

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
INTERIM APPLICATION (L) NO.14308 OF 2022
IN
COMMERCIAL IP SUIT (L) NO.14302 OF 2022

Khadi & Village Industries Commission ... Applicant / Plaintiff
Vs.
Board of Trustees, Mumbai Khadi and
Village Industries Association ... Respondent / Defendant

Dr. Birendra Saraf, Senior Advocate a/w. Ms. Shwetasree Majumdar, Ms. Shreya Ganguly and Mr. Jay Sanklecha i/b Bimal Rajasekhar for Applicant / Plaintiff.

Mr. Venkatesh Dhond, Senior Advocate a/w./ Mr. Rashmin Khandekar, Ms. Karishni Khanna, Mr. Atmaram Patade, Ms. Mohini Thorat and Mr. Suraj Naik i/b. Mr. Atmaram Patade for Respondent / Defendant.

CORAM : MANISH PITALE, J.

DATE : DECEMBER 14, 2022

P.C. :

1. The plaintiff, Khadi and Village Industries Commission, a statutory Commission has approached this Court by filing this suit and application for interim reliefs in the context of its registered trademark 'KHADI' and its variants. The plaintiff has placed on record in paragraph 10 of the plaint, the details of various registrations pertaining to the trademark 'KHADI', which include word mark, device mark and label mark, in various classes. The plaintiff alleges that by using the impugned marks, the defendant has indulged in infringement and passing-off. The plaintiff prays for interim reliefs in respect of both the causes of action.

2. Dr. Birendra Saraf, learned senior counsel appearing for the applicant / plaintiff invited attention of this Court to the pleadings in the plaint, as well as the application and the documents placed on record. It was submitted that the registration of various trademarks of the plaintiff dates back to the year 2014 onwards and that the user dates back to

September, 1956. It is submitted that the trademarks of the plaintiff are identified with quality *khadi* products, not limited to textile products. The plaintiff claims that the products bearing the registered trademarks of the plaintiff have come to be recognized as a guarantee for high quality *khadi* products. It is also brought to the notice of this Court that the registered trademark 'KHADI' of the plaintiff is included in the list of well-known trademarks by the office of the Registrar of Trademarks.

3. Learned senior counsel referred to the provisions of the Khadi and Village Industries Commission Act, 1956 (KVIC Act) to submit that the establishment of the plaintiff Commission under the provisions of the KVIC Act was intended to ensure quality control of *khadi* products and to encourage use and spread of the same throughout the country. By referring to Section 2(d), which defines '*khadi*' and by referring to Section 15 of the KVIC Act, it was submitted that the plaintiff Commission is required to perform various functions in order to ensure the development and operation of *khadi* and village industries, which also helps generate employment in the rural areas. Learned senior counsel referred to Section 22 of the KVIC Act to submit that all contracts and matters connected with its predecessor were transferred to the plaintiff Commission, upon enactment of the KVIC Act.

4. Learned senior counsel further submitted that the defendant, in the present case, has been using the impugned marks consisting of the word 'KHADI' and also depiction of '*Charkha*' logo in conjunction with its name, which infringes the word mark, label mark and device mark registered in favour of the plaintiff. It is stated in the plaint that in December 2021, the plaintiff discovered the use of the impugned marks by the defendant. It was all the more shocking for the plaintiff Commission, for the reason that till recently, the defendant was operating in the market to sell *khadi* products on the basis of the

certification issued by the plaintiff in exercise of powers under the KVIC Act.

