
(2009) 10 BOM CK 0027

In the Bombay High Court

Case No : Chamber Summons No. 1783 of 2008 in Suit No. 1729 of 1987

Scotch Whisky Association

APPELLANT

Vs

Khoday India Limited

RESPONDENT

Date of Decision : 07-10-2009

Acts Referred:

Civil Procedure Code, 1908 (CPC) — Order 7 Rule 11, 11, 151, 92

Constitution of India, 1950 — Article 299

Geographical Indications of Goods (Registration and Protection) Act, 1999 — Section 26

Trade and Merchandise Marks Act, 1958 — Section 105, 109, 11, 12(1), 27

Citation : (2010) 2 BomCR 455 : (2010) 44 PTC 804

Hon'ble Judges : Vazifdar S.J., J

Bench : Single Bench

Advocate : Virendra Tulzapurkar and Amit Jamsandekar, instructed by Cou., Little and Co, for the Appellant; F. DeVitre, Sr. Cou., Zubin Behram Kamdin and Sagar Divekar, instructed by Wadia Gandhi, for Chamber Summons, for the Respondent

Judgement

Vazifdar S.J., J.—This is the defendant's chamber summons seeking an order rejecting the plaint and dismissing the suit as covered and concluded by the judgment of the Supreme Court dated 27.5.2008 reported in Khoday Distilleries Limited (Now known as Khoday India Limited) Vs. The Scotch Whisky Association and Others, in an appeal filed by the defendant against the plaintiff from the order and judgment of the Division Bench of the Madras High Court and for a declaration that the above suit does not survive in view of the said judgment.

2. This is an action for passing off. The plaintiff filed the suit inter alia for the following reliefs:

a) that it. be declared that by using in respect of whisky not distilled and matured in Scotland the impugned label (being Exhibit M) and the impugned carton (being Exhibit O) containing the word "SCOT" and/or the crest of a lion rampant and the description "Distilled from the Finest Malt and Blended with the Choicest Whiskies by Scotch Experts under Government Supervision" or the word

SCOT or the device of the lion rampant or the said description in respect of the defendant's whisky manufactured in India, the defendant is passing off its whisky as "Scotch Whisky";

b) that the defendant by itself, its servants and agents be restrained by a perpetual order and injunction of this Hon"ble Court from advertising or offering for sale or selling or distributing in any country whisky which is not Scotch Whisky under the word "SCOT" or the device of the lion rampant or the said description or with the label (being Exhibit M) or the carton (being Exhibit O) containing the word "SCOT" or the device of a lion rampant and/or the description "Distilled from the Finest Malt and Blended with the Choicest Whiskies by Scotch Experts under Government Supervision", or any other label or carton containing any description material or any other thing in respect of whisky which is not Scotch Whisky by using the impugned label (being Exhibit M) and/or the carton (being Exhibit O) containing the impugned material, so as to pass off or enable to pass off its whisky as "Scotch Whisky";

c) that the defendant by itself, its servants and agents be restrained from exporting its said whisky to Japan or Abu Dhabi under the mark "PETER SCOT" or the device of a lion rampant or the said description or using the impugned label or carton being Exhibits "M" and "O" here to containing the word "SCOT" or the device of a lion rampant or the description "Distilled from the Finest Malt and Blended with the Choicest Whiskies by Scotch Experts under Government Supervision" or any other description or device or words suggesting Scottish origin in respect of the defendant's Whisky or from placing in the hands of traders or middlemen in Japan or Abu Dhabi labels or cartons containing the aforesaid material so as to enable the traders and/or middlemen in Japan or Abu Dhabi to pass off the defendant's whisky as Scotch Whisky;

3. Mr. DeVitre submitted that the cause of action in this suit does not survive in view of the judgment of the Supreme Court. He submitted that the cause of action, if any is barred by the principles analogous to res judicata as the cause of action in the suit and in the original proceedings from which the matter reached the Supreme Court is the same. According to him the issues of acquiescence and waiver raised by the defendant and the issue whether the defendants marks, devices and labels are deceptively similar to the plaintiffs marks or are likely to cause confusion have been decided by the Supreme Court in the said judgment. Thus, he submits the suit is liable to be dismissed on the ground of issue estoppel. The decision of the Registrar in rectification proceedings is binding between the parties in all proceedings including the present suit. It is not permissible for the parties to lead additional evidence in this suit in view of the judgment of the Supreme Court which was delivered in the proceeding for rectification commenced before the Registrar of Trade Marks. In the circumstances, Mr. DeVitre submitted that the suit is liable to be rejected under Order VII, Rule 11 read with Section 151 of the Code of Civil Procedure.

4. Considering the nature of the Chamber Summons it is not necessary to deal

with the disputes between the parties on merits. The question that arises is whether the suit is liable, in effect, to be dismissed in view of the said judgment of the Supreme Court. It is therefore necessary to refer to the facts only in so far as they are relevant for this purpose.

5.(A) Plaintiff No. 1 is incorporated with the object inter alia of protecting and promoting the interests of the scotch whisky trade in the United Kingdom and abroad which it does inter alia by prosecuting and defending legal proceedings in any territory in the world. Plaintiff No. 2, John Walker & Sons Ltd., is a company incorporated in the United Kingdom carrying on business as distillers, blenders and dealers of scotch whisky. Plaintiff No. 3 is a company incorporated under the laws of the Netherland. Plaintiff Nos. 2 and 3 are members of plaintiff No. 1. The scotch whisky brands of plaintiff No. 2 stand transferred to plaintiff No. 3.

