

(2012) 01 DEL CK 0454
In the Delhi High Court
Case No : FAO (OS) 296-97 of 2011

Trans Tyres India Pvt. Ltd.

APPELLANT

Vs

Double Coin Holdings Ltd. and Another

RESPONDENT

Date of Decision : 31-01-2012

Acts Referred:

Contract Act, 1872 — Section 202

Citation : (2012) 49 PTC 209

Hon'ble Judges : Pratibha Rani, J; Pradeep Nandrajog, J

Bench : Division Bench

Advocate : Pratibha M. Singh with Mr. Kapil Wadhwa and Ms. Ujwalla Jeremiah, Adocate, for the Appellant; Akhil Sibal, Advocate with Ms. Seema Sundd . Ms. Shikha Bhardwaj and Ms. Ritika Ahuja, Adocate, for the Respondent

Judgement

Pradeep Nandrajog, J.—CS(OS) No. 89/2011 has been registered on a plaint filed by Double Coin Holding Ltd. and ZAP CO Trading LCC as co-plaintiffs against Trans Tyres (India) Pvt. Ltd. and its Director Mr. Harish Kakkar the two imp leaded as defendants No. 1 and 2 respectively; and surprisingly in spite of defendant No. 1 being described as a private limited company, Mr. Harish Kakkar has been described as its proprietor. During arguments in the appeal the parties referred to Mr. Harish Kakkar as the Director of defendant No. 1. A plaint, registered as CS(OS) No. 90/2011 has been filed by Satish Kakkar and Trans Tyres (India) Pvt. Ltd. against Double Coin Holding Ltd. and ZAFCO Trading LCC in which Satish Kakkar has described himself as the Director of Trans Tyres (India) Pvt. Ltd.

2. The two suits are cross suits.

3. Cross applications seeking interim injunction in the two suits have been decided by the learned Single Judge vide impugned order dated 20.04.2011 and since Trans Tyres (India) Pvt. Ltd. and Satish Kakkar are the appellants, it is apparent that the interim injunction sought for by Double Coin Holding Ltd. and ZAFCO Trading LCC has been granted and the interim injunction sought for by

Trans Tyres (India) Pvt. Ltd. and Satish Kakkar has been declined.

4. The impugned judgment is fairly lengthy and runs into 73 pages.

5. We would prefer to be brief and would equally impress upon brevity by learned Trial Judges while deciding applications seeking interim injunction and leave the rest at the trial, for the reason a claim for interim injunction has to be decided on the well-known principles: (i) Whether the subject matter of the suit is such that the subject matter of the suit requires a status quo to be maintained; and if yes (ii) Whether the plaintiff has disclosed a prima-facie case i.e. triable issue arise which require evidence to resolve the same; (iii) Whether irreparable loss and injury shall be caused to the plaintiff if interim relief is declined; (iv) Where does the balance of convenience rests; (v) Whether due to delay or conduct of a negative kind, the plaintiff is disentitled to the equitable relief of interim injunction if on the first four counts noted the injunction ought to be otherwise granted.

6. As the Courts find themselves choked with docket explosion and current articles which are replete on issues of Court Management and Time Management cannot be ignored; and one important facet of time management is to restrict prolix arguments by counsel and then deal with the plethora of case law cited on the same point have to be kept in mind; we shall be brief.

7. While dealing with interim injunction, it would be a satisfactory order, if on the subject of prima facie case, the order simply reflects a crystallized statement of the law applied by the Judge with a brief reason for so holding, supported by an authority or two, (though even that may be avoided) followed by the facts which are culled out to be applied to the law for the purposes of concluding on the prima facie nature of the two versions. The discussion could then proceed to discuss the other four elements pertaining to grant or refusal of interim injunction.

