

(2011) 11 MAD CK 0010
In the Madras High Court
Case No : O.S.A. No's. 97 to 100 of 2009

M/s. Nakoda Dairy (P) Ltd.

APPELLANT

Vs

M/s. Kewal Chand Vinod Kumar No. 8/10, Keshavji Nayak Road, Chickbandar, Mumbai 400009, M/s.K.B. Products Pvt. Ltd., Dadoba Compound, Anjer Phata, Anjur Road, District Thane, Maharashtra 421302 and M/s. Hirachand Bakhtawarmal, Dadoba Compound, Valgaon, Anjer Phata, Bhivandi, District Thane, Maharashtra 421302

RESPONDENT

Date of Decision : 10-11-2011

Acts Referred:

Trade Marks Act, 1999 — Section 125, 28, 34, 47, 57

Citation : (2011) 11 MAD CK 0010

Hon'ble Judges : R. Mala, J;R. Banumathi, J

Bench : Division Bench

Advocate : J. Sivanandaraj, for the Appellant; K. Sridhar for Respondents 1 and 2 and No appearance for R3, for the Respondent

Final Decision : Dismissed

Judgement

R. Banumathi, J.—Whether the learned single Judge was right in dismissing the applications for temporary injunction and vacating the interim

injunction already granted on the ground that Defendants are prior and long term user of the trade mark ""NAKODA"". Plaintiff is the Appellant in

these appeals.

2. In brief, the case of Appellant-Plaintiff is as follows:-

Plaintiff--Nakoda Dairy (P) Ltd. is engaged in sale and distribution of milk and other milk products. Plaintiff started their business way back in

November 1978 at Kumbakonam for carrying on business in general goods and extended their business activity to Bangalore, Puducherry and

Hyderabad. Plaintiff originally started the business in the name and style of ""Shree Nakoda Stores"" on 27.10.1978. Then in the year 1998, the

partnership was converted into a Private Limited Company in the name and style of ""Nakoda Distributors Private Limited"". Nakoda Distributors

Private Limited applied for trade mark ""NAKODA"" in respect of milk and milk products and obtained certificate of registration bearing No.

1285373 on 23.09.2005 with effect from 20.05.2004. Further case of Plaintiff is that Plaintiff commands a very good reputation in the market and

their dairy products are well known for their quality and are also being exported to countries like Bangladesh and Saudi Arabia and the business of

Plaintiff has increased manifold both in India and Abroad and as on date the annual turnover of the Plaintiff exceeds Rs. 50 crores. Alleging that

Defendants are infringing upon the registered trade mark of the Plaintiff with a malafide intention, Plaintiff had filed the suit (C.S. No. 497 of 2008)

for permanent injunction (i) restraining the Defendants from infringing the Plaintiff's trade mark "NAKODA"; (ii) restraining the Defendants from

passing off of the Defendants' goods under the name/mark ""NAKODA"" and other reliefs. Along with the suit, Plaintiff has also filed two

applications (O.A. Nos. 557 and 558 of 2008) seeking temporary injunction restraining the Defendants from infringing the Plaintiff's trade mark

NAKODA"" and also passing off of Defendants' goods as that of Plaintiff's goods. Defendants have filed two applications (A. Nos. 4355 &

4354 of 2008) for vacating the interim injunction already granted on 30.04.2008.

3. Resisting the applications (O.A. Nos. 557 & 558 of 2008), Respondents-Defendants filed counter stating that the name ""NAKODA"" is a

religious place in the State of Rajasthan and that they are the prior and long term user of the mark ""NAKODA"" and that in 1960, they started a

grocery business. Even in the year 1978, the business was diversified into the trading of pure ghee and skimmed milk powder under the brand

name ""NAKODA"". Respondents had applied for trade mark registration for the brand name ""NAKODA"" even in the year 1996 and since the

same was not properly followed up, the same got abandoned. Case of Respondents is that in the year 1998, the label ""NAKODA DAIRY

SPECIAL"" bearing copyright registration number A " 54665/98 dated 20.03.1998 was also registered in the name of the firm of 1st Defendant.

