

Supreme Court of India

Exphar Sa & Anr vs Eupharma Laboratories Ltd. & Anr on 20 February, 2004

Author: R Pal

Bench: Ruma Pal, P. Venkatarama Reddi.

CASE NO. :

Appeal (civil) 1189-1190 of 2004

PETITIONER:

Exphar SA & Anr.

RESPONDENT:

Eupharma Laboratories Ltd. & Anr.

DATE OF JUDGMENT: 20/02/2004

BENCH:

Ruma Pal & P. Venkatarama Reddi.

JUDGMENT:

J U D G M E N T (Arising out of SLP(C) No. 3551-3552 of 2003) RUMA PAL, J.

Leave granted.

The issue in these appeals is whether the High Court of Delhi has the jurisdiction under Section 62(2) of the Copyright Act, 1957 to entertain a suit filed by the appellants and one other.

The suit was filed by the appellants and M/s Shreechem Laboratories against the two respondents, the first of whom is the Director of the respondent No. 2. According to the plaint, the appellant No. 1 manufactures a medicine for the treatment of malaria. The medicine is sold under the trademark 'Maloxine' in packaging having a distinctive get up, lay-out and design. The appellant No. 1 has claimed to be the owner of the copyright in the trademark 'Maloxine'. The plaint also contains a description of the distinctive carton in which the medicine is sold. According to the appellants, the appellant No. 1 had entered into a contract with appellant No. 2 by which the appellant No. 2 was authorised to manufacture tablets under the appellants' trade mark for sale in the rest of the world apart from Nigeria. As far as Nigeria is concerned, the appellant No. 1 had entered into a contract with M/s Shreechem Laboratories for manufacturing 'Maloxine'. These agreements have been described as agency/ manufacturing agreements. It is also averred in the plaint that the appellant No. 1 had entered into an earlier agreement with the second respondent but that agreement was terminated for reasons which are unnecessary to be considered by us in these proceedings. What is of importance is that respondent No. 2 wrote two letters to the second appellant and to Shreechem Laboratories dated 5th November 1993 and 19th May 1998, by which the respondents called upon the appellant No.2 and Shreechem to cease and desist from manufacturing pharmaceutical preparations under the trademark "Maloxine".

In the meanwhile, in 1996, the first appellant had instituted a civil suit against one M/s Moore Associates Limited before the Federal High Court of Nigeria in which it was claimed that M/s Moore

Associates Ltd. and the second respondent were wrongly passing-off its products under the first appellant's trade mark 'Maloxine'. That suit is still pending.

In the present suit, the appellants have claimed that the respondent No. 2, despite termination of the manufacturing arrangement with the first appellant, had continued to manufacture 'Maloxine' tablets and was exporting the same, inter-alia, to M/s Moore Associates Ltd. It was also claimed that the respondents were considering launching the product 'Maloxine' in the Indian market. In the circumstances, the prayers in the suit were, inter-alia, for an injunction to restrain the respondents from passing-off the trademark 'Maloxine' or adopting the distinctive get up of the 'Maloxine' carton; restraining the infringement of the copyright of the first appellant in the artistic work comprised in the 'Maloxine' carton; for delivery up of the infringing goods and for accounts on account of the use of the impugned mark. The jurisdiction of the Delhi High Court was sought to be attracted on the bases: (a) the copyright of the plaintiffs (appellants) in the 'Maloxine' carton was being infringed by the respondents; (b) the plaintiffs (appellants) carry on business in Delhi and one of them has a registered office in New Delhi. It was also stated that the defendants carry on business for profit in New Delhi within the jurisdiction of the High Court.

On the interlocutory application filed by the appellants in the suit, an ex-parte interim order was passed in favour of the appellants on 26th October 1998 by a learned Single Judge of the Delhi High Court. The interim order was confirmed on 28th September 1999. It does not appear from the judgment that the respondents had at all raised the issue regarding lack of territorial jurisdiction before the Single Judge. Although a prima facie view has been expressed that there was no doubt about the territorial jurisdiction of the Court but this was not with reference to any argument raised by the respondents. The operative portion of the order of the learned Single Judge is quoted: "In the circumstances mentioned above, and in order to protect the interests of both the parties, it is felt that the following arrangement may be made in terms of *Ciba Geigy Ltd. v. Sun Pharmaceutical Industries*, 1997 PTC (17) 364:

(1) The defendants may use the term MALOXINE but in a colour combination different from the colour combination approved by plaintiff No. 1 in 1991, subject to the condition that they will boldly mention the name of defendant No. 2 along with address on all the packaging and promotional material.

(2) The defendants are hereby restrained from using the deceptively similar colour combination on their cartons, packages and promotional material.

(3) Defendants shall file an undertaking to the following effects: (a) that they shall keep proper accounts, file quarterly statements of manufacture, sale and stock of the goods in their factory in court every quarter, and (b) that in case the plaintiff succeeds, they shall pay without demur 10% of the sale proceeds by way of estimated loss of profit to the plaintiff, as damages within three months from the date of decision by this court."

Both the respondents and the appellants preferred appeals from this decision. The respondents did not question the territorial jurisdiction of the High Court in its Memorandum of Appeal.

Nevertheless, the Division Bench not only allowed the respondents' appeal but also directed the appellants' plaint to be returned to the appellants for presentation before the appropriate Court solely on the ground that the Delhi High Court had no territorial jurisdiction to entertain the suit. Consequently the appellants' appeal was also dismissed. These orders are now impugned before us.

