2025:DHC:1231

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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Reserved on: 12th July, 2024
Pronounced on: 25th February, 2025

\+ **CS(COMM) 443/2020**

LIFESTYLE EQUITIES CV & ANR. .....Plaintiffs

Through: Mr. Gaurav Pachnanda, Sr. Adv. with Mr. Sidhant Goel, Mr. Mohit Goel, Mr. Deepankar Mishra, Mr. Abhishek Kotnala, Mr. Karmanya Dev Sharma Ms. Avni Sharma, Mr. Vivek Pratap Singh, & Ms. Jyotika Jain, Advs.

versus

AMAZON TECHNOLOGIES, INC. & ORS. .....Defendants

Through: Defendant No. 1 – *Ex-Parte*
Defendant No. 2 and 3 (suit already decreed)

CORAM:
JUSTICE PRATHIBA M. SINGH

JUDGMENT

Prathiba M. Singh, J.

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A. Background

1. The present suit has been filed by Plaintiff No. 1- Lifestyle Equities C.V. (hereinafter '*LECV*') and Plaintiff No. 2- Lifestyle Licensing B.V. (hereinafter '*LLBV'*) *inter alia,* seeking permanent injunction and damages against the Defendants for infringement of their registered trademark Beverly Hills Polo Club (hereinafter '*BHPC*'). The mark is extracted below:

The Plaintiffs assert that they are the rightful proprietors of the *BHPC* mark, which enjoys extensive goodwill and recognition in the domestic and international markets. The Plaintiffs contend that the Defendants have been

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unlawfully using a mark identical or deceptively similar to the Plaintiffs' trademark, thereby violating their statutory and common law rights.

2. The Plaintiffs along with its subsidiaries and licensees are engaged in the business of manufacturing, distribution and sale of a wide range of products including garments, apparels, accessories, footwear for men, women and children, furniture, textiles, watches and other lifestyle/ personal care products under the trademark 'BHPC'. Plaintiff No.1, an Amsterdam based company, is the proprietor of the BHPC trademark and holds exclusive rights over its use and commercialization. The BHPC trademark consists of a distinctive logo featuring a charging polo pony with a mounted rider wielding a raised polo stick (mallet), symbolizing the sport of polo. Plaintiff No. 2 is the licensee of the said trademark pursuant to the Master License and Licensing Service Agreement dated 20th May, 2008.

3. Under the terms of the said agreement, Plaintiff No. 2 has been granted the right to further sub-license the BHPC trademark in various jurisdictions. Accordingly, Plaintiff No. 2 licenses the use of Plaintiff No. 1's trademark to multiple licensees, distributors, and manufacturers across the globe. As a result, the said products bearing the BHPC trademark are distributed and sold in over 60 countries, including those in Europe, Asia, South America, North America, the Middle East, and the Gulf region.

4. The Plaintiffs, through their extensive global distribution network, make *BHPC*-branded products available to consumers via multiple retail channels. These products are made available to consumers through various retail outlets directly operated by the Plaintiffs, as well as their network of authorized licensees. Additionally, the products are sold in multi-brand stores

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in collaboration with numerous retail chains worldwide. The BHPC branded products are also present in other online platforms.

5. The BHPC word-mark is stated to have been inspired from the geographical location Beverly Hills in Los Angeles, California, USA, an area renowned for its luxury, affluence, and association with high-end fashion and lifestyle products. The business under the BHPC mark with the accompanying logo has been established in the year 1982 and in India, the mark and the logo have been used since 2007. The Plaintiffs assert that, through consistent use and extensive marketing efforts, the *BHPC* brand has acquired substantial goodwill and brand recognition in India and internationally.

6. The trademark of the Plaintiffs consists of the word-mark 'BHPC' along with the accompanying logo *i.e.,* the image of a *"charging polo pony, the rider and the polo stick or mallet"*. According to the Plaintiffs, the combination of the use of the word mark and logo in a device form serves as a unique identifier of the Plaintiffs' brand and symbolizes its association with the sport of polo, luxury, and premium lifestyle products. Further, the word mark along with the logo device is used in various forms and stylistic variations across different product lines and marketing materials. Some of the forms and stylistic variations of the use of the marks of the Plaintiffs are set out below:

BEVERLY HILLS POLO CLUB, BEVERLY HILLS POLO CLUB, BEVERLY HILLS POLO CLUB,

BEVERLY HILLS POLO CLUB, BEVERLY HILLS POLO CLUB

7. It can be seen that the horse device is a prominent part of the trademark. The word mark along with the logo is a registered trademark of the Plaintiff No.1 in various countries of the world. As per the Plaintiffs, they are the registered proprietors of various marks including the device mark in approximately 91 countries including USA, UK, India, UAE, Nepal, Mexico, Germany etc. The list of registrations of the Plaintiff has been filed along with the plaint and exhibited as **Exhibit PW1/5**. The BHPC mark both independently and along with the logo was registered in India under various classes including classes 3,9, 14 18, 24, 25, 35, 36, 42, 45 *etc.,* The said registrations are not even in dispute.

8. The BHPC mark and logo are also stated to be advertised and promoted internationally including on in-flight advertisements. The BHPC branded products are showcased in various international fashion shows, such as

- **MIPEL** - An international leather goods and fashion accessories fair, held in Europe,
- **MICAM** - A bi-annual international trade fair for footwear, held in Milan Italy,
- **PITTI BAMBINO** - An international trade fair for children-wear,
- **INTERGIFT** - A bi-annual international trade fair for, inter alia, fashion and fashion related goods, based in Spain,
- **PREMIUM** - A leading international fashion show, based in Germany,
- **WHO'S NEXT** - A leading international fashion show, based in France,
- **HEIMTEXTIL** - An international trade fair for home and contract textiles,

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- **BRAND LICENSING EXPO** - An international licensing expo for, inter alia, fashion and fashion related goods,
- **PITTI UMAO** - An international fair and/or promotional events conducted in all areas fashion,
- **The Copenhagen International Fashion Fair** - based in Denmark and
- **Cosmoprof Worldwide** - based in Bologna, Italy.

9. The BHPC marks have been recognized for their exceptional brand value and consumer trust, having been awarded the prestigious status of '*Superbrands*' by the UAE Superbrands Council for the years 2016, 2017, and 2019 . Therefore, the said trademark has acquired immense goodwill and recognition since its launch in 1982 and according to the Plaintiffs the use of the mark or the logo immediately identifies with the Plaintiffs.

B. Presence in India

10. The Plaintiff No.1 launched its products in India under the BHPC trademark in 2007. In 2008, an agreement was entered into between the Plaintiffs and M/s Spencer's Retails Ltd. for the distribution and sale of BHPC branded products in India. Pursuant to this agreement, the Plaintiffs' licensee, Spencer's Retail Ltd., is stated to have opened 20 exclusive stores selling BHPC branded products in prominent locations such as DLF Promenade mall and Select Citywalk mall, *etc.,* Further, the Plaintiffs claim to provide consumers and internet users with information on its product range, latest designs, and styles, through their official website **www.bhpoloclub.com**. The said website serves as a platform where customers can explore the various BHPC branded products included updates on new collections. According to

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the Plaintiffs, their online presence ensures that internet users and customers, including those in India, have access to their product range while strengthening global brand awareness and customer engagement.

11. It is further submitted that the Plaintiffs have generated substantial revenues from the sale of products bearing the Plaintiffs' *BHPC* logo mark in India. As per the Plaint, the sales turnover from products bearing the BHPC mark is more than Rs. 20 crore each year from 2016-2017 onwards. Further, in the plaint is has been highlighted by the Plaintiffs that for the advertisement and promotion of the *BHPC* logo mark, the responsibility lies with their licensees and retail partners, including entities such as the Apparel Group. It is averred that the licensees and retail partners are contractually obligated to undertake promotional campaigns for the *BHPC* logo mark in their respective regions, with a stipulated minimum expenditure on advertising and marketing.

12. In 2012, the Plaintiffs entered into two Trademark License Agreements (*hereinafter* 'TLA'), one with Major Brands India Pvt. Ltd. (now known as Apparel Group India) on 26th November, 2012 and another with Apparel Group FZCO on 8th November, 2012 for India and the GCC region respectively. Both these licensees are prominent retailers of various internationally well-known brands.

13. The licensing model of the Plaintiffs with their retail partners is by categorising two levels of sales in the agreement:

(i) business plan sales, and

(ii) minimum sales.

According to the Plaintiffs, the Plaintiff No. 2 is entitled to receive 7.5% as royalty from the sales effected by the licensees.

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C. Infringement

14. The allegation in the plaint is that the three Defendants have engaged in activities that constitute a violation of the exclusive rights in the *BHPC* logo mark. The said three Defendants and their addresses as per the Memo of Parties is set out below:

S. No.	**Name of Defendant**	**Address**
Defendant No. 1	Amazon Technologies, Inc.	410 Terry Avenue North, Seattle, Washington 98109, U.S.A.
Defendant No. 2	Cloudtail India Private Limited	Ground Floor (rear portion), H-9, Block B-1, Mohan Cooperative Industrial Area, Mathura Road, New Delhi – 110044.
Defendant No. 3	Amazon Seller Service Private Limited	No.26/1, 8th Floor, Brigade Gateway, Dr. Raj Kumar Road, Malleshwaram (West), Bengaluru-560055, Karnataka.

As per the plaint, Defendant No.1 was dealing with apparel products under the private label- 'Symbol' consisting of a horse device mark almost identical to the BHPC logo device thereby leading to infringement and unauthorized use. Defendant No.2-Cloudtail India Private Limited is alleged to have acted as the retailer of the said infringing apparel products, making them available for sale on the e-commerce platform www.amazon.in, which is managed and operated by Defendant No.3, i.e. Amazon Seller Services Private Limited. The Plaintiffs contend that such unauthorized use of the infringing marks on the Defendant's platform constitutes trademark infringement and misrepresentation, causing consumer confusion and dilution of the Plaintiffs' mark and goodwill. The illustrative images from the website

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'www.amazon.in' where the infringing logo mark is being used are set out below:

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15. A comparison of the Plaintiffs' and Defendants' mark/logo along with the manner in which the same is being used on the products is set out below:

Plaintiffs Device Mark	Mark used by the Defendant
	

Plaintiffs' Product	Defendants' Product
	

16. It is the claim of the Plaintiffs that in May, 2020, the Plaintiffs came across sale of the said infringing products on Defendant No. 3's website 'www.amazon.in'. As per the Plaintiffs, the said sale was being conducted by Defendant No. 2, under Defendant No.1's private label '*Symbol*'. However, the exact relationship between the three Defendants was not known to the Plaintiffs.

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17. According to the Plaintiffs, the entire attempt was to impinge upon the Plaintiffs' rights in BHPC logo. The Plaintiffs purchased some of the products through the platform 'www.amazon.in' and confirmed the fact that the logo which was being used was nothing but a slavish imitation of the Plaintiffs' BHPC logo. In fact, according to the Plaintiffs, this was an attempt to ride upon the goodwill of the BHPC trademark as the logo device was a prominent feature of the BHPC trademark. According to the Plaintiffs, such use of the logo is violative of the Plaintiffs' statutory and common law rights which deserve to be injuncted.

D. Proceedings in this suit

18. *Vide* order dated 12th October, 2020, the Court heard the matter at the ad-interim stage where even Defendant No.2 and 3 were represented, however, none appeared for Defendant No.1, despite advance service.

19. After hearing the parties, the Court passed an ad-interim injunction restraining Defendant Nos. 1 and 2 from infringing the Plaintiff's trademark. The Defendant No.3 was also directed to take down the products of Defendant No.1 within 72 hours of the URLs being communicated. The operative portion of the order reads as under:

> "*12. Considering that the defendant No.1 is a separate entity, this Court is prima facie of the view that the present suit would be maintainable. From the averments in the plaint as also the documents filed therewith, this Court finds that the plaintiff has made out a prima facie case in its favour and in case no ex-parte ad-interim injunction is granted, the plaintiff*

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would suffer an irreparable loss. Balance of convenience also lies in favour of the plaintiff. ***Consequently, till the next date of hearing, defendant No.1 and defendant No.2, their Partners, Directors, Proprietors, Shareholders, Affiliates, Licensees, Agents etc. are restrained from selling, offering lor sell, advertising, directly or indirectly dealing in any products or reproducing or using in any manner whatsoever the infringing logo mark which is identically/deceptively similar to the plaintiffs logo mark "BEVERLY HILLS POLO " CLUB . In the meantime, defendant No.3 is directed to take down the products of the defendant No.1 with the infringing logo within 72 hours of the URLs being provided by the plaintiff"***

20. On 20th April, 2022, the Defendant No.1 did not appear despite service and was proceeded *ex-parte*. Defendant No.3 and 2 were directed to file separate affidavits giving details of the exact relationship they share with Defendant Nos.1 along with other directions. The relevant paragraphs of order dated 20th April, 2022 read as under:

"LA. 9254/2020 (for stay)
2. Defendant No.1 has not entered appearance in this matter, despite service. Written statement has also not

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been filed by Defendant No.1. Accordingly, Defendant No.1 is proceeded against ex parte.

*3. **Let an affidavit be filed by the Defendant No.3 - Amazon Seller Service Private Limited giving exact details of whether Defendant No.1- Amazon Technologies, Inc. is, in any manner, related to Defendant No.3, or any of its subsidiary or holding companies. The affidavit shall also state as to whether Defendant No.1-Amazon Technologies, Inc. is, in any manner, related to Amazon.com, Inc.***

4. Let an affidavit be filed by Defendant No.2 giving details as to the total stock of products sold by the Defendant No.2 on Defendant No.3's platform, under the impugned logo and motif which was injuncted by the Court, vide order dated 12th October, 2020. Similar affidavit shall also be filed by Defendant No.3 as to the total sales made under the mark 'Symbol' as also the impugned logo on its platform. Let the said affidavits be filed, within four weeks.

5. Let Defendant No.2 also place before this Court the agreement between itself and Defendant No.1-Amazon Technologies, Inc., which is stated to be the owner of the mark/label 'Symbol', in respect of which Defendant No.2 is a licencee, as pleaded in the written statement.

6. Both the Defendant Nos. 2 and 3 confirm that, there are no products with the impugned logo which are now sold on the platform of Defendant No.1-Amazon Technologies, Inc. Accordingly, the interim injunction is made absolute during the pendency of the present suit."

