



## Trademark Infringement - A Case Study From Indian FMCG Sector

### KEYWORDS

Intellectual property Rights, Trademark, Infringement, Passing-off

**Suvrashis Sarkar**

**Dr. Stephen D'Silva**

Researcher for PhD with Mumbai University at Jamnalal Bajaj Institute of Management Studies., Mumbai.

Research guide and Professor of Marketing at Jamnalal Bajaj Institute of Management Studies. Mumbai

**ABSTRACT** *SM Dyechem obtained interlocutory injunction on claims of infringement and passing-off of its registered trademark PIKNIK for chocolates by Cadbury's trademark PICNIC for similar goods. On appeal, the High Court vacated the injunction in Cadbury's favour on finding that there was no infringement or passing-off. SM Dyechem subsequently appealed to the Supreme Court. The Supreme Court dismissed SM Dyechem's appeal and clarified the law on infringement and passing-off and HELD: Cadbury's filing of a rectification proceeding in the High Court after institution of the suit by the plaintiff, cannot preclude plaintiff SM Dyechem from interim relief. In trademark matters, it is now necessary to go into the question of 'comparable strength' of the cases of either party, apart from the balance of convenience. Based on an examination of relative strength, it was decided that there is no infringement or passing-off and the High Court was right in refusing temporary injunction.*

### Facts of the case:

S.M. Dyechem Ltd. vs. Cadbury (India) Ltd. (May 2000)

Plaintiff SM Dyechem Ltd. claimed that it had traded in potato chips, potato wafers, corn pops and preparations made from rice and rice flour under the trademark PIKNIK since 1989. SM Dyechem applied for and obtained registration of the trademark PIKNIK in classes 29 (preserved, dried and cooked fruits and vegetables), 30 (confectionery, chocolates) and 32 (beverages, mineral water). The mark was renewed for 7 years from 1996.

On finding that defendant, Cadbury (India) Ltd., was using the trademark PICNIC for chocolates, SM Dyechem gave notice and following Cadbury's reply, filed a suit seeking temporary injunction restraining Cadbury from infringing and passing-off its registered trademark PIKNIK.

### Cadbury claimed:

The mark CADBURY'S PICNIC had been registered in 1977 in class 30 for dairy milk chocolates, wafers bar and other confectionery, but this mark had expired after 7 years and was not renewed. Cadbury had applied for the rectification of SM Dyechem's PIKNIK mark in March 1999 and had subsequently applied to register CADBURY'S PICNIC in August 1999. CADBURY'S PICNIC and/or PICNIC and/or the label with the said word was registered by Cadbury (India) Ltd.'s parent company in over 110 countries and enjoyed trans-border reputation and goodwill. SM Dyechem could not claim monopoly in the variations of the ordinary dictionary word 'Picnic' or any misspelling thereof. SM Dyechem's main business was in dyes and chemicals and it had never intended to do business in chocolates. The word PIKNIK was not distinctive and the registration being of the label and not of the word, was invalid.

### Granting injunction to SM Dyechem, the trial Court held:

The registered trademark PIKNIK was valid and subsisting on the Register. Cadbury's earlier registration for the trademark CADBURY'S PICNIC had expired. Cadbury had not opposed SM Dyechem's application to register PIKNIK. There had been no unreasonable delay in filing the suit and the balance of convenience was in SM Dyechem's favour. Cadbury's trademark PICNIC was deceptively similar to the registered trademark PIKNIK.

Definition of a trademark under the Trademarks Act includes

a label. Cadbury's argument that PIKNIK was a variant of a common dictionary word fails as Cadbury itself had registered the word PICNIC in 1977; its parent held registrations for the same word in 110 countries; and Cadbury had again sought to register the same word in 1998-1999.

### On appeal by Cadbury, the High Court reversed the trial Court, set aside the injunction order and held:

SM Dyechem's registered label comprised of the word PIKNIK in stylised script and the device of a little boy with a hat in between the letters 'K' and 'N'. The script and the little boy were the essential features of the label and not the word PIKNIK. While SM Dyechem was marketing potato chips and wafers in a polythene pouch and not chocolates with the PIKNIK label, Cadbury was marketing chocolates in a polythene pouch with the CADBURY'S PICNIC trademark. As the products and the labels were different, there was no confusion. The word PIKNIK was a misspelling of a common dictionary word and therefore, could not be subject of any proprietary right. 'Cadbury' was a household name in chocolates since 1948, and just as 'Cadbury's Dairy Milk', 'Cadbury's Five Star' were firmly associated in the consumer's consciousness with the Cadbury name, there would be no confusion/deception in identifying the source of 'Cadbury's Picnic'. No case for infringement or passing-off was made out.

### In subsequent appeal before the Supreme Court, SM Dyechem contended:

By merely filing a rectification application, Cadbury could not scuttle the suit for infringement or the injunction application. Cadbury did not have the defence of claiming that the PIKNIK trademark was invalid on the ground of non-distinctiveness. SM Dyechem's proprietary rights in the trademark PIKNIK had been infringed by Cadbury who was also guilty of passing-off its goods as that of SM Dyechem's.

### Cadbury counter-argued:

Cadbury was not barred under the Act from raising the plea of non-distinctiveness in this suit as 7 years had not elapsed since the date of registration of the PIKNIK trademark. There was no deceptive similarity between the marks in suit as SM Dyechem's mark was the entire label and not just the word PIKNIK. Cadbury had trans-border reputation in the PICNIC mark and the use of this mark in India would neither infringe SM Dyechem's mark or amount to passing-off of the latter's goods.

