

## Neon Laboratories Ltd vs Medical Technologies Ltd. & Ors on 5 October, 2015

**Equivalent citations:** 2015 AIR SCW 6470, 2016 (1) AKR 20, 2015 (6) AIR BOM R 828, (2015) 7 MAD LJ 618, (2016) 2 MAD LW 538, (2016) 1 ANDHLD 97, (2015) 6 ALLMR 965 (SC), (2015) 4 RECCIVR 860, (2015) 10 SCALE 505, AIR 2016 SC (CIV) 276, (2015) 2 CLR 1111 (SC), 2016 (2) SCC 672, (2016) 1 WLC(SC)CVL 92, (2016) 157 ALLINDCAS 98 (SC), (2016) 1 CAL HN 30, (2016) 1 CIVLJ 416, 2016 (3) KCCR SN 287 (SC)

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**Bench:** Shiva Kirti Singh, Vikramajit Sen

REPORTABLE

IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION  
CIVIL APPEAL NO. 1018 OF 2006

Neon Laboratories Ltd.

Versus

... Appellant

Medical Technologies Ltd. & Ors.

... Respondents

### J U D G M E N T

VIKRAMAJIT SEN, J.

1 This Appeal assails the Judgment dated 19.12.2005 of the Learned Single Judge of the High Court of Gujarat at Ahmedabad, who returned the opinion that the Trial Court had rightly granted an injunction in favour of the Plaintiffs (Respondents before us) till the disposal of the suit.

2 Briefly stated, the Plaintiff-Respondents 1 & 2 had filed a suit for injunction, damages and account of profits. The Plaintiff-Respondents are engaged in the business of manufacture and marketing of pharmaceutical products and medicinal preparation, and as pleaded by them, have acquired high reputation and goodwill in the market. Hematal Biologicals Ltd. or Core Health Care Ltd., the predecessor-in-title of Plaintiff-Respondents is stated to have introduced the molecular preparation and generic drug “Propofol” in India, in respect of which an application had been filed before the Drug Controller of India on 22.4.1998. Product Permission was received on 2.5.1998 from the Commissioner of Food and Drugs Control Administration. It has been pleaded that the predecessor-in-title of Plaintiff-Respondent No.1 had coined and invented the trademark PROFOL in April 1998 and not applied for registration of the said trademark on 24.5.1998 in Class V. However, it seems to us that this claim may not find acceptance inasmuch as PROFOL is almost an anagram of and is phonetically almost indistinguishable from the molecular compound, namely

“Propofol”. In our opinion, to claim exclusivity of user, the trademark should normally partake of a new creation, or if an existing word, it should not bear descriptive characteristics so far as the product is concerned, nor should it be of an extolment or laudation. It would be surprising if exclusivity is given to marks such as ‘bestsoap’ etc. Having said this, we must accept the reality that in the pharmaceutical industry it is commonplace that trademarks reproduce and resonate the constituent composition. While this aspect and feature may be a good ground for declining registration of the trademark, it may nevertheless remain a favourable determinant in a passing-off action. So far as the subject trademarks are concerned, not only do their names constitute part of the generic drug “Propofol”, but they are also so similar that even the concerned medical practitioner/anaesthesiologist could fail to discern the difference between them. It has been pleaded in the plaint that the said predecessor-in-title has been openly employing this mark since April 1998. After amalgamating with its predecessor-in-title on 17.2.2000, Plaintiff-Respondent No. 1 became the owner of the trademark PROFOL, and has been using it since 2000, when it also applied for its registration. Plaintiff-Respondent No. 2 is a licensee of Plaintiff-Respondent No. 1. On coming to learn that Defendant No. 1, the Appellant before us, had introduced into market the same generic drug under the trademark ROFOL, the Plaintiff-Respondents filed the present suit on 17.7.2005, on the predication that ROFOL is identical and deceptively similar to the Plaintiff-Respondents’ trademark PROFOL. As is to be expected, the assertion in the plaint is that the Defendant-Appellant is marketing and passing off its products as that of the Plaintiff-Respondents.

3 This Court does not normally entertain appeals against interlocutory orders. In the case of trademarks, however, keeping in perspective the endemic delay in concluding cases/suits in India because of the exponentially increasing docket explosion, temporary ad interim injunctions are of far reaching consequences, oftentimes effectively deciding the lis and the disputes themselves. Possibly for this reason ‘Leave’ has already been granted in the present Appeal. However, it is now well entrenched in our jurisprudence that the Appellate Court should not flimsily, whimsically or lightly interfere in the exercise of discretion by a subordinate court unless such exercise is palpably perverse. Perversity can pertain to the understanding of law or the appreciation of pleadings or evidence. We shall restrict ourselves to reference in *Wander Ltd. v. Antox India P. Ltd.* 1990 Supp SCC 727, wherein it has been adumbrated that the Appellate Court ought not to “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”. We shall be careful not to transgress these frontiers.

