

*Shephali*

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY  
ORDINARY ORIGINAL CIVIL JURISDICTION  
NOTICE OF MOTION NO. 662 OF 2014**

**IN**

**SUIT NO. 431 OF 2014**

**ITC LIMITED,**  
a company under the Companies Act, 2013  
and having its office at 1st floor, Indian  
Mercantile Chamber, R. Kamani Marg,  
Ballard Estate, Mumbai 400 001, India. ... **Plaintiff**

*versus*

**NTC INDUSTRIES LTD.,**  
a company under the Companies Act, 2013  
and having its office at: 149, B. T. Road,  
Kolkatta - 700 001, West Bengal. ... **Defendant**

**APPEARANCES**

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**FOR THE PLAINTIFF**

**Mr. Ravi Kadam, Senior Advocate, with  
Mr. Sanjay Kher & Ms. Tanmayee  
Rajadhyaksha i/b M/s. Nanu  
Hormusjee & Co.**

**FOR THE DEFENDANT**

**Mr. Janak Dwarkadas, Senior Advocate,  
with Mr. Amit Jamsandekar & Mr.  
Aditya Thakkar, i/b Gordhandas &  
Fozdar.**

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**CORAM** : **G.S.Patel, J.**  
**JUDGMENT RESERVED ON** : **10th October 2014**  
**JUDGMENT PRONOUNCED ON** : **29th September 2015**

**JUDGMENT:**

1. First, *mea culpa*: I heard Counsel on both sides at some length almost a year ago. I reserved judgment. Other matters intervened since, and I somehow lost sight of this case. That is no excuse, nor do I seek to make it one. I can only request parties and their advocates to forgive me this lapse.

**A. BACKGROUND**

2. The suit is an action in trade mark and copyright infringement combined with a cause of action in passing off. The Plaintiff (“ITC”) took an *ex parte* ad-interim order on 7th May 2014. That order included reliefs in passing off. ITC filed an application for leave under Clause XIV of the Letters Patent only thereafter. This was opposed. For reasons not immediately germane, the ad-interim order was, by consent, vacated on 17th July 2014. The present application is therefore limited to the cause of action in infringement of both trade mark and copyright.

3. ITC claims copyright in an artistic work being a label “**GOLD FLAKE KINGS RED**”, a reproduction of which is provided.<sup>1</sup> It says that this copyright has been infringed by the Defendant

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<sup>1</sup> Plaintiff, Ex. G, p. 192

(“NTC”) in its use of a rival mark “**GOLD FLAKE**”.<sup>2</sup> In addition, ITC says it is the registered owner of the trade marks “**GOLD FLAKE**”, “**HONEY DEW**” and “**HONEY DEW SMOOTH**”. Copies of the registrations of each are annexed.<sup>3</sup> These, ITC claims, have been infringed by NTC *inter alia* by using rival marks “**GOLD FLAKE**” and “**HONEY DROP**”. All of this is of course in the context of cigarettes and tobacco products.

4. I heard Mr. Kadam for ITC and Mr. Dwarkadas for NTC extensively and, with their assistance, considered the material on record. Both sides presented detailed notes of arguments, which I took on record. Mr. Dwarkadas’s submissions, which I will consider in detail later in this judgment, were that ITC is guilty of material suppression, especially in relation to prior user by other manufacturers and traders; that ITC’s conduct lacks all *bona fides*; that there is delay amounting to laches and acquiescence on ITC’s part; and that in any case the so-called mark “**HONEY DROP**” is purely descriptive and no question of infringement arises. Mr. Dwarkadas was at some pains to point to the prior history of registrations by others of the “**GOLD FLAKE**” mark. He also said that the rival label was not a sufficiently substantial reproduction of ITC’s label to warrant an injunction in copyright infringement. It is true that there is something of a history to at least one of these marks (“**GOLD FLAKE**”), one that goes back several decades, but

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<sup>2</sup> Plaintiff, Ex. K, *p.* 222

<sup>3</sup> Plaintiff, Exs.C-1 to C-93, *pp.* 54-179 for **GOLD FLAKE**; Plaintiff, Exs. D and E, *pp.* 180 for **HONEY DEW** and **HONEY DEW SMOOTH**. Legal proceedings certificates have been separately submitted. I have omitted reference to the registration numbers except where absolutely necessary.

I am unable to agree with Mr. Dwarkadas that the defence is enough to defeat ITC's claim. There is, I find, material on record that points to a persistent course of conduct by NTC in too closely adopting marks of others, not just ITC, and that shows that NTC has done this not once, which might have been merely happenstance, but far too often to be either that or coincidence. For the reasons that follow, I have granted the injunctions sought.