As the Respondents being the prior and long term user, the Respondents are legally entitled to use the mark ""NAKODA"" u/s 34 of Trade Marks

Act, 1999 and by no stretch of imagination, they can be termed to be illegally selling the dairy products under the brand name ""NAKODA"". After

receiving the ""cease and desist"" notice, Defendants have filed application before the Intellectual Property Appellate Board, Chennai for cancellation

of the trade mark. Defendants have referred to the suit filed by the Plaintiff before Principal City Civil Court, Bangalore in O.S. No. 8240 of 2007

on 25.10.2007 which later came to be withdrawn in the month of April 2008 and thereafter, the present suit has been filed which is barred under

law.

4. Upon consideration of rival contentions, learned single Judge held that ""Shree Nakoda Stores"" is not a brand name of any product and it is a

business store which acted as a Distributing Agent for certain Stockists of branded and unbranded products and the Company Nakoda

Distributors Pvt. Ltd. was never engaged any manufacture or production of milk products. Pointing out the trade mark registration certificate, the

learned single Judge held that even as per the own showing of the Plaintiff, the user is only from 19.03.2004 and the Plaintiff cannot take a different

stand. Observing that Defendants are the long user of the mark ""NAKODA"" right from 1992 and holding that Plaintiff had failed to establish the

prima facie case, learned Judge dismissed the applications (O.A. Nos. 557 and 558 of 2008) and vacated the injunction already granted and

allowed A. Nos. 4354 and 4355 of 2008.

5. Mr.J.Sivanandaraj, learned counsel for Appellant has contended that Plaintiff has been using the mark ""NAKODA"" from 1978 and Plaintiff

being a registered trade mark owner, u/s 28 of Trade Marks Act the right is conferred upon the Plaintiff to use the mark exclusively. Learned

counsel would further contend that to entitle for protection of Section 34 of the Act, Respondents must show continuous user of the trade mark

prior to registration. Whereas Respondents have produced the documents only from 2007 and while so, learned Judge erred in saying that the

Respondents are the prior user. Learned counsel would contend that Defendants having subsequently started the same business using the mark

NAKODA"" and unless they are injuncted, Plaintiff's business would be seriously

affected.

6. Taking us through various documents filed by the Plaintiff, Mr.K.Sridhar, learned counsel appearing for Respondents 1 and 2 has submitted that

the learned Judge has rightly held that ""Shree Nakoda Stores"" and ""Nakoda Distributors (P) Ltd. were only dealers in pharmaceuticals and dairy

products. Learned counsel for Respondents would further submit that as prior user of the mark ""NAKODA"" right from 1978 and continuously

trading pure ghee and skimmed milk powder under the brand name ""NAKODA"", Plaintiff cannot seek for injunction against the prior user.

Drawing our attention to the filing of the suit O.S. No. 8240 of 2007 on the file of Principal City Civil Court, Bangalore and pendency of

cancellation proceedings before the Intellectual Property Appellate Board, Chennai, learned counsel for Respondents would submit that there was

suppression of those material facts and the learned Judge has rightly vacated the injunction already granted.

7. We have considered the submissions. We have gone through the records and the Citations relied on by the Appellant and Respondents.

8. ""NAKODA"" is actually a religious place in the State of Rajasthan. Appellant-Plaintiff claims right of the mark ""NOKODA"" by virtue of

assignment of the trade mark ""NAKODA"" by "Nakoda Distributors (P) Ltd". Case of Appellant is that "Shree Nakoda Stores" was started as a

partnership firm on 23.10.1978 by one Dilip Kumar for the purpose of carrying on business in general goods. In 1998, the partnership firm was

converted into a Private Limited Company by name ""Nakoda Distributors (P) Ltd. On 20.05.2004, Nakoda Distributors (P) Ltd. applied for

registration of trade mark ""NAKODA"" under Class 29 in respect of "milk and milk products" and on 23.09.2005, the mark ""NAKODA"" was

registered in the name of ""Nakoda Distributors (P) Ltd"" under registration No. 1285373. On 03.08.2005, the Company M/s.Nakoda Dairy (P)

Ltd. was incorporated and on 26.09.2005 Nakoda Distributors (P) Ltd. assigned the registered trade mark ""NAKODA"" to the Appellant-

M/s.Nakoda Dairy (P) Ltd.

