

Microsoft Corporation and anr Vs. Jayesh and anr

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Court : Delhi

Decided On : Feb-21-2014

Judge : Rajiv Sahai Endlaw

Appellant : Microsoft Corporation and anr

Respondent : Jayesh and anr

Judgement :

IN THE HIGH COURT OF DELHI AT NEW DELHI Date of decision:

21. t February, 2014. % + CS(OS) 1067/2007 MICROSOFT CORPORATION & ANRPlaintiffs Through: Ms. Jaya Negi, Advocate. Versus JAYESH & ANR Defendants Through: None CORAM: HON'BLE MR. JUSTICE RAJIV SAHAI ENDLAW1 The right of the plaintiffs to restrain the defendants from selling or distributing unauthorized importations of the plaintiffs XBOX gaming consoles, within the meaning of Section 30(4) of The Trade Marks Act, 1999, is the question for adjudication in the present case.

2. The case of the plaintiffs as laid out in the plaint is: I. that the plaintiff No.1 Microsoft Corporation is a company organized and existing under the laws of the State of Washington, USA and is the developer/owner of the XBOX gaming console and XBOX games; II. that the plaintiff No.2 Microsoft Corporation India Private Limited is the wholly owned marketing subsidiary of the plaintiff No.1 having its office at Nehru Place, Delhi and provides marketing and promotion, anti-

piracy awareness campaigns and actions, and channel development support to the plaintiff No.1; III. that as a result of widespread business activities of the plaintiffs world over and in India and the roaring success of its products, the consumers and members of trade in India are well familiarized with the plaintiffs trade mark/trade name Microsoft and trade mark XBOX, and as such the aforesaid trade marks are recognized and identified as the source indicator of the goods, services and business of the plaintiffs alone; IV. that the plaintiffs are also the registered proprietors of the aforesaid trade marks in various jurisdictions of the world and their trade marks have acquired the status of well-known and famous trade marks; V. that the plaintiffs have also registered the trade marks Microsoft and XBOX (X design) in India with respect to software, electronic goods and components; VI. that the plaintiff No.1 is also the owner of copyrights in the XBOX DVD games by virtue of the same being a computer program and literary work under the Copyright Act, 1957; VII. that the XBOX gaming consoles are packaged and earmarked to be exclusively sold in various countries under strict warranty guidelines and policies for the benefit of the consumers; VIII. that an unauthorized import (also known as a Gray Market Product) is a genuine, non-counterfeit product which escapes the authorized channel of shipment, distribution and sales of the manufacturer/IP Owner and reaches another country/territory for which it was not earmarked or authorized to be sold or distributed; IX. that such unauthorized imports being goods sold in a market where they are not authorized to be sold, entail repercussions for: (a) the seller since the unauthorized trader uses his own distribution network, the goods are susceptible to damage and impairment during transport, handling and storage, (b) the consumer since they are unable to avail of any warranties or after-sales support on such goods, and, (c) the Government which loses taxes and custom collection on account of such goods being often smuggled or under-invoiced at entry ports; X. that though the doctrine of exhaustion of rights embodied in Section 30(3) of the Trade Marks Act postulates that the legal monopoly of the intellectual property rights owner is confined to the first sale only and thereafter his rights are exhausted qua subsequent dealings of the same product, Section 30(4) of the Act nevertheless permits the proprietor to oppose further dealings in the goods, in particular, where the condition of the goods has been changed or impaired after they have been put

on the market; XI. that plaintiffs in April 2007 received information that the defendant No.1 Mr. Jayesh as sole proprietor of defendant No.2 M/s Stop Shop is infringing the plaintiffs trade mark rights by carrying on business of selling gray market / unauthorized importations of the XBOX gaming consoles; XII. that upon engaging an independent investigator to visit the business premises of the defendants and to purchase an XBOX gaming console, the plaintiffs learnt that the defendants had infringed their trade mark rights by making the following changes and impairments to the condition of the XBOX gaming consoles after the same had been put in the market: (a) tampering with the XBOX gaming consoles built-in hardware and software security mechanism, thereby enabling a user to run counterfeited/pirated XBOX games on the console, and which makes the XBOX gaming console vulnerable and susceptible to technical glitches and serious malfunction; (b) selling XBOX gaming consoles earmarked to be sold in South Korea only and containing instructions and description in Korean language, thereby violating the plaintiffs terms of sale; and (c) rendering such XBOX gaming consoles absolutely ineligible for any warranty support on account of the aforementioned changes in conditions and impairment of the XBOX gaming console; XIII. that in addition to the aforementioned infringement of the plaintiffs trade mark rights, the defendants have also infringed the copyrights of the plaintiffs by selling counterfeit/pirated versions of the plaintiffs XBOX games. The plaintiffs have accordingly prayed for a permanent injunction restraining the defendants from infringing their trade mark rights and copyrights by selling or distributing gray market / unauthorized importations of the XBOX gaming consoles and/or pirated/counterfeit XBOX games; they have further sought delivery-up of the infringing material, rendition of accounts and damages to the tune of Rs. 20 lakhs.

3. This Court issued summons in the suit to the defendants on 30.05.2007 and vide order of the same date granted an ex-parte ad-interim injunction in favour of the plaintiffs. This Court, at the request of the plaintiffs, also appointed a Local Commissioner to visit the premises of the defendants and inspect the XBOX gaming consoles as well as the XBOX games bearing the trade mark of the plaintiffs and to determine if the same are unauthorized imports and/or infringing versions of the plaintiffs products, and to, if found to be so, seize and seal the same after making an inventory thereof and entrust them on superdari to the

defendants. The Local Commissioner, in compliance of the aforesaid orders of this Court, has filed his report.

4. Upon the failure of the defendants to appear despite due service of summons, this Court vide order dated 02.12.2011 ordered the defendants to be proceeded ex-parte and directed the plaintiffs to file their affidavits by way of ex-parte evidence.

5. The plaintiffs accordingly examined their lone witness Col. J.K. Sharma (Retd.) who tendered his affidavit into evidence on 12.11.2013 and closed their ex-parte evidence. Col. J.K. Sharma (Retd.) in his affidavit tendered in evidence before this Court has reiterated the averments in the plaint, as reproduced above, and proved the following documents: I. Notarized copies of the Power of Attorneys bearing Exhibits PW1/1 to PW1/4 executed by the plaintiffs in favor of Mr. Anand Banerjee (who has instituted the suit on behalf of the plaintiffs) and Col. J.K. Sharma (Retd) for the purpose of deposing on behalf of the plaintiffs before this Court. II. Printouts of the webpages describing the XBOX gaming console from its website bearing Exhibit PW1/5 to suggest that the XBOX is a revolutionary video gaming system. III. Copy of the warranty booklet of the XBOX360 bearing Exhibit PW1/6 to demonstrate that the changes made by the defendants would render the gaming console ineligible for warranty under the plaintiffs terms and conditions. IV. List of XBOX games owned and published by the plaintiffs bearing Exhibit PW1/7. V. Copy of the relevant extracts from Brands, an International Review bearing Exhibit PW1/8, which is stated to be a reputed authority on brands and which has rated the plaintiffs trade mark Microsoft amongst the few well known trade marks of the world. VI. Finally and most importantly, the Trade Mark Registration Certificates of the plaintiffs bearing Exhibit PW1/9 of the word mark Microsoft and the X design of XBOX, both under Class 9 with respect to software, electronic goods and components.

6. The report filed by the Local Commissioner pursuant to the orders of this Court supra, records that upon inspection of the business premises, five boxes of XBOX360