

Special Legal Issues Seminar

When Should a Commercial Suit not be Instituted in an IP Matter Even if it is an Option?

Introduction

- ❖ Given the pendency of several civil cases that were commercial in nature and the slow disposal rates, the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 was enacted (“the Act”).
- ❖ The Act provides for the setting up of specially designated Commercial Courts at District level and Commercial Division of High Courts with ordinary original civil jurisdiction to adjudicate on ‘commercial disputes’ of a ‘certain specified value’.
- ❖ The objective of the Act is to have a streamlined procedure which is to be adopted for the conduct of cases in Commercial Courts and Commercial Divisions of High Courts.
- ❖ The said Act has amended the Code of Civil Procedure, 1908 to incorporate stricter timelines and procedures.

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Relevant Provisions and Concepts

❖ **Section 2(1)(c), The Commercial Courts Act, 2015 –**

““commercial dispute” includes disputes arising out of intellectual property rights relating to registered and unregistered trademarks, copyright, patent, design, domain names, geographical indications and semi-conductor integrated circuits.”

❖ **Section 2(1)(i), The Commercial Courts Act, 2015 –**

““Specified Value”, in relation to a commercial dispute, shall mean the value of the subject-matter in respect of a suit as determined in accordance with Section 12 which shall not be less than three lakh rupees or such higher value, as may be notified by the Central Government.”

Relevant Provisions and Concepts (Contd.)

❖ Order XIII-A, The Code of Civil Procedure, 1908 –

- The procedure for ‘Summary Judgment’ was inserted by the Commercial Courts Act, 2015 under Order XIII-A of CPC. Under these provisions, on application by a party (i.e. the plaintiff or the defendant), courts can decide a claim (which may include a part of a claim, a counter-claim, or a particular question on which whole or part of the claim depends) pertaining to commercial disputes without recording oral evidence.
- A party may apply for summary judgment in the prescribed manner at any time after summons has been served on the defendant, and before issues have been framed.
- While a Summary Judgment is not a substitute for regular trial, it is a tool that allows Courts to weed out cases that do not need a trial to be resolved. It also allows the Court to simplify and streamline the cases so that trial is more efficient and focused on the areas of actual dispute.

Grounds for Summary Judgment

- ❖ The Court may give a summary judgment on the grounds that:
 - The plaintiff has no real prospect of succeeding on the claim or the defendant has no real prospect of successfully defending the claim, as the case may be; and
 - There is no other compelling reason why the claim should not be disposed of before recording of oral evidence.
- ❖ The rationale behind this is that the Court, after hearing both parties to an application for summary judgment is of the view that there are no material propositions of fact or law on which further evidence needs to be led since the respective rights of the parties are well-established as per the merits of the dispute.
- ❖ Pursuant to this, the court may make any order it deems fit including judgment on the claim, dismissal of the claim, dismissal of the application, or conditional order.

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Commercial Suits in IP Matters

- ❖ The value of subject matter in an intellectual property right dispute would be determined by the market value of the said IP right, as estimated by the plaintiff.
- ❖ To increase the efficiency and speed of trial in IP disputes, the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act, 2015 directed the creation of commercial divisions within High Courts and currently, the Delhi and Bombay High Courts have set up commercial divisions to manage IP suits.
- ❖ Under order XIII-A, the “claim” in an application for summary judgment shall include (a) part of a claim, (b) a particular question on which the whole or part of the claim depends, and (c) counter-claim.

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Relevant Case Laws

❖ ***Su-Kam Power Systems Ltd. v. Kunwer Sachdev* [264 (2019) DLT 326]**

*“...this Court is of the view that when a summary judgment application allows the Court to find the necessary facts and resolve the dispute, proceeding to trial would generally not be proportionate, timely or cost effective. It bears reiteration that **the standard for fairness is not whether the procedure is as exhaustive as a trial, but whether it gives the Court the confidence that it can find the necessary facts and apply the relevant legal principles so as to resolve the dispute...** Consequently, this Court is of the opinion that there will be ‘no real prospect of successfully defending the claim’ when the Court is able to reach a fair and just determination on the merits of the application for summary judgment.”*
[Emphasis supplied]

❖ ***Guinness World Records v. Sababbi Mangal* [2016 (66) PTC 341 (Del)]**

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The Delhi High Court further expanded the scope of the Act to decide cases related to Intellectual Property. It deviated from the provisions of jurisdiction given under Sections 6 and 7 of the Act and ruled that matters relating to Intellectual Property Rights, filed under statutes such as the Patents Act, Copyright Act, Trademark Act etc. shall be adjudicated by Commercial Courts, irrespective of whether the suit value is above the minimum limit of 1 Crore rupees or not. Thus, it allowed a greater number of aggrieved individuals to avail the benefits of a trial before the Commercial Courts.