21. Pursuant to the said order, Defendant No.2, on 18th August, 2022, had placed on record a license agreement which was executed between itself and Defendant Nos.1. The redacted copy of the same was also supplied to the

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Plaintiff. The unredacted copy is lying in a sealed cover as part of the suit. However, on the said date, the Court observed that the affidavit filed by Defendant No.3, explaining its *interse* relationship to Defendant No.1, was unsatisfactory and directed it to comply with the order dated 20th April, 2022 to the letter and spirits, both in terms of the sales figures as also the *interse* relationship.

22. On 5th September, 2022, it was submitted on behalf of Defendant No.2 and Defendant No.1 that they were willing to (i) suffer a decree of injunction and (ii) pay reasonable damages. The matter was then referred to the Delhi High Court Mediation and Conciliation Centre. It is, thus, clear that the Defendant No.1 has also entered appearance before this Court.

23. For the purposes of determining the quantum of damages, the sales figures were required to be examined by the parties. To maintain the confidentiality of the terms of license agreement and the sale figures, the parties had agreed to set up a confidentiality club consisting of members nominated by both the parties. Accordingly, a confidentiality club was constituted *vide* order dated 15th September, 2022 and the club had perused the license agreement between Defendant Nos.1 and 2.

24. On 2nd March, 2023, the Court heard the ld. Counsel for Defendant No.2 and the Plaintiff and decreed the suit in favour of Plaintiffs in the following terms:

> *"4. Amazon has not appeared despite service and has been proceeded exparte vide order dated 20th April, 2022. On the same date, injunction order dated 12th October, 2020 was confirmed and made absolute till the pendency of the present suit. Later, on 05th September, 2022, Cloudtail made a statement, that they are willing to suffer a decree of*

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injunction and prayed that the Court may consider awarding reasonable damages in favour of Plaintiffs. Parties were referred to mediation which, unfortunately, was unsuccessful.

5. Mr. Nishchal Anand, counsel for Cloudtail, reiterates his stand as noted on 05th September, 2022. He emphasizes that Cloudtail has stopped using Infringing Device Mark or any marks similar thereto and the same was used only a brief period from year-2015 till July 2020, and in this period, on account of sale of infringing products, Cloudtail earned a revenue of only INR 23,92,420/- on which the profit margin is no more than 20%. He submits that the Court may awards damages on the basis of above-noted figures. Mr. J. Sai Deepak, counsel for Plaintiffs, do not dispute the sales figures and agrees that for award of damages, aforenoted data is sufficient and no further evidence is required.

6. At this juncture, it must also be noted that Mr. Anand submits that the liability for damages should be solely fixed on Cloudtail and not Amazon. He states that the decision to use the Impugned Device Mark was solely that of Cloudtail and Amazon has no liability in the matter. Reliance is placed on Amazon Brand License and Distribution Agreement dated 23rd December, 2015 [hereinafter "Agreement""] to demonstrate that Amazon's mark 'Symbol' was licensed to Cloudtail and the use thereof, in relation to the infringing products was entirely that of Cloudtail. He further highlights that under the Agreement, Cloudtail is liable to indemnify Amazon for any loss arising from any breach on their part. Mr. Sai Deepak refutes the above statement and argues that the Infringing Device Mark is not a subject-matter of the Agreement between Amazon and Cloudtail and

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damages are liable to awarded against both Amazon and Cloudtail.

7. The obligations arising from the Agreement referred above between Amazon and Cloudtail cannot bind Plaintiffs and consequently, the admission of liability on part of Cloudtail cannot bind Plaintiffs. They cannot be denied the opportunity to seek damages from Amazon, if any. Considering the above and since there is no contest to the sales figures for computation of damages, the Court proceeds to pass a decree qua Cloudtail.

***8. Accordingly, the suit is decreed in favour of Plaintiffs and against Defendant No. 2/ Cloudtail, in terms of paragraph No. 64 prayer clauses (a), (b) and (c). Towards use of Infringing Device Mark, accepting the stand of Cloudtail that profit margin is only 20%, Plaintiffs are awarded damages of 20% of INR 23,92,420/- i.e., INR 4,78,484/- Since Amazon has not contested the suit and use of products bearing the Infringing Device Mark was discontinued in July 2020, prior to the filing of the suit, no costs are being awarded.*"**

25. Thus, the suit was decreed *qua* Defendant No.2 for permanent injunction and for a sum of Rs.4,78,484/- was awarded as damages. Insofar as Defendant No.3 is concerned, it was submitted by Defendant No.3 that it is only an intermediary and the statement on behalf of Defendant No.3 was recorded to the following effect:

"*10. This brings us to the remaining Defendants. Amazon Seller is an intermediary, on whose platform, products bearing Infringing Device Mark were offered/ listed. Ms. Sneha Jain, counsel for Amazon Seller, requests that the said Defendant be deleted from the array of parties as they have complied with all directions issued by this Court. She states that in future, as-and-when directed by*

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> *this Court, listings qua products bearing Infringing Device Mark shall be removed. She adds that no substantive relief is sought against them. Accordingly, taking her statement on record, and binding Defendant No. 3/ Amazon Seller, to the same, they are deleted from the array of parties. Plaintiffs are directed to file an amended memo of parties before the next date of hearing.*"

26. On the said date, since none appeared for Defendant No.1, Defendant No.1 has been proceeded *ex parte*. Thereafter, vide order dated 25th May, 2023, this Court had permitted the Plaintiffs to lead *ex-parte* evidence in the present suit. The relevant extract of the said order is set out below:

> *"1. Mr. J. Sai Deepak, counsel for Plaintiffs, states that pursuant to the leave granted on 02"" March, 2023, Plaintiff has filed the additional documents and would now like to lead ex-parte evidence.*
>
> *2. **Plaintiffs are permitted to file a list of witnesses within a period of one week from today along with the affidavit(s) of evidence.** Mr. Sai Deepak submits that the witnesses to be deposed are not residents of India. Considering the same, it is directed that as and when Plaintiffs request for recording of. witnesses' statement(s) through video conferencing mechanism, the Joint Registrar shall consider the same and pass necessary orders, in accordance with law."*

E. Recording of Evidence

27. Subsequent to the above orders, the Plaintiffs led the evidence of five witnesses namely,

(i) Mr. Eli Haddad – PW-1,

(ii) Mr. Sanjay Shetty – PW-2,

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(iii) Mr. Gaganpreet Singh Puri – PW-3,

(iv) Mr. Arvind Dhingra – PW-4, and

(v) Mr. Gavin Rawlings – PW-5.

28. Vide order dated 5th July, 2023, this Court permitted the evidence of Mr. Gavin Rawlings, PW-5 to be recorded through video conferencing. On 12th July, 2023, PW-1 to 4 were present. Their examination-in-chief was recorded, and they were discharged. A remote point coordinator was appointed for examining PW-5, Mr. Gavin Rawlings on 19th July, 2023 in accordance with Rule 5.1 of ***the High Court of Delhi Rules for Video Conferencing for Courts,*** **2021** which mandated the appointment of a remote point coordinator for examining a witness overseas. Accordingly, **Mr. Gavin Rawlings (PW-5)** evidence was recorded through the video conferencing as per the said rules.

29. On 7th August, 2023, the matter was listed for hearing and the Court had directed that the witnesses ought to be present for the purposes of assisting the Court as detailed evidence has been led on the question of damages.

F. Submissions of Parties

30. Mr. Gaurav Pachnanda, ld. Senior Counsel appeared on behalf of the Plaintiffs and Defendant No.1-Amazon Technologies did not enter appearance. Considering the Defendants have acceded to infringement, the ld. Sr. Counsel argued primarily on the quantum of damages.

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<u>F1. Submissions of Mr. Gaurav Pachnanda, ld. Sr. Counsel for the Plaintiffs</u>

31. Mr. Pachnanda, ld. Sr. Counsel relies upon the Plaintiffs Trademark License Agreement ('*TLA*') dated 26th November, 2012, the evidence and statements of Expert Witnesses, certain articles and cases from contemporary jurisdictions, to establish the quantum of damages prayed to be awarded. His submissions are as under:

- ***Impact of Large-Scale Infringement and Deep Discounting on a Brand***

32. The ld. Senior Counsel submitted that large scale infringement, along with deep discounting, can have a deleterious impact on a brand. The Plaintiff sells its products in the price range of Rs.3,000/- to Rs.5,000/-, whereas on Amazon, the products bearing the similar logo as that of the Plaintiffs are being sold at Rs.300 to Rs.400/-.

33. In this regard, the Plaintiffs have led evidence of two expert witnesses *i.e.*, **Mr. Sanjay Shetty <u>(PW-2)</u>** and **Mr. Gaganpreet Singh Puri**, **<u>(PW-3)</u>**. In paragraphs 120 to 126 of his statement, Mr. Gaganpreet Singh Puri has provided illustrations of how brands can be destroyed by such rampant infringement. The evidence of **Mr. Arvind Dhingra <u>(PW-4)</u>**, specifically paragraphs 4 to 9, 14 to 17, 19 to 26 have also been highlighted by ld. Sr. Counsel for the Plaintiffs. In addition, **Mr. Eli Haddad <u>(PW-1)</u>**, who is the Managing Director of the Plaintiff No.1, has explained in paragraphs 100 to 104 of his evidence affidavit the impact that wilful infringement on such large scale can have on the Plaintiffs and their business plans.

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- ***Calculation of Compensatory Damages in terms of the Trademark License Agreement*** –

34. The fulcrum of the case of the Plaintiffs for the purpose of damages is the ***Trademark License Agreement dated 26th November, 2012*** which was executed between Plaintiff No.2, a Dutch licensee of Plaintiff No.1, and M/s Major Brands India Ltd. The said TLA was for an initial period of 10 years with mutual renewal terms. The TLA had two kinds of sales which were contemplated.

   a. A minimum sale – The minimum sale figures were to be achieved by the licensee for the purpose of continuing the license and the Plaintiffs have the option of terminating the same if the minimum sales were not achieved.
   b. Projected sale figures. – The optimum level of sales to be achieved by the licensee.

The royalties were to be calculated at the rate of 7.5% on the gross sales.

35. The TLA, though entered into in 2012, it was only between December 2013 and January 2014 that the agreement commenced between the parties. Therefore, the first year of sales 2014-15 has been calculated on the basis of December 2013/January 2014 till 31st July, 2015 during which period the sales achieved by the licensee was to the tune of Rs.38,36,326/-. According to the Plaintiffs, the minimum sales that were to be achieved were Rs.20,92,545/- and the projected sales that were to be achieved were Rs.29,89,350/-.

36. On the basis of these figures, it is the submission of ld. Sr. Counsel that the Plaintiffs achieved more than the minimum sales and the business projected sales on the said period. On this basis, the damages have been calculated considering that the infringement commenced sometime in July, 2015 by the Defendants. The suit was filed in September, 2020. The case of

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the Plaintiffs is that they detected the sales by the Defendants only in 2020 and filed the suit but in the suit proceedings, the Defendants have disclosed that they have been selling the products since 2015. Thus, the damages have been calculated on the basis of sales since 2015 till 2020 as the first period. Between 2020-2024 as the second period and, thereafter, with terminal value (TV) basis. According to the Plaintiffs, the Plaintiffs are entitled to royalties on various heads. The witnesses have given justification for the manner in which the calculations have been achieved.

37. Reliance is also placed upon the quantum expert - PW-3 to quantify the losses at USD 21.85 million based upon minimum damages/actual losses. However, loss based on plans and projections was much higher *i.e.,* USD 33.78 million. The standards which have been adopted by the said witness are completely reliable for quantifying the losses.

38. It is also urged by the ld. Senior Counsel that the Plaintiff has a sub-licensee in India who is also known as the retail partner. The losses which the retail partner has suffered, in terms of Clause 9.2(b) of the Contract can be claimed by the Plaintiff in the present case. Thus, the Plaintiff's claims also extend to losses suffered by the retail partner at 10% profit which constitutes USD 29.06 million. In terms of the business plans, the losses are to the tune of USD 42.9 million.

- ***Exemplary and Punitive Damages to be awarded on account of wilful infringement by Defendant No.1***

39. According to the ld. Senior Counsel this would be a classic case where owing to the wilful nature of the infringement, exemplary and punitive damages would be liable to be granted. In fact, it is his submission that such indiscriminate use also prevails in other jurisdictions and reliance is

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placed upon an article published by Reuters which is republished in the Economic Times dated 13th October, 2021 to show how Defendant No. 1 habitually copies brands of well-known companies. It is further submitted that the said position is also prevalent in other jurisdictions as is evident from the recent decision of the U.K. Supreme Court on 6th March, 2024 in the case of ***Lifestyle Equities v. Amazon U.K. Services Ltd.***, ***[2024] UKSC 8*** where the Court was looking at a similar situation and the question was with respect to whether jurisdictions ought to be exercised in England or not.

40. Punitive damages are also required to reprimand the conduct of the Defendants which run a famous e-commerce portal and are also indulging in such a flagrant violation of IP Rights. According to ld. Senior Counsel, the test laid down in ***Hindustan Unilever Limited v. Rickett Benckiser India Ltd (ILR (2014) II Delhi 1288)*** has been fully satisfied owing to the cascading effect that losses would have on businesses. In conclusion, it is submitted that lack of evidence in respect of any particular head ought not to result in rejection of any claim for damages as the present is a case for consideration of full compensation based on the principles in ***Rookes v Barnard ([1964] 1 ALL E.R. 367)***. The said decision also makes it clear that the means of parties would by itself have no bearing on the grant or non-grant of punitive damages.

G. Analysis and Findings

41. Heard.

42. Traditionally, violation of rights in a trademark would take place in brick-and-mortar stores where the identity of the infringing party is easily determinable. The growth of the internet and the rise of digital commerce have significantly transformed the promotion and sale of branded products,

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creating both opportunities and challenges for IP owners. As with all technological advancements, the internet has facilitated both legitimate trade and unauthorized exploitation of IP rights. The emergence of e-commerce intermediaries, who claim to be distinct from traditional retailers on e-commerce platforms, has introduced legal complexities for IP owners in their efforts to enforce their rights and seek redress for trademark infringement. This distinction has complicated IP enforcement, as such entities often claim intermediary status to mitigate liability for the sale of infringing goods. Unlike conventional retail models, where accountability for infringement was clearly attributable, e-commerce platforms operate within a multi-tiered ecosystem, often making it difficult to identify and hold liable those responsible for violations.