(B) According to the plaintiff, whisky distilled and matured in Scotland is known throughout the world as Scotch Whisky. The description Scotch Whisky means whisky which is distilled and matured in Scotland and nowhere else. Any whisky sold under any description, name and label, device, mark, ticket, get up or emblem which is evocative of Scotland is likely to be taken as Scotch Whisky by members of the trade and public. Accordingly, whisky which is not Scotch Whisky if dealt with by bearing such name or description is bound to mislead the public and members of the trade all over the world including India. The members of plaintiff No. 1 use words and devices evocative of Scotland. A number of members of plaintiff No. 1 use brand names including the word "SCOT", "SCOTT", "SCOTS" such as Captain Scott, Golden Scot, Royal Scot, Northern Scot, Grand Scot, Scot Royal and Queen of Scots. Thus, the use of any such device or description of brand names by any one in respect of whisky so as to suggest that such whisky emanates from Scotland, when in fact it does not, would mislead and is likely to mislead people in general, and in any event would put them in a state of confusion.

(C) The details of sales of Scotch Whisky by the members of plaintiff No. 1 and the advertisements issued by them are referred to, to indicate that they have acquired an enormous and enviable reputation and goodwill all over the world including India. The plaintiffs have also furnished details of action taken by them, including legal proceedings, all over the world to prevent attempts by various traders to pass off their products as Scotch Whisky,

(D) The plaint then refers to the device of the Lion Rampant stating the same to be particularly evocative of Scotland as the Lion Rampant in red as well as the yellow background indicates the Royal Standard of Scotland.

6. The defendant has adopted the mark "PETER SCOT" and uses it on its labels. Further, the defendant has also adopted the crest of lion rampant which is a copy of the Scottish Royal Standard. The crest is in red and on a yellow background, the same colours as in the standard. The label also bears the words "Distilled from Finest Malt and Blended With the Choicest Whiskies by Scotch Experts

under Government Supervision".

7. It is averred in the plaint that the defendant is exporting its product under the brand name "PETER SCOT" to Japan where it is sometimes sold in retail stores among Scotch Whiskies and that by using the word "SCOT", the crest of the Lion Rampant and the descriptive words, the defendant has committed the tort by passing off in India, which is completed in India upon export of the said goods for sale in Japan. The law in Japan being a question of fact is also set out. Similar averments are made in respect of exports to Abu Dhabi.

8. The suit, therefore was filed inter alia on the ground that the trade and good will of the members of the first plaintiff including plaintiff Nos. 2 and 3 are being affected by the use of the impugned label and the impugned carton containing the impugned mark, device and description as the same suggest that the defendant's whisky is scotch whisky.

9. It is important to note that the plaint proceeds on the basis that the three factors viz. the word mark, the crest, and the descriptive words each independently and together are evocative of Scotland and are therefore causing damage to the trade and goodwill of the members of plaintiff No. 1 and that the defendant is deliberately misleading the traders and members of the public into believing that its whisky is Scotch Whisky.

10. The plaint thereafter refers to the search reports and information received from their trade mark agents. The first plaintiff admitted receipt of notice of the advertisements of the said mark "PETER SCOT" in the trade mark journal on 20.9.1974. It is stated that regrettably no objection was lodged by the first plaintiff through inadvertence but that the plaintiff vigorously opposed the other deceptive trade marks which were applied for registration of Indian distilleries including the defendant. The action taken by the plaintiff in respect of the defendants proposed mark "HOGMANY" and "OLD ANGUS" is referred to.

11. According to Mr. DeVitre the entire cause of action pleaded in the plaint has been dealt with and decided in the rectification proceedings which ultimately resulted in the said judgment of the Supreme Court. It is necessary therefore to refer to the judgment of the Supreme Court in considerable detail. This is for the obvious reason that the judgment is relied upon not merely as a precedent but essentially in support of the defendant's Chamber Summons to have the plaint rejected and the suit dismissed under Order VII, Rule 11 read with Section 151 of the CPC on the ground that the cause of action in the suit does not survive.

12. Before considering the judgment of the Supreme Court it is necessary to deal with certain preliminary issues raised by Counsel.

13. Mr. DeVitre submitted that although the judgment of the Supreme Court is subsequent to the filing of this suit, the application for the dismissal thereof is maintainable under Order VII, Rule 11 read with Section 151 of the C.P.C. In other words according to him an application of this nature may be based on

events subsequent to the filing of the suit.

14. If indeed the judgment operates as an issue estoppel or res judicata the fact that it was delivered after the suit was filed would not bar the Court from granting the reliefs sought in the Chamber Summons. Subsequent facts even in this regard can and indeed must be considered by the Court. This is well established by a series of judgments. It is sufficient to refer to the judgment of the Supreme Court in *Shipping Corporation of India Ltd. Vs. Machado Brothers and Others*, . The Supreme Court held that by the subsequent event if the original proceedings has become infructuous it would be the duty of the Court to take such action as is necessary in the interest of justice which includes disposing off infructuous litigations. It is further held that for this purpose it would be open to the parties to make an application u/s 151 of the CPC.

15. Mr. DeVitre further submitted that the finding in a previous proceeding is conclusive in subsequent proceedings. He relied upon the judgment of a learned Single Judge of this Court in *Rama Maruti Chaugule Vs. Mallappa Krishna Chaugule*, . In this case the plaintiff filed the suit to recover certain properties on the strength of the adoption made by a widow to her husband Krishna who was the owner. After her death the plaintiff's natural mother acting as his guardian leased the land to defendant No. 3 for ten years after the adoption. Defendant No. 3 in collusion with defendant Nos. 1 and 2 made over possession to them alleging that he was a tenant of defendant No. 1. The plaintiff therefore filed the suit to recover the land. Defendant No. 1 admitted that the lands belonged to the adoptive father but disputed the plaintiffs adoption by him. The plaintiff relied upon the decision in previous execution proceedings which were also taken out against defendant No. 1 in which it was held that the plaintiff had been adopted as contended. It was held that the principal of res judicata would apply even though the subject matter of the two proceedings may be different provided the issue is the same. It was therefore held that the defendants' contention that the plaintiff was not validly adopted was barred by res judicata.

