

INTENTION TO DEFRAUD NOT NECESSARY TO PROVE MISREPRESENTATION IN A PASSING OFF CASE, CONFIRMS THE SUPREME COURT

1. INTRODUCTION

On September 12, 2018, the Supreme Court of India (the “**Supreme Court**”) passed a judgement in *Wockhardt Ltd. Vs. Torrent Pharmaceuticals & Anr.*¹, through which it reaffirmed that the intention to defraud or deceive, or *mens rea*, should not be considered to analyse misrepresentation in a matter of *passing off*.

The Supreme Court upheld the position taken by the High Court of Bombay (the “**High Court**”) that Wockhardt Ltd. (“**Wockhardt**”) should be made liable in an action of *passing off*, even though it did not have the intention to deceive or misrepresent its products as those sold by Torrent Pharmaceuticals Ltd. (“**Torrent**”).

Moreover, the Supreme Court also analysed whether the conduct of Torrent could be considered to have crossed the line between permissible delay and impermissible acquiescence.

The case and its findings are discussed below.

2. BACKGROUND OF THE CASE

Torrent instituted a suit² for trademark infringement and *passing off* of its registered trademarks *CHYMORAL* and *CHYMORAL FORTE* against Wockhardt, in January 2017, for using a similar mark, *CHYMTRAL FORTE*, before a single judge of the High Court (the “**Single Judge**”). The case was not clear-cut as Wockhardt’s conflicting mark could, at any time, be registered without opposition from Torrent. Therefore, the arguments before the Single Judge were limited to the claim of *passing off*.

Torrent contended that they were the prior user of their trademark, and all the three components of *passing off* were satisfied by Wockhardt’s use of their conflicting mark. In defence, Wockhardt claimed that the products of both parties had existed in the market for a long time. Further, Torrent, despite having knowledge of Wockhardt’s products, did not take any action for a substantial period of time, in this regard. Also, there was nothing on record to show that Wockhardt had, at any time, attempted to dupe, deceive or delude anyone into believing that the products bearing the mark *CHYMTRAL FORTE* was Torrent’s product.

The Single Judge was satisfied with the contentions of Wockhardt, especially that there was no fraud or deceit on the part of Wockhardt, and hence, decided that there was no misrepresentation. The case for injunction was not made out by Torrent to the satisfaction of the Single Judge.

¹ Civil Appeal No. 9844 of 2018

² NMCDL35-17-TORRENT-V-WOCKHARDT

In appeal, a division bench of the High Court (the “**Division Bench**”) overturned the findings of the Single Judge. Wockhardt filed an appeal before the Supreme Court to set aside the ruling of the Division Bench.

3. FINDINGS OF THE SUPREME COURT

The Supreme Court, in its judgement, examined the following issues:

- (a) Whether Torrent was able to establish the three elements of *passing off*, that is:
 - (i) its *goodwill*;
 - (ii) *misrepresentation* by Wockhardt; and
 - (iii) *damage* to its goodwill because of Wockhardt’s misrepresentation.

The Supreme Court found that the Division Bench was right in deciding that the Torrent product’s reputation was sufficiently established by its sales figures. On the point of misrepresentation, the Supreme Court referred to one of its previous judgments in *Laxmikant V. Patel vs. Chetanbhai Shah & Anr.*³, where it held that the intention to defraud was not required to be proven for establishing *misrepresentation* in a *passing off* action. On the point of *damage*, the Supreme Court again concurred with the Division Bench and opined that, when a case of *goodwill* and *misrepresentation* has been proven, ‘a likelihood of damage to the goodwill’ is presumed.

- (b) Whether Torrent’s inaction amounted to acquiescence.

The Supreme Court reiterated the Division Bench’s finding on this issue. Relying upon *Power Control Appliances and Ors. vs. Sumeet Machines Pvt. Ltd.*⁴ (“**Power Control Appliances**”), the Division Bench had held that there was no positive act which could be attributed to Torrent so as to deny the relief, and therefore there was no acquiescence.

In *Power Control Appliances*, it was held that, “the ‘positive act’ is the ‘sitting by’ or ‘laying by’ that is, not mere silence or inaction, but a refusal or failure to act despite knowledge of invasion and opportunity to stop it.”

- (c) Whether the Division Bench was right in interfering with the exercise of discretion of the Single Judge of the High Court.

The Supreme Court observed that the Division Bench was right in interfering with the Single Judge’s order because it suffered from errors of law, and not errors of facts.

On the basis of the above, and the fact that the balance of convenience lied in favour of Torrent, as Wockhardt had started selling their product with another trademark, the appeal before the Supreme Court was decided in favour of Torrent.

³ Appeal (civil) 8266-8267 of 2001; (2002) 3 SCC 65

⁴ (1994) 2 SCC 448

4. **INDUSLAW VIEW**

The Supreme Court's judgement is significant as it provides a *holistic* view of the requirements to establish a case of *passing off*, and focuses on how the burden of proof can be discharged by a person enforcing his or her intellectual property rights, especially while seeking interim relief.

The Supreme Court reaffirms the established position of law, which states a *passing off* claim does not *necessarily* require *nefarious intent* as an element to make a case of *misrepresentation*, even though *passing off* is an action based on *deceit*. What essentially matters here is that there *is* confusion, not *how* the confusion occurs.

The Supreme Court has not delved deeper into the nuances of the points of delays and acquiescence, and has only confirmed the view taken by the Division Bench. It can be simply understood that a divide has been reaffirmed between delays and acquiescence. It was interesting to see that the Supreme Court concluded that any *omission to act* against an intellectual property violation cannot be considered *acquiescence* on the part of the person enforcing his or her intellectual property rights. The Supreme Court could have given more insight on these two aspects for deliberating the issue at hand. A future decision from the Supreme Court on the points of delays and acquiescence in cases of intellectual property infringement and *passing off* is indeed necessary.

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