

IP Hotline

February 17, 2015

COURTS CAN EXAMINE VALIDITY OF TRADEMARK REGISTRATION AT INTERIM STAGE IN EXCEPTIONAL CASES

- Registration of a trademark is a prima facie proof of its validity and the onus to prove the invalidity of the trademark lies heavily on the defendant.
- Validity of a trademark can be finally determined only by the Intellectual Property Appellate Board. However, there is no bar on civil courts to consider a challenge to the validity of a trademark at interlocutory stage.
- In an infringement suit, the court may refuse to grant an injunction in favor of the plaintiff, if the registered mark appears to be *ex facie totally illegal, fraudulent or shocks the conscience of the court*.

INTRODUCTION

The Full Bench of the Bombay High Court ("**Court**"), in the reference made to it held that at the interlocutory stage, the Court has the jurisdiction to prima facie examine the validity of the registered trademark, i.e. the Court can examine if the registration of the mark is *ex facie illegal, fraudulent or shocks the conscience of the Court*. In such a case the Court may refuse to grant an injunction to the plaintiff on the basis of infringement of a registered trademark.

This order was passed in a reference made to it, in the matters of *Lupin Ltd v Johnson and Johnson* ("**Lupin Case**") and *Shakti Bhog Foods Ltd v Parle Products Pvt Ltd*¹ ("**Shakti Bhog Case**").

FACTS

Lupin Case:

Lupin, a pharmaceutical company, had applied for the registration of the mark "LUCYNTA" on August 20, 2010. Thereafter, the mark was advertised in the Trade Marks Journal on August 8, 2011 and subsequently registered on March 9, 2012. On July 12, 2012, Lupin received a summons from the Delhi High Court regarding a suit for passing off, filed by Johnson & Johnson (J&J). J&J *inter alia* contented that it had obtained registration of the trademark "NUCYNTA" in various countries around the world for a new drug that they had invented called TAPENTADOL and that Lupin had fraudulently obtained registration for a deceptively similar mark – "LUCYNTA" for the same drug in India, thus committing an act of passing off.

As a counter measure, Lupin filed a suit in the Bombay High Court claiming infringement of its mark "LUCYNTA" by J&J. In its defense, J&J challenged the validity of Lupin's registration of the mark at the interlocutory stage. This defense was contested by Lupin to be beyond the purview of the jurisdiction of the court trying the suit for infringement.

The learned single judge, before whom the matter was being heard, referred the question of law to be decided by a full bench of the Bombay High Court citing contrary views that had been taken by two different division benches of the Bombay High Court. In the case of *M/s Maxheal Pharmaceuticals v/s Shalina Labrotaries Pvt Ltd*² ("**Maxheal case**") it was held that the court cannot go into the question of validity of registration of the mark of the plaintiff at the interlocutory stage in an infringement suit; whereas in the case of *J.K. Sons v/s Parksons Games & Sports & anr.*³ ("**Parksons case**"), the court had considered the validity of registration of the mark, when such a defense was raised.

Shakti Bhog Case:

In this case, Parle had filed a suit in the court for infringement of its mark "GLUCO" against Shakti Bhog. The court had opined that it could not go into the question of validity of registration of the mark at the stage of hearing the injunction application. Aggrieved, Shakti Bhog appealed against the order of the court.

ISSUES

The question before the court was whether it can consider the validity of registration of the plaintiff's mark at the interlocutory stage in an infringement suit. If yes, then what would be the extent of such investigation? The Court also had to decide whether depending upon the outcome of the investigation; it could refuse to grant an injunction to the plaintiff.

JUDGMENT

In order to decide the issue, the Court examined the provisions of the Trade Marks Act, 1999 ("**Act**") and compared the same with the provisions of the old act, i.e. Trade and Merchandise Marks Act, 1958 ("**Old Act**").

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Upon comparing the definition of “registered trade mark” appearing in the Act and the Old Act⁴, the Court observed that the words “*and remaining in force*” were added to the definition in the Act, so as to make sure that only those marks, whose registration had not lapsed or was in force could be considered as a validly registered trademark, thus ensuring that the trade mark was to be on the register both “in law” and “in fact”.

The next provision to be considered by the Court was in relation to infringement of registered trademarks under the Act, the Old Act and also the Trade and Merchandise Marks Act, 1940 (“1940 Act”).⁵

The provision under the Act (which is in *pari materia* with the relevant provision of the Old Act) reads as follows:

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

The Court observed that the words “*if valid*” appearing in the Act were of vital importance. The provision of the 1940 Act also consisted of the words “*if valid*” in the relevant section; however these words were deleted by the Amendment Act of 1946. The notes of clauses to the Amendment Act of 1946 stated that the said amendment was effectuated so as to ensure that a registration granted by a Registrar in British India could not be called into question before a native Court and the only way to challenge the validity of a mark was to prefer rectification proceedings.

The said words were reintroduced in the Old Act, wherein the Statement of Objects and Reasons stated that the words had been reintroduced so as to provide the defendant with an opportunity to challenge the validity of the registration of the plaintiff’s mark in a suit for infringement. However, it also mentioned that the issue of validity would only be decided through rectification proceedings.