16. The judgment supports the submission that for a plea of res judicata it is not necessary that the subject-matter of the two proceedings is the same. The decision in the execution proceeding was not merely a finding of fact in support of the issue, but was a decision upon the issues itself. It is sufficient if the issue is the same. The question therefore before me is whether the issues raised in the present suit were decided by the Supreme Court in the said judgment.

17. Mr. DeVitre submitted that even if the causes of action are different, if the issue is the same the finding in a previous proceeding will constitute an issue estoppel in subsequent proceedings. He submitted therefore that although the causes of action in the proceeding before the Registrar of Trade Marks which ultimately reached the Supreme Court may be different from the causes of action in the present suit, the finding regarding acquiescence and waiver as well as whether the defendants use of the three factors are deceptive or likely to cause confusion in those proceedings bar the present suit on the principle of issue

estoppel. He submitted that the evidence and the case in the present matter is identical to the evidence, pleadings and the case in its entirety in the rectification proceedings.

18. The submission on the point of laws is well founded and finds support in the judgment of a Division Bench of this Court in Chiranjilal Ramachandra Loyalka and Others Vs. Life Insurance Corporation of India, . It was held:

(7) But the real and substantial point that has been urged by Mr. Laud is that the cause of action in Suit No. 438 of 1934 and in the present suit are different and therefore Section 11 of the CPC has no application. Now, what Section 11 requires is not that the causes of action in the two suits must be identical, but that the matter directly and substantially in issue in the subsequent suit should also be directly and substantially in issue in the former suit. It will be noticed that u/s 11, not only the suit itself may be barred but also an issue, and therefore what we have to consider is whether a particular issue which the plaintiffs seek to be tried in the suit was directly and substantially the same in the earlier suit, and in this connect what is said is that in the present suit the plaintiffs are seeking a relief on the basis of a customary right enjoyed by the Hindu community and it is pointed out that in the earlier suit the claim was made on the basis of a dedication made by Putlibai and therefore it is said that the matters in issue in the two suits were different and the decision in the earlier suit cannot operate as res judicata. When one analyses the matter a little more closely it becomes clear that the rights that the plaintiffs were claiming on behalf of the Hindu Community in Suit No. 438 of 1934 were the same as are now being claimed in the present suit. It is true that there was a contention in the earlier suit that there was a public charitable trust. There had to be such a contention because the suit was u/s 92. It is also true that reliance was placed upon a dedication by Putlibai. But what is significant is that the plaintiffs in the suit did not rely upon any written trust. What they relied upon was a long and continuous user of certain rights by members of the Hindu Community and what was in issue in that suit was whether the members of the Hindu community had used as a matter of right the property in suit for the purpose of religious ceremonies. Now, that is the exact issue which arises in the present suit. What is in the present suit is whether the Hindu community had performed these religious ceremonies for a long and continuous period so that they have become entitled to these rights as customary rights. In our opinion, what we have to look at is not the legal form which is given to the right claimed by the plaintiffs, but what is the real and substantial right claimed. Whether a dedication in law can be inferred from a long and continuous user by the Hindu community or a customary right can be inferred; the real matter in issue was the user by the members of the Hindu community. That is what the plaintiffs contended and that is what the defendants disputed, and the result was a compromise. In the present suit the plaintiffs are putting forward the same contention and the defendants are contesting the plaintiff's claim. Therefore, in our opinion, there is no substance in the contention that the matters in issue in the two suits are not

the same.

Mr. DeVitre submitted that although it was not necessary for the Supreme Court to decide the issues that arise in this suit, the Supreme Court did deal with and answer the same. I do not agree. I have come to the conclusion that the judgment of the Supreme Court did not decide the issues which arise in the suit for reasons I will indicate later while analysing the judgment.

19. Mr. DeVitre submitted that these principles would apply although the reliefs claimed in the two proceedings may be different so long as the issue was the same. The submission finds support from the judgment of the Supreme Court in case of Pandit Ishwardas Vs. State of Madhya Pradesh and Others, . In para 7 the Supreme Court held as under:

7. The plaintiff in both the suits was the same. The contesting defendant was also the same, namely the State of Madhya Pradesh. In the present suit Melaram and the Chief Conservator of Forests were also impleaded as parties whereas in the other suit some other person was a party. We do not see that it makes any difference. In order to sustain the plea of res judicata it is not necessary that all the parties to the two litigations must be common. All that is necessary is that the issue should be between the same parties or between parties under whom they or any of them claim. The issue in the present suit and the issue in the Dewas suit were between the same parties namely the appellant and the State of Madhya Pradesh. The submission that the subject-matters of the two suits were different because the present suit was for a declaration and the other suit was for damages is equally without substance since the issue between the parties was identical in both the suits. The question at issue in both the suits was whether the agreement between Melaram and the Government and the surety bond executed by the plaintiff were not enforceable because of the failure to comply with Article 299 of the Constitution. The ground on which the agreement and the surety bond were sustained in the Dewas suit was that the Raj Pramukh had ratified the same. The fact that the ratification by the Raj Pramukh was not expressly mentioned in the present suit does not make any difference to the plea of res judicata. Once the questions at issue in the two suits are found to be the same, the fact that the material which led to the decision in the earlier suit was not again placed before the Court in the second suit cannot make the slightest difference. The plea of res judicata may be sustained without anything more, if the questions at issue and the parties are the same, subject of course to the other conditions prescribed by Section 11 Civil Procedure Code. The submission of the learned Counsel that the decision of the Dewas Court and the High Court in the other suit were non est because they upheld an illegal contract has only to be noticed to be rejected.

