (SC), (2002) 1 JCR 293 (SC), (2001) 107 COMCAS 130, (2001) 10 JT 285 (SC), 2001 (2) COPYTR 588, 2002 ALL CJ 2 950, 2002 (1) ALL MR 673, 2002 SCFBRC 138, 2002 (1) UJ (SC) 379, 2001 (8) SCALE 350, 2001 (10) JT 285, (2001) 8 SUPREME 558, (2001) 8 SCALE 350, (2002) 1 CURCC 28, (2001) 6 ANDH LT 16, (2002) 1 ARBILR 134, (2001) 2 ANDHWR 220, (2002) 2 GUJ LR 997, (2002) 3 PAT LJR 82, (2002) 1 RAJ LW 129, (2002) 1 SCJ 56, (2002) 1 ANDHLD 45, (2002) 2 RECCIVR 357, (2002) 1 UC 182, (2002) 2 JLJR 213, (2002) 2 GCD 1153 (SC), (2002) 46 ALL LR 324, (2002) 1 ALL RENTCAS 206, (2002) 1 BLJ 315, (2002) 110 COMCAS 518, (2002) 2 CURLJ(CCR) 17

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Bench: R.C. Lahoti, K.G. Balakrishnan

CASE NO.:

Appeal (civil) 8266-8267 of 2001

PETITIONER:

LAXMIKANT V.PATEL

Vs.

RESPONDENT:

CHETANBHAT SHAH & ANR.

DATE OF JUDGMENT: 04/12/2001

BENCH:

R.C. Lahoti & K.G. Balakrishnan

JUDGMENT:

R.C. Lahoti, J.

The plaintiff, feeling aggrieved by the orders of the learned Trial Judge and the High Court of Gujarat, refusing his prayer for the grant of ad-interim injunction has filed these special leave petitions.

Leave granted.

According to the plaintiff, he started the business of colour lab and studio in the year 1982 in Ahmedabad, in the name and style of Muktajivan Colour Lab and Studio and is using the name since 1982 openly, extensively and to the knowledge of everyone concerned. The high quality of services rendered by the plaintiff to his customers has earned a reputation and developed a goodwill associated with the trade name Muktajivan Colour Lab. In order to develop his business the plaintiff has promoted his wife Radhaben to open a new colour lab in the name and style of Muktajivan Colour Studio at two other localities of Ahmedabad one, at H.J. House, next to Maninagar, and two, at Nandanbaug Shopping Centre, Nava Vadaj. At the latter place the business is being run in the partnership of Radhaben, the wife of the plaintiff and her brother, Karsan Manji Bhutia. The plaintiff has expanded his business by incurring substantial expenditure on advertisement and by incorporating the word Muktajivan in all stationery materials, letter-heads, invoices, albums, hoardings, sign-boards etc. The defendant no.1 who was carrying on his similar business in the name and style of Gokul Studio is intending to commence business through his wife, the defendant no.2 by adopting the name and style of Muktajivan Colour Lab and Studio.

On 12.5.1997 the passing off action was initiated by the plaintiff by filing a suit in the District Court of Ahmedabad seeking issuance of permanent preventive injunction against the defendants restraining them from passing off their business, services and goods as of and for the business, services and goods of the plaintiff. An application seeking an ad-interim injunction, on identical facts, was also filed. On the same day the learned Trial Judge passed an ex-parte order of injunction directing the defendants to maintain status quo in respect of Muktajivan Colour Lab and Studio if the business is not yet started in the name and style of Muktajivan Colour Lab and Studio till the next date. The defendants made appearance and submitted that their business in the name of Muktajivan Colour Lab and Studio had started before the filing of the suit. It was further submitted that the plaintiff was earlier carrying on business in the name of M.J. and it was in the year 1995 that the plaintiff substituted Muktajivan in place of M.J. Secondly, the plaintiffs business name was QSS- Muktajivan Colour Lab since 1995 and therefore it was not correct that the plaintiffs trade name was Muktajivan Colour Lab since 1982 as alleged by him. It was admitted that the defendant no.1 was carrying on the business in the name of Gokul Studio but there was nothing wrong in the defendants starting or continuing their business in the name and style of Muktajivan Colour Lab which will not be identical with the business of the plaintiff and therefore would not amount to committing the wrong of passing off. It was also submitted that the locality where the defendants had started their business was away from the area where the plaintiff was carrying on his business and as the two localities were away from each other, the plaintiff could not have any cause of action.