8. We intend to do so.

9. As per the pleadings of Trans Tyres (India) Pvt. Ltd. in the suit filed by it, which pleadings also constitute the defense set up by it in the suit filed by Double Coin Holding Ltd., it is pleaded that Double Coin Holding Ltd. manufactures tyres at its factory in China; and ZAFCO Trading LCC is its agent having liaison office set up for the first time in Delhi around May 2010. (It be highlighted by us that ZAFCO Trading LCC is established in UAE as per the case pleaded by Double Coin Holding Ltd. and ZAFCO Trading LCC.) It is further pleaded by Trans Tyres (India) Pvt. Ltd. that it was engaged in the business of manufacture and sale of tyres and tubes as also sale of truck rims and lubes i.e. products in the automobile sector and that it started importing the tyres manufactured by Double Coin Holding Ltd. in the year 2005 and started selling the same in India using the trademark (word-mark) "DOUBLE COIN". Prior to the year 2005, is the assertion made, that the tyres of Double Coin Holding Ltd. were not sold in India. It is further pleaded that commencing the sales in the year

2005, the sales of tyres and other products by Trans Tyres (India) Pvt. Ltd. rose to Rs. 20 crores in the year 2006 out of which Rs. 12 crores represented the sale of tyres under the trademark "Double Coin". In the year 2007, sales rose to Rs. 64 crores out of which sale of "Double Coin" tyres was Rs. 37 crores. In the year 2008, out of total sales of Rs. 52 crores, Rs. 30 crores was the revenue generated by sale of "Double Coin" tyres and in the year 2009 out of total sales of Rs. 50 crores, Rs. 36 crores was contributed to the kitty by the sale of "Double Coin" tyres. It is further pleaded that in the said four years, Rs. 3.5 lakhs, Rs. 5.2 lakhs, Rs. 4.68 lakhs and Rs. 4.15 lakhs respectively was spent directly on advertisement out of which 80% was towards promoting "Double Coin" tyres. Further assertion is that warehouses were created at the hub of major trucking centers like Mumbai, Delhi, Hyderabad, Ahmedabad and Bangalore. Alleging that the trademark "Double Coin", pertaining to tyres and tubes, was unheard of in India till the year 2005 when Trans Tyres (India) Pvt. Ltd., for the first time, imported the same through ZAFECO Trading LCC, it is asserted that Trans Tyres (India) Pvt. Ltd. created the market for the goods and earned a goodwill in the trademark "Double Coin". With respect to the steps taken by Trans Tyres (India) Pvt. Ltd. to promote the goodwill of the tyres sold under the trademark "Double Coin" in India it is pleaded that apart from establishing warehouses at the hub of major trucking centers the company trained marketing personnel and organized a convention of dealers in Mumbai in 2007 where end customers also participated and at the convention one Mr. Wilson Itoop, a representative of Double Coin Holding Ltd., participated and that in the year 2009 Trans Tyres (India) Pvt. Ltd. organized, at its expense, a trip of end users and customers to the factory premises of Double Coin Holding Ltd. in China to reinforce their confidence in the product manufactured by Double Coin Holding Ltd. Pleading that it obtained registration of the trademark, as a word-mark, "Double Coin" pertaining to tyres and tubes in class-12 on 31.03.2009 and for which registration we find that the application was submitted on 31.10.2007 and was published in the trademark journal on 01.09.2008, Trans Tyres (India) Pvt. Ltd. further pleads having applied for another registration of the trademark "Double Coin" pertaining to oils and lubes in class-4, automobile electric batteries in class-9 and rims and alloys in class-12 on 31.05.2010; grievance made is to Double Coin Holding Ltd. and ZAFECO Trading LCC trying to directly enter the market in India by selling tyres and tubes under the trademark "Double Coin". It is asserted that in the territory of India, Trans Tyres (India) Pvt. Ltd. is the prior user of the trademark "Double Coin" pertaining to tyres and tubes and alleging that the consumers i.e. reputed truckers identify the said trademark with it, injunction is prayed for to restrain Double Coin Holding Ltd. and ZAFECO Trading LCC to sell in India tyres and tubes or any other product relating to automobiles under the trademark "Double Coin".