20. Dr. Tulzapurkar submitted that the 1958 and the 1999 Act specifically preserved and recognized the right to pursue the common law remedy of passing off. He submitted therefore that any decision in a rectification proceeding which is adopted under the Act cannot affect the right to pursue a passing off action. To

hold otherwise according to him would negate the right u/s 27(2).

21. There is no dispute that the Act preserves the common law remedy of passing off. It does not follow however that the rule of issue estoppel or res judicata do not apply to a passing off action qua a decision in a rectification proceeding. I find nothing in the language of the Act or the C.P.C. in "general" and in Sections 27 and 11 thereof respectively in particular which excludes the operation of the principles in a passing off action qua other actions. If the issue of passing off is decided the judgment would operate as an issue estoppel or as res judicata in subsequent proceedings. Whether the issue of passing off is decided or not is a different matter altogether. That necessarily must be examined when an action is sought to be defended on the principles of res judicata and issue estoppel.

22. In (Indo-Pharma Pharmaceutical Works Put. Ltd. v. Pharmaceuticals Co. of India) 1977 Bom.L.R. 73, a learned Single Judge of this Court applied the principle of issue estopped in proceedings under the said Act. It is important to note that the learned Judge followed the judgment of the High Court of Mysore in [K.R. Chinnakrishna Shetty v. Ambalal & Co.] AIR 1973 Mys 74. The learned Judge applied the principles in a case under the Act in a passing off action. After referring to the commentaries and judgments on issue estoppel and res judicata and principles analogous thereto, the learned Judge observed as under:

The third decision is of the High Court of Mysore viz. K.R. Chinnakrishna Setty v. Ambal & Co. (1973) AIR Mys. 74. This was also a trade mark action in which it was held that the decision given in the earlier proceedings between the same parties with regard to registration of the trade mark operated as res judicata in a proceeding u/s 105. The plaintiffs in the appeal before the Mysore High Court were Sri Ambal & Co., Madras, a registered firm carrying on business in manufacture and sale of snuff. The suit was instituted by the plaintiffs against the defendants u/s 105 of the said Act for an injunction restraining the defendants from using, exhibiting or advertising by themselves or through their servants or agents or others the offending trade mark "Sri Andal Snuff or "Sri Andal Officers" Snuff" or any other colourable imitation of the plaintiffs' registered trade mark "Sri Andal Snuff: and from trading under the name and style of "Sri Andal & Co." or any other name and style which was a colourable imitation of the plaintiffs' trading style "Sri Ambal & Co." Earlier defendants No. 1 had filed an application before the Registrar of Trade Marks for registration of their mark "Sri Andal" and the Assistant Registrar had allowed the said application holding that the mark "Sri Andal" was not deceptively similar to the plaintiffs' trade mark "Sri Ambal" and therefore Section 12(1) of the said Act was not contravened. The objections of the plaintiffs in the notice of opposition to the application had been over-ruled by the Assistant Registrar. Aggrieved by the said order of the Assistant Registrar, the plaintiffs had filed the appeal, which was allowed by a single Judge and the decision of the single Judge confirmed in the Letters Patent Appeal by a Division Bench and subsequently by the Supreme

Court. In the suit Counsel for the defendants tried to urge the contentions which are indicated in para 6 of the report. The Court held that the decision in the matter of the trade mark application and the plaintiffs' opposition would govern the rights of the parties in the suit also observing that "if a mark cannot be registered on the ground that it contravenes Section 12(1), then it follows that the user of the said mark will have to be restrained also in the suit filed u/s 105" (see para. 9 of the report). According to the Mysore High Court, the decision given in the earlier proceedings must operate as *res judicata* at the subsequent stage when a suit is filed and it sought support for the view in decision of the Supreme Court in *Raj Lakshmi Dasi and Others Vs. Banamali Sen and Others*, . Thus the principle was applied although the earlier decision was not one in a suit and, therefore, the same could not be brought within the four corners of Section 11 of the Code of Civil Procedure.

23. Dr. Tulzapurkar submitted that the Courts are reluctant to apply the principle of issue estoppel in passing off cases on the basis of a decision rendered in proceeding under the Act such as for rectification. Dr. Tulzapurkar relied upon the commentary in *Narayana Trade Marks and Passing Off*, 3rd Edition page 712 para 1489 and the judgment of a learned Single Judge of the Delhi High Court in the case of (*Hindustan Pencils Put. Ltd. v. Premchand Gupta*) 1985 P.T.C. 33 to contend that there are difficulties in the application of the doctrine of *res judicata* on various grounds including that issues which have to be determined at one time may cease to operate at another time.

24. That there may be difficulties in applying the principles of *res judicata* and issue estoppel in a passing off action does not preclude the operation of the principles. It is one thing to say that there may be difficulties in a given case in the application of these principles to a passing off action and it is another thing to say that the principles do not apply to passing off actions. Neither the commentary nor the judgment suggests that the principles of *res judicata* and passing off do not apply to passing off actions. They merely express difficulties in the application of these principles.