43. E-commerce platforms, while making products and services more easily available and accessible have also posed significant challenges for IP owners seeking to protect their brands and marks being infringed through online platforms. The proliferation of e-commerce is now here to stay and is an irreversible reality, giving rise to a new species of infringement which can be termed as '***e-infringement***'. In this species of infringement, unlike traditional forms of trademark violations, there are multiple parties who could be involved in the violation of rights:

a) The owner of the infringing brand which is being used on the product.

b) The retailer or seller who is selling the infringing product.

c) The e-commerce platform which is enabling the retailer to sell the product or the aggregator who may be collecting similar products and making them available for sale.

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d) The party/entity who is warehousing, raising invoices, packaging, delivering and receiving payments for the product.

e) The party who supplies the product, i.e. the infringing goods.

f) Finally, the brand being used on the infringing products

In the present suit the brand 'Symbol' is owned by Defendant No.1- Amazon Technologies, Inc. The retailer, Defendant No.2- Cloudtail India Pvt. Ltd., sells the products on the e-commerce platform www.amazon.in which is operated by Defendant No.3, Amazon Sellers Services Pvt. Ltd.

44. In *e-infringement*, the biggest challenge would first be in fixing responsibility on each of the parties. There are complex questions which arise including issues relating to intermediary liability, entitlement to safe harbour protection, as also jurisdictional issues. Clearly, the multi-layered nature of e-commerce has made it increasingly difficult to identify, attribute liability, and effectively enforce IP rights, necessitating clear legal frameworks to address the evolving challenges posed by online trademark infringement.

45. The present case would be one such case which could qualify as an *e-infringement* case. The brand 'Symbol' being used by Defendant No. 2- Cloudtail India Private Limited is admittedly owned by Defendant No.1. During the proceedings, ld. Counsel appearing for Defendant No.2 had appeared for Defendant No.1 on 5th September, 2022 and submitted that Defendant No.1 would be willing to suffer a decree of permanent injunction and also pay the reasonable damages. The said order is of significance and is extracted below:

> *"**IA 14249/2022***
>
> *The learned senior counsel for the defendant no.2/applicant herein submits that the said defendant,*

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> *including **<u>for and on behalf of the defendant no.1, is willing to suffer a decree of injunction and also for paying reasonable damages to the plaintiff</u>**. He prays that the parties be referred to the Delhi High Court Mediation and Conciliation Centre for exploring the possibility of arriving at an amicable settlement.*
>
> *The leamed counsel for the plaintiffs prays for time to seek instructions. List on 15th September, 2022."*

46. As per the above order, the matter was referred to mediation, however, the same did not fructify into a settlement. It is at that stage that Defendant No.2 and Defendant No.3 sought to delineate and distinguish their role from that of Defendant No.1 leading to a decree being passed against Defendant No.2 for a sum of Rs.4,78,484/-. This amount constituted 20% of the sales made by Defendant No.2. Defendant No.3 claimed that it is merely an intermediary and undertook that whenever there are future listing/s bearing the infringing device mark, the same shall be removed, as and when directed by the Court.

47. It clearly appears to this Court that, all three companies which are closely related to or interlinked with each other have sought to project that they are independent of each other, clearly with an intent to avoid fastening of liability. The intention of the said Defendants has clearly been to somehow diffuse and dissipate the consequences of infringement.

48. None of the Defendants have disputed the rights of the Plaintiffs in BHPC trademark including their registration under class 25 which deals with apparel products. The list of registrations obtained by the Plaintiffs have been exhibited as **<u>Exhibit PW1/4</u>** and Defendant No.1 has chosen to ignore the present proceedings despite having knowledge of the same. Though, the entity

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may be different, it is a matter of public knowledge that the 'www.amazon.in' platform is closely linked with Defendant No.1.

49. Written statements have been filed by Defendant No.2 and Defendant No.3. The stand of Defendant No.2 is that the impugned logo is not being used in a trademark sense. Insofar as the stand of Defendant No.3 is concerned, it has submitted that the alleged listings, which the Plaintiffs objected to, have been removed. Almost all the averments related to the Plaintiffs' case are denied for want of knowledge. Thus, neither written statement raises any substantive defence.

50. Considering that on 5th September, 2022, Defendant No.2's Counsel has also appeared for Defendant No.1 and the suit already stands decreed *qua* Defendant No.2, the complete absence of any defence *qua* Defendant No.1 is clearly deliberate and conscious. Thus, insofar as the prayer for permanent injunction is concerned, the ownership of the BHPC trademark has been established and the infringement by the use of a slavishly imitative logo under the brand 'Symbol' has also been established. Therefore, this Court is of the opinion that the Plaintiffs' rights in the trademark deserve to be protected. The Plaintiffs have, during the course of arguments produced one of the products which was purchased by them. An image of the said product is set out below:

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51. A perusal of the above image would reveal that the logo which has been used is hardly distinguishable from the Plaintiffs BHPC logo. The damages awarded against Defendant No.2 have in fact been deposited by way of demand draft before this Court – thereby clearly acknowledging the rights and complying with the decree of damages. The redacted copy of the said agreement between Defendant No.1 and Defendant No.2 was directed to be disclosed *vide* order dated 20th April, 2022. As per the said redacted agreement which was filed, the brand 'Symbol' clearly is in the ownership of Defendant No.1:

> *"2. Trademark License*
> *A. License to Amazon Marks. Amazon grants Distributor a non-exclusive, non-transferable, non-assignable and revocable right and license during the term of the Agreement to use, reproduce, perform, display, \ distribute and affix without alteration of*

any kind, the trade names, trademarks, service marks, specifications, designs, logos or symbols specified in Exhibit A attached hereto ("Amazon Marks"), solely for the purpose of manufacturing, distributing or causing to be distributed within the Authorized Territory, and selling or causing to be sold within the Authorized Territory, and producing, causing to be produced, or procuring as applicable solely as necessary to achieve the foregoing distribution and sale activities within the Authorized Territory, the products specified in Exhibit B attached hereto, which may only be finished goods ready for resale and not any raw materials or sub-components, and which may be updated by the Parties over email from time to time ("Products"), solely in strict compliance with the terms of this Agreement. Amazon may determine, in its sole discretion, which Products Distributor is authorized to distribute and sell hereunder. Distributor will comply with the Trademark Guidelines attached as Exhibit C which Amazon may update from time to time by written notice to Distributor ("Trademark Guidelines"). Distributor will not produce, distribute, market, sell or dispose of Products, Product components that include Amazon Marks, or any ancillary materials (including marketing materials) containing Amazon Marks or Products except as expressly permitted by this Agreement.

xxx

7. Representations. Distributor represents and warrants that: (i) Products will be handled, stored, distributed,

and sold so as to keep them at all times in a first class condition appropriate for sale to customers and in any event free of all defects, or safety or health hazards of any kind; (ii) Distributor's performance hereunder will not infringe any third party's

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Intellectual Property Rights (except that Distributor shall not be liable to Amazon for any claim that Amazon's grant of rights (including with respect to Amazon Marks) to Distributor hereunder so infringes); (iii) each Product unit will be sold to customers only when new and in its sealed original packaging, unless agreed otherwise between the Distributor and Amazon; (iv) Distributor's performance hereunder will conform to all requirements of applicable law, including all applicable health, privacy, data security, safety and environmental regulations; (v) the Reports will be accurate and complete in all respects; (vi) the Product Information and import documentation will comply with all applicable laws and rules in the Authorized Territory; (vii) Distributor's performance hereunder (and those of its Affiliates, designees, permitted successors or assignees, agents, sub-contractors, and any other Person participating in Distributor's performance hereunder) will comply in all respects with Amazon's Supply Chain Standards, including Amazon's Supplier Code of Conduct, as displayed at http://www.amazon.com/gp/help/customer/display.html/ref=hp sn sup?nodeld-200885140 from time to time (or any successor site thereto) as though Distributor were a Supplier to Amazon, including without limitation that no Products will be handled by, stored within, or distributed using facilities that employ forced or prison labor or labor by children under the age of 15 or the minimum working age within the applicable jurisdiction, whichever is older.

Amazon represents and warrants that: (i) Amazon's grant of trademark license (including with respect to the Amazon Marks) to Distributor hereunder, does not infringe upon or misappropriate any trademark or copyright of any third party and (ii) executing this Agreement will not result in breach by Amazon of

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agreement or understanding, if any, that Amazon may have entered into with a third party.

8. Warranty. AMAZON MAKES NO REPRESENTATIONS OR WARRANTY TO DISTRIBUTOR, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCTS, SAVE AND EXCEPT AS MAY BE SPECIFICALLY PROVIDED HEREIN. FURTHER, SAVE AS OTHERWISE PROVIDED IN THE PRECEDING SENTENCE AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, AMAZON SPECIFICALLY DISCLAIMS ALL WARRANTIES INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

10. Indemnity.

A. Amazon Indemnity. Except to the proportional extent caused by Distributor's negligence or intentional misconduct as determined by a final order of a court having jurisdiction, <u>Amazon will indemnify Distributor and its Affiliates and their respective officers, directors, employees and agents from and against any claim, llability, loss, damage, cost or expense, including court costs and reasonable attorneys and expert witnesses fees before and at trial and on appeal, (collectively, Expenses") arising from or related to any actual or threatened claim made by a third party (collectively, "Claims") based upon (i)</u> false or misleading representations and/or warranties, or a breach of warranties, provided by Amazon to Distributor regarding the Products hereunder or (iii) the infringement of any copyright or trademark rights of a third party by Amazon's grant of rights (including in relation to Amazon Marks) to Distributor hereunder. Amazon will have no obligation to indemnify Distributor to the extent a Claim arises from (x) advertising materials not pre-

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> *approved by Amazon in accordance with this Agreement; (y) modifications made by Distributor to the advertising materials without Amazon's prior written approval; and/or (2) Distributor's failure to cease the use and distribution of or substitute advertising materials or Amazon Marks upon Amazon's request."*

52. A perusal of the trademark license, liability, and intellectual property protection clauses in the Amazon Brand License and Distribution Agreement between Defendant No.1 and Defendant No.2 indicates that Amazon retains significant control over Cloudtail's branding and distribution activities. In the opinion of this Court, the clauses in the Agreement clearly diminish Amazon's ability to distance itself from the alleged infringement committed by Cloudtail. The contractual restrictions on unauthorized trademark use, coupled with indemnification obligations, provide strong legal grounds for the Plaintiffs to argue Amazon's direct involvement in trademark infringement. The agreement being a license agreement, Defendant No.1 being a licensor and Defendant No.2 being a licensee, any infringement or unlawful use by the licensee would also affix liability upon the licensor. While licensing the word mark SYMBOL, Amazon would be unable to distance itself from the use of the accompanying horse logo device mark. Thus, the consequences of infringement squarely fall upon the Defendant No.1. The Defendants were also directed on 20th April, 2022 to file an affidavit giving the sales figures and their *inter se* relationship at which stage the matter was prayed to be referred to mediation. Defendant No.1 was proceeded *ex parte* on 20th April, 2022. The *inter se* relationship has not been satisfactorily explained or placed on record by any of the Defendants. Under such circumstances, the Court has

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to proceed on the basis that Defendant No.1 being fully aware of the pendency of the present litigation has chosen not to file any defence. It has chosen to suffer a permanent injunction and, thus, the only question that remains is in respect of damages.

Analysis of Evidence

53. The evidence has been led by the Plaintiffs of the following witnesses:

G1. Evidence of PW-1- Mr. Eli Haddad

54. PW-1 is the Founder of Plaintiff No.1 and the Managing Director of Plaintiff No.2. He has personal knowledge of the business of the Plaintiffs. He, based on the said personal knowledge, has deposed on the following aspects:

- Details such as the statutory registrations, promotion and advertising, awards which have been won, *etc.,*
- Reputation of the Plaintiffs' brand among the target consumers,
- Steps taken by the Plaintiffs for enforcement of the brand and the mark,
- The models and the manner of licensing of trademark by the Plaintiffs,
- The sales figures of the Plaintiffs' licensee in India.

55. Deposing on the sales figures, PW - 1 deposed that there are two major trademark licensing contracts that were entered into by Plaintiff No.2 - one with Major Brands India Pvt. Ltd. and the another with Apparel Group FZCO. The first retail store with Major Brands was made operational in December, 2014. During the first period of operation *i.e.,* from December 2013 to 31st July, 2015 (20 months), Major Brands saw a huge success in its sales and exceeded the expectation fixed under the TLA. The actual sales made were to

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the tune of $3,836,326/-. However, immediately from the second year of operations there was a dip in the retail sales of BHPC branded products. From the period 2015-2016 till 2019-2020, the sales continue to dip. The same is set out in PW-1 affidavit and is extracted below:

Time Period **(01 August to 31 July Annually)**	**Amount** **(In United States Dollars)**
BY 2015-16	2,878,209
BY 2016-17	3,657,308
BY 2017-18	3,205,791
BY 2018-19	3,231,500
BY 2019-20	2,117,092

56. PW-1 had deposed to state he has personal access to the Plaintiffs company's data and despite no substantial change being effected either in the price, the design or the quality, the sales continued to dip.

57. According to PW-1, the fall in sales was due to the infringement by the defendants which was detected only in May, 2020, when a search was conducted on platform 'www.amazon.in'. According to PW-1, purchases on e-commerce platforms are based on images shown to the consumers and the same can be easily confused. The BHPC brand is immediately identified with the BHPC logo. The defendants by offering products with the logo device which is a close dishonest imitation of the BHPC logo has caused the fall in sales.

58. PW-1 also deposes that the Defendants engage in predatory pricing. The price of the Plaintiffs' branded apparel was between Rs.2,500/- to

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Rs.4,500/- whereas the average retail price of the Defendants' product was Rs. 375/- or Rs.399/-. According the Plaintiffs, www.amazon.in, one of the largest e-commerce platforms for retailing of apparel, completely destroyed the BHPC's brand by offering infringing goods at throw-away prices. The Plaintiffs' sales completely took a hit. This according to PW-1 also led to destruction of the market of the Plaintiffs' licensee and disabled the Plaintiffs' licensee from achieving its targets under the TLA with the Plaintiffs.

59. PW-1 contrasts the falling sales figures in India with that of the other licensee for the Gulf region wherein the sales during the same very period multiplied almost 10 times. The actual sale figures for the GCC region are set out below:

Time Period **(01 August to 31 July Annually)**	**Amount** **(In United States Dollars)**
01 January 2013 to 31 July 2014	3,184,289
BY 2014-15	12,009,081
BY 2015-16	20,680,927
BY 2016-17	27,389,718
BY 2017-18	32,161,132

According to PW-1, there is no infringement in the GCC region in the manner as was indulged in by Amazon in India.