We find that there was neither an application for rejection of the plaint nor for return of the plaint under Order VII Rules 11 and 10 of the Code of Civil Procedure, 1908, filed by the respondents and the order of the Division Bench directing return of the plaint was wholly outside the scope of the pending appeals. In fact, the issue relating to territorial jurisdiction of the High Court to entertain the appellants' suit was not even raised in the Memorandum of Appeal.

Besides when an objection to jurisdiction is raised by way of demurrer and not at the trial, the objection must proceed on the basis that the facts as pleaded by the initiator of the impugned proceedings are true. The submission in order to succeed must show that granted those facts the Court does not have jurisdiction as a matter of law. In rejecting a plaint on the ground of jurisdiction, the Division Bench should have taken the allegations contained in the plaint to be correct. However, the Division Bench examined the written statement filed by the respondents in which it was claimed that the goods were not at all sold within the territorial jurisdiction of the Delhi High Court and also that the respondent No. 2 did not carry on business within the jurisdiction of the Delhi High Court. Having recorded the appellants' objections to these factual statements by the respondents, surprisingly the Division Bench said:

"Admittedly the goods are being traded outside India and not being traded in India and as such there is no question of infringement of trademark within the territorial limits of any Court in India what to of Delhi".

Apart from the ex-facie contradiction of this statement in the judgment itself, the Division Bench erred in going beyond the statements contained in the plaint. The Division Bench has also erred in its construction of Section 62 of the Copyright Act, 1957. Section 62 reads: "62. Jurisdiction of court over matters arising under this Chapter. (1) Every suit or other civil proceeding arising under this Chapter in respect of the infringement of copyright in any work or the infringement of any other right conferred by this Act shall be instituted in the district court having jurisdiction.

(2) For the purpose of sub-section (1), a "district court having jurisdiction" shall notwithstanding anything contained in the Code of Civil Procedure, 1908 (5 of 1908), or any other law for the time being in force, include a district court within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceeding, the person instituting the suit or other proceeding or, where there are more than one such persons, any of them actually and voluntarily resides or carries on business or personal works for gain."

We would like to emphasise the word "include". This shows that the jurisdiction for the purposes of Section 62 is wider than that of the Court as prescribed under the Code of Civil Procedure, 1908. The relevant extract of the report of the Joint Committee published in the Gazette of India dated 23-11-1956 which preceded and laid the foundation for Section 62(2) said:

"In the opinion of the Committee many authors are deterred from instituting infringement proceedings because the court in which such proceedings are to be instituted is situated at a considerable distance from the place of their ordinary residence. The Committee feels that this impediment should be removed and the new sub-clause (2) accordingly provides that infringement proceedings may be instituted in the district court within the local limits of whose jurisdiction the person instituting the proceedings ordinarily resides, carries on business etc."

It is, therefore, clear that the object and reason for the introduction of sub-section (2) of Section 62 was not to restrict the owners of the copyright to exercise their rights but to remove any impediment from their doing so. Section 62(2) cannot be read as limiting the jurisdiction of the District Court only to cases where the person instituting the suit or other proceeding, or where there are more than one such persons, any of them actually and voluntarily resides or carries on business or presently works for gain. It prescribes an additional ground for attracting the jurisdiction of a Court over and above the 'normal' grounds as laid down in Section 20 of the Code.

Even if the jurisdiction of the Court were restricted in the manner construed by the Division Bench, it is evident not only from the cause title but also from the body of the plaint that the appellant No. 2 carries on business within the jurisdiction of the Delhi High Court. The appellant No. 2 is certainly "a person instituting the suit". The Division Bench went beyond the express words of the statute and negated the jurisdiction of the Court because it found that the appellant No. 2 had not claimed ownership of the copyright of the trademark infringement of which was claimed in the suit. The appellant No. 2 may not be entitled to the relief claimed in the suit but that is no reason for holding that it was not a person who had instituted the suit within the meaning of Section 62(2) of the Act. Furthermore, the appellants' plaint said that the 'cease and desist' notice was sent to the appellant No. 2 at its office in New Delhi and in that notice it was alleged that the appellant No. 2 had infringed the copyright of the respondent No. 2 to the trademark 'Maloxine'. Now a cease and desist notice means that the recipient is alleged to have infringed the rights of the sender of the notice to the copyright and as a result of such alleged infringement the recipient is liable to institution of civil and/or criminal proceedings. It is a threat. The plaint says that this threat was received within the jurisdiction of the High Court a fact which was sufficient to invoke the jurisdiction of that Court. The respondents' reliance on the decision of this Court in *Oil and Natural Gas Commission V. Utpal Kumar Basu and Ors.* 1994 (1) Supp SCR 252 and *Union of India and Others V. Advani Exports Ltd.* and *Another* 2002 (1) SCC 567 is inapposite. Those decisions held that the service of a mere notice may not be sufficient to found jurisdiction unless such notice formed an integral part of the cause of action. But a 'cease and desist' notice in a copyright action cannot, particularly in view of Section 60 of the Act, be termed to be a 'mere' notice. Such a threat may give rise to the right to institute a suit to counter such threat and to ask for relief on the ground that the alleged infringement to which the threat related was not in fact an infringement of any legal right of the person making such threat. As we have seen, the Division Bench disposed of the appeals solely on the issue of jurisdiction. Its conclusion on the issue is insupportable. The impugned decision is accordingly set aside and the matter is remanded back to the Division Bench for disposal of the appeals filed by the respondents and appellants on merits. Pending the decision of the Division Bench, the order passed by the learned Single Judge which we have quoted earlier will continue. The appeals are accordingly allowed with costs.