The Court scrutinized Section 31 (1) of the Act, (which is in *pari materia* with the same provision of the Old Act) which states that “*In all legal proceedings relating to a trade mark registered under this Act (including applications under section 57), the original registration of the trade mark and of all subsequent assignments and transmissions of the trade mark shall be prima facie evidence of the validity thereof.*”

The Court noted that the words “*prima facie evidence of the validity thereof*” were present in both enactments. If registration was meant to be conclusive, then the words “prima facie” would not have been used.

Thus, on a combined reading of the provisions of Section 28 and 31 of the Act the Court reasoned that the term *prima facie* could not be extended beyond the ambit of what the legislature intended and completely take away from the court its authority to question the validity of the registration of the mark.

Further, the Court compared Section 57 of the Act, which is in *pari materia* with Section 56 of the Old Act, and noted that the forum of rectification proceedings which was the High Court as per the Old Act has been changed into the Intellectual Property Appellate Board (“IPAB”) by the Act.

The Court also discussed Section 124 of the Act which is in *pari materia* with Section 111 of the Old Act, to state that both provisions empower the Court trying a suit for infringement to stay the proceedings if the defendant is able to prima facie prove to the Court that the registration of the mark of the Plaintiff is invalid. The Court would in such cases stay the proceedings for a period of three months and direct the defendant to approach the IPAB under rectification proceedings, if the defendant complies then the Court has the option of extending the stay till the disposal of the rectification proceedings. However, such a stay does not preclude the court from passing an interlocutory order including an order of injunction during the period of the stay.

Finally, the Court discussed Section 125 of the Act (which has no equivalent provision in the Old Act) which states that when the validity of registration of the mark is challenged by a defendant in infringement proceedings then only the IPAB has the authority to determine such an issue on the filing of an application for rectification by the defendant.

The Court observed that on an analysis of the provisions of the Act, it was clear that only the IPAB had the authority to finally determine the question of validity of registration of a mark on an application for the rectification of the register and not the court which was trying a suit for infringement.

The moot question was whether the court had the jurisdiction to entertain a defendant’s plea challenging the validity of the registration of the plaintiff’s mark at the interlocutory stage.

The Court observed that an injunction granted in a suit for infringement is based on the same settled legal parameters as that of i) prima facie case ii) balance of convenience iii) where an irreparable injury and injustice would be caused to the plaintiff if the injunction is not granted. There was nothing provided in the Act, so as to suggest that any different considerations are to be applied when a plaintiff seeks an injunction on the basis of its registered trademark.⁶

The Court considered the argument that an injunction must be granted to the proprietor of a registered trademark on two grounds (i) practice of the court; (ii) scheme of the legislation.

Referring to the case of **Hindustan Embroidery Mills v K. Ravindra & Co**⁷ (“*Hindustan Embroidery case*”), the court observed that in *Hindustan Embroidery* the bench had merely quoted a passage from a textbook which stated that *it was not the practice to question the validity of the registration of a mark at the interlocutory stage*. The said paragraph from *Hindustan Embroidery* was referred to in the *Maxheal* case and it was observed that it is not the ‘practice of the court’ to consider the validity of a trademark in a motion for interlocutory injunction. The observations of the *Maxheal* case were later followed in several other cases as well. However, the Court held that there was no strong footing for the division bench in the *Maxheal* case to hold that it is a practice of the court to grant injunction to a registered proprietor of the trademark.

The Court also reiterated that because there exists a prima facie assumption in law as to the validity of the registration, the defendant is cast with the burden of proving that the registration was invalid. This burden of proof would be of two different standards for two different purposes, one was the low threshold which would be to adjourn

the infringement proceedings and refer the question of validity of registration to the IPAB, for which the defendant could make a prima facie case of invalidity. Second was the high threshold which would be to refuse grant of an injunction to the plaintiff, for which the defendant would have to show that the impugned registration was *ex facie totally illegal, fraudulent or shocks the conscience of the court*.

ANALYSIS

There have been conflicting judgments of various courts on the issue in question. This judgment provides clarity that a court can examine the question of validity of registration of a trademark in an *infringement suit only* if the registration of the trademark was *ex facie totally illegal, fraudulent or shocks the conscience of the court*.

The Court has tried to strike a balance between the rights of the plaintiff, who has obtained registration of a trademark following the process of law and that of the defendant who faulted by not raising an objection to the registration of the trademark at the right time, as contemplated by the Act.

However, the Court has limited the grounds on which it can examine the validity of a registered trademark at an interlocutory stage in an action for infringement. It is not clear if this order will apply when registration of the trademark is subjected to cancellation proceedings due to facts occurring post registration of trademark (e.g. non-use of a trademark).

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You can direct your queries or comments to the authors

¹ NM (L) No. 2178 of 2012 along with Appeal (L) No. 674 of 2012

² Appeal No. 88 of 2005

³ 2011 (47) PTC 443 (Bom)

⁴ The Court compared Section 2(1)(w) of the Act "*registered trade mark*" means a trade mark which is actually on the register and *remaining in force*" with Section 2(1)(r) of the Old Act "*registered trade mark*" means a trade mark which is actually on the register".

⁵ Section 28 of the Act was in pari material with Section 28 of the Old Act, which were comparable to Section 21 of the 1940 Act.

⁶ N.R. Dongre v Whirlpool Corpn 1996 PTC (16)

⁷ 1974(76)BOMLR146

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