25. Dr. Tulzapurkar then relied upon the judgment of the Supreme Court in *National Sewing Thread Co. Ltd. Vs. James Chadwick and Bros. Ltd. (J. and P. Coats Ltd., Assignee)*, . The respondent in that case started the passing off action in the District Court which failed on the ground that the evidence offered on their behalf was meager and they failed in proving that there was any probability of purchasers exercising ordinary caution being deceived in buying the defendants goods under the impression that they were the plaintiffs' goods. The appellants made an application to the Registrar of Trade Marks for the registration of their mark in respect whereof the passing off action had been filed. The respondents opposed the same. The Registrar came to the conclusion that the appellant's mark was likely to deceive and cause confusion. The appellants preferred an appeal against the order of this Court which allowed the appeal. In the respondent's Letters Patent Appeal the Division Bench of this

Court set aside the judgment and restored the order of the Registrar. The Supreme Court dismissed the appeal holding that the appellants had failed to discharge the onus that rested heavily on them to prove that the trade mark which they wanted the Registrar to register was not likely to deceive or cause confusion. In paragraph 24 the Supreme Court held as under:

24. The learned Counsel for the appellants contended that the question whether his clients' trade mark was likely to deceive or cause confusion had been concluded by the earlier judgment of the Madras High Court in the passing off action and already referred to in an early part of the judgment. It is quite clear that the onus in a passing off action rests on a plaintiff to prove whether there is likelihood of the defendant's goods being passed off as the goods of the plaintiffs. It was not denied that the general get up of the appellants' trade mark is different from the general get up of the respondents' trade mark. That being so, it was held by the Madras High Court in the passing off action that on the meagre material placed on record by the plaintiffs they had failed to prove that the defendants' goods could be passed off as the goods of the plaintiffs. The considerations relevant in a passing off action are somewhat different than they are on an application made for registration of a mark under the Trade Marks Act and that being so the decision of the Madras High Court referred to above could not be considered as relevant on the questions that the Registrar had to decide under the provisions of the Act.

26. The Supreme Court did not apply the principles in the facts of that case. However, the judgment does not hold that the principles of res judicata and issue estoppel are inapplicable to passing off actions. Nor do I read the judgment as having impliedly overruled the judgment of this Court in Indo Pharmaceutical Works Put. Ltd.

27. Dr. Tulzapurkar submitted that passing off is a continuous cause of action. The judgment in a previous proceeding therefore would not operate as res judicata in subsequent proceedings. Nor would the principle of issue estoppel be applicable thereto.

28. I am unable to accept these propositions stated so broadly. That would depend upon the facts and circumstances of the case. If for instance, the facts in the subsequent proceeding are the same or no more than the facts in the proceeding in which the judgment has been delivered and the issue of passing off has been considered therein, I see no reason why the principles of res judicata and issue estoppel cannot apply merely because the decision is in respect of a cause of action which is of a continuing nature. The mere fact that the cause of action is a continuous one would not be determinative of the question. This would depend on the facts of each case. Thus, Dr. Tulzapurkar's reliance upon the judgment of the Supreme Court in M/s. Bengal Waterproof Limited Vs. M/s. Bombay Waterproof Manufacturing Company and Another, in support of his submission that passing off furnishes a continuous cause of action is of no assistance in this regard.

29. This brings me to the said judgment of the Supreme Court in Khoday Distilleries Limited (Now known as Khoday India Limited) Vs. The Scotch Whisky Association and Others, on the basis of which this Chamber Summons has been taken out.

30. I will refer to the facts leading to the filing of the appeal before the Supreme Court from the judgment itself, for Mr. DeVitre submitted that the Supreme Court had itself noticed certain facts and that the decision ultimately must be seen in the light thereof.

(A) Plaintiff No. 1 and the defendant in this suit were the respondent and the appellant respectively before the Supreme Court. I will however refer to the parties as they are arrayed in this suit. The defendant filed an application for registration of its mark "PETER SCOT" before the Registrar of Trade Marks, who was the third respondent in the appeal before the Supreme Court. The application was accepted and the defendant was allowed to proceed with the advertisement subject to the condition that the mark would be treated as associated with another mark. No opposition was filed by the plaintiff in the proceeding initiated by the defendant for registration of the trade mark. The defendant's trade mark was registered. The plaintiffs came to know of the same on 20.9.1974. The plaintiffs however filed application for rectification on 21.4.1986. The Supreme Court noted the fact that the present suit had been filed for passing off and that the same was pending. The defendant showed cause to the application for rectification.

(B) The following issues framed by the third respondent were noted by the Supreme Court:

Several issues were framed by the 3rd respondent in the said proceedings which were as under:

- (1) Whether the applicants are "persons aggrieved" u/s 56?
- (2) Whether the application for rectification is not maintainable due to any misjoinder of the applicants?
- (3) Whether the impugned mark was not distinctive of the goods of the registered proprietors at the commencement of the rectification proceedings?
- (4) Whether the impugned registration contravenes Section 11 at the commencement of rectification proceedings? And
- (5) Whether the mark is liable to be rectified and if so, in what manner?"

It is pertinent to note that the Supreme Court in paragraph 20 of the Judgment noted that in support of their application the plaintiffs had raised before the third respondent the following grounds:

- (1) The mark is not distinctive.
- (2) It was not capable of distinguishing itself as the goods of the appellant.

(3) The use of the mark is likely to deceive or confuse.

(4) Non-user of the mark.

The plaintiffs succeeded only on the third ground.

(C) The learned Judges noted that they were primarily concerned with issue No. 4 above, which was dealt with by the third respondent in detail. The third respondent held that the mark had been used deceptively for a long time and although there was an unexplained and inexcusable delay on the part of the plaintiff in filing the rectification application, the defendant had failed to establish its plea of acquiescence/delay and the plea of deceptive element in the impugned mark had not been displaced or rebutted by evidence of the defendant.