60. PW-1 deposes that apart from the fall in the actual sales, such kind of pricing led to complete dilution of the Plaintiffs' brand not merely on online platforms but even in the normal retail brick and mortar stores. This is because, the association of the BHPC brand was changed from being a luxury brand to a cheap brand among the target consumers. The sale of such

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infringing goods according to the Plaintiff completely destroyed the mark of Major Brands *i.e.,* its licensee. PW-1 also deposes that a platform like Amazon, which is so popular amongst consumers, indulging in such large-scale infringing activity on its online e-commerce website, resulted in shaking the very foundation of the Plaintiffs' business.

61. PW-1 also highlights the business tie-up of Amazon with another competitor *i.e.,* the U.S. Polo Association which has also benefitted from its listings on Amazon. In furtherance of this allegation, PW-1 states that while in the GCC region there are 120 stores retailing the BHPC branded products as against 35 stores of U.S. Polo Association, in India only 20 stores of BHPC brand products exists as against 350 stores of U.S. Polo Association.

62. Thus, according to the PW-1, the benefit to defendants was three-fold. The said benefits include:

- Profiting from infringing sales under the BHPC mark.
- Devaluing the BHPC brand, reducing its appeal to premium consumers.
- Boosting the market position of U.S. Polo Association, a direct competitor.

63. Lastly, PW-1 also deposes that the Defendant No.1 was not an innocent infringer. He relies on a Reuters publication dated 13th October, 2021, which analysed a systematic campaign allegedly undertaken by Defendant No. 1, involving the creation of counterfeit goods and the manipulation of search results.

64. PW-1 relies upon the quantification of damages by an independent expert Mr. Gaganpreet Singh Puri-PW-3. PW-1, further, deposes that its proposed joint venture with a retail partner was also completely destroyed due to the violations indulged into by the Defendants. According to PW-1, had this

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intended collaboration materialised, the Plaintiffs would have benefitted with substantial financial gains. It is the claim of PW-1 that on account of the infringing activities of the Defendant, the Retail Partners did not proceed with the collaboration, directly resulting in lost enterprise value for the Plaintiffs. In respect of the lost opportunity to pursue the joint venture with retails partners and floating an Initial Public Offering (IPO), PW-1 has claimed reasonable compensation to the tune of USD 50 million dollars, estimated as the Plaintiff's share of the lost enterprise value from the proposed joint venture. The PW-1 has quantified economic damages at USD 33.78 million on the basis of business plan sales and USD 21.85 million on the basis of minimum sales in terms of the TLA. In addition, PW-1 highlights that the unauthorized activities of the Defendant had a cascading effect on the Plaintiffs' regional expansion plans. PW-1 has deposed to say that the Plaintiffs had intended to extend operations into Bangladesh, Sri Lanka, and Pakistan, expecting to generate at least half the royalties projected from India. However, on account of the disruptive market conditions caused the infringement, the said expansion efforts were thwarted. As a result, PW-1 claims compensation for lost royalty earnings between USD 16.89 million and USD 10.93 million. PW-1 also deposes to say that the Plaintiffs suffered substantial reputational harm, leading to a loss of trust and confidence among Retail Partners and also consumers. In addition, PW-1 has specifically claimed that the Plaintiffs have been forced to increase marketing expenditures to rebuild customer confidence in the BHPC brand and marks, which had been severely damaged by the Defendants' actions. As compensation for these additional marketing costs, PW-1 claims compensatory damages amounting to USD 5 million dollars. Additionally, the

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Plaintiffs seek a further USD 5 million as reasonable compensation for the diminished goodwill and reputation caused by the infringing activities.

G2. Evidence of PW-2 – Mr. Sanjay Shetty

65. PW-2, Mr. Sanjay Shetty, was an official from Major Brands (India) Pvt. Ltd., one of the licensees which was also dealing with other brands such as Aldo, Mango, Bebe and Nine West *etc.,* The said PW-2 – Mr. Sanjay Shetty was handling operations under the BHPC brands since 2014 and had personal knowledge of the various retail stores*, etc.,* under the BHPC brand. As per his evidence, the company Major Brands, now called as Apparel Group India, had opened more than 100 retail stores in India for various retail products including apparel products. Therefore, PW-2 claimed to have first-hand knowledge of consumer trends in the Indian fashion market and testified regarding the same.

66. PW-2 deposed on how the target customer perceives brands worn by them. The social appeal of a brand, according to PW-2, is also judged by its pricing along with the market image. Even quality is judged based on the pricing of the product. There is a presumption that cheaper priced products are associated with low quality and higher priced products are associated with high quality. According to him, luxury brands command respect. As per PW-2, counterfeiting results in credibility of the brand being destroyed. Usually, luxury brands do not offer products on discounts. According to PW-2, BHPC products were positioned as affordable luxury products. The target audience and the customer base majorly constituted of upwardly mobile young urban professionals who wanted to follow the trends in the market within a certain price range.

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67. According to PW-2, BHPC was specifically positioned between its two competitors, U.S. Polo Association and Ralph Lauren Polo Company. The TLA with Apparel Group India provided a clause that required/mandated the licensee to achieve business plan sales and minimum sales based on which royalties would be paid. Online shopping, according to PW-2, has disrupted the retail fashion industry with the penetration of mobile phones. However, online shopping makes it difficult for brands to control quality and pricing. In view thereof, many brands have chosen not to engage in online business.

68. In the first year of operations, the business did very well. However, thereafter the sale plummeted and as per PW-2, the infringement by the Defendants was one of the major causes for the same. PW-2 has also reiterated the evidence given by PW-1 by contrasting the fallen sales figures in the India region with those in GCC region which rose considerably during the same period.

G3. Evidence of PW-3 – Mr. Gaganpreet Singh Puri

69. PW-3 is a Chartered Accountant with 20 years of experience. He deposed with regards to the different models for computation of damages. PW-3 has, thus, deposed as an independent expert for quantification of economic losses. The quantification is based on three separate periods *i.e.:*

i) Pre-infringement period from 26th November, 2012 to 31st July, 2015;

ii) Period of infringement from 1st August, 2015 to 31st July, 2020 commencing from the period when the Defendants launched the products and provided information of sales till July, 2020;

iii) Post-infringement period from 1st August, 2020 and onwards.

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70. PW-3 has applied various models for the purpose of computing the losses suffered and the damages that the Plaintiffs are entitled. For the said purpose, PW-3 has positioned the Plaintiffs in the following manner:

> *"5.4 As laid down in the GAR Publication, I have used one of the globally accepted methodologies, for computation of loss of profits or economic damages, which entails the comparison of the following:*
> - *The financial position that the plaintiff would have been in the absence of any breach or cause of damage (But for position)*
> - *The financial position that the Plaintiff is actually in as a result of such breach or cause of damage (Actual position)"*

71. In order to compute the damages, PW-3 has taken the TLA as the basis and applied the prescribed percentage of royalty to estimate the economic loss suffered by the Plaintiffs. For the computation of the 'but-for' performance scenario, PW-3 has considered actual sales data for the period between 1st August, 2015, and 31st July, 2020, adjusting for operational delays that occurred at the inception of BHPC's business in India. Additionally, for a market-based assessment, PW-3 has incorporated industry literature and insights from the Indian Fashion Market, including the Wazir Report dated 14th June, 2020, to validate the projected sales trends and market positioning of BHPC.

72. As per PW-3, the total estimate of sales, after computing the 'but-for' position of the Plaintiffs, for all the years from 2015-16 to 2023-24, would have been approximately $343 million dollars. PW-3 has also thereafter computed the same on the basis of actual *plus* simulated performance and has arrived at the conclusion that the Plaintiffs would be entitled to $21.85 million dollars based on minimum sales criteria prescribed under TLA and $33.78

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million dollars based on the business sales plan criteria prescribed under TLA. The summary of the computation as set out by the PW-3 is extracted below:

> *"**6. Executive Summary***
> *The executive summary should be read along with the detailed sections of My Report and must not be considered to be a substitute for My Report*
> *6.1 Based on the methodology set out in Section 5 above, I have computed the economic damages suffered by the Plaintiff on account of the IP Infringement, as enumerated in Section 2.6 above.*
> ***But-For Performance***
> *6.2 Clause 4.2 of the TLA, lays down the expected quantum of "Business Plan Sales" and "Minimum Sales", for BHPC in India.*
> *6.3 I have considered the TLA as a reliable basis for the computation of the But-For Performance. The rationale for the same is as follows:*
>
> - *The actual quantum of sales for BHPC in India during the Pre-Infringement Period, after considering operational delays, was greater than both the "Business Plan Sales" (by 21.92 %) and the "Minimum Sales" (by 74.17%), as set out in the TLA. This has been explained in detail in Section 7.6 to Section 7.11 of My Report.*
> - *Further, to additionally test the TLA, I was informed that the Plaintiff had a similar Trade License Agreement with a sister concern of MBIPL for the Gulf Cooperating Countries ("GCC") region ("TLA for BHPC in GCC"). The TLA for BHPC in GCC also provided for similar benchmarks of "Business Plan Sales" and "Minimum Sales" for BHPC in GCC. Based on the information provided to me for GCC by Counsel, the actual sales of BHPC in GCC exceeded the Minimum Sales as per the TLA for BHPC in GCC. Since, the minimum sales for another geographic location, from the business relations between the Plaintiff and a sister concern of MBIPL was in line*

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with TLA for BHPC in GCC, this provided additional comfort to rely on the Minimum Sales as per the TLA for the quantification of economic damages caused to the Plaintiffs. This has been explained in detail in ***Section 7.13 and Section 7.14*** *of My Report.*

6.4 As per the TLA, the 1st period of business was envisaged from 01 January 2013 until 31 July 2014, the 2nd period of business from August 2014 until July 2015, 5th Period of business from August 2017 until July 2018 and the 10th period of business being August 2022 until July 2023.

6.5 I was informed that there were some operational delays in opening the first store of BHPC in India and based on the information made available to me by Counsel, the first sale for BHPC in India, took place in December 2013. The comparison of sales from December 2013 until July 2014 (8 months), with the sales envisaged in the TLA from 01 January 2013 until 31 July 2014 (19 months), would not be comparable.

6.6 Therefore, the 1st period of actual business of BHPC in India would be from December 2013 until July 2015, 2nd period of actual business from August 2015 until July 2016 (BY 2015- 16), 5th Period of actual business from August 2018 until July 2019 (BY 2018-19) and the 10th period of actual business being August 2023 until July 2024 (BY 2023-24). Accordingly, I compare the sales as per Clause 4.2 of the TLA with the corresponding period of actual business of BHPC in India. This has been explained in detail in ***Section 7.6 to Section 7.11*** *of My Report.*

6.7 The TLA contained the annual information regarding the "Minimum Sales" until the 5th Period. Further, the TLA also sets out the quantum of Minimum Sales of USD 25 .00 Million to be achieved until the 10th year of business i.e., BY 2023-24."

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G4. Evidence of PW-4 – Mr. Arvind Dhingra

73. PW-4 is an independent expert engaged by the Plaintiffs to assess the impact of the Defendants' alleged infringing activities on the business performance of BHPC. He has deposed that the infringing activities of the Defendants resulted in a significant decline in the business of BHPC in India. In his evidence, he concludes as under:

- The fundamental business parameters of the Beverly Hills Polo Club brand, such as pricing and product quality, remained unchanged during the period under review. Accordingly, he deposes that the decline in business performance of the Plaintiffs after the first year, cannot be attributed to any internal factors and would be attributable to the infringing activities of the Defendants.
- In his testimony he stated that the drop in sales between July 2015 and July 2020 was directly linked to the availability of deeply discounted infringing products in the online marketplaces, particularly on Amazon, a dominant e-commerce platform with extensive reach.
- The case represents a classic instance of ***brand sabotage***, where a market giant has disrupted an emerging brand, despite the latter having strong business fundamentals. In his deposition, he states that this damage may have been caused intentionally or unintentionally, but the effect remains the same, i.e., detrimental harm to the Plaintiffs' business.
- Based on the above factors, PW-4 deposes to state that he has no doubt that the infringing activities of the Defendants were directly responsible

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for the significant decline in the Plaintiffs' business under the Beverly Hills Polo Club brand.

- The relevant extracts from the evidence affidavit of PW-4 are set out below:

> *"xxx xxx xxx*
>
> *24. Therefore, quite clearly, there were external forces that were responsible for this decline in business, given that the fundamentals of the business, i.e., the pricing and quality of the products sold under the Beverly Hills Polo Club Brand, remained largely constant.*
>
> *25. **The decline in sales numbers for the Beverly Hills Polo Club Brand in India for the period July 2015 to July 2020 was quite obviously caused by the availability of the deeply discounted Impugned Products in the market, and that too, on a platform as omnipresent as Amazon**.*
>
> *26. I state that the case represents one of the classis sabotage of brands - where a giant of the market has torn apart an upcoming brand that had all its fundamentals going strong, either intentionally or unintentionally.*
>
> *27. **Therefore, with this, and the above reasons in mind, I have no doubt that the infringing activities are directly responsible for causing decline in the Plaintiffs' business under the Beverly Hills Polo Club Brand**."*

G5. Evidence of PW-5 – Mr. Gavin Rawling

74. PW-5 is also an independent expert who has 30 years of experience in branded fashion business. He has deposed about his experience in this business and how during his tenure as a Consultant with TKMAXX Stores, he gained first-hand knowledge of both e-commerce as also the concept of selling branded apparel, accessories, footwear both at original and discounted

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prices. He also had experience in dealing with counterfeit products. He acknowledges the shift in dynamics of brand building strategies with the advent of e-commerce. PW-5 states that the four factors that result in damage to brands in online platforms are:

i) Sale of Fake/counterfeit products;

ii) Aggressive promotion and discounting strategies by brand/licensee;

iii) Grey market trading;

iv) Copying of established brands, trademarks and styles.

75. PW-5's also states that there can be detrimental impact on luxury brands due to deep discounting. He emphasizes that discounting of branded products, whether by the brand itself or by authorized retailers, can lead to severe brand erosion and, in some cases, extinction. Drawing from his experience with G-Star Raw, a premium denim brand, he explains that indiscriminate discounting significantly reduces perceived brand value, making it difficult for luxury brands to sustain their premium market positioning. According to him, deep-discounting of branded products could lead to enormous damage and even to extinction of brands.