9. Even though Appellant claims to have used the mark ""NAKODA"" for dealing and marketing the milk and milk products from 1978, there are

innumerable documents (filed in Vol.2) to show that Plaintiff was only a

"Distributing Agent" for certain Stockists of branded and unbranded products. It is also clear that the mark ""NAKODA"" was not used by the Appellant for dealing with the milk and milk products. On the other hand, as pointed out by the learned single Judge, ""Shree Nakoda Stores"" is not a brand name of any product and that the Company Nakoda Distributors (P) Ltd. was never engaged in manufacture or production of the milk products and that they have acted as a wholesale distributoRs.

10. Let us elaborate further with reference to the overwhelming Plaintiff's documents themselves. 23.10.1978 is the date of partnership in which the partnership was entered into under the name and style ""Shree Nakoda Stores"". By a reading of the deed of partnership, it is seen that the said firm (Shree Nakoda Stores) proposed to act as ""distributors for the stockists of Spencer Goods, Nippo Batteries and other general goods"".

Nowhere, it is stated that ""Shree Nakoda Stores"" are dealing in milk and milk products. The registration of partnership would also show that

"Shree Nakoda Stores" is only a ""Wholesale General Merchant"". As against the column " whether there is any factory, it is stated ""NIL"". The

Income Tax Assessment for the year 1980-81 also shows that "Shree Nakoda Stores" is only ""Agents and Distributors for the Spencer Goods,

Nippo Batteries and other general goods"". In the certificate of registration of "Shree Nakoda Stores" issued on 21.04.1982, it is stated that along

with general goods and batteries the said store is a registered dealer for milk powder and also neutramul. The assessment of Commercial Tax

(01.09.1999) for the year 1998-99 shows that "Shree Nakoda Stores" were dealers in "skim milk powder, pan parag and tobacco products" and

that the skim milk powder was purchased from outstate and effected first sales of the same. On 30.08.1993, "Shree Nakoda Stores" opened its

branch in Bangalore. By perusal of the invitation, it is seen that "Shree Nakoda Stores" in Bangalore was a distributor of pharmaceutical i.e.

stockist of Procter and Gamble India Limited.

11. As is seen from the Accounts of Nakoda Distributors (P) Ltd. for the year 2005-2006 and the Directors report to shareholders, it is clearly

stated that the Company continues to deal in the products of M/s.Kothari Products and M/s.Milk Foods India Limited. By perusal of Form No.

16-A of M/s.Milk Foods Limited, it is seen that "Shree Nakoda Stores" was only a

commission agent of M/s.Milk Food Limited. For the commission paid to "Shree Nakoda Stores" tax was deducted at source by M/s.Milk Food Limited. The innumerable documents filed by the Plaintiff themselves clearly show that "Shree Nakoda Stores" was only a distributor/stockist/wholesale distributor of other products. There is nothing to indicate that prior to 2004, they were dealing in milk products using the mark ""NAKODA"".

12. By perusal of the endorsement in the Commercial Tax Assessment of Nakoda Distributors (P) Ltd. issued by Karnataka State, it is seen that

Nakoda Distributors (P) Ltd. dealt with in blending, repacking of all dairy products with effect from 08.03.2004. In its application for registration

of trade mark filed by Nakoda Distributors (P) Ltd., Nakoda Distributors (P) Ltd. has stated that their predecessor-in-title were using the mark

continuously since 19.03.2004. The said date (19.03.2004) stated in the application tallies with the endorsement made in the above said

Commercial Tax Assessment. Pointing out the said date (19.03.2004) in the Trade Mark Registration application, the learned single Judge held

that by Plaintiff's own showing that their predecessor were using the mark only from 19.03.2004.