5. According to the plaintiff, this is not the first litigation instituted between the parties, as the plaintiff was constrained to file Suit (L) No.16451 of 2021, with application for interim reliefs against the defendant, alleging that the defendant had indulged in infringement and passing off by selling *khadi* products, despite suspension of the certificate and subsequent withdrawal of the same by the plaintiff under the KVIC Act. It was submitted that the aforesaid suit was withdrawn on the basis of a solemn statement made on behalf of the defendant that it was not selling any products called, labelled or described as 'KHADI' and on an undertaking that the defendant would not sell any 'KHADI' product without a certificate from the plaintiff. It was submitted that the actions of the defendant, not only infringed the registered trademarks of the plaintiff, but the adoption of the impugned mark was dishonest and in the teeth of the solemn undertaking given to this Court in the aforementioned suit. The plaintiff was also required to file Suit (L) No.4255 of 2022, for recovery and possession of the premises from where the defendant is operating and also for damages. The said suit is pending. It is brought to the notice of this Court that in the said suit, a prayer was made to seek an order restraining the defendant from using in any manner the name and style 'Mumbai Khadi and Village Industries Emporium' and selling any cloth or products in the name of 'Khadi', but, subsequently the said prayer was withdrawn. On this basis, it was submitted that the said pending suit concerned a cause of action different from the one being pressed in the present suit.

6. Learned senior counsel emphasized upon sub-sections (4) and (5) of Section 29 of the Trademarks Act, 1999, to contend that when a person, not being a registered proprietor, uses a mark as part of its

corporate name, it amounts to infringement of the registered trademark. It was submitted that therefore, not only is the defendant prevented from selling any products using the name 'Khadi', it can also not use the word in its corporate name. It was further submitted that the requirement of taking a certificate from the plaintiff under the provisions of the KVIC Act for selling *Khadi* products is akin to issuance of a licence and upon the certificate being withdrawn, the defendant cannot be permitted to use the registered trademark of the plaintiff. In support of the said proposition, learned senior counsel for the plaintiff relied upon the judgment of the Delhi High Court in the case of *Helamin Technology Holding Sa and another Vs. Haribansh Rai and others*, (2016) 65 PTC 452 and the judgment of this Court in the case of *Velcro Industries B. V. and another Vs. Velcro India Limited*, (1993) 1 Arb LR 465.

7. It was further submitted that the defendant was not justified in claiming that the word '*khadi*' is generic or descriptive in nature, for the reason that the defendant itself had applied for registration of the word 'KHADI'. It was further submitted that the claims of prior use on behalf of the defendant are not well founded and that in any case, in the face of the undertaking given to this Court, recorded in the aforementioned order, and the statutory scheme of the KVIC Act, the defendant cannot claim benefit of Section 34 of the Trademarks Act. Learned senior counsel submitted that the statement made before this Court that the defendant was not selling any textile item was obviously false, in the light of two *kurtas* purchased with invoices issued by an outlet of the defendant, produced during the course of arguments before this Court. He emphasized that the defendant, who had made false statements before this Court, does not deserve any indulgence and that the application for interim relief deserves to be allowed.

8. On the other hand, Mr. Dhond, learned senior counsel appearing

for the defendant submitted that the claims made on behalf of the plaintiff, on the basis of the elaborate certificates of registration for trademark, label mark and device mark, were all of no consequence, for the reason that the defendant had placed on record sufficient material in the form of annual reports etc. to show prior user of the word 'KHADI' on behalf of the defendant from the year 1946. It was submitted that even if the registration certificates issued in favour of the plaintiff recorded user since September, 1956, the material on record clearly indicated that the defendant was a prior user and hence protected under Section 34 of the Trademarks Act. In support of the said proposition, learned senior counsel for the defendant relied upon the judgment of the Supreme Court in the case of *S. Syed Mohideen Vs. P. Sulochana Bai*, **(2016) 2 SCC 683**.

9. In respect of the contentions raised on behalf of the plaintiff by relying upon the provisions of KVIC Act, it was submitted that the same were misplaced in the present suit, which is purely a suit based on the registered trademark held by the plaintiff and alleged infringement as also passing-off on the part of the defendant. In such a suit, concerning the actions of infringement and passing-off, there was no place for claiming relief on the basis of the statutory scheme envisaged under the KVIC Act. It was further submitted that the definition of 'khadi' given in Section 2(d) of the Act, concerned only cloth and no other product. According to the learned senior counsel appearing for the defendant, reliance placed on Section 22 of the KVIC Act was also misplaced because a proper reading of the same would show that the liabilities and obligations inherited by the plaintiff from its predecessor concerned all matters undertaken by the predecessor for or on behalf of the Central Government.