76. With regards to the impact of copying of brands/trademarks, PW-5 provided a specific example of a popular high street fashion brand, which suffered significant dilution due to large-scale imitation of its trademark and distinctive design elements. He notes that rampant, large-scale infringement can erode a brand's exclusivity and diminish its aspirational appeal, which is critical for maintaining the prestige of premium and luxury brands.

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77. Insofar the BHPC brand is concerned, PW-5 sets out the information which he has learnt from the Plaintiffs. He deposes that the Horse and Polo Player logo of BHPC is identical to the logo used by the infringing products, which leads to consumer confusion and brand dilution. According to PW-5, the use of nearly identical logo in the infringing products which are being sold at less than 10% of the original price leads to skewing of the FQPB (Fashion, Quality, Price, and Brand) quotient, which is a key metric used to assess brand positioning and market perception. The relevant paragraphs from his affidavit are set out below:

> *"119. For starters, one does need to be Sherlock Holmes to conclude that the "horse-and-polo player" device on the Impugned Products is identical to the "horse-and-polo player" device of the Beverly Hills Polo Club Brand. Therefore, for the purpose of my opinion, I would consider that these two marks would be found to be nearly identical to each other, although I do not express any opinion on that point, which would be for the lawyers to show. <u>Once apparel products bearing such near identical logos are available to consumers, the market for the original products at full price is lost.</u>*
>
> *120. Therefore, as soon as a consumer would start relating the Impugned Products with the genuine / original products of the Plaintiffs under the Beverly Hills Polo Club Brand, it would immediately ring the 'death-knell' for the Beverly Hills Polo Club Brand in India. Clearly, if the genuine apparel under the Beverly Hills Polo Club Brand in India was being sold in the range of Rs.3,000 and Rs.4,000, and the Impugned Products were being sold in the price band of Rs.375, almost an 80% to 90% cut, you can consider the original brand as destroyed. The 'FQPB' (the level of Fashion, Quality, Price and Brand) quotient of the*

Beverly Hills Polo Club Brand becomes totally skewed in a negative manner.

121.1 would consider the problem to stand aggravated when I consider that an Amazon-entity (Amazon Technologies) was carrying out these activities on a platform owned by the same platform along with assistance from local subsidiary Amazon Seller Services Private Limited. This is because the traction and leverage that products of Amazon entities get on Amazon ecommerce platforms is second to none. This would have led to higher visibility of the Impugned Products to end-consumers, and heightened the possibility and extent of damage that the Impugned Products could have caused to the Beverly Hills Polo Club Brand in India. A parallel can clearly be drawn between the paid services offered by Google on its search-engine platform. The decline in sales numbers for the Beverly Hills Polo Club Brand in India for the period July 2015 to July 2020 evidence that such damage did occur and that the impact of such activities was severe. I have no doubt that such decline in sales was caused by the availability of the Impugned Products in the market."

78. PW-5 further deposes to state that the visibility of deep-discounted infringing products on a dominant e-commerce platform like Amazon exacerbates the damage. He drew parallels to paid search advertising on Google, emphasizing that platform-owned brands or preferred listings gain disproportionate consumer traction, thereby amplifying the extent of harm caused to established brands like BHPC. PW-5 concludes to state that the decline in sales figures for BHPC in India from July 2015 to July 2020 is clear evidence of the severe damage caused by the Defendants' infringing activities, leaving no doubt that the availability of counterfeit and deeply discounted products directly impacted the Plaintiffs' business. PW-5 also states that the

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goodwill of the Plaintiffs has gotten eroded on account of deep-discounting by Amazon, with the use of the infringing logo by Amazon a direct attack on the Plaintiffs brand.

H. Findings

79. The Court has perused the pleadings, the documents placed on record and the evidence led by the Plaintiffs. As already discussed above, the Defendant No.1 has failed to contest the suit though it has complete knowledge of the proceedings of the suit. In fact, counsel for Defendant no.2 had appeared for Defendant no.1 and made submissions before the Court. Thus, the pendency of the suit is well within Defendant no.1's knowledge. The infringing products were being sold in India and thus this Court is a Court of a competent jurisdiction. Defendant No.2 and Defendant No.3 are the retailers and the platforms respectively who have already suffered a permanent injunction. Defendant No.2 has in fact suffered a decree of monetary damages and has complied with it by depositing the said amount in the Court. As is evident from the order dated 5th September, 2022, Defendant Nos.1 and 2 are connected as Defendant No.2's Counsel represented Defendant No.1 in the said hearing and stated in no uncertain terms the Defendant No.1 is willing to suffer a permanent injunction. In the absence of any defence or challenge to the ownership of the brand and the infringing conduct complained of, the Court could have in fact pronounced judgment even without evidence in terms of the provisions of Order VIII Rule 10 CPC as also Rule 27 of the Delhi High Court Intellectual Property Division Rules, 2022 (hereinafter '*IPD Rules*'). As per Rule 27 of the IPD Rules, this Court was empowered to pass a summary judgment, without the requirement of

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filing a specific application seeking summary judgment on principles similar to that of Order XIII-A, CPC as amended by Commercial Courts Act, 2015.

80. The Plaintiffs have, however, claimed damages in the present suit and considering the sheer expanse of Amazon's activities globally and in India, the Plaintiffs have chosen to lead evidence in the matter for quantifying actual damages. The evidence of all the five witnesses has been summarized above by this Court. On behalf of the Plaintiffs, two witnesses *i.e.,* PW-1 and PW-2 have deposed - both of whom had personal knowledge as to vital aspects such as reputation of the plaintiffs' brand, their consumer base, licensing models, trademark registrations and sale figures etc. They have deposed in respect of the activities of the Plaintiffs, the rights owned by the Plaintiffs, the agreements entered into and the claim for damages. A perusal of the infringing marks and products shows that this is a case where the 'TRIPLE IDENTITY TEST' for determining if a trademark has been infringed, has been satisfied:

- The horse device logo is almost identical.

Plaintiffs Device Mark	**Mark used by the Defendant**
	

- The goods are identical -- apparel.
- The consumers/trade channels are also identical.

The Court has already held vide order dated 2nd March, 2023 that the Plaintiffs are entitled to permanent injunction against Defendant No.1 from using BHPC logo in any manner whatsoever. Thus, the suit is liable to be decreed *qua* Defendant no.1, in terms of paragraph 64(a), (b) and (c) of the plaint.

81. Insofar as the aspect of damages is concerned, this Court has given considerable thought to this aspect. With the advent of e-commerce platforms, selling of goods and services in the traditional manner has almost been disrupted. Consumers prefer to buy from the comforts of their homes. The emphasis is on quick reviewing, ordering and delivery. As time is at a premium, sales through e-commerce platforms have not merely risen but grown to astronomical limits. One of the biggest players in the e-commerce industry globally is Amazon. Defendant No.1 – Amazon Technologies Inc. has its headquarters at Seattle, U.S.A. but runs its e-commerce businesses in several countries of the world including in India. In most major markets, the Amazon platform runs on a country-based website through its subsidiaries, associate companies or group companies. The platform www.amazon.in like other e-commerce platforms would be selling at least two kinds of products on its website *i.e.,*

i) Products belonging to third party retailers who are no way connected with any of its group or associate companies,

ii) Products which are retailed under brands belonging to the principal company – Amazon Technologies Inc. or group companies or associate companies or subsidiaries.

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82. In the present case, the Defendants have failed to disclose the exact relationship between each other despite specific orders. However, the admitted position is that the brand 'Symbol' belongs to Defendant No.1. It was licensed to Defendant No.2 under the Amazon Brand License and Distribution Agreement. Defendant No.3 is also a company which is part of the Amazon group.

83. The use of the impugned logo/mark is not in dispute. Defendant No.2 and Defendant No.3 have already suffered a permanent injunction. This Court has also injuncted Defendant No.1. The question is whether Defendant No.1 would be liable to pay damages for such blatant infringement on the e-commerce platform which can also be termed as ***e-infringement***, as it was the entity which was responsible for the infringing conduct of Defendant No.2 on Defendant No.3's platform. The answer is clearly in the affirmative.

I. Assessment of Damages

84. It is the settled position in law that whenever infringement is proved, the Plaintiffs are entitled to damages. The fundamental principle underlying the grant of damages is to compensate the Plaintiff for the economic loss suffered on account of the unauthorized use of its trade mark. Under Section 135 of the Trade Marks Act, 1999, the Plaintiffs have the option of claiming either damages or rendition of accounts of profits, ensuring that they are adequately compensated for the unlawful exploitation of their trademark. The said provision reads as under:

> *"135. Relief in suits for infringement or for passing off.—(1) The relief which a court may grant in any suit for infringement or for passing off referred to in section 134 includes injunction (subject to such*

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terms, if any, as the court thinks fit) and at the option of the plaintiff, either damages or an account of profits, together with or without any order for the delivery-up of the infringing labels and marks for destruction or erasure.

(2) The order of injunction under sub-section (1) may include an ex parte injunction or any interlocutory order for any of the following matters, namely:—

(a) for discovery of documents;

(b) preserving of infringing goods, documents or other evidence which are related to the subject-matter of the suit;

(c) restraining the defendant from disposing of or dealing with his assets in a manner which may adversely affect plaintiff's ability to recover damages, costs or other pecuniary remedies which may be finally awarded to the plaintiff.

(3) Notwithstanding anything contained in sub-section (1), the court shall not grant relief by way of damages (other than nominal damages) or on account of profits in any case—

(a) where in a suit for infringement of a trade mark, the infringement complained of is in relation to a certification trade mark or collective mark; or

(b) where in a suit for infringement the defendant satisfies the court—

(i) that at the time he commenced to use the trade mark complained of in the suit, he was unaware and had no reasonable ground for believing that the trade mark of the plaintiff was on the register or that the plaintiff was a registered user using by way of permitted use; and

(ii) that when he became aware of the existence and nature of the plaintiff's right in the trade mark, he forthwith ceased to use the trade mark in relation to goods or services in respect of which it was registered; or

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(c) where in a suit for passing off, the defendant satisfies the court—

(i) that at the time he commenced to use the trade mark complained of in the suit, he was unaware and had no reasonable ground for believing that the trade mark for the plaintiff was in use; and

(ii) that when he became aware of the existence and nature of the plaintiff's trade mark he forthwith ceased to use the trade mark complained of."

85. In ***Titan Industries v. Nitin P. Jain and Ors., MANU/DE/2590/2005***, a ld. Single Judge of this Court has highlighted that in trademark infringement suits, instituted either under the Trade Marks and Merchandise Act, 1958 or the Trade Marks Act, 1999, Plaintiffs have the option to claim either damages or an account of profits. The said judgment also reiterated that damages are a matter of right, whereas an account of profits is an equitable remedy, granted at the Court's discretion. The relevant extract of the said judgment reads is set out below:

*"17. The aforesaid principles laid down by the English Courts on the claims for damages and/or account of profits are based on common law principle applicable in torts. Section 106 of the Act and its equivalent provision contained in Section 135 of the Trade Marks Act, 1999, are nothing but the legislative mandate to the aforesaid common law principles. Therefore, once this provisions states that **the plaintiff can claim relief either for damages or relief for account of profits**, reading the aforesaid principles into this provision it is also to be held that both the reliefs can be claimed in the alternative with right to the plaintiff to make an informed election between damages and profits in the course of trial in the light of information revealed on discovery and the evidence at the trial."*

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86. In the present case, the Plaintiffs have initially prayed for both damages and rendition of account of profits. However, the Plaintiffs have led evidence only in respect of damages and do not press the relief of rendition of account of profits. Moreover, since Defendant No.1 has not filed its defence or submitted its sales figures, the accounts of profits are not determinable. Accordingly, this Court shall assess damages based on the financial harm suffered by the Plaintiffs, rather than conducting an inquiry into the Defendant's profits. The general principles for assessment of damages have been set out succinctly in ***Kerly's Law Trade Marks and Trade Names (15th ed.)***. The relevant portion of the same is set out below:

> *"20-139 The basic principles for the assessment of damages in a patent case were considered by Jacob J. in Gerber v Lectra. The following principles are applicable to trade mark infringement:*
>
> *(1) Damages are compensatory only, to put the claimant in the same position he would have been in had the wrong not been sustained.*
>
> *(2) The burden of proof lies on the claimant, but damages are to be assessed liberally.*
>
> *(3) Where the claimant has licenced his right, the damages are the lost royalty.*
>
> *(4) It is irrelevant that the defendant could have competed lawfully.*
>
> *(5) Where the claimant has exploited his right by his own sales, he can claim lost profit on sales by the defendant he would have made otherwise, and lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price.*
>
> *20-140 Jacob J. also held as part of principle (5) that a claimant who obtains damages for sales by the defendant which he has proved would have been made by him in the absence of the infringement, will*

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be entitled to damages on the basis of a reasonable royalty for all the other infringements. With regards trade mark cases it has been doubted whether this particular principle applies to all types of trade mark cases. However, in a recent Patents County Court trade mark infringement case damages were awarded on a user basis (i.e. notional royalty fees were awarded) in circumstances where the trade mark proprietor had licensed others to use the trade mark and charged for its use.

20-141 It is important to note that in assessing damages for lost sales on a usual compensatory basis, it will be necessary for the court to determine what proportion of the defendant's customers have been confused (as opposed to assessment on a user basis). On this basis the claimant is not entitled to damages for sales to persons who have not been misled, since he has suffered no loss in respect of them, and, arguably, no actionable wrong has been committed in respect of sales to them. If he were to recover damages in relation to such persons, he would be over-compensated.

OTHER HEADS OF DAMAGE

20-142 In general, the only injury which is done by an infringement is that the defendant's goods or services are sold instead of those of the claimant, and the sale of the latter is, in some degree, diminished in consequence. But it may appear that further damage has been done, for instance, where spurious goods are so inferior to the genuine as to injure the trade reputation of the claimant, or where the stress of the competition compels the claimant to lower his prices and thus suffer loss.

20-143 The cost of advertisements to counteract the effect of the defendant's conduct may be taken into account. Further, the legal costs of putting on notice foreign manufacturers of infringing materials have been held recoverable.

20-144 In the area of damages for patent infringement it has been held that, provided causation is shown, and subject to the normal rules as to remoteness of damage, it is possible to recover damages for items sold as a result of an infringing sale, even if such ancillary items do not themselves infringe. There appears no reason why this principle should not apply to trade mark infringement in appropriate circumstances. ”

87. Then the next question would be what should then be the quantum of damages—i.e., what should be the appropriate measure of compensation? Damages can be broadly classified into three kinds:

i) Notional damages,

ii) Compensatory damages,

iii) Punitive damages.