## B. ITC'S REGISTRATIONS AND USE OF THE TRADE MARKS

5. ITC itself has been in the tobacco business for over a century. It claims that its predecessors-in-title conceived and adopted a distinctive mark, "**GOLD FLAKE**", in relation to cigarettes some time in 1910. This is now registered as a word mark. It has also been using the mark "**HONEY DEW**" since about that time. ITC says its earliest registration of the "**GOLD FLAKE**" mark dates back to 11th November 1942.<sup>4</sup> It is not only the mark but also other essential features to which ITC lays claim: the device of a star in red; the gold, black and red colour scheme and so on.<sup>5</sup> The Plaintiff is also the registered proprietor of the trade marks "**HONEY DEW**" and "**HONEY DEW SMOOTH**". Both are word marks. The former is registered since 10th October 1991;<sup>6</sup> the latter since 2nd July 2010.<sup>7</sup>

<sup>4</sup> Plaintiff, Ex.C-4, p. 57; Compilation, pp. 11-14

<sup>5</sup> Compilation, Exs. C-37, p. 114; C-44, p. 135; C-49, p. 144; C-54, p. 157; C-58, p. 172; C-80, p. 234.

<sup>6</sup> Plaintiff, Ex.D, p. 180.

<sup>7</sup> Plaintiff, Ex. E, p. 181.

6. In 1999, ITC began using a dewdrop pictorial as a design element in its promotional and marketing material and in 2010 it started using the trade mark label and trade dress in which this dewdrop was positioned alongside the mark “**HONEY DEW SMOOTH**”.

7. ITC’s marks and label have several distinctive elements: an oval or roundel, a star device, the device of a dew drop, the words “**HONEY DEW**” (or “**HONEY DEW SMOOTH**”) among them. There is no limitation in the registrations as to colour and Mr. Kadam says, and I think quite correctly, that this get-up must then extend to all colours. These key elements of the star, the roundel and the words “**HONEY DEW**” have featured in various design evolutions over time.<sup>8</sup> ITC’s sales figures are, by any measure, enormous: over Rs.16,000 crores in 2013-14 and not much less in the preceding years – very likely the GDP of a small country.<sup>9</sup>

8. ITC says it learnt of NTC’s use of the rival marks in April 2014, shortly before it brought this suit. In paragraph 17 of the *Plaint*, there is a tabulated comparison of the rival marks and labels. Leaving aside the differences in the products themselves, there are at least these commonalities:

- (a) NTC too uses an all-gold colour pack with lettering and designs in gold, black and red;

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<sup>8</sup> For example, the 1999-2003 changes at pages 182 to 191 of the *plaint*.

<sup>9</sup> *Plaint*, p. 220.

- (b) The words “**GOLD FLAKE**” are in bold capital letters in the center of the packet in both;
- (c) NTC uses “**HONEY DROP**” where ITC uses “**HONEY DEW**” or “**HONEY DEW SMOOTH**”;
- (d) NTC sites the dew (or honey) drop device close to the word, and all of this features on the lower half of the pack, as does ITC;
- (e) NTC uses a star device, one that has always featured on ITC’s Gold Flake product packaging and labels;
- (f) There is a line of text on the face of both packets;
- (g) On the vertical sides, the words “**GOLD FLAKE**” appear with other text on both packets;
- (h) The words “**GOLD FLAKE**” appear prominently on the tops of both packets.

9. None of this, Mr. Kadam says, can possibly be accident. To the extent that the defence is based on Section 34 of the Trade Marks Act, 1999, NTC must show that its use of the rival marks is prior to ITC’s use or registration, whichever is earlier. ITC claims user from 1905 and registration from 1941. Unless, therefore, NTC can show that its use precedes ITC’s use or registration, the Section 34 defence is unavailable to it. As to the defence of ITC’s

acquiescence, this is an argument based on Section 33 of the Act, and that requires, apart from the statutorily-mandated five-year period, that NTC's mark is duly registered. That, Mr. Kadam says, is not shown. The final argument is founded on Section 35, and it relates to the use of "**HONEY DROP**". If this is supposedly descriptive, then it must be demonstrated to be a *bona fide* description of the quality, or character of the goods. Even this is not shown.

10. I will turn first to NTC's factual claim as to prior user. The reason I address this first is, of course, because of the nature of the defences taken. The question of infringement of both trade mark and copyright will arise only if those defences fail.

### C. NTC'S HISTORY OF THE "GOLD FLAKE" TRADE MARK

11. A very large part of Mr. Dwarkadas's address focussed on the prior history of the trade marks and previous registrations. It is best, therefore, to start the discussion here. Apart from anything else, this tracing of the origins of at least one of the marks, "**GOLD FLAKE**", is central to Mr. Dwarkadas's submission on acquiescence and suppression. In the following narrative I have included, for consistency, the responses from Mr. Kadam.

- (a) NTC says that the mark "**GOLD FLAKE**" under registration number 141437 was registered in Class 34 as far back as in 1951 to one Montana Sports (India) Private Limited. This is said to have been an associate of NTC, both sharing a common proprietor, one B. N.

Elias. Montana Sports was the original applicant. Even this is not entirely accepted by ITC, which says that the mark registered was a label or device mark with the words “**SUPERIOR GOLD FLAKE**”.

(b) NTC claims that it adopted the mark “**NATIONAL GOLD FLAKE**” in 1965. This is not registered. NTC claims that this mark encompasses the previous registered mark “**GOLD FLAKE**”.

(c) In 1975, the Duncan Group acquired a controlling interest in National Tobacco Company of India Ltd. Two years later, on 28th January 1977, a scheme of merger between National Tobacco Company of India Ltd. and Duncans Agro Industries Ltd. was sanctioned by the High Court.