13. Learned counsel for Appellant has contended that a mistake was crept in the application and while so, the learned Judge was not right in saying

that Appellant and its predecessor used the mark for manufacturing the milk products only from 2004. The above contention cannot be

countenanced. The date (19.03.2004) stated in the application is not an inadvertent mistake. That seems to be the correct fact. or the first time

only in 2004, Appellant's predecessor has stated that they are the manufacturer of dairy products. Appellant mainly seeks for injunction on the

ground that they have obtained the registration of trade mark ""NAKODA"" on 23.09.2005 with effect from the date of their application i.e.

20.05.2004. Case of Appellant is that they have acquired valuable right and by reason of such valuable right, Appellant is entitled to exclusive use

of the trade mark "NAKODA".

14. Of course u/s 28 of Trade Marks Act, when a person gets its trade mark registered, he acquires valuable right and registration of its trade

mark. Registration of its trade mark gives the Appellant exclusive right to the use

of the trade mark in connection with the goods in respect of which it is registered. Subject to other provisions of the Act, the registration of a trade mark if valid, shall give to the registered proprietor of the trade mark the exclusive right to the use of the trade mark in relation to the goods or services in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided by the Act.

15. However, the exclusive right u/s 28 is subject to the other provisions of the Act. Section 34 of Trade marks Act makes provision for protecting the rights, so that the proprietor of the registered trade mark cannot interfere with the use of any identical or similar mark, if the said person has been using the mark from an earlier date. Section 34 of Trade Marks Act, 1999 reads as under:

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 of a predecessor

in title of his, Which ever 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.

The benefit of Section 34 will thus be available to the Respondents-Defendants to prevent the proprietor or registered user of a registered trade

mark to interfere with or restrain the continued usage of an identical mark by the Respondents-Defendants.

16. Learned counsel for Appellant has contended that to claim protection u/s 34 of the Act, the Respondents-Defendants have to prove

continuous user from 1996 and no documents were produced by the Respondents-Defendants to show prior and continuous user of the mark

NAKODA"". It was further submitted that the burden lies upon the Respondents-

Defendants to prove continuous user and Respondents have not produced any documents to show the volume as well as their turn over to prove the continuous usage and while so, the learned single Judge erred in saying that Respondents-Defendants are the prior user of the mark. In support of his contention, the learned counsel for Appellant has placed reliance upon 2005 (31) PTC 546 (Mad.) (DB) Sri Balamurugan Modern Rice Mill Vs. Subbulakshmi Modern Rice Mill and Another and 2008 (36) PTC 688 (Mad.) (DB) Amaravathi Enterprises Vs. Karaikudi Chettinadu.

17. Holding that the person who is resisting the suit has to prove the continuous usage of the trade name, in Amaravathi Enterprises Vs. Karaikudi Chettinadu, , the Division Bench of this Court held as under:

19. When a party is using prior user as a shield in an action for infringement, it is necessary to prove that they have been continuously using the trade mark in respect of the goods manufactured or marketed by them.

20. In the present case, the respondent relies on an unregistered partnership deed dated 15.09.2000, Nil IT returns for the year 2000-2001 and the licence fee receipt issued by Ambattur Municipality in support of their contention that they are the prior use of the name "KARAIKUDI CHETTINADU RESTAURANT".

21. When a defence of prior user is taken, burden lies on such trader/ manufacturer to prove the continuous usage of the said trade name. Here the volume of sales also assumes significance. Similarly advertisement and other modes adopted for promotional sales also assumes significance. The reason being that the statutory presumption u/s 28 of the Trade Marks Act, 1999 loses its significance once prior user as provided u/s 34 of the Act is established.