10. As regards the undertaking recorded on behalf of the defendant in

the order dated 21.09.2021, in the earlier suit bearing Suit (L) No.16451 of 2021, it was submitted that the undertaking was given in the context of the pleadings in the said suit. The undertaking could not be read in a wide manner, dehors the pleadings in the said suit. It was submitted that the defendant was abiding by the undertaking and if the plaintiff had any grievance in that regard, the proper remedy was to file an application under Section XXXIX, Rule 2A of the Code of Civil Procedure, 1908 (CPC) in the said disposed of suit. It was further submitted that the plaintiff had not come clean before this Court as the suit bearing Suit (L) No.4255 of 2022, concerning recovery and possession of premises, was not brought to the notice of this Court, particularly the fact that prayer clause (c) therein stood deleted. It was submitted that the defendant, having been in existence since the year 1946, has outlets in various places and the plaintiff cannot claim exclusivity to completely shut down the business of the defendant, particularly when it has failed to make out a strong *prime facie* case in its favour.

11. As regards the plaintiff having produced two cloth items purchased from the outlet of the defendant, an additional affidavit was relied upon, wherein it was stated that the statement was inadvertently made by the counsel appearing for the defendant. It was submitted that the defendant is selling textile products, but it is abiding by the undertaking given to this Court by placing a specific disclaimer on the outlets of the defendant, stating that “In this shop we do not sell any products as *Khadi* or under the *Khadi* Mark.” By placing much emphasis on the aspect of prior use, it was submitted that the present application deserved to be dismissed.

12. This Court has considered the elaborate submissions made on behalf of the rival parties, in the backdrop of the material placed on record. There is no dispute about the fact that the plaintiff holds a

number of registrations in various classes, which include trademark, label mark and device mark, concerning the word 'KHADI'. The applications date back to the year 2014 onwards and the user in all of them, is claimed from 25.09.1956. It appears that the user dates back to the establishment of the plaintiff Commission under the KVIC Act. There can also be no serious dispute about the fact that the impugned marks, being used by the defendant, contain the word 'KHADI' and depiction of 'Charkha', which is similar to the device mark of the plaintiff, depicting the 'Charkha'. On the face of it, the defendant cannot dispute that the prominent, essential, fundamental and substantial features of the registered trademarks of the plaintiffs are copied in the impugned marks of the defendant. This would ordinarily satisfy the requirement of demonstrating a *prima facie* case as regards infringement and passing-off.

13. But, the defendant has specifically relied upon Section 34 of the Trademarks Act, to oppose the exclusive rights claimed by the plaintiff on the basis of its registration certificates. The defendant relies upon the documents filed along with the reply affidavit to claim that annual reports of the defendant, dating back to the year 1946 onwards, demonstrate prior use of the word 'KHADI' on behalf of the defendant, thereby protecting the defendant from any action pertaining to infringement initiated at the behest of the plaintiff, on the strength of the registration certificates placed on record. A perusal of the copies of the annual reports demonstrates that the aforesaid contention is attractive at the first blush, but if the same is appreciated in the context of the other material on record, it appears that the defendant cannot escape the consequence of using a similar / deceptively similar mark, by taking recourse to Section 34 of the Trademarks Act.

14. In this context, the earlier suit filed by the plaintiff i.e. Suit (L)

No.16451 of 2021, against the defendant assumes significance. A perusal of the plaint in the said suit shows that in paragraphs 6 to 12, 23, 24, 31 to 34, 49 and 51, the plaintiff elaborately pleaded about the grievance against the defendant, particularly the attempt on the part of the defendant to mislead customers in order to sell products by making them believe such products to be 'KHADI' products. The plaintiff had emphasized therein that the trademark 'KHADI' was associated with products and services provided by the plaintiff and that the action of the defendant amounted to encashing upon the reputation and goodwill of the plaintiff in respect of its national and global presence with various products bearing the registered trademark 'KHADI'. The prayers in the said plaint would show that the plaintiff, not only sought injunction for restraining the defendant from dealing with *khadi* products, but also sought injunction for restraining the defendant from using the trademark 'KHADI' or logo owned by the plaintiff, apart from the prayers pertaining to the action of passing-off. It is in the backdrop of such pleadings that the undertaking given on behalf of the defendant in the said suit, recorded in the order dated 21.09.2021, becomes important.