(D) Mr. DeVitre placed strong reliance upon paragraph 10 of the judgment which quotes the finding of the third respondent regarding the plaintiffs plea that the impugned registration is contrary to Section 11 of the Trade & Merchandise Marks Act, 1958. He relied upon the same for the reason that the quotation refers to two factors, namely the presence of the word "SCOT" in the defendants mark "PETER SCOT" and the presence of the slogan/descriptive words namely "Distilled from the Finest Malt and Blended with the Choicest Whiskies by the Scotch Experts under Government Supervision". In fact these two factors as well as the third factor, namely the box or carton used by the defendant containing the emblem of the Rampant Lion is referred to more than once in the judgment. It is sufficient in this regard to refer to paragraph 18 of the judgment which reads as under:

18. It is not in dispute that the appellant manufactures whisky under the brand name "Peter Scot". The box of the carton contains the emblem of "Rampant Lion", It is a malt whisky. On one side of the box it is stated "PRIDE OF INDIA" and on the other "Khoday Distilleries Private Limited". Apart from the said information on the right hand side of the label it is stated "Distilled from the Finest Malt and Blended with the Choicest Whiskies by Scotch Experts under Government Supervision.

(E) The application for rectification was allowed. The defendant's appeal u/s 109 of the Act was dismissed by the learned Single Judge. The Supreme Court has quoted the observation of the learned Single Judge rejecting the defendant's contention based on the plaintiff's acquiescence, the absence of any evidence having being led by the defendant and its not having cross-examined the plaintiff's witness who had filed the affidavit in support of the application for rectification and the finding that the trade mark had been adopted to take advantage of the goodwill developed by the members of the plaintiff. The Supreme Court also noted the observation of the learned Judge criticising the affidavits filed on behalf of the plaintiff but holding that the same did not help the defendant to avoid rectification.

(F) The judgment then refers to certain observations of the Division Bench of the

Madras High Court dismissing the defendant's appeal against the order and judgment of the learned Single Judge. Mr. DeVitre placed reliance on the quotation from the judgment of the Madras High Court in paragraph 13 of the judgment. Paragraph 13 of the judgment of the Supreme Court reads as under:

Feeling aggrieved, an intra-Court appeal was preferred there against by the appellant. A Division Bench of the High Court, as noticed hereinbefore, dismissed the said appeal. The Division Bench noticed at some length the submissions made by the parties to inter alia hold:

We have carefully considered the abovesaid submissions made by the Counsel on either side. In our considered view, the use of the device "Lion Rampant" and the abovesaid description especially the description "Distilled from the Finest Malt and Blended with the Choicest Whiskies by Scotch Experts under Government Supervision" is definitely intended to lead the consumers to believe that the whisky manufactured by the appellant is Scotch whisky. Though specific averments as abovesaid have been made in the affidavit on Ian Barclay, the same have not been rebutted by the appellant by adducing rebuttal evidence: The appellant has also not chosen to cross-examine Ian Barclay on the averments contained in the affidavit. Therefore, we are of the considered view that both the third respondent and the learned Single Judge have considered all the relevant materials available on record and have exercised their discretion properly and as such we do not find any reason to interfere with the judgment of the learned Single Judge.

(G) The judgment then proceeds to record the submissions on behalf of the learned Counsel appearing before the Supreme Court. As Mr. DeVitre placed considerable reliance upon the submissions of the Counsel both on behalf of the appellant and the respondent in support of his contention that the issues raised in the suit were raised before the Supreme Court and decided by the Supreme Court, it is necessary to set the same out.

14. Mr. R.F. Nariman, learned Senior Counsel appearing on behalf of the appellant, submitted:

1. Respondent 3 as also the High Court committed a serious error insofar as they failed to take into consideration that in view of the statement made in the affidavit affirmed by Ian Barclay that the respondents were aware of infringement of the mark as far back in 1974 but as no action was taken in relation thereto till 1986, the application for rectification was barred under the principles of waiver and acquiescence.

2. Long delay of 14 years caused in filing the said application for rectification should have been held to be fatal having regard to the fact that the same caused immense prejudice to the appellant as in the meantime, the sale of the appellant had gone many folds.

3. Acquiescence on the part of the respondents would amount to waiver, if not

abandonment, of their right as any order passed for rectification of the mark being unconscionable and inequitable, the same should not have been allowed.

4. The word "Peter Scot" allegedly being evolved of Scotland cannot be held to be a subject-matter of passing off as:

(a) Purchasers of the same are discerning;

(b) They are aware of the brand which they would be purchasing;

(c) Rich and wealthy people would only ordinarily purchase goods like Scotch whisky and they being literate cannot possibly be pulled by the word "Scot" knowing that they are purchasing Scotch whisky, particularly in view of the fact that on the label as also on the box, it has categorically been mentioned that the product is a "PRIDE OF INDIA" and is manufactured at Bangalore in India.

5. The Division Bench committed a serious error insofar as it failed to take into consideration the aforementioned arguments of the appellant, although categorically noticed by it, so far as if the label is to be looked at in its entirety, the emblem of Rampant Lion with the words "Distilled from the Finest Malt and Blended with the Choicest Whiskies by Scotch Experts under Government Supervision" must be read with the word "PRIDE OF INDIA" and the names of the appellant and the fact that it was manufactured at Bangalore.

6. The Division Bench of the High Court committed a serious error insofar as it failed to take into consideration that having regard to the provisions contained in Section 26 of the Geographical Indications of Goods (Regulation and Protection) Act, 1999 (for short "the 1999 Act"), the rights of trade marks which had been acquired through use in good faith were protected and thereby committed a serious error in not allowing the appellant to raise the said contention, on the premise that the same was being raised for the first time before it.

15. Mr. Ashok H. Desai, learned Senior Counsel appearing on behalf of respondents 1 and 2, on the other hand submitted:

(i) The findings of fact arrived at by respondent 3 and as affirmed by the learned Single Judge and the Division Bench of the High Court should not be interfered with as they cannot be characterised as extraneous or perverse being based on no evidence.