Relevant Case Laws (Contd.)

- ❖ ***Ahuja Radios v. A. Karim* [I.A. No. 5202/2017 in CS (COMM) 35/2017, Delhi High Court, May 1, 2017]**
 - An application for summary judgment was made on the basis of admissions on part of the defendant. The plaintiff was a leading manufacturer and seller of audio equipment under the registered AHUJA mark since 1940. A suit was filed against the defendant for selling counterfeit products under its mark.
 - The Court noted that the defendant had no real prospect of resisting the decree of permanent injunction and that the defendant also had little prospect of succeeding in its defense that he was not dealing in the counterfeit products, thereby indicating that there was no compelling reason for the Court to not dispose of the claim for permanent injunction before the recording of oral evidence.
 - The court passed a decree for permanent injunction in summary disposal of the suit under Order XIII-A on the basis of the admissions of fact by the defendant. Therefore, it is pertinent to note that admission on fact is a relevant criterion for admitting an application for summary judgment.

Relevant Case Laws (Contd.)

❖ ***Rockwool International v. Thermocare Rockwool (India)*** [CS (COMM) 884/2017, Delhi High Court, October 16, 2018]

- The question was whether a mark alleged to have been infringed was a validly registered trademark or was generic in nature. The Court observed that there were several issues in the case which required adducing of oral evidence and the same could not be determined in a summary manner without trial. In view of this, it was held that:

*“The summary procedure is prescribed in order to expedite passing of judgment by Courts in commercial disputes where the Court is able to arrive at a conclusion in the absence of oral evidence. The present case is not one of that kind. **The issues are contentious and the suit thus deserves to go to trial.**”*

“The provisions relating to summary judgment which enables courts to decide claims pertaining to commercial disputes without recording oral evidence are exceptional in nature and out of the ordinary course which a normal suit has to follow. In such an eventuality, it is essential that the stipulations are followed scrupulously otherwise it may result in gross injustice.”

“Rule 4(2) of Order XIII A also requires that where a hearing for summary judgment is fixed, the respondent must be given at least thirty days' notice of the date fixed for the hearing and the claim that is proposed to be decided by the Court at such hearing.” [Emphasis supplied]

Relevant Case Laws (Contd.)

❖ *Bright Enterprises Ltd. and Ors. v. MJ Bizcraft LLP and Ors.* [2017 (69) PTC 596 (Del)]

- The Division Bench of the Delhi High Court while allowing an appeal gave relief to a party whose suit was dismissed at the admission stage without issuing summons and without any application for summary judgment.
- The appellants had filed an appeal against the defendants for permanent injunction restraining them from infringement of trademarks and also claiming damages of up to Rs 1 Crore. The appeal was dismissed by the learned Single Judge on the basis that where there is no real prospect of the plaintiff succeeding on the claim or no prospect of the defendant successfully defending the claim, in such cases the court in order to not take upon itself the burden of new cases without following any procedure for issuing a summary judgement, can dismiss an appeal.
- However, the Division Bench reversed the decision of the Single Judge. It observed - *“From the provisions laid out in Order XIII-A, it is evident that the proceedings before Court are **adversarial in nature and not inquisitorial**. It follows, therefore, that Summary Judgment under Order XIII-A **cannot be rendered in the absence of an adversary and merely upon the inquisition by the Court..**”*
[Emphasis supplied]

Conclusion

- ❖ Even though the recourse to commercial suits is a step in the right direction for intellectual property disputes, Courts have rejected applications for summary judgments in cases where triable issues were found - for instance, deciding whether a trademark is generic or not. On the other hand, questions such as the date of first use of a trademark can be determined in a summary judgment.
- ❖ It is pertinent to note that sometimes disputes in relation to intellectual property rights are pertaining to infringers who do not appear in the proceedings to the suit at all. The requirement of serving summons to the defendant, waiting mandatorily for 30 days, and not passing an order ex-parte (as seen in *Bright Enterprises*) serves as a setback in such cases.
- ❖ If there are any material propositions of fact or law on which further evidence needs to be led or the rights of the parties are not well-established, opting for a commercial suit may not be the best option.

THANK YOU!

Questions?

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