22. The documents produced by the respondent even if taken in its face value will not satisfy the test to determine the continuous user. In the income tax returns, what is reported is only trading loss. The other documents are all receipts for payment of fees. Those documents do not show the volume of sales or continuous usage. There is no evidence of any advertisement or sales promotional activities undertaken by the respondent. There is also no prima facie evidence to show the volume of business of the respondent. Therefore we are convinced that the respondent miserably

failed to prove the continuous usage so as to defeat the right conferred on the appellant u/s 28 of the Trade Marks Act.

23. The appellant in this case though obtained the registration in class 42 only on 19.02.2004, there is prima facie material to prove that they are

the prior user much before the commencement of partnership business by the respondent. The appellant had also got registration in class 29 on

04.01.1994, the same being cognate to the services rendered by the appellant as per class 42. It is also a prima facie evidence of prior user.

(Underlining added)

18. In Sri Balamurugan Modern Rice Mill Vs. Subbulakshmi Modern Rice Mill and Another 2005 (31) PTC 546 (Mad. (DB), placing reliance

upon the judgment of the Supreme Court in Uniply Industries Ltd. Vs. Unicorn Plywood Pvt. Ltd. and Others, , the Division Bench of this Court

held as follows:

...The Supreme Court in that judgment held that in considering a case of either granting or not granting an order of interim injunction in a case

where there is a complaint of passing off, the party complaining of such action should establish a strong prima facie case. In that case the parties to

the proceeding had a common field of activity in respect of goods and trade marks sought to be used by either are identical. The Supreme Court

proceeded to state that inasmuch as the areas of activity and the nature of goods dealt with or the business carried on being identical and the trade

marks being of a similar nature, the only question that needs to be decided is as to who is the prior user" In deciding the controversy namely, how

far the claim of prior user would have an impact, the Supreme Court went on to say that relevant materials in that regard must be placed before

Court. The Supreme Court in that case held that prior small sales of goods with the mark are not sufficient to establish priority and the real test

would be to determine continuous prior user and the volume of sale or the degree of familiarity of the public with the mark. The Supreme Court

had also indicated that the court has to determine whether the party complained of had also honestly and concurrently used the trade mark or there

are other special circumstances arising in the matter.

19. There is no force in the contention that the Respondents-Defendants are not in continuous use of the mark "NAKODA". In their counter-

affidavit, Respondents have clearly averred that they are the prior and long term user of the trade mark "NAKODA". Case of Respondents is that their father Bhaktawarmal H.Jain started a grocery business and in 1978 they diversified the business into the trading of pure ghee and skimmed milk powder under the brand name "NAKODA". Even in 1996, 1st Respondent had applied for trade mark registration for the brand name "NAKODA" stating that they are the user of the mark from 01.04.1992 in respect of skimmed milk powder and ghee and since the same was not properly followed up, the same got abandoned. Further case of Respondents is that they are the proprietor of various trade mark with/without suffix "NAKODA" and have applied for registration for various brands which are under process of registration. Respondents have produced the additional representation filed by Kewal Chand Vinod Kumar (1st Defendant) before the Registrar of Trade Marks on 24.05.1996 which shows that they are the user of the mark "NAKODA" since 01.04.1992. In the year 1998, the label "NAKODA DAIRY SPECIAL" bearing copyright registration No. A " 54665/98 dated 20.03.1998 was also registered in the name of firm of 1st Respondent-Defendant. Case of Respondents is that the old records were destroyed in the rains in July 2005 when Mumbai and its surrounding parts was inundated with floods. In their counter-affidavit, Respondents have clearly averred that they are the prior and continuous user of the mark "NAKODA". Only during the trial the Respondents would be able to adduce oral and documentary evidence to substantiate their defence.

20. We find no reason in brushing aside the explanation of the Respondents. However, these points are to be urged before the Intellectual

Property Appellate Board, Chennai and we do not propose to delve into this aspect any further. Suffice it to note that Appellant-Plaintiff has not established the prima facie case.