10. A word needs to be spoken about the pleadings in the suit to correct the facts. As conceded by learned counsel, Ms. Pratibha M. Singh, who appeared for Trans Tyres (India) Pvt. Ltd., the company was not even in existence in the year

2005, the year in which as per the plaint the company started selling tyres in India. A trading firm "Trans India" was formed as a partnership firm of which Satish Kakkar was a partner and it was he who contacted ZAFCO Trading LCC which was the agent of Double Coin Holding Ltd. in Dubai and on principal-to-principal basis started importing the tyres manufactured by Double Coin Holding Ltd. and started selling the same. Trans Tyres (India) Pvt. Ltd. was incorporated on 16.09.2006 and took over the business, assets and liabilities of "Trans India".

11. The rival case pleaded by Double Coin Holding Ltd. and ZAFCO Trading LCC is that in the year 1930, a company named Shanghai Tyre and Rubber Co. Ltd. was incorporated in China as a subsidiary company, the parent company being Shanghai Tyre and Rubber (Group) Co. Ltd. The name whereof was later on changed to Double Coin Holding Ltd. The company manufactures tyres which are distributed and sold in more than 90 countries worldwide. By the year 1960 the company had acquired a global reputation and by early 1990s it started producing 1.5 million radial truck tyres and its current production is 2.7 million truck and bus tyres. It had been marketing its product i.e. radial tyres under the trademark "Double Coin" ZAFCO Trading LCC was founded in the year 1993 and has a worldwide presence in 85 countries. It sells in the global market, the tyres manufactured by Double Coin Holding Ltd. It acts as the agent of Double Coin Holding Ltd. Having no presence in India in the year 2005, ZAFCO Trading LCC was supplying the tyres in India through independent dealers and vide agreement entered in the year 2006 (though date not pleaded, but from the admitted documents we find to be September 16, 2006), Trans Tyres (India) Pvt. Ltd. was appointed as the representative and distributor in India by ZAFCO Trading LCC, acting on behalf of Double Coin Holding Ltd., to sell/advertise its product in India and execute government liaison jobs including BIS. It was expressly recorded that the agreement would remain valid till June 31, 2007, a date which was immediately corrected by a communication dated September 18, 2006, for the obvious reason the month of June has only 30 days and not 31 days. It is pleaded that with ulterior motives, which amounts to trafficking in the trademark of Double Coin Holding Ltd., Trans Tyres (India) Pvt. Ltd. surreptitiously obtained a registration of the trademark "Double Coin" on 31.03.2009 and when this came to its notice it sought an explanation from Trans Tyres (India) Pvt. Ltd. Response received from one Mr. Tony, who later on turned out to be the brother of Satish Kakkar and a Director of Trans Tyres (India) Pvt. Ltd. through an e-mail acknowledged that the brand "Double Coin" belongs to it i.e. Double Coin Holding Ltd. and justified Trans Tyres (India) Pvt. Ltd. obtaining trademark registration for the said trademark to stop small manufacturers manufacturing tyres in the same brand name and curb parallel import. It acknowledged that "Double Coin" brand is an international brand belonging to Double Coin Holding Ltd., but went ahead to try and obtain further registration of the same trademark pertaining to other goods relating to automobiles and when said perseverance was noted by Double Coin Holding Ltd. it caused to be served a cease and desist notice upon Trans Tyres (India) Pvt. Ltd. and when it

highlighted in the notice the aforesaid admission made by Mr. Tony, Trans Tyres (India) Pvt. Ltd. denied any association with Mr. Tony.

12. With reference to the contents of the e-mail dated October 22, 2010, which during arguments was admitted by Ms. Pratibha M. Singh, as sent by Mr. Tony who is the younger brother of Mr. Satish Kakkar and is also a Director of Trans Tyres (India) Pvt. Ltd. the case of Double Coin Holding Ltd. is that the same binds Trans Tyres (India) Pvt. Ltd.

13. Trademark, as we all know is territorial in nature. Thus, under the Territoriality Doctrine, a trademark is recognized as having a separate existence in each sovereign territory in which it is registered or legally recognized as a mark. The Universality Doctrine, which posits that a mark signifies the same source wherever the mark is used in the world has been rejected by Courts all over the world. Thus, the registered proprietor of a trademark would be entitled to the protections conferred by law and exclusivity vested within the territorial limits as conferred by a Municipal Law. Prior use of a trademark in a dominion would ipso facto not entitle its owner to claim exclusive trademark rights in another dominion.