4 Before granting an ad interim injunction, the Court in seisen of the litigation has to address its attention to the existence or otherwise of three aspects – (a) whether a prima facie case in favour of the applicant has been established; (b) whether the balance of convenience lies in favour of the applicant; and (c) whether irreparable loss or damage will visit the applicant in the event injunctory relief is declined. We shall cogitate on the first factor first – is the law favourable to the applicant.

5 The primary argument of the Defendant-Appellant is that it had received registration for its trademark ROFOL in Class V on 14.9.2001 relating back to the date of its application viz. 19.10.1992. It contends that the circumstances as on the date of its application are relevant, and on that date, the Plaintiff-Respondents were not entities on the market. However, the Defendant-Appellant has conceded that it commenced user of the trademark ROFOL only from 16.10.2004 onwards. Furthermore, it is important to note that litigation was initiated by Plaintiff-Respondents, not Defendant-Appellant, even though the latter could have raised issue to Plaintiff-Respondents using a similar mark to the one for which it had filed an application for registration as early as in 1992. The Defendant-Appellant finally filed a Notice of Motion in the Bombay High Court as late as 14.12.2005, in which it was successful in being granted an injunction as recently as on 31.3.2012. We may reiterate that every High Court must give due deference to the enunciation of law made by another High Court even though it is free to charter a divergent direction. However, this elasticity in consideration is not available where the litigants are the same, since Sections 10 and 11 of the CPC would come into play. Unless restraint is displayed, judicial bedlam and curial consternation would inexorably erupt since an unsuccessful litigant in one State would rush to another State in the endeavour to obtain an inconsistent or contradictory order. Anarchy would be loosed on the Indian Court system. Since the Division Bench of the Bombay High Court is in seisin of the dispute, we refrain from saying anything more. The Plaintiff-Respondents filed an appeal against the Order dated 31.3.2012 and the Division Bench has, by its Order dated 30.4.2012, stayed its operation.

6 It may be reiterated that the Plaintiff-Respondents asserts that their predecessor-in-interest had initiated user of the trademark PROFOL in 1998, when it commenced production thereof and Plaintiff-Respondents succeeded to the user of the mark upon amalgamation with their predecessor-in-title in the year 2000. The position that emerges is that whilst the Defendant-Appellant had applied for registration of its trademark several years prior to the Plaintiff-Respondents, (1992 as against 26.5.1998 at the earliest), the user thereof had remained dormant for twelve years. We can appreciate that this passivity may be the result of research of the product or the market, but the Defendant-Appellant will have to explain its supineness through evidence. In this interregnum, the Plaintiff-Respondents had not only applied for registration but had also commenced production and marketing of the similar drug and had allegedly built up a substantial goodwill in the market for PROFOL. The legal nodus is whether the prior registration would have the effect of obliterating the significance of the goodwill that had meanwhile been established by the Plaintiff-Respondents. Would a deeming provision i.e. relating registration retrospectively prevail on actuality – competing equities oscillate around prior registration and prior user.

7 Section 34 of the Trade Marks Act, 1999 (the Act) deserves reproduction herein:

34. Saving for vested rights.—Nothing in this Act shall entitle the proprietor or a registered user of registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in relation to goods or services in relation to which that person or a predecessor in title of his has continuously used that trade mark from a date prior—

(a) to the use of the first-mentioned trade mark in relation to those goods or services be the proprietor or a predecessor in title of his; or

(b) to the date of registration of the first-mentioned trade mark in respect of those goods or services in the name of the proprietor or a predecessor in title of his;

whichever is the earlier, and the Registrar shall not refuse (on such use being proved), to register the second mentioned trade mark by reason only of the registration of the first mentioned trade mark.

This Section palpably holds that a proprietor of a trade mark does not have the right to prevent the use by another party of an identical or similar mark where that user commenced prior to the user or date of registration of the proprietor. This “first user” rule is a seminal part of the Act. While the case of the Plaintiff-Respondents is furthered by the fact that their user commenced prior to that of the Defendant-Appellant, the entirety of the Section needs to be taken into consideration, in that it gives rights to a subsequent user when its user is prior to the user of the proprietor and prior to the date of registration of the proprietor, whichever is earlier. In the facts of the case at hand, the Defendant-Appellant filed for registration in 1992, six years prior to the commencement of user by the Plaintiff-Respondents. The Defendant-Appellant was, thus, not prevented from restraining the Plaintiff-Respondents’ use of the similar mark PROFOL, but the intention of the Section, which is to protect the prior user from the proprietor who is not exercising the user of its mark *prima facie* appears to be in favour of the Plaintiff- Respondents.

8 Section 47 of the Act is in the same vein and statutory strain inasmuch as it postulates the possibility of a registered mark being taken off the register on an application being made by any aggrieved person, *inter alia*, on the ground that for a continuous period of five years and three months from the date on which the trademark was registered, there was no *bona fide* use thereof. In the case in hand, *prima facie*, it appears that for over five years after a registration application was made by the Defendant-Appellant, the mark was not used. Facially, the Act does not permit the hoarding of or appropriation without utilization of a trademark; nay the Defendant-Appellant has allowed or acquiesced in the user of the Plaintiff-Respondents for several years. The legislative intent behind this Section was to ordain that an applicant of a trademark does not have a permanent right by virtue of its application alone. Such a right is lost if it is not exercised within a reasonable time.