Both the parties adduced evidence on affidavits. Substantial documents were filed enabling the Court forming an opinion on the issue relevant for decision at the stage of grant of temporary injunction. Vide order dated 9.9.1997 the Trial Court directed the application filed by the plaintiff to

be dismissed although the Trial Court had found that the plaintiff was carrying on his business in the trade name of Muktajivan Colour Lab since 1995 and the defendant who had recently adopted the word Muktajivan in his business name had so done on or about the date of the institution of the suit. The Trial Court observed that the defendants studios name was somewhat identical with the trade name of the plaintiff. In spite of these findings the learned Trial Judge refused the prayer for the grant of injunction mainly on the ground that although the businesses of the plaintiff and the defendants were situated in Ahmedabad but the business of the defendants was in the outer periphery of the city of Ahmedabad, at a distance of about 4 to 5 kms. from the place where the plaintiff was carrying on his business which was mainly in the city area, and therefore, a case for restraining the defendants from doing the business in the name and style of Muktajivan Colour Lab and Studio did not arise.

The plaintiff preferred an appeal in the High Court. The High Court dismissed the appeal mainly for two reasons. Firstly, the High Court held that the defendants business had already come into existence on the date of the institution of the suit and therefore could not be restrained by issuance of a preventive injunction. Secondly, the High Court opined that other than the plaintiffs own business of Muktajivan Colour Lab and Studio at Narangpura locality of Ahmedabad which was his sole proprietary business he had no such interest in the business run at H.J. House Maninagar and Nandanbaug Shopping Centre, Nava Vada localities which were partnership concerns wherein the plaintiff himself was not a party. The High Court went on to observe that there were no pleadings to suggest that the other two businesses using Muktajivan as part of their trade names were so using the name under the authority and licence of the plaintiff and therefore the plaintiff was not entitled to the grant of an injunction restraining only the defendant from using Muktajivan. The appeal was therefore directed to be dismissed. An interim order of injunction which was granted earlier by the High Court was also directed to be vacated.

Though there is overwhelming documentary evidence filed by the plaintiff in support of his plea that he has been carrying on his business in the name and style of Muktajivan Colour Lab since long we would, for the purpose of this appeal, proceed on the finding of fact arrived at by the Trial Court and not dislodged by the High Court, also not seriously disputed before this Court that the plaintiff has been doing so at least since 1995. Without entering into controversy whether the defendants had already started using the word Muktajivan as a part of their trade name on the date of the institution of the suit we would assume that such business of the defendants had come into existence on or a little before the institution of the suit as contended by the defendants. The principal issue determinative of the grant of temporary injunction would be whether the business of the plaintiff run in a trade name of which Muktajivan is a part had come into existence prior to commencement of its user by the defendants and whether it had acquired a goodwill creating a property in the plaintiff so as to restrain the use of word Muktajivan in the business name of a similar trade by a competitor, i.e., the defendants.

It is common in the trade and business for a trader or a businessman to adopt a name and/or mark under which he would carry on his trade or business. According to Kerly (Law of Trade Marks and Trade Names, Twelfth Edition, para 16.49), the name under which a business trades will almost always be a trade mark (or if the business provides services, a service mark, or both). Independently

of questions of trade or service mark, however, the name of a business (a trading business or any other) will normally have attached to it a goodwill that the courts will protect. An action for passing-off will then lie wherever the defendant company's name, or its intended name, is calculated to deceive, and so to divert business from the plaintiff, or to occasion a confusion between the two businesses. If this is not made out there is no case. The ground is not to be limited to the date of the proceedings; the court will have regard to the way in which the business may be carried on in the future, and to its not being carried on precisely as carried on at the date of the proceedings. Where there is probability of confusion in business, an injunction will be granted even though the defendant adopted the name innocently.

It will be useful to have a general view of certain statutory definitions as incorporated in the Trade Marks Act, 1999. The definition of trade mark is very wide and means, inter alia, a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others. Mark includes amongst other things name or word also. Name includes any abbreviation of a name.