(d) The mark was then transferred in 1982 to Duncans Agro Industries Ltd.<sup>10</sup> In 1984, Duncans Agro hived off its tobacco unit by incorporating New Tobacco Company. Mr. Kadam points out that there is no material to show that the mark was transferred to New Tobacco Company, NTC’s more immediate predecessor-in-title. There is no such entry in the register. The list of trade marks registered to New Tobacco Company does not include this mark.<sup>11</sup>

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<sup>10</sup> Motion paperbook, p. 128

<sup>11</sup> Motion paperbook, p. 151.



- (e) In 1989, NTC's predecessor applied for registration of the trade mark "**NATIONAL GOLD FLAKE**". Admittedly this was abandoned. The reasons are immaterial.
- (f) On 25th November 1991, New Tobacco Company Ltd was ordered to be wound up by the Calcutta High Court. NTC says that on 23rd February 1994, all the assets, including all licenses, were leased to RD Builders Pvt Ltd, later RDB Industries Ltd. A list of brand names is appended.<sup>12</sup> The mark registered under no. 141437 is not on that list; yet NTC insists that the lease of 'all' trade marks must be held to include this mark as well. In 1994, RDB Industries Ltd applied for registration of the mark "**NATIONAL GOLD FLAKE**". This too was abandoned. On 31st March 2011, RDB Industries Ltd changed its name to that of the Defendant in this action, NTC Industries Ltd.
- (g) It is not disputed even by NTC that the mark was removed from the register for non-renewal. This was notified in the Trade Mark Journal 1498, published in 2011.<sup>13</sup> NTC claims to have been "unaware" of this removal or non-renewal. It cites a variety of reasons for this and claims that it is in the process of taking steps to revive or restore the mark.

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<sup>12</sup> Motion paperbook, *pp.* 134, 153, 155 and 158.

<sup>13</sup> Motion paperbook, *p.* 128.

- (h) In March 2014, NTC sought registration of the mark *vide* Application Nos. 2695312, 2695313 and 2695314. In these, NTC claimed user since 1965 and January 2014.

12. This charting of NTC's claims is of particular interest for several reasons. To begin with, as Mr. Kadam points out, NTC twice sought registration of a rival mark, in 1989 and again in 1994. The latter registration is especially curious, for it showed a 'proposed user'. Further, NTC's 2014 applications claim a tracing back to its 1965 adoption and no earlier; i.e., NTC does not even in these applications make a connection with the mark No. 141437 said to have been registered in 1951. Also, while saying that Duncans hived off its tobacco unit, there is nothing to show that the previous mark under No.141437 ever came to be transferred to the New Tobacco Company. The list of 91 trade marks said to belong to the New Tobacco Company does not include this mark, and there seems to be no reason to assume its inclusion given the length of this listing. It is also not clear at all, at least at this *prima facie* stage, that ITC has admitted the flow or devolution of title in the rival mark claimed by NTC. That burden lies on NTC, the Defendant.<sup>14</sup> In any case, as we have seen, the statement in paragraph 35 of the Plaint that when ITC took search in the registry, as it was bound to do, it found that the "Defendant (or their predecessors) had made attempts in 1989 and 1994 to register the trade mark *NATIONAL GOLD FLAKE* by filing two applications for registration" can hardly constitute a sufficient 'admission' for these purposes. After all, those two applications were abandoned. This also does not mean

<sup>14</sup> *T. G. Balaji Chettiar v Hindustan Lever Ltd.*, AIR 1967 Mad 148

that ITC has accepted the validity of the old registration number 141437. That application, interestingly, was for COLD FLAKE.

#### D. NTC'S CAVEATS

13. There is then something of a side-show in relation to caveats said to have been filed by NTC in Calcutta and Alipore on 6th February 2014. NTC claims it test-marketed its rival product in January 2014, and that ITC knew of this, and its representatives threatened NTC's; and that this prompted NTC to file those caveats. All this is narrated in debilitating detail to contend only that there was no 'urgency' when ITC first moved this Court in May 2014 and obtained an *ex parte* ad-interim order. ITC's conduct in not disclosing these caveats has Mr. Dwarkadas fuming (so to speak), but Mr. Kadam quickly stubs this out (so to speak): he points out that there was nothing in those caveats to indicate that they related to these marks. ITC in fact assumed that the caveats related to *another* infringement, relating to its mark "**CAPSTAN**", also said to have been infringed by NTC by introducing a rival mark "**REGENT**" in a near-identical get-up.<sup>15</sup> NTC claims "**REGENT**" to be a registered trade mark, and says no question of infringement arises, and therefore the caveats could only have related to the present marks. If this be so, then I should imagine that the very filing of the caveats works to NTC's detriment rather than the non-disclosure operating against ITC. The two labels for "**CAPSTAN**" and "**REGENT**" bear an undeniable deceptive similarity. There is no explanation for this at all. With considerable justification, Mr. Kadam points to NTC being something of a

<sup>15</sup> Motion paperbook, pp. 280-281.