**Issues before the Court:**

Whether the defendant (Cadbury) could raise any defence that registration of the plaintiff's (SM Dyechem) mark was itself "invalid" because the plaintiff's mark was non-distinctive under the Act?

Whether plaintiff could rely on the presumption in the Act that the "validity" of the registration of the plaintiff's mark had become conclusive on the expiry of 7 years, and long before the defense was raised in the suit and whether there are any exceptions to the said bar?

**Whether the word PIKNIK was on merits, non-distinctive?**

For grant of temporary injunction, should the Court go by the principle of prima facie case or comparative strength of the case of either parties or by finding out whether the plaintiff had raised a 'triable issue'?

Whether assuming that the plaintiff's registration was valid, the comparative strength of the case on the question of infringement is in favour of the plaintiff?

Whether, alternatively, if the plaintiff had made out that for grant of temporary injunction the suit be treated as a "passing-off" action, then the relative strength of the suit, was in the plaintiff's favour?

Whether there was unreasonable delay on the part of the plaintiff in filing the suit and whether the High Court was justified in interfering in appeal in interlocutory proceedings?

**Dismissing SM Dyechem's appeal, the Supreme Court held:**

On Issues [1], [2] and [3]: Defendant Cadbury, by filing a rectification proceeding in the High Court after institution of the suit by the plaintiff, cannot preclude plaintiff SM Dyechem from interim relief. The Court would not go into the question of 'validity' or 'distinctiveness' of the plaintiff's PIKNIK trademark nor into the applicability of cited case law as those issues are to be decided in the rectification proceedings.

On Issue [4]: In trademark matters, it is now necessary to go into the question of 'comparable strength' of the cases of either party, apart from the balance of convenience.

On Issue [5]: Broadly, case law stresses on common features rather than on differences in essential features of trademarks when considering infringement of trademarks. The onus to prove 'deception' is on the part of the plaintiff alleging infringement. While there is phonetic similarity and use of the word 'Picnic' in both marks, the effect of the dissimilarities have to be considered, too, the tests being - Is there any special aspect of the common feature which has been copied? Whether the dissimilarity of the part or parts is enough to mark the whole thing dissimilar? Whether when there are common elements, should one not pay more regard to the parts which are not common, while at the same time not disregarding the common parts and what is the first impression?

The peculiar aspects of the common features of the PIKNIK label namely the peculiar script and the curve has not been copied. Absence of the peculiar script in the letters, the curve and the absence of the caricatures of the boy with the hat in Cadbury's trademark makes the whole thing look dissimilar. The aforesaid dissimilarities have to be given more importance than the phonetic similarity or the similarity in the use of the word PICNIC for PIKNIK. On first impression the dissimilarities appear to be clear and more striking to the naked eye than any similarity between the marks. Thus, on the whole, the essential features are different. Regarding the question of infringement, on an examination of the relative

strength of the cases, it is shown that the chances, on facts, are more in favour of defendant Cadbury rather than in favour of plaintiff SM Dyechem, and the plaintiff is not entitled to temporary injunction. If in a given case, the essential features have been copied, the intention to deceive or to cause confusion is not relevant in an infringement action. Based on an examination of relative strength, it was decided that there is no infringement and the High Court was right in refusing temporary injunction.

On Issue [6]: In a passing-off action, get up or trade dress may provide a defence to the defendant, but these facts do not assume relevance in infringement actions. The fact that the defendant's wrapper contains the word 'Cadbury' above the trademark PICNIC is an indication that there is no case of passing-off. The trial Court went wrong in principle in holding that there was scope for a purchaser being misled, as in such cases, Courts should consider the kind of customer who knows the distinguishing characteristics of the plaintiff's goods and how they distinguish his goods from other goods in the market. Thus on the question of passing-off, the relative strength of the case appears to be in the defendant's favour.

On Issue [7]: The issue of laches in filing suit by the plaintiff does not assume any significance in view of the finding on Issue [5] When wrong principles were applied by the trial Court, under Order 39 Rule 1 CPC, the appellate Court could certainly interfere in interlocutory proceedings. In the instant case, the trial Court had erred - In giving importance to phonetic similarity and not to differences in essential features; and In not taking the vary customer into consideration.

**Observations and Conclusion:**

Intellectual property consists of a bundle of rights in relation to certain material object created by the owner. In case of Trademarks, there are two type of rights: one conferred by the registration of the mark under Trade Marks Act 1999 and the other acquired in relation to a trade mark, trade name or get-up by actual use in relation to some product. The rights conferred by registration are confined to the use of the mark in relation to the actual goods or services for which it is registered. The exclusive rights granted by the registration enables the proprietor of the registered mark to prevent others from not only using the marks registered but also marks which are deceptively similar and intends to create confusion the minds of consumers. In the case of unregistered mark, get-up and other badges of good-will of business the protection is given to the goodwill of the business in relation to which such trademark is used. In case of unregistered trade mark the right to protection of goodwill continues indefinitely provided the owner of the goodwill uses the mark lawfully and prevents other people infringing those rights by appropriate and timely action in the court of law.

The High Court was right in noticing the dissimilarities in the essential features of the marks in suit and in concluding that viewed as a whole; there was neither similarity nor scope for deception or confusion. The Court's findings on facts are for the purpose of temporary injunction and will not interfere with the Court's decision in the suit, based on submitted evidence. It is evident from this decision that the Indian courts take an impartial and objective view of such disputes, and are guided solely by the merits of the case. This decisions also shows that trademark registrants in India have recourse to an effective judicial remedy if a mark is infringed.

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