The same reads as follows: -

“1. Mr. Dwarkadas, learned Senior Advocate, on instructions makes a statement that the Defendants are not selling any products called, labelled, or described as “Khadi”. He also agrees that the Defendants will not sell any “Khadi” product without a certificate from the appropriate authority. The statement is noted.

2. The Defendants application for a certificate or renewal of certificate will be considered by the Plaintiffs on merits, uninfluenced by this order.”

15. A perusal of the above quoted undertaking shows that the defendant represented before this Court that it was not selling any product called, labelled or described as 'KHADI' and it agreed not to sell any 'KHADI' product without a certificate from the plaintiff.

Therefore, it becomes clear that the defendant cannot now turn around and rely upon definition of the term ‘*khadi*’ in Section 2(d) of the KVIC Act, as being limited to cloth or textile. For the same reason, reliance placed on its annual reports from 1946 onwards cannot be of much avail, as the reports primarily pertain to cloth products of ‘KHADI’, with marginal reference to other products. In fact, the reference to other products is in the context of the word ‘Kora’. This has to be appreciated in the context of the defendant itself having approached the plaintiff for certification in order to sell ‘KHADI’ products. The defendant was selling ‘KHADI’ products pursuant to such certificate issued by the plaintiff. It was only when there were complaints received that the defendant was indulging in sale of textile and cloth products containing polyester and not *khadi* material that the plaintiff was constrained to first suspend the certificate and then to withdraw the same.

16. The attempt on the part of the defendant to continue selling ‘KHADI’ products by infringing the registered trade mark of the plaintiff and in the absence of such certification, in the teeth of the statutory scheme under the KVIC Act, were the reasons why the plaintiff filed the aforementioned earlier suit, wherein the undertaking was recorded. This does not mean that either the earlier suit was or the present suit is based on statutory rights under the KVIC Act alone, which the plaintiff is seeking to assert. Even if the present suit is purely based on the cause of action of infringement and passing-off pertaining to the registered trademark of the plaintiff, it has to be appreciated in the backdrop of the defendant itself having sought certification for selling ‘KHADI’ products and later having suffered suspension and withdrawal of the certificate. It is for this reason that in the above quoted order dated 21.09.2021, this Court recorded that the application of the defendant for a certificate or renewal of its certificate would be considered by the plaintiff on merits, uninfluenced by the said order. It is

a matter of fact that the renewal of the certificate was rejected.

17. This Court is of the opinion that in such circumstances, *prima facie*, the plaintiff has made out a strong case in its favour for protection of its proprietary rights as regards the registered trademark and the defendant cannot avoid interim injunction by relying upon Section 34 of the Trademarks Act. It is also significant to note that the plaintiff holds registration for its wordmark KHADI, label mark and device mark, for a plethora of classes and not limited to cloth or textile products.

18. There is also no substance in the contention raised on behalf of the defendant that the plaintiff ought not to be granted interim injunction because it had suppressed filing of Suit (L) No.4255 of 2022 and the fact that a prayer akin to the prayers made in the present suit was deleted, simply for the reason that the cause of action of the said suit is clearly distinguishable and it pertains to recovery and possession of the premises of the defendant.