recidivist in these matters: Exhibit M to the Plaintiff<sup>16</sup> shows very many products introduced by NTC that are, on the face of it, blatant rip-offs of competing products. *Marlboro*, *Salem* and other well known brands are all copied willy-nilly. ITC's assumption that the caveats related to the "CAPSTAN" v "REGENT" dispute is not wholly untenable. In any case, all this must be viewed in the context of NTC's emphatic assertion that it launched its product in January 2014. Of this there is not just no evidence: there is evidence to the contrary. NTC has produced a certified statement of its alleged sales and advertisement expenses for "NATIONAL GOLD FLAKE".<sup>17</sup> This has figures for 2012-13 and 2014-2015, but none at all for the period 2013-14, a period that would cover January 2014. In any case, caveats have a limited shelf-life of 90 days. The suit was brought only a few days short of the expiry of that term. In itself, this lends credence to Mr. Kadam's submission. I also do not see how ITC could possibly have connected those caveats to this or that dispute, given that the present one is not the only dispute between the parties. A caveat needs some precision and details so that the caveatee may know what it is that is sought to be caveated.<sup>18</sup>

14. Mr. Dwarkadas also submits that relief should be denied to ITC because it has come with unclean hands. This is on the basis that it did not disclose the caveats and sought a wide-ranging *ex parte* ad-interim order including on the cause of action in passing off, one that was without justification. The poison in that application, he says, has entered the blood stream of this law suit, and is so toxic

<sup>16</sup> Pp. 225-229

<sup>17</sup> Motion paperbook, p. 215

<sup>18</sup> See: *H. G. Shanker Narayan v State of Rajasthan*, AIR 1985 Raj 186

that if not the suit at least this Notice of Motion must fail.<sup>19</sup> I disagree. The issue of the caveats is something of distraction and little more; and, as for the ad-interim order, that has been vacated by consent, and I do not think it would be correct to reopen those circumstances now.

#### E. ACQUIESCENCE

15. This brings me to the acquiescence defence. NTC claims that ITC has acquiesced in the registration of the mark 141437 and the use of the mark “**NATIONAL GOLD FLAKE**”.

16. First, Section 33 of the Act:

Section 33 – Effect of acquiescence

(1) Where the proprietor of an earlier trade mark has acquiesced for a continuous period of five years in the use of a registered trade mark, being aware of that use, he shall no longer be entitled on the basis of that earlier trade mark—

(a) to apply for a declaration that the registration of the later trade mark is invalid, or

(b) to oppose the use of the later trade mark in relation to the goods or

<sup>19</sup> *Maganlal Kuberdas Kapadia v Themis Chemicals Ltd.*, Appeal No. 332 of 1991, decided on 22nd April 1991; *S. P. Chengalvaraya Naidu v Jagannath & Ors.*, (1994) 1 SCC 1; *A. Shanmugam v Ariya Kshatriya Rajakula Vamasathu Madalaya Nandhavana Paripalanai Sangam & Ors.*, (2012) 6 SCC 430

services in relation to which it has been so used,

unless the registration of the later trade mark was not applied in good faith.

(2) Where sub-section (1) applies, the proprietor of the later trade mark is not entitled to oppose the use of the earlier trade mark, or as the case may be, the exploitation of the earlier right, notwithstanding that the earlier trade mark may no longer be invoked against his later trade mark.

17. To invoke this defence, several matters must be pleaded and proved. Of these, four appear to me to be critical: (1) the necessity of adoption by the defendant; (2) a plaintiff's knowledge of the defendant's use of the trade mark in a manner hostile to the plaintiff's rights; (3) conduct by the plaintiff that encourages the defendant's use of the rival mark; and (4) proof of the defendant having acted on the plaintiff's go-ahead.<sup>20</sup> The principle has been restated by the Delhi High Court in *Hindustan Pencils Pvt Ltd v India Stationery Products Co & Anr.*,<sup>21</sup> one that has been consistently followed and applied.<sup>22</sup> The Supreme Court's decision on this, in

<sup>20</sup> *Willmott v Barber*, (1880) 15 Ch.D. 96

<sup>21</sup> 1989 (9) PTC 61 (Del)

<sup>22</sup> *Schering Corporation & Ors. v Kilitch Co. (Pharma) Pvt. Ltd.* PTC (suppl) (2) 22 (Bom) (DB); *Jagdish Gopal Kamath and Ors. v Lime & Chilli Hospitality Services*, 2015 (62) PTC 23 (Bom); *Emcure Pharmaceuticals Ltd. v Corona Remedies Pvt. Ltd.*, 2014 (60) PTC 332 (Bom); *D.R. Cosmetics Pvt. Ltd. & Anr. v J. R. Industries*, 2008 (2) Bom.C.R. 28, per Dr. D.Y. Chandrachud J, as he then was.

