
Court rejects 'sick unit' plea for immunity from Design infringement and Unfair competition

This case involves tricky question of determining if an injunction order restraining use of a deceptively similar shape, design and over all get up and layout can be passed against a Defendant that has been declared a 'sick unit' and scheme of rehabilitation is pending before the court.

Ferrero Spa (Ferrero) filed a suit seeking a restraint order against the Defendants from manufacturing and selling confectionery products with a deceptively similar shape, design and over all get up and layout as the Ferrero's TIC TAC product amounting to infringement of their design, shape, trade dress and passing off.

Ferrero in support of its case argued that:

1. They adopted and used the mark "TIC TAC" in 1969 for fresh breath mints and introduced the same in India in 1999.
2. They have registered design for the TIC TAC small boxes and the trade dress encompassing the overall getup and layout of the TIC TAC product.
3. The TIC TAC mark is well known and enjoys enormous trans-border reputation which preceded its introduction in India.
4. The defendants by adopting a deceptively similar shape, design and over all get up and layout, has attempted to ride upon their vast goodwill and reputation

The Defendants, VM Siddiq and others contend that:

1. They have been in the business of manufacturing and sale of mouth fresheners since 1984 and were the registered proprietors of the trademark "Tit Bits" from 1986 to 2000.
2. The Defendants had gained considerable market long before Ferrero entered the Indian market in 1999 and therefore Defendants could not in any way ride on Ferrero's reputation.
3. During 1993, the net worth of Defendants became negative and the company approached the Board for Industrial and Financial Reconstruction (BIFR) for formulating a scheme for its rehabilitation.

4. The BIFR by an order-dated 21st June, 2006, sanctioned a scheme for rehabilitation, which narrowed the scope to manufacture and sale of mouth fresheners and the said scheme is stated to be in its final stages of implementation.
5. The Defendants on that basis sought stay of the proceedings and submitted that the procedure as prescribed in Section [22\(1\)](#) of Sick Industrial Companies (Special Provisions) Act, 1985, (SICA) is for safeguarding the implementation of the scheme or the process of rehabilitation. If Ferrero's prayer for injunction is granted it would adversely impact the implementation of the rehabilitation scheme and would amount to an act of "execution" against the Defendants. Further, Section [22\(1\)](#) of the SICA made it a condition precedent to seek prior permission of the BIFR and if the Board reached the conclusion that the reliefs prayed for would not impact the scheme, Ferrero would get the relief prayed for and only then the present suit including the application for temporary injunction should be considered by this Court.

Ferrero countered the aforesaid arguments on the following grounds:

- a) The present application is filed with the sole intent to evade liabilities accruing from illegal activities carried out by the Defendants behind the veil of being a sick industrial company.
- b) Defendants are attempting to mislead the Court by stating that Ferrero has filed an application seeking a temporary injunction against the Defendants for use of the trademark "TIT BITS".
- c) The grievance of Ferrero is the Defendants adoption of a deceptively similar shape, design and over all get up and layout for their TIT BITS product.

After considering the submissions of the parties the court made the following observations:

- i. Section [22\(1\)](#) of the SICA was enacted with the intent to insulate the sick companies only against proceedings for winding-up, execution or for recovery of money, etc., and the embargo stated therein is only with reference to the dues reckoned or included in the sanctioned scheme.
- ii. If the Defendants construction of Section [22\(1\)](#) is accepted it would be unfair and would lead to a state of affairs that would enable sick industrial companies to evade liabilities for their wrongful acts.
- iii. The Defendants under the shelter of being a sick company cannot infringe the rights of Ferrero in the registered design for the TIC TAC small boxes and their well known trade dress encompassing the overall getup and layout of the TIC TAC product packaging.

- iv. The property/design in question does not belong to the Defendants and the provision of Section [22\(1\)](#) of the SICA cannot be invoked as the said Section does not protect theft, and/or piracy and/or imitation.

In view of the above discussion the court dismissed the application filed by the Defendants and granted the interim injunction in favour of Ferrero. The court further observed that the Defendants, despite the interim injunction would still be free to promote their mouth fresheners in a manner which does not harm the goodwill, reputation and legal rights of Ferrero.

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