9 We must hasten to clarify that had the Defendant-Appellant commenced user of its trademark ROFOL prior to or even simultaneous with or even shortly after the Plaintiff-Respondents’ marketing of their products under the trademark PROFOL, on the Defendant-Appellant being accorded registration in respect of ROFOL which registration would retrospectively have efficacy from 19.10.1992, the situation would have been unassailably favourable to it. What has actually transpired is that after applying for registration of its trademark ROFOL in 1992, the Defendant-Appellant took no steps whatsoever in placing its product in the market till 2004. It also was legally lethargic in not seeking a curial restraint against the Plaintiff-Respondents. This reluctance to protect its mark could well be interpreted as an indication that the Defendant-Appellant had abandoned its mark at some point during the twelve year interregnum

between its application and the commencement of its user, and that in 2004 it sought to exercise its rights afresh. It would not be unfair or fanciful to favour the view that the Defendant-Appellant's delayed user was to exploit the niche already created and built-up by the Plaintiff-Respondents for themselves in the market. The 'first in the market' test has always enjoyed pre-eminence. We shall not burden this Judgment by referring to the several precedents that can be found apposite to the subject. In the interest of prolixity we may mention only *N.R. Dongre v. Whirlpool Corporation* (1996) 5 SCC 714 and *Milmet Oftho Industries v. Allergan Inc.* (2004) 12 SCC 624. In *Whirlpool*, the worldwide prior user was given preference nay predominance over the registered trademark in India of the defendant. In *Milmet*, the marks of pharmaceutical preparation were similar but the prior user worldwide had not registered its mark in India whereas its adversary had done so. This Court approved the grant of an injunction in favour of the prior user. Additionally, in the recent decision in *S. Syed Mohiden v. P. Sulochana Bai* (2015) 7 SCALE 136, this Court has pithily underscored that the rights in a passing-off action emanate from common law and not from statutory provisions, nevertheless the prior user's rights will override those of a subsequent user even though it had been accorded registration of its trademark. Learned counsel for the Defendant-Appellant has endeavoured to minimise the relevance of *Whirlpool* as well as *Milmet* by drawing the distinction that those trademarks had attained worldwide reputation. However, we think that as world shrinks almost to global village, the relevance of the transnational nature of a trademark will progressively diminish into insignificance. In other words, the attainment of valuable goodwill will have ever increasing importance. At the present stage, the argument in favour of the Defendant-Appellant that we find holds more water is that in both *Milmet* and *Whirlpool*, as distinct from the case before us, the prior user of the successful party predated the date of application for registration of the competing party. The question to examine, then, would be whether prior user would have to be anterior to the date of application or prior to the user by the Defendant-Appellant. In other words, the question before the Court would remain whether the situation on the date of application for registration alone would be relevant, or whether the developments in the period between this date and the date of grant of registration would have any bearing on the rights of the parties. All these considerations will be cast into a curial cauldron to be appreciated by the Court before which the suit is being contested. In these premises, we cannot conclude that a *prima facie* case has not been disclosed by the Plaintiff-Respondents.

10 Since we are confronted with the legal propriety of a temporary injunction, we must abjure from going into minute details and refrain from discussing the case threadbare, in order to preclude rendering the suit itself an exercise in futility and the decision therein a foregone conclusion. All that we would say in the present Appeal is that since the Plaintiff-Respondents have alleged, and have *prima facie* supported with proof, that they had already been using their trademark well before the attempted user of an identical or closely similar trademark by the Defendant-Appellant, the former would be entitled to a temporary injunction, in light of the abovementioned 'first in the market' test. We find that the Plaintiff-Respondents have made out a *prima facie* case. The two other factors in an interim injunction, namely the balance of convenience and an irreparable loss, are both in favour of the Plaintiff- Respondents, given the potential loss of goodwill and business they could suffer should an injunction be denied. The Defendant-Appellant has been enjoined from using the mark ROFOL since 2005, after having launched products bearing the mark only in the previous year, so the balance of convenience is in favour of allowing the injunction to continue. In *Milmet*, this Court had

taken note of the fact that the unsuccessful litigating party had in the duration of the litigation started using another mark, and found that this would prima facie assume significance in assessing “irreparable loss”.

11 For manifold and myriad reasons, we are of the opinion that the decision of the Trial Court, as affirmed by the First Appellate Court, is reasonable and judicious, and does not suffer from perversity by any dialectic that the Defendant-Appellant may proffer. The Appeal is accordingly dismissed, but with no order as to costs.

.....J. (VIKRAMAJIT SEN) .....J. (SHIVA KIRTI SINGH) New  
Delhi, October 5, 2015.