*Power Control Appliances v Sumeet Machines Pvt Ltd.*<sup>23</sup> reads, with emphasis added:

26. Acquiescence is sitting by, when another is invading the rights and spending money on it. It is a course of conduct inconsistent with the claim for exclusive rights in a trade mark, trade name etc. It implies positive acts; not merely silence or inaction such as is involved in laches. In *Harcourt v. White* 28 Beav 303 Sr. John Romilly said: "It is important to distinguish mere negligence and acquiescence." Therefore, acquiescence is one facet of delay. If the plaintiff stood by knowingly and let the defendants build up an important trade until it had become necessary to crush it, then the plaintiffs would be stopped by their acquiescence. If the acquiescence in the infringement amounts to consent, it will be a complete defence as was laid down in *Mouson & Co. v. Boehm* (1884) 26 Ch D 406. The acquiescence must be such as to lead to the inference of a licence sufficient to create a new right in the defendant as was laid down in *Rodgers v. Nowill* (1847) 2 De GM & G 614 : 22 LJ kCh 404.

18. In *Power Controls*, the Supreme Court cited the decision in *Electrolux LD. v. Electrix*,<sup>24</sup> in turn approving the decision of Fry J in *Willmott v Barber* as to the very many ingredients required to

<sup>23</sup> (1994) 2 SCC 448

<sup>24</sup> (1954) 71 RPC 23

constitute acquiescence, in addition to those that I have set out earlier. The defendant must be shown to have made a mistake as to his legal rights. He must have acted in some discernible and identifiable manner on the basis of that mistaken belief. The plaintiff must be shown to be aware of his legal rights inconsistent with the right claimed by the defendant. The plaintiff must be aware of the defendant's mistaken belief. The plaintiff must have encouraged the defendant in spending money or acting as he did, and this encouragement may be either direct or by a demonstrated abstention by the plaintiff in asserting his rights. Two of these requirements are critical: *first*, the plaintiff's knowledge of his own rights being inconsistent with or contrary to the rights of the defendant; for the foundation of the doctrine of acquiescence is the plaintiff's conduct with knowledge of his legal rights; and *second*, that the plaintiff is aware of the defendant's mistaken belief. If the plaintiff is simply unaware of those competing rights, he has no call to assert his own.<sup>25</sup>

19. The principle seems to me to be this: a man cannot sit indolent and idle, aware of the invasion of his rights by another, and then complain of that invasion. Acquiescence is a species of estoppel, a rule in equity and a rule of evidence. Being that, it must be pleaded and proved. Essential to the acquiescence doctrine is encouragement or inducement: the plaintiff, possessing a juridical right, must be shown to have encouraged the defendant and induced him to act to his detriment; and the defendant must know of the plaintiff's rights and the fact that he has not and is not in pursuit of

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<sup>25</sup> As the *Electrolux* decision carefully notes, the relative positions of the plaintiff and the defendant in *Willmott v Barber* were the reverse of the usual type of case where such a defence is taken.



their enforcement. Though acquiescence is a conduct incompatible with a claim of exclusivity, it requires positive acts, not mere silence or inaction as we know of it in laches. Negligence and oversight are not acquiescence. That demands proof of an abandonment of the right to exclusivity, and this must necessarily be both pleaded and proved. It is not something to be drawn by convoluted or circuitious inference, supposition or extrapolation.

20. I find no trace of the necessary pleading in this regard. NTC does not explain why it adopted the mark “**NATIONAL GOLD FLAKE**”, one that encompasses ITC’s mark. There is no statement of it being under any mistaken belief or being encouraged by ITC in using the mark, even assuming such user is established. On the question of user, there is no material to show that the original mark under registration number 141437 “**SUPERIOR GOLD FLAKE**” was ever used by NTC or its so-called predecessors. Mr. Dwarkadas claims that the mark “**NATIONAL GOLD FLAKE**” has been used, and points to some documents in this behalf. But that is not a registered mark at all; and now that NTC’s mark no longer exists on the register, the attempt at a recent use of an unregistered mark is one against which ITC can certainly move.

21. As we have seen, there is no material to evidence use of “**SUPERIOR GOLD FLAKE**”, the mark registered under number 141437. Mr. Dwarkadas says this mark was noticed in *Golden Tobacco Company Ltd v ITC Ltd.*,<sup>26</sup> but that discussion indicates that there was no evidence of actual *use* of that mark. To constitute acquiescence, there must be use; that, I imagine, is fundamental.

<sup>26</sup> (1992) 12 PTC 73

22. As to the other mark, “**NATIONAL GOLD FLAKE**”, the one that NTC claims is the one in consideration, Mr. Kadam says the evidence of its use is paltry: a movie poster,<sup>27</sup> Central Excise documents and some invoices. But in this behalf, there is a very great deal of ambiguity about the actual devolution of the title, if any, in the mark to NTC. We do not know for certain whether on the Duncans hiving-off in 1984 to New Tobacco Company, this mark also migrated. NTC itself says that Duncans then stopped using this mark. Two applications for registration were filed and abandoned, in 1989 and 1994. These seem to be the only applications it abandoned: with others, NTC was diligent in seeing them through to registration. If indeed there was a transfer on the hiving-off in 1984, why Duncans thought to ‘apply’ for a registration five years later in 1989 is never explained. Then New Tobacco Company was wound up in 1991. Its assets were later leased to RD Builders Pvt Ltd (later RDB Industries Ltd; later, the present Defendant). The list of marks transferred includes the mark applied for in 1989 (and later abandoned). In 1994, New Tobacco Company, through its lessee, again applied for registration of this mark. This application too was abandoned. Later, in 1996, National Tobacco Company’s assets were sold to RDB Industries Ltd under a court-ordered sale. The sale deeds produced show that one Nalanda Tobacco claimed rights over certain marks and these were excluded from the sale. This convoluted history hardly demonstrates use.