(ii) An application for rectification is the only remedy in respect of a registered trade mark which is likely to deceive or cause confusion for the purpose of maintaining the purity of register of trade marks where for the extended concept of passing-off action should be recognised.

(iii) The basic distinction between the trade mark infringement and passing-off action is that whereas the former flows from a statutory right, the latter is action in tort being in the realm of unfair competition.

(iv) Courts in India and abroad having consistently protected Scotch whisky, any

mark carrying words such as Scot, Glen and Highland should not be allowed to continue. The appellant by using its product as Peter Scot, which is an Indian whisky, intended to be seen as a manufacturer of Scotch whisky, as would be evident from the affidavit of Mr. Peter, J. Warren.

(v) If there is a fraud at inception in adoption of the name, the Court should discourage such fraud in sternest way. It is not correct to contend that the delay, if any, on the part of the respondents would amount to acquiescence or waiver as the purpose of filing an application for rectification is to maintain the purity of register and public interest.

(vi) There is significant evidence in the present case as regards confusion concerning whisky bearing the name of Peter Scot which having not been controverted or rebutted would clearly go to show that any ordinary consumer would tend to believe that Peter Scot is a Scotch and not an Indian whisky.

(vii) The label used by the appellant clearly suggests that it is a Scotch whisky and not of Indian origin,

(viii) The provisions of the 1999 Act are not applicable to the facts and circumstances of the present case.

31. At the outset of the consideration of the question as to whether the issues in this suit have been so decided in the judgment of the Supreme Court, as to result in the dismissal of the suit, it is necessary to consider what the Supreme Court in fact held. That the judgment noted the various submissions advanced on behalf of the parties is not relevant. What is relevant is what was in fact decided.

32. I do not find anything in the judgment that leads to the conclusion that the case of passing off in the present suit was in fact decided against the plaintiff.

It is important to note that after referring to the submissions of the learned Counsel the Supreme Court in paragraph 17 observed that although a large number of issues had been raised by the learned Counsel the principal issues which arose for their consideration were only two. Paragraph 17 of the judgment reads thus:

17. Although a large number of issues have been raised by the learned Counsel for the parties, we are of the opinion that the principal issues which arise for our consideration are:

(i) Whether the delay on the part of respondents 1 and 2 in filing the application for rectification would amount to acquiescence and/or waiver?

(ii) Whether respondent 3 as also the learned Single Judge and the Division Bench of the High Court have failed to apply the correct tests and, thus, misdirected themselves in law?"

After setting out the fact of the case, the observations of respondent No. 3, the learned Single Judge and the Division Bench of Madras High Court and the

submissions of Counsel, the Supreme Court in paragraph 21 crystalised the question for its decision as under:

21. The principal question which arises for consideration is as to whether the term "Scot" would itself be a sufficient ground to opine that the mark "Peter Scot" is deceptive or confusing. Indisputably the onus of proof would be upon the respondents. The question arises is as to whether they have discharged the same or not.

(emphasis applied)

In this paragraph the Supreme Court confined the consideration whether the term "SCOT" would itself be a sufficient ground to opine that the defendant's mark "PETER SCOT" is deceptive or confusing. In other words, in this paragraph the Supreme Court did not frame the question as to whether the other two factors or the three factors together viz. the mark "PETER SCOT", the device of the Rampant Lion and the descriptive words constitute passing off/are likely to deceive or confuse.

33. Mr. DeVitre however submitted that the Supreme Court while narrating the facts having noted all three factors must be presumed to have considered whether the combination thereof is likely to deceive or confuse.

34. I do not agree. Firstly, the judgment must be read for what it states and not what may logically follow from it. In fact, as noted above after setting out the submissions of Counsel, the Supreme Court expressed observed that it was of the opinion that the principal issues for their consideration were only two and specified the same. In paragraph 59 the Supreme Court framed the question again as follows:

59. Another principal question which arises for consideration is as to whether the use of the term "Scot" would itself be a sufficient ground to form an opinion that the mark "Peter Scot" is deceptive or confusing. Indisputably, the onus of proof therefore would be on the respondents. Whether they have discharged the said onus is the question?

Thus, once again the Supreme Court did not state that it would decide the question of the three factors taken together being deceptive or confusing.

35. Mr. DeVitre however submitted that I ought to presume that the Supreme Court intended to and infact did hold that the three factors viz. the mark "PETER SCOT", the label with the device of the Rampant Lion and the legend taken independently or together would be deceptive or confusing. He said this was clear from a combined reading of paragraphs 63, 77, 80 (part) and 82. As strong reliance was placed on these paragraphs, I will set them out in their entirety.

63. The law in this regard has been specifically stated in Kerly's Law of Trade Marks and Trade Names, 13th Edn., p. 600 in the following terms:

(3) If the goods are expensive or important to the purchasers and not of a kind

usually selected without deliberation, and the customers generally educated persons, these are all matters to be considered.

77. Where the class of buyers, as noticed hereinbefore, is quite educated and rich, the test to be applied is different from the one where the product would be purchased by the villagers, illiterate and poor. Ordinarily, again they, like tobacco, would purchase alcoholic beverages by their brand name. When, however, the product is to be purchased both by villagers and town people, the test of a prudent man would necessarily be applied. It may be true that the tests which are to be applied in a country like India may be different from the tests either in a country of England, the United States of America or Australia.

80. Referring to Kerly on Trade Marks, which we have referred to hereinbefore, the learned Judge said: [Bollinger (No. 2) All ER p. 566 E-F] And it has been said that regard should not be had to "unusually stupid people, fools or idiots". Moreover, "if the goods are expensive and not of a kind usually selected without deliberation and the customers generally educated persons these are all matters to be considered". (That is also a quotation from the same book.) Various other judicial statements are collected in the judgment of the Assistant Registrar in *George Angus & Co.'s Application, Re*, RPC at pp. 31-32, to which I was referred.