88. Notional damages are awarded where infringement is proven but direct evidence of financial loss is unavailable. Compensatory damages are intended to restore the plaintiff to the position it would have been in but for the infringement, often assessed based on lost profits or reasonable royalty rates. Punitive damages serve as a deterrent in cases of egregious or wilful infringement.

89. The Delhi High Court Intellectual Property Rights Division Rules, 2022, under Rule 20, lays down the relevant factors for determining the award of damages, based on settled principles of law. Rule 20 specifically outlines the methodology for assessing damages:

“20. Damages/Account of profits A party seeking damages/account of profits, shall give a reasonable estimate of the amounts claimed and the foundational facts/account statements in respect thereof along with any evidence, documentary and/or oral led by

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the parties to support such a claim. In addition, the Court shall consider the following factors while determining the quantum of damages:

(i) Lost profits suffered by the injured party;

(ii) Profits earned by the infringing party;

(iii) Quantum of income which the injured party may have earned through royalties/ license fees, had the use of the subject IPR been duly authorized;

(iv) The duration of the infringement;

(v) Degree of intention/neglect underlying the infringement;

(vi) Conduct of the infringing party to mitigate the damages being incurred by the injured party; In the computation of damages, the Court may take the assistance of an expert as provided for under Rule 31 of these Rules."

90. The law on damages in trade mark infringement matters, has been well settled by the ld. Division Bench of this Court in ***Hindustan Unilever Limited (Supra).*** Given that a significant portion of the submissions in this matter have been directed towards the request for the grant of punitive damages, this Court shall also review the legal framework for punitive damages as given in ***Hindustan Unilever Limited (Supra).*** The relevant portions of the said judgment is set out below:

"Correctness of the approach of the Single Judge as to damages

61. In this section of the judgment, this court proposes to discuss the correctness of award of damages by the learned Single Judge in the impugned judgment. As noticed previously, the Single Judge felt that the plaintiff, <u>Reckitt had been unable to prove the damages suffered on account of</u>

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<u>disparagement; yet award of punitive damages were called for.</u> The defendant, HUL questions the grant of punitive damages whereas the plaintiff Reckitt complains that general or compensatory damages ought to have been awarded.

62. It is an accepted principle in English law that <u>general damages are "at large" in the case of defamation, including disparagement, slander, etc.</u> This was first stated in South Hetton Coal Company Limited v. North-Eastern News Association Limited, [1894] 1 QB 133 that "if the case be one of libel-whether on a person, a firm, or a company-the law is that damages are at large. It is not necessary to prove any particular damage; the jury may give such damages as they think fit, having regard to the conduct of the parties respectively, and all the circumstances of the case. " It is important that a successful plaintiff is allowed to recover such damages as would compensate for the loss of its reputation. […]

63. In the present case, the plaintiff (Reckitt) has been able to prove, successfully, that HUL telecast the impugned 30 second advertisement on a large number of occasions (2763 times, to be precise, according to Ex. PW-1/19). The innuendo was cleverly designed to suggest that Reckitt's Dettol Original caused damage to the skin. The advertiser, i.e. HUL, was conscious that it was crossing the boundary between permissible "puffing" and what was prohibited in law. <u>The evidence on record, in the form of HUL's witnesses' testimony, is that Rs. 2.5 crores was spent in July 2007 alone for advertising its product.</u> HUL also admitted during the trial that the Dettol Original brand was worth Rs. 200 crores. Such being the case, this Court holds that the Single Judge's reluctance to award general damages was not justified. <u>It would be necessary to mention in this</u>

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context that it may not be possible for an otherwise successful plaintiff, in a disparagement or slander of goods action to always quantify the extent of loss; there would necessarily be an element of dynamism in this, because of the nature of the product, the season it is sold in, the possible future or long term impact that may arise on account of the advertisement, etc. Therefore, courts the world over have resorted to some rough and ready calculations.

*64. **In view of the evidence presented before this Court (i.e. the number of times the advertisement was telecast, the quantum of advertisement expenses of HUL, the amount spent by Reckitt, to advertise its product, etc) this Court is of opinion that the plaintiff is entitled to recover general damages to the tune of Rs. 20 lakhs.** The impugned judgment and order is modified to that extent, and the cross objection by Reckitt, is consequently allowed in these terms.*

xxx xxx xxx

*67. In India, the Supreme Court has affirmed the principles in Rookes (supra) and Cassel (supra). Interestingly, however, the application in those cases has been in the context of abuse of authority leading to infringement of Constitutional rights or by public authorities (ref. Ghaziabad Development Authority v. Balbir Singh, (2004) 5 SCC 6; Lucknow Development Authority v. M.K. Gupta, 1994 SCC (1) 243). As yet, however, the Supreme Court has not indicated the standards which are to be applied while awarding punitive or exemplary damages in libel, tortuous claims with economic overtones such as slander of goods, or in respect of intellectual property matters. **The peculiarities of such cases would be the courts "need to evolve proper standards to ensure proportionality in the award of such exemplary or punitive damages. The caution in Cassel that "[d]amages remain a civil, not a***

criminal, remedy, even where an exemplary award is appropriate, and juries should not be encouraged to lose sight of the fact that in making such an award they are putting money into a plaintiff's pocket…." can never be lost sight of. Furthermore – and perhaps most crucially –the punitive element of the damages should follow the damages assessed otherwise (or general) damages; exemplary damages can be awarded only if the Court is "satisfied that the punitive or exemplary element is not sufficiently met within the figure which they have arrived at for the plaintiff's solatium". *In other words, punitive damages should invariably follow the award of general damages (by that the Court meant that it could be an element in the determination of damages, or a separate head altogether, but never completely without determination of general damages).*

68. ***This court is of the opinion that the impugned judgment fell into error in relying on the decision in Times Incorporated v. Lokesh Srivastava 116 (2005) DLT 569.*** *A Single Judge articulated, in his ex parte judgment in a trademark infringement action, as follows:*

> *"This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trade-marks, copyrights, patents etc. should not only grant compensatory damages but award punitive damages also with a view to discourage and dishearten law breakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them. In Mathias v. Accor Economy Lodging, Inc. reported in 347 F.3d 672 (7th Cir.*

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2003) the factors underlying the grant of punitive damages were discussed and it was observed that one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes. It was further observed that the award of punitive damages serves the additional purpose of limiting the defendant's ability to profit from its fraud by escaping detection and prosecution. If a to tortfeasor is caught only half the time he commits torts, then when he is caught he should be punished twice as heavily in order to make up for the times he gets away. This Court feels that this approach is necessitated further for the reason that it is very difficult for a plaintiff to give proof of actual damages suffered by him as the defendants who indulge in such activities never maintain proper accounts of their transactions since they know that the same are objectionable and unlawful. In the present case, the claim of punitive damages is of Rs.5 lacs only which can be safely awarded. Had it been higher even, this court would not have hesitated in awarding the same. This Court is of the view that the punitive damages should be really punitive and not flee bite and quantum thereof should depend upon the flagrancy of infringement."

With due respect, this Court is unable to subscribe to that reasoning, which flies on the face of the circumstances spelt out in Rookes and later affirmed in Cassel. *Both those judgments have received approval by the Supreme Court and are the law of the land.* ***The reasoning of the House of Lords in those decisions is categorical about the circumstances under which punitive damages can be awarded.*** *An added difficulty in holding that every* *violation of statute can result in punitive damages and proceeding to apply it in cases involving economic or commercial causes, such as intellectual property and not in other such matters, would be that even though statutes might provide penalties, prison sentences and fines (like under the Trademarks Act, the Copyrights Act, Designs Act, etc) and such provisions invariably cap the amount of fine, sentence or statutory compensation, civil courts can nevertheless proceed unhindered, on the assumption that such causes involve criminal propensity, and award "punitive" damages despite the plaintiff"s inability to prove any general damage. Further, the reasoning that "one function of punitive damages is to relieve the pressure on an overloaded system of criminal justice by providing a civil alternative to criminal prosecution of minor crimes" is plainly wrong, because where the law provides that a crime is committed, it indicates the punishment. No statute authorizes the punishment of anyone for a libel- or* ***infringement of trademark with a huge monetary fine-which goes not to the public exchequer, but to private coffers.*** *Moreover, penalties and offences wherever prescribed require the prosecution to prove them without reasonable doubt. Therefore, to say that civil alternative to an overloaded criminal justice system is in public interest would be in fact to sanction violation of the law. This can also lead to undesirable results such as casual and unprincipled and eventually disproportionate awards.* ***Consequently, this court declares that the reasoning and formulation of law enabling courts to determine punitive damages, based on the ruling in Lokesh Srivastava and Microsoft Corporation v. Yogesh Papat and Another, 2005 (30) PTC 245 (Del) is without authority. Those decisions are accordingly overruled.*** *To award punitive damages, the courts should follow the categorization indicated*

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> *<u>in Rookes (supra) and further grant such damages only after being satisfied that the damages awarded for the wrongdoing is inadequate in the circumstances, having regard to the three categories in Rookes and also following the five principles in Cassel.</u> The danger of not following this step by step reasoning would be ad hoc judge centric award of damages, without discussion of the extent of harm or injury suffered by the plaintiff, on a mere whim that the defendant's action is so wrong that it has a "criminal" propensity or the case merely falls in one of the three categories mentioned in Rookes (to quote Cassel again – such event "does not of itself entitle the jury to award damages purely exemplary in character")."*

91. In the above decision, the Division Bench has held that the principles laid down by the House of Lords in the decisions in ***Rookes v. Barnard, [1964] 1 All E. R. 367*** and ***Cassell & Co Ltd v Broome, [1992] AC 1027*** govern the award of punitive damages. In ***Rookes (supra)***, the House of Lords laid down that aggravated or punitive damages could be granted in the following three circumstances:-

a) Oppressive, arbitrary or unconstitutional action by any of the servants of the government;
b) Wrongful conduct by the defendant which has been calculated by him for himself which may well exceed the compensation payable to the claimant; and
c) Any case where exemplary damages are authorised by the statute.

92. In view of the decision in ***Hindustan Unilever Limited (supra)*** discussed above, punitive damages can be awarded only under certain circumstances. However, there is no bar on award of notional damages and

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compensatory damages in case of infringement of a brand or a logo. The award of damages has to be on the basis of evidence which shows the extent of damage and the same can also be in approximate terms. In ***Story Parchment Co. v. Paterson Parchment Paper Co., reported at 51 S.Ct. 248***, a decision which the Division Bench in ***Hindustan Unilever Limited (supra)*** has considered. The relevant observations in ***Story Parchment*** are as under:

> *"Where the tort itself is of such a nature as to preclude the ascertainment of the amount of damages with certainty, it would be a perversion of fundamental principles of justice to deny all relief to the injured person, and thereby relieve the wrongdoer from making any amend for his acts.* ***In such case, while the damages may not be determined by mere speculation or guess, it will be enough if the evidence show the extent of the damages as a matter of just and reasonable inference, although the result be only approximate.*** *The wrongdoer is not entitled to complain that they cannot be measured with the exactness and precision that would be possible if the case, which he alone is responsible for making, were otherwise... The risk of the uncertainty should be thrown upon the wrongdoer instead of upon the injured party… Difficulty of ascertainment is no longer confused with right to recovery."*

Thus, damages can be awarded on an approximate basis on reasonable inference.

93. In ***Strix Ltd v. Maharaja Appliances Limited, 2023:DHC:7695***, this Court reaffirmed the settled legal position of law on damages in IP infringement suits In ***Strix Ltd. (supra)*** relying on the decision of the UK Court of Appeal in ***Gerber Garment Technology Inc. v. Lectra Systems Ltd., [1997] R.P.C. 443***, this Court held that in respect of patent infringement suits,

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if the patentee cannot prove their losses on actual basis, it is permissible to assess the same on a reasonable royalty basis. The relevant extract of the judgment of this Court in ***Strix Ltd. (supra)*** is set out below:

> *"74. A perusal of the aforementioned decisions as also IPD Rules shows that various aspects such as sales made by the Defendant, market share of the Defendant, royalty which the Defendant would have to pay if the infringing product had to be a licensed product, have to be considered before awarding damages.*
>
> *75. Further, as per the landmark decision of the UK Court of Appeal in Gerber Garment Technology Inc. v. Lectra Systems Ltd., [1997] R.P.C. 443, if the patentee cannot prove the loss, it is permissible to assess the same on a reasonable royalty basis. Where the patentee is a manufacturer of the patented product, reasonable profit that the patentee would have had earned if the infringing products were in fact sold by the patentee would be reasonable measure. It is further clarified that, once infringement is established, the Court can infer that reasonable invasion of the patentee's monopoly would cause damage to the patentee and accordingly, a fair and reasonable measure can be adopted by the Court for computing the damages.*
>
> *76. Reverting to the facts of this case, the Plaintiff's witness has not given any evidence of damages and the Defendant's sales or profits are not disclosed on record. The Defendant has chosen to stay away from the proceedings and cannot be given an advantage. In a case where the evidence is not led, the damages have to be notional and are to be considered on a reasonable/fair basis. In such a case, the Court can only make a broad assessment of profits, on the basis of the evidence on record."*

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94. In ***Kerly's Law on Trade Marks and Trade Names***, it has been recognised that the guidance on calculation of damages provided by ***Lord Justice Robin Jacob*** in ***Gerber Garment Technology Inc. (supra)*** can also be used for determination of damages in trademark infringement suits.

95. In contrast to the factual matrix in ***Strix Ltd. (supra)***, where the Court had to rely on a broad assessment due to the absence of quantifiable evidence, in the present case, financial data has been provided by the Plaintiffs. The Plaintiffs have led specific evidence through **PW-3**, who has quantified the financial losses suffered by the Plaintiffs. This enables the Court to have an actual assessment of the economic harm caused by the Defendant's infringing activities. Given the availability of such evidence, the determination of damages in this case does not rest on presumptions but on a factual evaluation of the losses incurred, ensuring appropriate redressal for the plaintiff.

96. The discussion in ***Strix (supra)*** establishes that while assessing damages, the Court can take into consideration various factors. The ultimate object of the enquiry on damages would be to compensate the Plaintiffs for the harm that it has suffered and to ensure that they do not incur economic losses on account of the infringing actions of the Defendant. Accordingly, for the determination of the compensation payable to the Plaintiffs as Damages, this Court shall take into account the following factors:

- The actual loss suffered by the Plaintiffs due to the infringement;
- The means by which the Plaintiffs can be restored to their original market position, including potential claims for lost royalties.