23. What of the actual use of the mark? It is settled law that for a defence of acquiescence to succeed, the rival’s use must be open, continuous and extensive: in a word, *notorious*, such that it could not

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<sup>27</sup> Motion paperbook, pp. 200-203

possibly escape a plaintiff's attention. ITC can hardly be expected to sue everyone who lays claim to a rival mark without actually using it. Trivial or insignificant, relatively benign, uses may be overlooked without consequence: a top-end hotel chain is not expected to sue every roadside *dhaba*.<sup>28</sup> Mere neglect to proceed does not always constitute abandonment if it relates to insignificant or trivial infringements insufficient to affect the mark's distinctiveness, even if the proprietor is aware of these infringements.<sup>29</sup> The Central Excise documents do not seem to me to be indicative of actual use. The price approvals and surveys refer to "NG Flake", not "NATIONAL GOLD FLAKE". Correspondence from the Central Excise to the Central Tobacco Research Institute<sup>30</sup> does not show sales. The form maintained under the Central Excise Act<sup>31</sup> shows no sales either: the opening and balance stocks are the same. The invoices produced<sup>32</sup> are stock transfers, not sales. The Chartered Accountant's certification for 2002-2015<sup>33</sup> (missing the crucial period of 2014 as I have previously noted) is curious: the highest sales shown are for 2003-2004 and these are for a little over Rs.1 crore. That is, Mr. Kadam says, less than the value of half a regular truckload of cigarette packets; an amount that is, therefore, utterly trivial. Again, the missing period of 2013-2014 is crucial, and is crucially unexplained.

<sup>28</sup> *Dr Reddy's Laboratories Ltd v Reddy Pharmaceuticals Ltd.*, [2005] 128 Comp Cas 42 (Del);

<sup>29</sup> *National Bell Co. & Anr. v Metal Goods Mfg Co (P) Ltd & Anr.*, (1970) 3 SCC 665

<sup>30</sup> Motion paperbook, p. 192

<sup>31</sup> Motion paperbook, p. 193

<sup>32</sup> Motion paperbook, pp. 204-214

<sup>33</sup> Motion paperbook, p. 215

24. On file are print-outs from NTC's website,<sup>34</sup> its Annual Reports for 2011-2012<sup>35</sup> and 2012-2013.<sup>36</sup> None of these show the rival mark "NATIONAL GOLD FLAKE". The Annual Reports indicate that in 2009-2010, the total sales of all NTC products was Rs.332.64 lakhs. According to the Chartered Accountant's certificate, sales under the impugned mark for this year were Rs.54 lakhs, i.e., roughly a sixth of the total sales. Yet the impugned mark is not shown on NTC's website or in its Annual Reports.

25. This material discloses only two possibilities: either NTC's so-called use of "NATIONAL GOLD FLAKE" was insufficient or even non-existent, or, alternatively, it was kept clandestine to fly below ITC's radar. There can be no third possibility, and the essential requirement of an *open* and *notorious* user is not established. ITC cannot possibly be deemed to have known of NTC's so-called use. There are nearly 20 cigarette manufacturers in the country, and between them, they host a large number of brands. It is unreasonable, I think, to expect ITC to keep a track of each one. For this reason too, Mr. Dwarkadas's submission that ITC must be deemed to have had either notice or knowledge or both, and that its consequent failure to act on that notice constitutes acquiescence<sup>37</sup> is not one that commends itself.

26. I do not think it is possible to accept Mr. Dwarkadas's submission that there is a difference between acquiescence in

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<sup>34</sup> Motion paperbook, p. 284.

<sup>35</sup> Motion paperbook, pp. 286-345.

<sup>36</sup> Motion paperbook, pp. 346-412.

<sup>37</sup> *Claridges Infotech Pvt Ltd v Surendra Kapur & Ors.*, 2008 (5) AIR Bom R 366.

passing off and acquiescence in infringement. He says that in the latter, knowledge of use is irrelevant, and that mere knowledge of existence of the rival mark is sufficient. Therefore, according to him, it matters little that NTC did not use the mark; just the fact that it remained on the register is enough. I am unable to accept this submission. The tests for acquiescence in the two actions, of honest and concurrent user, have to be the same. The essential requirements are identical: honesty in adoption, mistaken belief, knowledge of use, encouragement by the plaintiff and so on. In both passing off and infringement the threshold test of deceptive similarity is to be met.<sup>38</sup> In a passing off action, it is necessary to establish reputation and goodwill. This is unnecessary where a mark is registered, for it is axiomatically distinctive, and an action in infringement therefore lies. But for both causes of action, there is simply no cause of action without deceptive similarity; and in both causes of action the defence of acquiescence has the same legal determinants.