14. The conventional theory that a trademark connects, in the mind of the consumer, the goods to the source of manufacturer is inapplicable in today's environment because modern global trading has assumed multi-channel modes of sale of goods in the market. Thus, in today's global environment, the theory pertaining to a trademark would be that a trademark connects, in the mind of the consumer, the source wherefrom the goods enter the market, whatever may be the nomenclature of that source. It could be the agent, the distributor or even a person who purchases goods from a manufacturer and sells them in the market.

15. Where the relationship between the manufacturer and the seller is that of a principal and his dealer/distributor or agent, issue of proprietorship of a trademark would normally be expected to be a matter of agreement between the parties. The agreement may evidence a conditional assignment of the trademark to the distributor, with a reassignment of rights to the manufacturer upon the termination of the distribution agreement. The agreement may be in the nature of a license. But the problematic areas would be if either there is no agreement or if there is an agreement, it does not throw any reflection as to in what manner the parties agreed to use the trademark of the manufacturer. Since law recognizes, apart from an explicit consent, even tacit consent, issues would arise when it is alleged that there is inaction or silence resulting in waiver or acquiescence by the manufacturer of his right in favour of the person through whom the goods enter the market, or the issue may arise of the right being abandoned. The scope of reliance on tacit consent to refute a

16. Apart from consent, express or implied/tacit the issue may also arise where it is alleged that the source from where the goods enter the market is the one which is identified by the public as the one to whom the trademark links the

goods to. In other words, the mark has come to be identified with the source from where the goods enter the market rather than with the manufacturer. This occurs in situations where the seller, in carrying out the sales, uses the trademark in such a way that the public comes to identify the goods with it rather than with the manufacturer, a situation which was found to be existing in the decision reported as 2001 UKHL 21 Scandecor Development AB v. Scandecor Marketing AB. The seller's claim of proprietorship may be on a higher footing when the product is a new one or the manufacturer is a foreign entity attempting to break into the domestic market of another country. But, even in said cases it would have to be shown by the seller that the commercial identity of the product is attributed, to a large extent, to the efforts of the seller in the new market and the goods being identified with the seller. While considering the claim of the seller who asserts a right of proprietorship in the trademark, it should not be lost sight of that a foreign manufacturer can also acquire domestic goodwill in the trademark, in addition to any foreign goodwill that it might enjoy, provided that the trademark serves to identify the manufacturer as the source of the goods within the new domestic territory.

17. Cases where foreign origin is concealed and the source wherefrom the goods enter the market is conceived by the consumer as the ultimate source of the goods would not be of much difficulty to resolve the deadlock between the manufacturer and the seller of the goods, for the reason the seller would have good and clear evidence to establish proprietorship on the strength of advertising expenditure incurred to promote the goods in the new territory, consumer studies linking the mark to the seller, unsolicited media coverage of the product speaking good of the product and the seller, evidence of length of exclusivity and sales success. But we would be lodging a caveat here. It has to be a case where the seller pleads and is able to show that the goodwill generated in the trademark was his and not the goodwill of the manufacturer.

18. It would also depend on the method of trading adopted by the manufacturer of the goods. As in the decision reported as 1958 RPC (13) 323 Adrema Ld v. Adrema-Werke G.m.b.H, the defendant, a German company having name manufacturer's claim of proprietorship is potentially broad.

Adrema Werke, for purposes of its trade in the United Kingdom, formed the plaintiff company and conferred upon the plaintiff company the name "Adrema Ld", and by the method of trading which was adopted, that is, by selling their goods to the plaintiff company as principals for re-sale in the United Kingdoms under the name or mark "Adrema" without any reference to the German company being placed on the goods so sold, was held to have allowed the plaintiff company to acquire all the goodwill associated in the United Kingdom with the word Adrema.

19. To put it pithily, the issue has to be resolved not with respect to the goodwill in the goods, but with reference to: Who owns the goodwill in the mark?