82. But then we are concerned with the class of buyer who is supposed to know the value of money, the quality and content of Scotch whisky. They are supposed to be aware of the difference of the process of manufacture, the place of manufacture and its origin. Respondent 3, the learned Single Judge as also the Division Bench of the High Court, therefore, failed to notice the distinction, which is real and otherwise borne out from the precedents operating in the field. (See Kerly's Law of Trade Marks and Trade Names, 13th Edn., p. 600.)

36. I do not see how these observations support such a wide proposition. I do not read the commentary from Kerly's Law of Trade Marks and Trade Names cited in paragraph 63 as suggesting that there can be no passing off in respect of goods that are expensive or important to the purchasers. There is no absolute proposition to this effect. They are, as noted in the commentary, matters to be considered. These matters however are not decisive.

37. Nor does the observation of the Supreme Court in paragraph 77 support such a wide proposition. The tests to be applied have been held to be different. I do not however read the judgment as having held as an absolute proposition that passing off can never occur in respect of products, including Scotch Whisky, purchased by people who are educated and rich. These again are but factors, important factors to be taken into consideration alongwith all other facts. To hold otherwise would lead to the absurd result that people at large are entitled to infringe and pass off marks used in relation to goods which are used in respect of products purchased by the educated and well to do.

38. The observations in paragraphs 80 and 82 were relied upon by Mr. DeVitre to suggest that the Supreme Court has held that there can never be a case of

passing off in respect of Scotch Whisky irrespective of the manner in which the marks, labels and devices are used.

39. The error in this submission arises from selecting portions of the judgment and reading them out of context. The observations must be read in the context in which they are made. The Supreme Court in terms stated that the question that fell for their consideration was whether the use of the term "SCOT" would itself be sufficient ground to form the opinion that the mark "PETER SCOT" is deceptive or confusing. Nowhere in this judgment has the Supreme Court even considered whether the combination of the three factors is deceptive or confusing. On the other hand this is one of the main questions in the suit.

40. In the circumstances Mr. DeVitre's submission that the judgment of the Supreme Court decides the issues raised in the present suit on the question of passing off is rejected.

41. The defendant has raised the issue of acquiescence in the present suit in respect of the plaintiffs case of passing off. Mr. DeVitre submitted that the Supreme Court also considered the issues of acquiescence qua passing off alleged by the plaintiff.

42. The submission is not well founded. I have already held that the Supreme Court did not consider the question regarding the combined effect of the three factors on the question of passing off. If that be so the finding of the Supreme Court of delay, acquiescence and waiver must also be confined to the application for rectification on the basis of the use of the word mark "PETER SCOT" in so far as it includes the word "SCOT". This is in fact clear from the observations of the Supreme Court I referred to while dealing with the previous issue.

43. The Supreme Court has undoubtedly held that it would not be correct to contend that under no circumstances can the principles of delay or acquiescence or waiver be held to apply to rectification proceedings. For instance in paragraph 32 the Supreme Court, has held that the power of the Registrar u/s 56 of the Act is wide, it enables the Tribunal to make such order as it may think fit and that when the discretionary jurisdiction has been conferred on a statutory authority, the same although would be required to be considered on objective criteria but as a legal principal it cannot be said that the delay leading to acquiescence or waiver or abandonment will have no role to play. What is important to note however is that the Supreme Court considered the question of delay qua the rectification application which was the original proceeding itself. Even on the question of delay per se the Supreme Court observed that whereas action had been taken by the plaintiff against various others all over the world including in India, who had used the word "SCOT", no action had been taken against the defendant for the same. In paragraph 36 it was noted that if the plaintiff had opposed the registration of the defendant's mark earlier, then the defendant would have known where it stood, and would have withdrawn its application and started manufacturing whisky of the same quality with a different brand name.

Thus the principles of acquiescence, waiver and abandonment were considered in the context of the rectification application and not in the context of this passing off action. I am conscious of the fact that in paragraph 43 the Supreme Court has observed that the rule of waiver of right is expressly provided for in case of passing off. What is important however is that the question of acquiescence or waiver or abandonment was not decided qua passing off actions *per se*. The Supreme Court applied the principles of acquiescence waiver and abandonment in respect of the application for rectification which was based *inter alia* upon the defendants mark being deceptive or causing confusion. The conclusion of the Supreme Court in paragraph 57:

We, therefore in the peculiar facts and circumstances of this case, are of the opinion that the action of the respondents is barred under the principles of acquiescence and/or waiver is in the context of the rectification application.

44. The judgment of the Supreme Court may apply to this passing off action as a precedent. That however is an entirely different thing from saying that it operates as *res judicata* or as issue estoppel. There is a fundamental difference of a very vital nature between a judgment operating as *res judicata* or as an issue estoppel in respect of another proceeding and the judgment operating as a precedent. In the former case the cause of action itself would not survive or be extinguished by virtue of the judgment. In the latter case the cause of action survives but the issue of law decided by the Court operates as a precedent against the party.

45. The consequences of the two situations are also different and of a vital nature. Where the judgment operates as a precedent, the avenues of appeal are always open on the merits of the case as well as on the law applicable thereto. This is so even if it is a judgment of the Supreme Court, for while the judgment would be binding on the lower courts as well as on a bench of equal strength of the Supreme Court, theoretically it is always possible for a larger Bench of the Supreme Court to take a different view. However, where a judgment operates as *res judicata* or issue estoppel this avenue would not be open on the merits of the case and the issues therein.

46. The submissions that the issue of acquiescence decided by the Supreme Court operates as *res judicata* or issue estoppel in this suit is therefore rejected.

47. In the circumstances the Chamber Summons is dismissed.