#### F. INFRINGEMENT & DECEPTIVE SIMILARITY

27. As to the visual, structural and phonetic similarity, there can be little doubt. The usual tests apply: the probable view of the prospective purchaser, and his inability to readily tell one from the other. The words “**GOLD FLAKE**” and “**HONEY DEW**” seem to me to typify ITC’s products, and having regard to the various elements in the label mark, and to the manner in which the “**GOLD FLAKE**” mark is subsumed in NTC’s “**NATIONAL GOLD FLAKE**”, I have no manner of doubt as to the deceptive similarity

<sup>38</sup> *Ruston & Hornsby Ltd v The Zamindara Engg. Co.*, (1969) 2 SCC 727

between the two marks. Mr. Dwarkadas's attempt to put some distance between the two by relying on the word "NATIONAL" as a point of meaningful distinction is, I think, not just casuistry but too disingenuous to admit of acceptance. There is every likelihood of confusion and deception, of the unsuspecting purchaser mistaking one for the other. Neither of these is a premier brand of product (hence perhaps the extraordinary sales figures by ITC), and I am conscious that in this country at least the typical purchaser demographic is unlikely to be well-heeled or of the jet-set. These cigarettes, and others, including premier brands, are sold not in swish boutiques but by vendors in makeshift road-side stalls with nothing more than a couple of wooden crates or boxes and a portable open rack, often selling *paan*, boiled sweets and other such items as well. The typical purchaser is more than apt to ask for, simply, *Gold Flake*, and I doubt that his vendor will trouble himself to enquire whether he wants just *Gold Flake* or *National Gold Flake* or to invite the purchaser to browse, sniff the tobacco aroma and extol the virtues, such as they are, of the rival products. I am also aware that these products are not always sold in entire packets: purchasers ask for a 'single', or just a few, and the vendor, wiping paan-stained fingers on a discoloured cloth of dubious hygiene, will flip open a box and flick out two sticks, and then nod to a lighter, match box or oil lamp placed there for convenience.

28. There are just too many coincidences here. NTC's apparent adoption of very many marks too closely resembling other brands is the least of them, but it points to a pattern of conduct. There is the adoption of the same colour scheme, the same words, the same devices of the star and the dewdrop, and so on down the line.

Without proof of honest, concurrent user, or use pre-dating the earlier of ITC's use or registration, or a valid and subsisting registration, I do not see why NTC should be allowed to continue with its marks. The standard tests are all satisfied.<sup>39</sup> The essential features of ITC's marks are all lifted in essence into NTC's marks.<sup>40</sup> The adoption is dishonest, and I am inclined and, I think, entitled in law, to disregard the matters of dissimilarity, ones that seem in any case to me to be very inconsequential indeed.<sup>41</sup> The test is of overall similarity, of considering broadly the essential features, and seeing if the rival mark so nearly resembles the other as might mislead a person into mistaking the rival product for the registered mark.<sup>42</sup>

29. More to point: what is the explanation? Why did NTC feel the need to take ITC's mark, its essential features, its get-up and placement and to adopt as its own one that so closely resembles it? Was this just a lucky strike (so to speak)? There is no answer at all and I think that lack of answer is, as so often happens, more eloquent than anything articulated: it speaks, *prima facie*, to an initial dishonesty in adoption.<sup>43</sup>

<sup>39</sup> *De Cordova & Ors. v Vick Chemical Coy*, 1951 (58) RPC 103; *Taw Manufacturing Coy Ltd v Notek Engineering Coy Ltd. & Anr.*, 1951 (58) RPC 271.

<sup>40</sup> *Shaw Wallace & Co v Mohan Rocky Spring Water*, 2006 (3) Bom.C.R. 252; *Spillers Ltd. & Anr. v Quaker Oats Ltd.*, (1969) FSR 510.

<sup>41</sup> *Munday v Carey*, 1905 (22) RPC 273.

<sup>42</sup> *Parle Products v JP & Co.*, (1972) 1 SCC 618

<sup>43</sup> *Midas Hygiene Industries P. Ltd. & Anr. v Sudhir Bhatia & Ors.*, (2004) 3 SCC 90; *N. R. Dongre & Ors. v Whirlpool Corporation & Anr.*, (1996) 5 SCC 714

30. I cannot accept the proposition that NTC must be placed differently because it can claim some distant and decidedly tenuous link to the 1951 unused registration number 141437. If the defence pleaded is not within the frame of the Trade Marks Act, 1999 and not within the ambit of the common law defence, I do not see from where else it can spring. The 1951 mark is no longer on the Register. I cannot countenance a defence based on the possibility of a restoration application being made. The defence under Section 28(3) is also unavailable to NTC. That section merely contemplates multiple registrations, and says that where such registrations exist in the hands of different proprietors and they are found to be identical or deceptively similar, one cannot restrain the other's use of the mark in an action in infringement. That does not mean that the infringement action does not itself lie. But this proceeds on the basis that NTC is in fact today the registered proprietor of the rival mark. As we have seen, it is not. With the 1951 mark removed from the Register, no matter for what reason, the Section 28(3) defence is simply unavailable.