Furthermore, where infringement is deliberate, *mala fide*, mischievous, or dishonest, and the Defendant chooses to remain absent from legal

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proceedings, it cannot be placed in a better position than it would have been had it actively participated. This has also been affirmed by ld. Single Judges of this Court in ***M/s Inter Ikea Systems BV Anr v. Imtiaz Ahamed & Anr., 2016:DHC:6431*** and ***Cartier International AG & Others v. Gaurav Bhatia & Ors., 2016:DHC:0026.*** Accordingly, in such cases, the Court may take a stricter approach in awarding damages, ensuring that the Defendant does not benefit from its own wrongful conduct and its non-participation in legal proceedings.

97. The Plaintiffs have led the evidence of three independent witnesses who have deposed on various aspects which have been summarized above. The Division Bench of this Court in ***Hindustan Unilever Limited (supra)*** has recognised that if the Defendant's conduct is *mala fide,* higher damages can be awarded. The said position has also been reaffirmed by this Court in ***Whatman International Limited vs P Mehta & Ors., 2019:DHC:676***. The relevant extract from the said decision is set out below:

> *"68. Insofar as the Plaintiff"s case for damages is concerned, applying the judgment in Hindustan Unilever Limited v Reckitt Benckiser India Limited RFA (OS) 50/ 2008, Decided on 31st January, 2014, the Defendants are liable to compensate the Plaintiff in damages as also punitive damages.*
> *69. **The conduct of the Defendants makes them liable for exemplary damages** inasmuch as they have been both selling counterfeit WHATMAN paper as also lookalike filter paper under various marks with identical packaging, colour combination and get up. Going by even one seizure made when the Local Commissioner visited the premises, the stock that they possessed would have yielded them 10% commission i.e. to the tune of approximately Rs.45 lakhs. They have continuously conducted business since 1992 and are liable to pay damages to the Plaintiff."*

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98. Applying the above stated principles to the present case, this Court shall now examine the extent and nature of the infringement, the degree of culpability of the Defendants, and the quantification of damages necessary to adequately compensate the Plaintiffs. Some of the important aspects that this Court now considers in the enquiry on damages are as under:

i) The mark- Symbol, which is owned by Defendant No.1, and the fact that it has along with Defendant No. 2 used a logo which is nearly identical to BHPC's logo of the Plaintiffs. The images of the same are set out below:

Plaintiffs Device Mark	**Mark used by the Defendant**
BEVERLY HILLS POLO CLUB	
Plaintiffs' Product	**Defendant's Product**
	

ii) The Defendant No.1 is well-aware of the exclusive rights of the Plaintiffs in the BHPC mark and logo as it has been involved in litigation with the Plaintiffs multiple jurisdictions, including the UK[1].

99. Defendant No.1 is also in the apparel trade by owning the mark 'SYMBOL' under which the garments are sold. The infringing horse logo was used on 'Symbol' branded apparel. It is a known fact that Defendant No.1 is one of the most dominant players in the e-commerce space. Consequently, Defendant No.1 possesses ways and means to utilize its dominant presence in the e-commerce space to promote its own products as also products which it might otherwise wish to promote. Defendant No.1 also has the leverage through its own platforms to dilute Plaintiff's brand/logo by indulging in deep-discounting of its own products which compete with the Plaintiff by using a similar mark/logo. In the present facts, the Defendant is placing products priced at 10% of the Plaintiffs' product cost. Further, it is also evident that Defendant No.1 is engaging in a deliberate strategy of obfuscation, pretending to wear different hats—one as an intermediary, one as a retailer, and one as a brand owner - all in an attempt to shift responsibility and evade liability for trademark infringement. However, it is well known reality that all three Defendants belong to the Amazon Group of Companies and operate as a cohesive commercial entity. Defendant No.1 has selectively chosen when to appear and not appear before the Court. At a time when the Court directed vide order dated 20th April, 2022 to explain the exact relationship between the three Defendants, it agreed to suffer a permanent injunction, thereby evading scrutiny. Thus, the clear attempt is to not disclose the exact relationship

[1] *Lifestyle Equities CV and another (Respondents) v Amazon UK Services Ltd and others (Appellants), [2024] UKSC 8*

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between the said three Defendants to this Court. Accordingly, in the opinion of this Court, this is not a *bona fide* conduct of a party before the Court and the conduct of the Defendant clearly demonstrates that there is an intent to withhold crucial information from the Court, rather than engage in *bona fide* conduct as expected of a party before a judicial forum.

100. Defendant No.1 also chose not to even file its defence before the Court. It is not disputed that it owns the `Symbol' brand which it has permitted Defendant No.2 to use. Some of the trademark registrations of the mark SYMBOL are set out below:

S. No.	Application No.	Class	Date	Registered Proprietor	Mark
1	3284491	25	14/06/2016	AMAZON TECHNOLOGIES, INC.	S SYMBOL
2	3284490	18	14/06/2016	AMAZON TECHNOLOGIES, INC.	S SYMBOL
3	5758052	18	10/01/2023	AMAZON TECHNOLOGIES, INC.	SYMBOL

101. The agreement between Defendant No.1 and Defendant No.2 reveals that Defendant No.1 retains control over the trademark usage, licensing, and distribution of the infringing mark, thereby making it directly liable for the unauthorized use of the Plaintiffs' mark. This agreement is demonstrative of the direct commercial and operational nexus between the Defendants, making

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it evident that Defendant No.1 cannot escape liability under the guise of being a mere intermediary.

102. Apart from the above factors which exhibits the conduct of Defendant No.1, there are some further factors which are also required to be considered while computing damages in a case of this nature:

i) The infringing conduct is on an e-commerce platform where the consumer tends to order by looking at the image rather than the actual product;

ii) The consumer does not feel the product or the quality thereof and goes by the prominence of a logo which is almost identical to the Plaintiffs' BHPC logo;

iii) The differences in the logo are almost non-existent and are not assessable by the naked eyes especially on a computer screen or an electronic device like a phone or tablet;

iv) The Plaintiffs' logo is the prominent feature of the registered trade marks of the Plaintiffs and thus use of an identical or deceptively similar logo or device results in infringement of the Plaintiffs' mark;

v) The products are identical; the class of consumer is identical and the logos are nearly identical. Thus, this is a case of triple identity;

vi) The pricing of the Defendants' products is not merely diminishing the Plaintiff's brand value but is meant to erode the brand equity of the Plaintiffs completely;

vii) PW-5 who was an independent expert has given specific examples as to how online counterfeiting has led to destruction of brands. PW-5 goes to the extent of saying that such infringement can lead a brand to the brink of extinction;

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viii) Sale of products on huge discounts could completely lead the consumer to start de-testing the brand as it could lead to negative social impact linked with law quality and low price.

103. The factors set out above led this Court to conclude that the Plaintiffs are entitled to damages both as compensation as also on lost sales and royalty. Unlike in most other cases where the Court is expected to make estimates of such amounts, in the present case the Trade Mark License Agreement between the Plaintiffs and major brands which was the licensee for the Indian and neighbouring markets gives sufficient basis to calculate the damages that ought to be awarded. The relevant clauses of the Agreement read:

104. The clause relating to royalties is relevant and is set out below:

> *"Section 4 – Royalties*
>
> *"4.1a - Licensee shall pay Earned Royalties to Licensor equal to 7.5% of Net Sales of Licensed Merchandise. Earned Royalty Reports shall set forth the price and units sold in the applicable period by merchandise category and store location. 4.1b In addition to Eared Royalties, Licensee will be obligated on yearly basis period defined in Minimum Royalty Schedule to report on and to pay, within 45 days of the end of the reporting season, a BONUS ROYALTY tied to the following schedule: If the annualized sales per sq ft rises above $600 per sq ft, and the Gross margin of the BHPC business is at least 64%, than Apparel group will pay a bonus of an additional 2% royalty on those additional sales above $600 per sq.ft which means total royalty of 9.5% on those additional sales above $600 per sq.ft. If the annualized sales per sq ft rises above $750 per sq ft and the Gross margin on the BHPC business is at least 64%, than Apparel Group will pay a bonus of an additional 2.5% royalty on those additional sales above $600 per sq.ft, which means total royalty of 10% on those additional sales above $600 per sq.ft. It is clarified and agreed between the parties*

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64% is end gross margin after markdowns and discounts and calculated as % ((Net Sales Minus Landed cost) divided by Net Sales)).

4.2. Licensee shall pay to Licensor the Earned Royalty for each Quarter during the term, payable within 20 days of the end of the Quarter, in addition to submitting the Sales/Earned Royalty Report. Except that the Minimum Royalty for the first Year shall be paid as follows: (i) $ 85,000 shall be paid on execution of this License Agreement., $ 85,000 ON JANUARY 1, 2013,, and $80,000 when the first store is opened (no later than August 1, 2013).

The balance of the minimum royalty for the first year shall be paid quarterly and divided equally in each quarter, due on October 31, and than January 31 ,April 30 and July31. Royalty payments and reports due quarterly for subsequent years are for sales beginning August 1 thru July31 of that year. Each year, Licensee agrees to pay a Minimum Annual Royalty divided equally into each quarter of that year and due on October 31, January 31, April 30 and July 31.

Period	*Business Plan Sales*	*Minimum Sales*	*Minimum Royalty*
01-01-2013 TO 31-07-2014	*$6,557,500*	*$4,590,250*	*$491,813*
01-08-2014 TO 31-07-2015	*$14,703,250*	*$10,292,275*	*$1,102,744*
01-08-2015 TO 31-07-2016	*$24,460,143*	*$17,122,100*	*$1,834,511*
01-08-2016 TO 31-07-2017	*$32,636,029*	*$22,845,220*	*$1,71,392*
01-08-2017 TO 31-07-2018	*$41,267,756*	*$28,887,429*	*$2,166,557*

4.2. B. It is agreed between the parties that if Minimum Net Sales are achieved for the first term then Renewal of second term will happen automatically but renewal of the 3rd term will happen subject to on achievement of Minimum Net Sales of USD 41 Million for the 10th year..

> *Other Terms and conditions will remain same. If in any particular year minimum sales are not achieved by Licensee then Licensor will give Six (6) months notice of cure and if difference of minimum sales is achieved within the cure period then it shall not be considered as breach by Licensee"*

105. As per the said agreement dated 08th November, 2012, the agreement was for an initial term and three terms for renewal. The initial term commenced in 2013 and the renewal terms was a three successive five-year term commencing from 01st August, 2018 after the initial term of five years. Thus, the total contemplated period of term of the agreement was;

- Initial term 01st January, 2013 to 31st July, 2018.
- Renewal term – every five years commencing on 01st August, 2018 finally to terminate 31st July, 2033.

106. The agreement also provides that one of the reasons for termination could be if annual minimum sales are not achieved as per Clause 8.1. It has come in evidence that in the first year, the sales achieved were beyond what was prescribed in the agreement.

107. However, from the second year onwards i.e., 2015 onwards, the sales started to plummet. Though the Plaintiffs detected the online infringement in 2020, it has now come on record that the Defendants were using the infringing logo/mark since 2015.

108. The evidence also points out that the sales made by the Defendants under the infringing logo were at extremely low prices, thereby eroding the brand value of the Plaintiffs. <u>Thus, without even going into the complicated analysis as to how to quantify damages, one of the simplest ways in which the damages can be assessed in this case is by quantifying the lost royalties to the</u>

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Plaintiffs. If the same is taken at the minimum in terms of the license agreement with the bonus royalties as per Clause 4.1(b), the Plaintiffs have lost a substantial amount of royalties. The expert who has given evidence i.e., PW-3 has quantified the same for a period of ten years i.e., 2015 to 2024. He has quantified the same in the following manner:

Computation of Economic damages based on Minimum Sales as on the Valuation Date

Period of Business	*Business Year*	*Lost Royalties based on Minimum Sales (A)*	*Period of Discounting (B)*	*Discounting Factor @ 12.64% (C=1/(1+12.64%)^ B)*	*Economic damages as on the Valuation date (A*C)*
2nd Period	*BY 2015-16*	*146,306*	*(4.50)*	*1.71*	*250,029*
3rd Period	*BY 2016-17*	*309,200*	*(3.50)*	*1.52*	*468,949*
4th Period	*BY 2017-18*	*648,441*	*(2.50)*	*1.35*	*873,082*
5th Period	*BY 2018-19*	*1,005,961*	*(1.50)*	*1.20*	*1,202,440*
6th Period	*BY 2019-20*	*1,195,353*	*(0.50)*	*1.06*	*1,268,459*
7th Period	*BY 2020-21*	*1,198,197*	*0.50*	*0.94*	*1,128,404*
8th Period	*BY 2021-22*	*1,291,032*	*1.50*	*0.84*	*1,079,373*
9th Period	*BY 2022-23*	*1,390,715*	*2.50*	*0.74*	*1,032,216*
10th Period	*BY 2023-24*	*1,497,708*	*3.50*	*0.66*	*986,864*
TV[2]		*20,577,130*	*3.50*	*0.66*	*13,558,614*
Total		***29,260,043***	***3.50***		***21,848,431***

[2] Total Value

109. The said quantification is based on minimum sales. However, on the basis of business plan sales, PW-3 has quantified the same as under:

Computation of Economic damages based on Business Plan Sales as on the Valuation Date.

Period of Business	*Business Year*	*Lost Royalties (Table 24) (A)*	*Period of Discounting (Table 19) (B)*	*Discounting Factor @ 12.64% (Table 19) (C)*	*Economic damages as on the Valuation Date (A*C)*
2nd Period	*BY 2015-16*	*301,522*	*(4.50)*	*1.71*	*515,286*
3rd Period	*BY 2016-17*	*559,271*	*(3.50)*	*1.52*	*848,220*
4th Period	*BY 2017-18*	*1,029,388*	*(2.50)*	*1.35*	*1,386,000*
5th Period	*BY 2018-19*	*1,540,957*	*(1.50)*	*1.20*	*1,841,929*
6th Period	*BY 2019-20*	*1,775,697*	*(0.50)*	*1.06*	*1,884,296*
7th Period	*BY 2020-21*	*1,827,732*	*0.50*	*0.94*	*1,721,270*
8th Period	*BY 2021-22*	*1,973,929*	*1.50*	*0.84*	*1,650,312*
9th Period	*BY 2022-23*	*2,131,496*	*2.50*	*0.74*	*1,582,038*
10th Period	*BY 2023-24*	*2,301,279*	*3.50*	*0.66*	*1,516,351*
TV[3]		*31,617,466*	*3.50*	*0.66*	*20,833,274*
Total		***45,058,737***			***33,778,976***

[3] Total Value

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110. <u>Considering the fact that the Defendants have indulged in deliberate and wilful infringement as also the various factors which are set out herein above, the royalties that the Plaintiffs would have earned based on their business plan which they clearly achieved in the first year is a reasonable measure of damages in the present case in order to compensate the Plaintiffs.</u> In fact, a perusal of the TLA would show that if the required sales are not achieved, the same could even lead to termination of the agreement. The consequences of online infringement which the Defendants have indulged in, is in the opinion of this Court totally immeasurable. The erosion of the brand value and the unseen profits that the Defendants may have earned due to their own sales under the brand SYMBOL and other competitors of the Plaintiff, who also sought to benefit due to the present infringement would in the opinion of this Court also entitle the Plaintiffs to punitive damages. However, since the said figures are not available, the Court merely restricts its inquiry based on the exhibited documents on record i.e., the Trademark Licensing Agreement.