20. Question of ownership of goodwill is a question of fact and has to be established by evidence.

21. We note the pleadings Trans Tyres (India) Pvt. Ltd. in para 15 of the plaint it reads as under:

15. That the investment made on behalf of the plaintiffs inter alia included:

? Establishing warehouses in Mumbai, Hyderabad, Delhi, Bangalore etc.

? Establishing branch offices in Mumbai, Delhi, Hyderabad, Ahmedabad, Bangalore etc.

? Training marketing personnel;

? Establishing and maintaining excellent relations with the client base in India;

? Organized a Convention in Mumbai in 2007 wherein all dealers were invited from across India along with the end customers which was also attended by Mr. Wilson Itoop the representative of Defendant No. 1.

? Organized a trip to Defendant No. 2's factory in October 2009 along with various customers/end users at the expense of the plaintiffs to reinforce the confidence of the customer in the DOUBLE COIN brand.

22. It is the case of Trans Tyres (India) Pvt. Ltd. that "Trans Tyres", a partnership firm started importing the tyres manufactured by Double Coin Holding Ltd. and sold by it i.e. Double Coin Holding Ltd. under the trademark "Double Coin". This happened in the year 2005. When was the first import made, we do not know because nobody has told us so. The pleadings are silent. Being incorporated in the year 2006 and having taken over the business of the partnership firm, Trans Tyres claims, a fact admitted by Trans Tyres (India) Pvt. Ltd., ZAFCO Trading LCC, the company holding distribution rights from Double Coin Holding Ltd. appointed Trans Tyres (India) Pvt. Ltd. as the representative distributor in India on September 16, 2006. The terms of the agreement are to be found in a document unilaterally executed by ZAFCO Trading LCC, which reads as under:

Date: September 16, 2006

To Whom It May Concern

This is to confirm appointment of Trans Tyres (India) Pvt. Ltd. 193, Chakala Street, Mumbai-400003.

As our representative and distributor in India to sell/advertise and Government liaison jobs including BIS. Registration in India. This Agreement remain valid from July 1st 2006 through June 31st 2007.

23. The date June 31st, 2007 was immediately corrected by a communication dated September 18, 2006 informing that the date should read June 30, 2007.

24. The agreement is cryptic and throws no light on the exact terms on which

trade had to be conducted. Trans Tyres (India) Pvt. Ltd. started importing tyres manufactured by Double Coin Holding Ltd. bearing the trademark "Double Coin" on the tyres and the packaging material and started selling the same as it is. Sales grew. The goods were sold under the trademark "Double Coin" and the growing sales evidences a goodwill created in the market of the product sold under the trademark "Double Coin". The tyres, as we were told are truck and bus tyres and as pleaded by Trans Tyres (India) Pvt. Ltd. the major purchasers are transport operators. Trans Tyres (India) Pvt. Ltd. has itself pleaded that as early as the year 2007 it organized a convention in Mumbai where dealers and end customers were present and at which Mr. Wilson Itoop, a representative of ZAFCO Trading LCC addressed the gathering to explain to them the commercial value of the product of Double Coin Holding Ltd. and its global reach. Trans Tyres (India) Pvt. Ltd. further admits having organized a trip to China where it took various customers and end users to the factory of Double Coin Holding Ltd. Trans Tyres (India) Pvt. Ltd. itself pleads that it did so to reinforce the confidence of the customers in the Double Coin brand of Double Coin Holding Ltd.

25. Thus, on the pleadings of Trans Tyres (India) Pvt. Ltd. it is prima facie apparent that the customer confidence was built on the strength of the reputation of Double Coin Holding Ltd. and that the goods were marketed in India, linking the goods to the source of manufacture and not the source of sale. That it created a sales network in India is of no relevance in the field of trademark law as it is not the case of Trans Tyres (India) Pvt. Ltd. that it is a case of agency and thus having spent money to create a sales network an irrevocable interest was created in its favour. Trans Tyres (India) Pvt. Ltd. has not predicated a claim u/s 202 of the Indian Contract Act, 1872.