21. Learned counsel for Respondents has submitted that Appellant-Plaintiff has suppressed the material facts. Even though this point was not

accepted by the learned single Judge, it is pertinent to note that Respondents have not disclosed the material facts. Appellant has issued "cease and

desist" notice on 12.07.2007 stating that their trade mark "NAKODA" was registered and that the Respondents are infringing their trade mark.

Respondents have sent their reply on 26.07.2007. Thereafter, Respondents have filed Cancellation Application dated 30.08.2007 under Sections

47, 57 and 125 of Trade Marks Act before the Intellectual Property Appellate Board, Chennai. In the cancellation application, notice was served

upon the Appellant and they filed the counter on 04.04.2008. M/s.Nakoda Distributors (P) Ltd. filed the suit against the Respondents before the

Principal City Civil Court, Bangalore in O.S. No. 8240 of 2007 on 25.10.2007, two months after the Respondents had filed Cancellation

Application in the month of August 2007. Later the said suit (O.S. No. 8240 of 2007) was withdrawn by M/s.Nakoda Distributors (P) Ltd. on

17.04.2008. Suit C.S. No. 497 of 2008 came to be filed in this Court on 26.4.2008. Even though the present suit (C.S. No. 497 of 2008) came

to be filed on 26.04.2008, Plaintiff has not disclosed the material facts viz., (i) issuance of "cease and desist" notice; and (ii) filing of suit O.S. No.

8240 of 2007 before the Principal City Civil Court, Bangalore and its withdrawal. In so far as the Cancellation Application pending before the

Intellectual Property Appellate Board, Chennai, the Appellant-Plaintiff has generally stated that the Defendants have also moved for rectification.

There is no specific averment as to the Cancellation Application filed by the Respondents before the Intellectual Property Appellate Board,

Chennai and appearance of the Appellant in the said proceedings. Grant of temporary injunction is an equitable remedy. Having not disclosed the

material facts, Appellant-Plaintiff is not entitled to invoke the equitable jurisdiction of this Court.

22. Contending that infringement is to be followed by an injunction, learned counsel for Appellant placed reliance upon 1989 PTC 61 Messrs

Hinduston Pencils Pvt. Ltd. v. Messrs India Stationery Products Co & Another, Power Control Appliances and Others Vs. Sumeet Machines Pvt.

Ltd., , Midas Hygiene Industries P. Ltd. and Another Vs. Sudhir Bhatia and Others, , Sun Pharmaceuticals Industries Limited Vs. Cipla Limited,

and Pratyush Kumar Jana and Another Vs. New Howrah Bakery (Bapuji) Private Ltd., .

23. It is fairly well settled that infringement of rights in the trade mark can never be sufficiently compensated. In cases of infringement, if injunction is

not granted, there is a possibility of great injury being done to the registered Proprietor of the trade mark. But as elaborated earlier, rights of the

registered trade mark is subject to other provisions of the Act. When the Respondents-Defendants are shown to be the prior and continuous user

of the mark ""NAKODA"", Appellant cannot complain of the infringement. More so when cancellation proceeding are pending before the

Intellectual Property Appellate Board, Chennai. Learned counsel for Appellant has referred to number of other decisions which we feel are not

very much relevant. Having regard to the limited scope involved, we do not propose to elaborate upon those decisions.

24. A person who seeks aid of the Court must establish prima facie case in his favour. Upon consideration of various materials, the learned single

Judge has rightly held that Appellant-Plaintiff has failed to establish the prima facie case and that the Respondents-Defendants are the prior and

long term user of the trade mark "NAKODA" and if the Respondents-Defendants are to be injuncted, the Respondents-Defendants would suffer

irreparable loss and injury. We do not find any reason warranting interference with the order of the learned single Judge.

25. In the result, all the appeals are dismissed. Consequently, connected M.Ps. are closed. No costs.