A person may sell his goods or deliver his services such as in case of a profession under a trading name or style. With the lapse of time such business or services associated with a person acquire a reputation or goodwill which becomes a property which is protected by courts. A competitor initiating sale of goods or services in the same name or by imitating that name results in injury to the business of one who has the property in that name. The law does not permit any one to carry on his business in such a way as would persuade the customers or clients in believing that the goods or services belonging to someone else are his or are associated therewith. It does not matter whether the latter person does so fraudulently or otherwise. The reasons are two. Firstly, honesty and fair play are, and ought to be, the basic policies in the world of business. Secondly, when a person adopts or intends to adopt a name in connection with his business or services which already belongs to someone else it results in confusion and has propensity of diverting the customers and clients of someone else to himself and thereby resulting in injury.

Salmond & Heuston in Law of Torts (Twentieth Edition, at p.395) call this form of injury as injurious falsehood and observe the same having been awkwardly termed as passing off and state:-

The legal and economic basis of this tort is to provide protection for the right of property which exists not in a particular name, mark or style but in an established business, commercial or professional reputation or goodwill. So to sell merchandise or carry on business under such a name, mark, description, or otherwise in such a manner as to mislead the public into believing that the merchandise or business is that of another person is a wrong actionable at the suit of that other person. This form of injury is commonly, though awkwardly, termed that of passing off one's goods or business as the goods or business of another and is the most important example of the wrong of injurious falsehood. The gist of the conception of passing off is that the goods are in effect telling a falsehood about themselves, are saying something about themselves which is calculated to mislead. The law on this matter is designed to protect traders against that form of unfair competition which consists in acquiring for

oneself, by means of false or misleading devices, the benefit of the reputation already achieved by rival traders.

In *Oertli Vs. Bowman* (1957) RPC 388, (at page 397) the gist of passing off action was defined by stating that it was essential to the success of any claim to passing off based on the use of given mark or get-up that the plaintiff should be able to show that the disputed mark or get-up has become by user in the country distinctive of the plaintiffs goods so that the use in relation to any goods of the kind dealt in by the plaintiff of that mark or get up will be understood by the trade and the public in that country as meaning that the goods are the plaintiffs goods. It is in the nature of acquisition of a quasi-proprietary right to the exclusive use of the mark or get-up in relation to goods of that kind because of the plaintiff having used or made it known that the mark or get-up has relation to his goods. Such right is invaded by anyone using the same or some deceptively similar mark, get-up or name in relation to goods not of plaintiff. The three elements of passing off action are the reputation of goods, possibility of deception and likelihood of damages to the plaintiff. In our opinion, the same principle, which applies to trade mark, is applicable to trade name.

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 defendants 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 plaintiffs 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).

In the present case the plaintiff claims to have been running his business in the name and style of Muktajivan Colour Lab and Studio since 1982. He has produced material enabling a finding being arrived at in that regard. However, the trial court has found him using Muktajivan as part of his business name at least since 1995. The plaintiff is expanding his business and exploiting the reputation and goodwill associated with Muktajivan in the business of Colour Lab and Photo by expanding the business through his wife and brother-in-law. On or about the date of the institution of the suit the defendant was about to commence or had just commenced an identical business by

adopting word Muktajivan as a part of his business name although till then his business was being run in the name and style of Gokul Studio. The intention of the defendant to make use of business name of the plaintiff so as to divert his business or customers to himself is apparent. It is not the case of the defendant that he was not aware of the word Muktajivan being the property of the plaintiff or the plaintiff running his business in that name though such a plea could only have indicated the innocence of the defendant and yet no difference would have resulted in the matter of grant of relief to the plaintiff because the likelihood of injury to the plaintiff was writ large. It is difficult to subscribe to the logic adopted by the Trial Court, as also the High Court, behind reasoning that the defendants business was situated at a distance of 4 or 5 Kms. from the plaintiffs business and therefore the plaintiff could not have sought for an injunction. In a city a difference of 4 or 5 Kms. does not matter much. In the event of the plaintiff having acquired a goodwill as to the quality of services being rendered by him a resident of Ahmedabad city would not mind travelling a distance of a few kilometers for the purpose of availing a better quality of services. Once a case of passing off is made out the practice is generally to grant a prompt ex-parte injunction followed by appointment of local Commissioner, if necessary. In our opinion the trial court was fully justified in granting the ex- parte injunction to the plaintiff based on the material made available by him to the court. The Trial Court fell in error in vacating the injunction and similar error has crept in the order of the High Court. The reasons assigned by the Trial Court as also by the High Court for refusing the relief of injunction to the plaintiff are wholly unsustainable.