111. The Plaintiff's claim for damages as filed with the written submissions is as under:

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"106. A snapshot of the damages claim that the Plaintiffs are asserting is as follows:

Head of Claim for Compensatory Damages	*Amount*
Compensatory damages for lost royalties based on Business Plan Sales	***USD 33.78 Million***
Compensatory damages for lost profits of Apparel Group India based on Business Plan Sales.	***USD 44.92 Million***
Compensatory damages for lost opportunity for royalties from Bangladesh, Sri Lanka and Nepal based on Business Plan Sales	***USD 16.89 Million***
Compensatory damages for lost enterprise value from the proposed joint venture with Apparel Group India.	***USD 50 Million***
Compensatory damages on account of increased marketing budget.	***USD 5 Million***
Compensatory damages on account of loss of its goodwill and reputation.	***USD 5 Million***
TOTAL COMPENSATORY DAMAGES	***USD 155.59 Million Or INR 1,260 crores***

EXEMPLARY DAMAGES	***Two times the compensatory damages awarded***

112. Plaintiffs have also demonstrated through PW-1's testimony that they were compelled to increase their marketing expenditures to counteract the adverse effects of infringement by the Defendants. According to PW-1, the need for enhanced advertising and promotional efforts to restore consumer confidence in the BHPC brand was a direct and foreseeable consequence of the trademark infringement by the Defendants. As held by the Division Bench in ***Hindustan Unilever Limited (supra)***, damages on account of increased advertising and promotional expenses are liable to be granted as relief, particularly in cases where the wrongful act has had a direct impact on the

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brand's market perception and necessitated remedial advertising efforts. Accordingly, this Court holds that additional compensatory damages on account of increased advertising and marketing expenses to the tune of **USD 5 million** are liable to be granted in favour of the Plaintiff.

113. The Plaintiffs have also claimed damages on account loss of goodwill and reputation. The claim for damages on account of dilution, tarnishment, and loss of goodwill, though significant, remains speculative and cannot be precisely computed based on the evidence presented. The Plaintiffs have sought compensation amounting to **USD 5 million** as compensation for the alleged diminution of goodwill and reputation resulting from the infringing activities of the Defendant. However, while damage to brand reputation is indeed be a foreseeable consequence of infringement, the Plaintiffs have not provided concrete evidence to establish the quantifiable financial impact of such dilution on their business. As recognized in ***Hindustan Unilever Limited (supra)***, damages must be grounded in provable loss, and speculative claims cannot form the basis of monetary relief. Consequently, apart from the awarded compensatory damages, no further amounts are being granted.

114. The Plaintiffs have also claimed **USD 50 million** as compensation for the loss of opportunity to enter into a joint venture and launch an Initial Public Offering ('*IPO*'). However, such claims are contingent upon multiple external market variables, including investment conditions, regulatory approvals, and business negotiations. Damages ought to be compensatory and arising out of some reasonable basis, and cannot be speculative or remote in nature. The alleged lost opportunity to launch an IPO and secure windfall gains is inherently uncertain and does not constitute direct compensable loss

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attributable to the Defendants' infringement. Accordingly, this claim would not appear to be merely compensatory and is therefore not awarded.

115. The dilution and tarnishment to the brand are presently not computed and can only be an estimate. On the basis of pleadings, documents and evidence on record, this Court is of the opinion therefore that the Plaintiffs are entitled to compensatory damages for lost royalties based on business plan sales i.e., **USD 33.78 million equivalent to ₹ 292,70,37,000/-[4])**.

116. In view of the above discussion, this Court finds that the Plaintiffs are entitled to

a) Compensatory damages amounting to **USD 33.78 million equivalent to ₹ 292,70,37,000/-** for lost royalties as also;

b) Compensatory damages amounting to **USD 5 million equivalent to ₹43,32,50,000/-** to compensate for increase in advertising and promotional expenses.

The said compensatory damages are totaling to **USD 38.78 million**, equivalent to **₹336,02,87,000/-** i.e. **Rs. Three Hundred Thirty-Six Crore Two Lakh Eighty-Seven Thousand Rupees Only** as on date.

J. Costs of Proceedings

117. Commercial litigation entails significant legal expenses, and in cases of IP infringement, the legal costs incurred by IP rights holders in enforcing their legal rights can be substantial. Recognizing this, the Supreme Court in ***Uflex Limited v. Government of Tamil Nadu & Ors., (2022) 1 SCC 165***, has emphasized the need for awarding realistic costs in Commercial Suits. In the

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[4] As on 24th February, 2025, $1= ₹ 86.65

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said decision, the Supreme Court has held that costs should ordinarily follow the event, meaning that the unsuccessful party shall bear the litigation costs of the successful party. It has also been highlighted that costs serve multiple purposes, including indemnification, deterrence, encouraging early settlement, and ensuring access to justice. Accordingly, the present being a commercial suit, in terms of the judgment of the Supreme Court in ***Uflex Limited (supra)*** actual costs ought to awarded in favour of the Plaintiffs. The relevant extracts of the decision in ***Uflex Limited (supra)*** are set out below:

> "*Costs*
>
> *53. The costs following cause is a principle which is followed in most countries. There seems to be often a hesitancy in our judicial system to impose costs, presuming as if it is a reflection on the counsel. This is not the correct approach. In a tussle for enforcement of rights against a State different principle apply but in commercial matters costs must follow the cause.*
>
> *54. The aspect of awarding the costs has received consideration of the Law Commission of India in its Report No. 240, specifically in relation to civil litigation. The trigger for this were the observations of the Supreme Court in Ashok Kumar Mittal v. Ram Kumar Gupta [Ashok Kumar Mittal v. Ram Kumar Gupta, (2009) 2 SCC 656 : (2009) 1 SCC (Cri) 836] and Vinod Seth v. Devinder Bajaj [Vinod Seth v. Devinder Bajaj, (2010) 8 SCC 1 : (2010) 3 SCC (Civ) 212] . The judicial pronouncements took note of the levying meagre costs in civil matters which did not act as a deterrent to vexatious or luxury litigation borne out of ego or greed or resorted to as a "buying time" tactic. These two judicial pronouncements were followed in Sanjeev Kumar Jain v. Raghubir Saran Charitable Trust [Sanjeev Kumar Jain v. Raghubir Saran Charitable Trust, (2012) 1 SCC 455 : (2012) 1 SCC (Civ) 275] . In the said proceeding the Law Commission also presented its views. It is in that context that this Court observed that*

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appropriate changes in the provisions relating to costs contained in the Report of the Law Commission of India should be followed up by Parliament and the respective High Courts.

55. We may note that the common thread running through all these three cases is the reiteration of salutary principles: (i) ***costs should ordinarily follow the event; (ii) realistic costs ought to be awarded keeping in view the ever-increasing litigation expenses;*** *and (iii) the costs should serve the purpose of curbing frivolous and vexatious litigation. [Report No. 240 of the Law Commission of India.]*

56. We may note that this endeavour in India is not unique to our country and in a way adopts the principle prevalent in England of costs following the event. The position may be somewhat different in the United States but then there are different principles applicable where champerty is prevalent. No doubt in most of the countries like India the discretion is with the court. There has to be a proportionality to the costs and if they are unreasonable, the doubt would be resolved in favour of the paying party [UK Civil Procedure Rule 44.2.]. As per Halsbury's Laws of England, the discretion to award costs must be exercised judicially and in accordance with reason and justice. [Vol. 10, 4th Edn. (Para 15).] The following principles have been set out therein:

> *"In deciding what order (if any) to make about costs, the court must have regard to all the circumstances, including:*
> *(i) The conduct of all the parties;*
> *(ii) Whether a party has succeeded on part of his case, even if he has not been wholly successful; and*
> *(iii) Any payment into court or admissible offer to settle made by a party which is drawn to the court's attention.*
> *The conduct of the parties includes:*
> *(a) Conduct before, as well as during, the proceedings and in particular the extent to*

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which the parties followed any relevant pre-action protocol;
(b) Whether it was reasonable for a party to raise, pursue or contest a particular allegation or issue;
(c) The manner in which a party has pursued or defended his case or a particular allegation or issue; and
(d) Whether a claimant who has succeeded in his claim, in whole or in part, exaggerated his claim."[10th Vol. 4th Edn. (Para 17).]

57. We may add that similar principles are followed in Australia, Hong Kong and Canada largely based on the common law principle. In fact in Canada, the Manitoba Law Commission Report analysed the "Costs Awards in Civil Litigation" and referred to six broad goals as under:
(a) indemnification — successful litigants ought to at least be partially indemnified against their legal costs;
(b) deterrence — potential litigants should carefully assess the merits of the claim and should refrain from taking any unnecessary legal actions;
(c) rules should be made decipherable and simple to understand;
(d) early settlement of disputes should be encouraged;
(e) the costs regime should facilitate access to justice; and
(f) there should be flexibility in rules to ensure that justice can be done. [Report No. 240 of the Law Commission of India.]

58. We have set forth the aforesaid so that there is appreciation of the principles that in carrying on commercial litigation, parties must weigh the commercial interests, which would include the consequences of the matter not receiving favourable consideration by the courts. Mindless appeals should not be the rule. We are conscious that in the given facts of the case the respondents have succeeded before the Division Bench though they failed before the learned Single Judge. Suffice to say that all the parties before us are financially strong

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<u>and took a commercial decision to carry this legal battle right up to this Court. They must, thus, face the consequences and costs of success or failure in the present proceedings."</u>

118. In line with these principles, Rule 2 of Chapter XXIII of the Delhi High Court (Original Side) Rules, 2018, mandates that the Court must award costs guided by actual expenses borne by the successful party. The rule provides for the consideration of actual legal fees, witness expenses, expert fees, commission execution, and other legitimate litigation costs, ensuring that the prevailing party is adequately compensated. Additionally, Sections 35-A and 35-B of the Code of Civil Procedure, 1908, empower courts to impose compensatory and exemplary costs in cases involving vexatious or unnecessary litigation. The said Rule 2 of Chapter XXIII of the Delhi High Court (Original Side) Rules, 2018 is set out below:

> *"2. **<u>Imposition of actual costs. - In addition to imposition of costs, as provided in Rule 1 of this Chapter, the Court shall award costs guided by and upto actual costs as borne by the parties, even if the same has not been quantified by parties, at the time of decreeing or dismissing the suit.</u>** In this behalf the Court will take into consideration all relevant factors including (but not restricted) the <u>actual fees paid to the Advocates/ Senior Advocates; actual expenses for publication, citation etc.; actual costs incurred in prosecution and conduct of suit including but not limited to costs and expenses incurred for attending proceedings, procuring attendance of witnesses, experts etc.;</u> execution of commissions; and <u>all other legitimate expenses incurred by the party, which the Court orders to be paid to any party."</u>*
>
> *In addition to imposition of costs as above, the Court may also pass a decree for costs as provided in Sections 35-A and 35-B of the Code or under any applicable law."*

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119. In the present suit, vide order dated 29th May, 2024, this Court had also directed the Plaintiffs to file the affidavit of costs incurred in the present suit. The requisite affidavit of costs has been filed by Plaintiffs vide index dated 1st July, 2024. The said affidavit has been duly signed and verified by Mr. Sidhant Goel, ld. Counsel representing the Plaintiffs in the present suit. The Court has perused the said affidavit, and also the documents filed along with the affidavit of costs. The total costs that have been quantified in the said affidavit are coming out to **Rs. 3,23,10,966.60/-** i.e. **Rupees Three crore twenty-three lakh ten thousand nine hundred sixty-six rupees and sixty paise only**. Accordingly, in line with the judgement of the Supreme Court in ***Uflex (supra)*** and Rule 2 of the Original Side Rules, costs of **Rs. 3,23,10,966.60/-** are awarded in favour of the Plaintiffs.

120. The Plaintiffs shall deposit the additional Court Fee payable on account of the damages awarded by this Court within four weeks.

K. Relief

121. The suit is accordingly decreed as under in favour of Plaintiffs and against Defendant No.1 in the following terms:

(i) A decree of permanent injunction is granted in terms of paragraphs 64(a), (b) and (c) of the plaint.

(ii) A decree of damages to the tune of **$38.78 million**, as on date equal to **₹336,02,87,000.00**/- is granted in favour of the Plaintiffs against Defendant No.1. If the said amount is paid within three months, no interest would be liable to be paid. However, if the same is not paid by the Defendant No.1, interest @ 5% per

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annum would be payable, from the date of this judgment until the full realization of the said amount.

(iii) A decree of costs to the tune of **₹ 3,23,10,966.60/-** along with the Court Fee.

122. The details of the relief granted are summarized below:

S. No.	Decree Details	Amount / Terms[5]
1	Compensatory Damages	
1A	Lost Royalties	**USD 33.78 million (₹292,70,37,000.00/-)**
1B	Increased Advertising & Promotional Expenses	**USD 5 million (₹43,32,50,000.00/-)**
1C	**Total Compensatory Damages**	**USD 38.78 million (₹336,02,87,000.00/-)**
2	**Costs**	**₹3,23,10,966.60/- along with the Court Fee.**
3	**Grand Total (Damages + Costs)**	**₹ 339,25,97,966.60/- + Court Fee**

123. Decree sheet be drawn up in the above terms.

124. The suit along with all pending applications, if any are disposed of.

PRATHIBA M. SINGH
JUDGE

FEBRUARY 25th, 2025
dj/Rahul

[5] $1= ₹ 86.65

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