

**SOCIETE DES PRODUITS NESTLE S.A.**  
**v.**  
**MULTITECH LANKA (PVT) LIMITED**

SUPREME COURT  
FERNANDO, J.,  
WADUGODAPITIYA, J. AND  
GUNASEKERA, J.  
S.C. APPEAL NO. 21/98  
H.C. OF THE WESTERN PROVINCE  
H.C. (CIVIL) NO. 26/97/ (3)  
APRIL 26 AND 27, 1999

*Intellectual property – Infringement of rights of registered owner of a mark – Unfair competition – Sections 117 and 142 of the Code of Intellectual Property Act, No. 52 of 1979 – Plaintiff's right to an interim injunction.*

The plaintiff company had been selling its chocolate beans in Sri Lanka under the registered trade mark of "Smarties" in a gaily-coloured cylindrical container or tube. Its rival, the defendant company, very recently started importing similar chocolate beans from Australia and packing and selling them as "sweeties" (an unregistered trade mark) in a no less gaily-coloured oblong box. The plaintiff instituted action in the High Court of the Western Province alleging that the defendant's get-up was confusingly similar to that of the plaintiff and that it was likely to mislead the purchasing public thus violating the plaintiff's rights under section 117 of the Code of Intellectual Property Act, No. 52 of 1979 and that the use of the defendant's get-up was also an act of unfair competition under section 142 of the Act. The trial Judge refused to grant an interim injunction on the ground that the plaintiff was guilty of attempting to mislead the Court, there was a failure to disclose a fact and that in any event the marks in dispute were not similar.

**Held:**

1. The plaintiff had not attempted to mislead the Court by holding out that its product was packed in a container of the same shape as the defendant's, particularly in view of the fact that the containers had been produced and were available for examination by the trial Judge. There was a failure by the plaintiff to disclose the fact that it also sold "Smarties" under a different get-up but that was not a material fact.

2. the case cannot be decided by simply totting up and weighing resemblances and dissimilarities upon a side by side comparison of the marks: the issue is whether a person who sees one in the absence of the other and who has in his mind's eye only a recollection of that other would think the two were the same.
3. The evidence established, *prima facie*, at least an act of unfair competition which entitled the plaintiff to the issue of an interim injunction.

Per Fernando, J.

"... this was eminently a case in which the interim injunction inquiry and trial should have been taken up together."

**Cases referred to:**

1. *Thiagarajah v. Majeed* – (1935) 4 CLW 41, 42.
2. *Sumeet Research and Holdings Ltd. v. Elite Radio & Engineering Co., Ltd.* – (1997) 2 Sri LR 393, 402-3.
3. *Murugesu v. Northern Divisional Agricultural Producers' Co-operative Union Ltd.* – (1952) 54 NLR 517.
4. *Perera v. Perera* – (1963) 67 NLR 445, 449.

**APPEAL** from the Order of the High Court of the Western Province.

*K. Kanag-Iswaran, PC with Nigel Bartholomeusz, Miss Dilshani Wijayawardana and Miss Vindya Weerasekera* for the plaintiff-appellant.

*S. A. Parathalingam, PC with Faisar Musthapha* for the defendant-respondent.

*Cur. adv. vult.*

June 2, 1999.

**FERNANDO, J.**

This appeal is about competition in selling multi-coloured chocolate beans, so popular with children.

The plaintiff-appellant company (the plaintiff) had been selling its chocolate beans in Sri Lanka, under the registered trade mark of

"smarties", in a gaily-coloured cylindrical container or tube. Its rival, the defendant-respondent company (the defendant) very recently started importing similar chocolate beans in bulk from Australia, and packing and selling them as "sweeties" (an unregistered mark) in a no less gaily-coloured oblong box.

It is not disputed that the trade mark "smarties" was first registered in Sri Lanka for chocolate beans almost 50 years ago; and that from about 1990 the rights in respect of that trade mark belonged to the plaintiff. The plaintiff says that throughout that period chocolate beans had been imported into Sri Lanka, and sold in such containers and under that mark.

The plaintiff instituted this action in the High Court of the Western Province on 30.9.97, pleading two causes of action: that the defendant was using the mark "sweeties" so nearly resembling "smarties" (both visually and phonetically) as to be likely to mislead the purchasing public, thus violating the plaintiff's rights under section 117 of the Code of Intellectual Property Act, No. 52 of 1979 (the Act); and that the sale of chocolate beans as "sweeties" in a get-up similar to that used by the plaintiff was an act contrary to honest practices in commercial matters, constituting an act of unfair competition within the meaning of section 142 of the Act. It obtained an *ex parte* enjoining order, and notice of interim injunction; the defendant filed objections; and by order dated 3.4.98 the learned High Court Judge refused to grant the interim injunction sought by the plaintiff. It is against that order that the plaintiff now appeals to this Court with leave.