The observation of the Trial Court that the business name sought to be adopted by the defendants was somewhat similar to that of the plaintiffs was immaterial and irrelevant. This observation, the Trial Court was probably persuaded to make, in the background that the business name sometimes adopted by the plaintiff used QSS as prefixed to Muktajivan Colour Lab or as part of the full name and that made the difference. The learned counsel for the plaintiff-appellant has pointed out that QSS is an abbreviation, the elongated or full form whereof is Quick Service Station and that was merely an adjective prefixed to the name. We find merit in the submission. It is the word Muktajivan the employment of which makes distinctive the business name of the plaintiff and it is the continued use of Muktajivan in the business name of the plaintiff which has created a property therein linked with the plaintiff. We are, therefore, unhesitatingly of the opinion that a clear case for the grant of ad interim injunction prayed for by the plaintiff was made out and the trial court and the High court both fell in an error in not granting the same.

There was no delay in filing the suit by the plaintiff. The plaintiff filed the suit with an averment that the defendants were about to commit an injury to the plaintiff. The defendants took a plea that they had already commenced the business with the offending trade name without specifying actually since when they had commenced such business. This has to be seen in the background that the defendants business earlier was admittedly being carried on in the name and style of Gokul Studio. The commencement of such business by the defendants could therefore have been subsequent to the institution of the suit by the plaintiff and before the filing of the written statement by the defendants. In such a situation, on the plaintiff succeeding in making out a prima facie case, the court shall have to concentrate on the likelihood of injury which would be caused to the plaintiff in future and simply because the business under the offending name had already commenced before the filing of the written statement or even shortly before the institution of the suit would not make

any difference and certainly not disentitle the plaintiff to the grant of ad-interim injunction.

We are conscious of the law that this Court would not ordinarily interfere with the exercise of discretion in the matter of grant of temporary injunction by the High Court and the Trial Court and substitute its own discretion therefor except where the discretion has been shown to have been exercised arbitrarily or capriciously or perversely or where the order of the Court under scrutiny ignores the settled principles of law regulating grant or refusal of interlocutory injunction. 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 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 courts exercise of discretion [(see *Wander Ltd. v. Antox India P.Ltd* :

1990 (Supp) SCC 727 and *N.R. Dongre v. Whirlpool Corporation and another*: (1996) 5 SCC 714)]. However, the present one is a case falling within the well accepted exceptions. Neither the Trial Court nor the High Court have kept in view and applied their mind to the relevant settled principles of law governing the grant or refusal of interlocutory injunction in trade mark and trade name disputes. A refusal to grant an injunction in spite of the availability of facts, which are prima facie established by overwhelming evidence and material available on record justifying the grant thereof, occasion a failure of justice and such injury to the plaintiff as would not be capable of being undone at a latter stage. The discretion exercised by the Trial Court and the High Court against the plaintiff, is neither reasonable nor judicious. The grant of interlocutory injunction to the plaintiff could not have been refused, therefore, it becomes obligatory on the part of this Court to interfere.

For the foregoing reasons these appeals are allowed. An ad-interim injunction under Rules 1 and 2 of Order 39 of the CPC shall issue in favour of the plaintiff-appellant restraining the defendant-respondents from using directly or indirectly the word *Muktajivan* in their trade name associated with the business and services of colour lab and studio and any other similar word or name which may be identical or deceptively similar to the plaintiffs trade name. The plaintiff-appellant shall be entitled to costs throughout incurred upto this stage.

Before parting we would like to make it clear that this order is being passed at an interlocutory stage, and therefore, any observation made by this Court touching the facts, and any factual finding arrived at this stage would not come in the way of the Trial Court or Appellate Court in arriving at a final decision at variance therewith on trial of the issues on merits after recording the evidence.

.....J (R.C. LAHOTI) ..J (K.G.BALAKRISHNAN) December 4, 2001