**G. DOES NTC USE "HONEY DROP" IN A DESCRIPTIVE SENSE?**

31. Mr. Dwarkadas says that the words "**HONEY DROP**" are not used by NTC in what he calls the 'trade-marky' sense, but in a purely descriptive way to describe the character and quality of NTC's sticks. That is hardly credible. There is nothing to suggest that there is a single drop of honey in NTC's cigarettes, or that they have that flavour. The argument also does not explain why NTC has abruptly started using this so-called descriptor, given that there is no



evidence of any change in its formulation of the product. The manner in which the words are used and their placement also do not commend acceptance of this submission. Mr. Dwarkadas's reliance on *Reed Executive Plc v Reed Business Information Ltd.*<sup>44</sup> is misdirected: that decision turned narrowly on its facts, and specifically whether "Reed Business Information" could be equated with "Reed".

32. The way ITC uses its "**HONEY DEW**" and "**HONEY DEW SMOOTH**" marks is distinctive; so, too, is the pictorial of the dewdrop. If NTC is correct, then it must show that its use of the words "**HONEY DROP**" is a *bona fide* description of the product. On the face of it, and with just one look at the rival marks, it is apparent that this is not so.<sup>45</sup>

#### H. COPYRIGHT INFRINGEMENT

33. ITC claims copyright in the label<sup>46</sup> on its cigarette packs.<sup>47</sup> In 2009, ITC commissioned one Meet Jain of Graphic Pvt. Ltd. to design the label. The work was registered to ITC under Registration No.A-99121/2013. NTC's pack is shown at Exhibit K to the Plaint.<sup>48</sup> Both are gold in colour; both have the same colour combination of gold, red and black. The words "**GOLD FLAKE**" are prominent on each, and are centred on the pack face. Where ITC says

<sup>44</sup> [2004] RPC 40

<sup>45</sup> *Newton Chambers v Neptune Waterproof Paper Co Ltd.*, 1935 (52) RPC 339

<sup>46</sup> Plaint, Ex.G, pp. 192-193.

<sup>47</sup> Plaint, Ex. J, p. 221; as part of the Additional Representations to its trade marks at Ex. C-92, p. 178.

<sup>48</sup> Plaint, p. 222.

“KINGS” at the top, NTC shows a royal crest or coat of arms with two rampant leonine creatures (for some reason they seem to be coughing) on either side of a shield-shaped device bearing the letters “NGF”. But both packs show a red star, NTC’s being considerably cruder than ITC’s. At the bottom quarter of each pack face appear, respectively, the words “**HONEYDEW SMOOTH**” and “**HONEY DROP**” with a pictorial of a droplet or dewdrop. The placement of these elements is almost identical.

34. Is NTC’s label a slavish imitation of ITC’s? There is only one possible answer: yes. Is there an explanation for it? Again, in a word: no. Is NTC’s label on a crude copy and does that make a difference? Possibly, and no it does not. The test is again of an overall similarity, of copying so much of the original as leads anyone to conclude that the rival can be nothing but a copy, lacking all originality in and of itself.<sup>49</sup> The test is still substantial similarity,<sup>50</sup> not whether the copy is exact in every microscopic detail,<sup>51</sup> and whether to the lay observer the rival appears to be a reproduction of the other work.<sup>52</sup>

35. Mr. Dwarkadas’s argument that ITC has only complained of a similarity in trade dress and not of copyright violation *per se* seems to be clutching at straws. ITC has a copyright in the artistic work. That artistic work is for a label. That label is attached to ITC’s

<sup>49</sup> *Tavener Rutledge v Specters Ltd.*, 1959 RPC 83; *The Daily Calendar Supplying Bureau v the United Concern*, AIR 1967 Mad 381; *King Features Syndicate Inc & Anr. v O & M. Kleeman Ltd.*, (LVIII) RPC 207.

<sup>50</sup> *Burroughs Wellcome (India) Ltd v Uni-Sole Pvt Ltd.*, 1999 (19) PTC 188

<sup>51</sup> *C. Cunniah & Co v Balraj & Co.*, AIR 1961 Mad 111

<sup>52</sup> *Associated Electronics & Electrical Industries v M/s Sharp Tools*, AIR 1991 Kant 406

cigarette packs. It is therefore both an artistic work and part of its trade dress. The distinction that Mr. Dwarkadas seeks to draw is one, alas, without a difference. One can hardly expect ITC to tout its artistic work as a stand-alone thing, and it cannot also be expected to be found on the individual cigarettes. The only place it can appear is on the packet face. The fact that it there assumes a trade dress is entirely immaterial.

## I. CONCLUSION & ORDER

36. The result of this discussion is that ITC succeeds. A *prima facie* case is made out. As to the balance of convenience, the well established principles must apply: I do not think it is possible to suggest that NTC should be allowed now to flood the market with its rival products. That would undoubtedly result in a significant dilution of ITC's brand, and the resultant loss would be difficult to quantify.<sup>53</sup>

37. The Motion is made absolute in terms of prayers (a), (b) and (c). There will be no order as to costs.

(G.S. PATEL, J.)

### CERTIFICATE

"Certified to be a true and correct copy of the original signed Judgment/Order."

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<sup>53</sup> *William Grant & Sons Ltd. v McDowell & Company Ltd.*, 1997 PTC (17) 134 (Del)