19. On the contrary, the material placed on record, during the course of arguments on behalf of the plaintiff in the form of two *kurtas* purchased on the date of the hearing, along with invoices issued by the outlet of the defendant, demonstrates the dishonesty and falsity on the part of the defendant. Although the additional affidavit placed on record on behalf of the defendant states that the counsel appearing for it inadvertently made a statement that it was not selling any textile products, such explanation, cannot be of assistance to the defendant. This Court has perused the invoices dated 07.12.2022, issued by the outlet of the defendant and the two *kurtas* i.e. cloth products produced in the Court. The invoices use the word 'KHADI' and the two cloth products show the device of '*Charkha*' with the word 'KHADI', thereby demonstrating that the aforesaid actions on the part of the defendant are dishonest. The defendant cannot get away by contending that the

plaintiff would be at liberty to move an application under Order XXXIX, Rule 2A of the CPC, if there is violation of the undertaking recorded in the order dated 21.09.2021 in Suit (L) No.16451 of 2021, for the reason that the conduct of the party and the dishonesty on the part of the defendant is a factor that this Court can take into consideration while deciding the present application.

20. There is substance in the contention raised on behalf of the plaintiff, by placing reliance on Sections 29(4) and 29(5) of the Trademarks Act, as use of the word 'KHADI', which is the prominent, essential, fundamental and substantial feature of the registered trademark of the plaintiff in the corporate name of the defendant, *prima facie*, amounts to infringement and passing-off.

21. Reliance placed on the judgment of the Supreme Court in the case of **S. Syed Mohideen Vs. P. Sulochana Bai** (*supra*) on behalf of the defendant can be of no avail for the present, in view of the findings rendered hereinabove as regards the claim of the defendant based on Section 34 of the Trademarks Act.

22. The reliance placed on behalf of the plaintiff on the judgements in the case of **Helamin Technology Holding Sa and another Vs. Haribansh Rai and others** (*supra*) and **Velcro Industries B. V. and another Vs. Velcro India Limited** (*supra*), at this stage, need not be dealt with or deliberated upon, for the reason that this Court, by application of Section 29(5) of the Trademarks Act, is *prima facie* convinced that the defendant cannot use the word 'KHADI' in its corporate name.

23. This Court is of the opinion that unless the defendant is temporarily restrained from further indulging in such conduct, the plaintiff will suffer grave and irreparable loss, thereby indicating that the balance of convenience is also in favour of the plaintiff.

24. In view of the above, the interim application is allowed in terms of prayer clauses (a) and (b), which read as follows: -

“(a) Pending the hearing and final disposal of the suit, an injunction restraining the Defendant its partners, servants, representatives, agents and all others acting for and on its behalf from manufacturing, selling, offering for sale, advertising directly or indirectly or providing any kind of goods and / or services under the mark ‘KHADI’, either as a word or as part of its trademark or logos,



including but not limited to the logo and / or any mark identical or deceptively similar to the Plaintiff’s registered KHADI trademarks and Charkha logos, and / or using the mark KHADI or a deceptively similar variant thereof as a part of its trade name / business name including but not limited to ‘Khadi Gramodyog Bhandar’, ‘Mumbai Khadi & Village Industries Association’ and ‘Mumbai Khadi Gramodyog Sandh Sachalith’ or any other mark which, amounts to an infringement of the Plaintiff’s registered trademarks;

(b) Pending the hearing and final disposal of the suit, an injunction restraining the Defendant, its partners, servants, representatives, agents and all other acting for and on their behalf from manufacturing, selling, offering for sale, advertising, directly or indirectly providing any kind of goods and / or services under the trademark ‘KHADI’ either as a word or as a part of any of its trademark, trade name or logos including but not limited to the



logo, and / or any mark identical or deceptively similar to the Plaintiff’s KHADI trademarks and Charkha logos, in a manner as may amount to passing off of the Defendant’s goods, services and business as those of the Plaintiff’s.”

25. Application is disposed of.

26. Upon the order being pronounced, learned counsel appearing for the defendant sought a stay of the order for limited period in order to facilitate the defendant in challenging the order.

27. The said prayer is rejected for the reason that in the order passed today, this Court has found the conduct on the part of the defendant as dishonest.

(MANISH PITALE, J.)