26. When Trans Tyres (India) Pvt. Ltd. obtained registration of the trademark "Double Coin" in the year 2009, and upon being detected, when Double Coin Holding Ltd. learnt about the same and protested, Trans Tyres (India) Pvt. Ltd., through its Director Mr. Tony, who happens to be the brother of Mr. Satish Kakkar, responded by sending an e-mail dated October 22, 2010 which reads as under:

Dear Mr. Jerry Liu,

Thank you so much for your precious time and patient hearing. As discussed, we have to find an amicable way of working together and under no circumstances fight, we only help you to stop small manufacturers making tires (sic) in same brand and to curb parallel imports. Any time your company wants any papers from us, we are ready to submit. Double Coin brand is an international brand belong (sic) to your company. We fully indemnify we have no intention to use this brand for any mala fide interest. We will fully cooperate with you for BIS and renewal of antidumping and do everything can to boost your business to India.

Regards

Tony

27. For the purposes of an interim injunction, the e-mail would be prima facie evidence against Trans Tyres (India) Pvt. Ltd. regarding its claim to the goodwill of the trademark "Double Coin" in India on the strength of it being a source of sale of the goods in the Indian market. It also assumes relevance that while issuing a cease and desist notice on 24.12.2010, after Trans Tyres (India) Pvt. Ltd. applied for further registrations of the trademark "Double Coin" relating to other products when Double Coin Holding Ltd. drew to the attention of Trans Tyres (India) Pvt. Ltd. that its Director had committed as per the e-mail noted herein above, a dishonest stand was taken by Trans Tyres (India) Pvt. Ltd. in its reply dated December 28, 2010 to the cease and desist notice by completely denying Mr. Tony having any connection with it.

28. Since we have prima facie held that the goodwill of the brand "Double Coin" in India, in the creation whereof, Trans Tyres (India) Pvt. Ltd. had a hand, belongs to Double Coin Holding Ltd. in India, it would be of no use for us to discuss the prima facie evidentiary worth of various invoices filed by Trans Tyres (India) Pvt. Ltd. as its evidence to support its plea, for the reason the said invoices only show sales in India. Similarly, a few self serving certificates obtained by Trans Tyres (India) Pvt. Ltd. which have been obtained from a few end users certifying that the said end users identify Trans Tyres (India) Pvt. Ltd. with the trademark "Double Coin" need not be discussed by us for the reason the pleadings of Trans Tyres (India) Pvt. Ltd. itself prima facie establishes that consumer confidence was built on the strength of the reputation of Double Coin Holding Ltd. The argument of Trans Tyres (India) Pvt. Ltd. that apart from selling the tyres in India, it was providing after sales services is neither here nor there, while considering the matter at an interim stage.

29. On the issue of irreparable loss and injury and balance of convenience, suffice would it be to state that the loss and injury would be that of Double Coin Holding Ltd. if interim injunction as prayed for by it is not granted and the balance of convenience would also lie in its favour and against Trans Tyres (India) Pvt. Ltd.

30. Highlighting that the learned Single Judge has correctly culled out the ratio of law from the nearly 30 decisions referred to in the impugned order, and further highlighting that the same bring out the principles of law we have succinctly culled out in paragraphs 14 to 20 above, agreeing with the learned Single Judge that the prima facie case was in favour of Double Coin Holding Ltd. and against Trans Tyres (India) Pvt. Ltd., we dismiss the appeal leaving the parties to bear their own costs, but would recite the usual mantra: "Nothing stated by us shall be construed as an expression on the merits of the rival claims, which shall be decided finally on the strength of the evidence led. Our discussion on facts is limited to the appreciation thereof for purposes of determining as to in whose favour the prima facie case lies. Noting that the suit filed by Trans Tyres (India) Pvt. Ltd. has been stayed for the reason Double Coin Holding Ltd. has filed a rectification petition to cancel the registration of the trademark "Double Coin"

obtained by Trans Tyres (India) Pvt. Ltd., we would request the Intellectual Property Appellate Board to try and expedite a decision on the application filed by Double Coin Holding Ltd.