With its plaint the plaintiff produced a sample of its container as "A5", and of the allegedly infringing container as "A7", and I must now examine the significant features of the rival containers.

- (1) The word "smarties" is not in a standard font; the letters are in lower-case, and are gently curved and somewhat stylized; and the letters are in white. For "sweeties", the defendant has

used letters which are, in those respects, absolutely identical to "smarties" (except, of course, for the letters "m", "a", and "r").

- (2) In both, the letters have been placed in a chocolate brown surround (which emphasises the white letters), virtually identical in shape, colour and proportions, though not in size; and the edges of that surround are outlined by a series of curves or scallops, which are more or less parallel to the white letters.
- (3) Both "smarties" and "sweeties" (with their respective surrounds) appear on very similar chocolate brown backgrounds on which chocolate beans of many bright colours are randomly scattered.
- (4) There are, however, some differences. Thus, just above the centre of "smarties" (and its surround) appears "Nestle" in small white letters, while above "sweeties" (and its surround) – but more to the left – there appears "Aussie" in similar white letters. In addition, below "sweeties" there appears "Product of Australia" in tiny white letters.
- (5) There is also on the "smarties" container a chocolate coloured strip, running the full length of the tube, containing information in tiny letters (within two boxes, outlined in white) about its manufacture (in Malayasia) and ingredients. On two sides of the "sweeties" container there are two boxes, also outlined in white, with similar information.
- (6) The containers are quite dissimilar in shape: the former is a cylindrical tube whose length is roughly 1.5 times its circumference, while the latter is a rectangular box whose length is more than double its width, and whose width is more than double its depth.

It seems to me, *prima facie*, that the similarities mentioned at (1) and (2) above are such as to lead almost irresistibly to the conclusion

that "sweeties" and its surround must have been designed by a person who had seen, if not scrutinized, the "smarties" tube; and such a person could not have helped noticing the striking background pattern of randomly scattered multi-coloured chocolate beans, however common that might otherwise have been in itself. I must recall, too, that a case of this sort cannot be decided by simply totting up and weighing resemblances and dissimilarities, upon a side-by-side comparison: the issue is whether a person who sees one, in the absence of the other, and who has in his mind's eye only a recollection of that other, would think the two were the same (*Thiagarajah v. Majeed*<sup>11</sup>).

The plaintiff pleaded that :

"B . . . the labelling and packaging of the *carton* with the trade mark "smarties" across it has a distinctive colour scheme, trade dress and get-up. The plaintiff and its predecessors in title have consistently and continuously used a standard trade dress and have not altered the essential character of the *carton* any manner whatsoever. The continuity of the said multi-coloured *carton* has been maintained in such a way as to preserve the absolute identification of the plaintiff's product in the minds of consumers with the plaintiff alone and has an established reputation and goodwill in Sri Lanka since 1950 . . . A *cylindrical carton* of the plaintiff's product is annexed hereto marked "A5" . . .

12 . . . the defendant was distributing and marketing a brand of chocolate beans/buttons, enclosed in a *carton* identical and/or confusingly similar to that of the plaintiff's carton, with the word "sweeties" written across it . . . The plaintiff annexes hereto a *carton* of (the defendant's) product . . . marked A7 . . ." (emphasis added).

In its objections, the defendant pleaded that the plaintiff had obtained the enjoining order by wilful suppression, misrepresentation, and/or misstatement of material facts, and that an interim injunction

should therefore be refused. The first point was that "smarties" are sold in Sri Lanka only in cartons in the shape of a *tube* in two different sizes (20 gms and 36.5 gms for Rs. 18 and Rs. 29, respectively), while "sweeties" are sold in *boxes* in three different sizes (20 gms, 36 gms and 60 gms, for Rs. 15, Rs. 25 and Rs. 35, respectively); and that the plaintiff failed to state to Court that it does not sell its "smarties" in *boxes*. The second point was that "the plaintiff has falsely stated to Court that its trade get-up . . . has been maintained in a manner to preserve the absolute identification of the plaintiff's product in the eyes of the consumer", because in fact "smarties" were being sold, particularly in the Duty Free shop at Katunayake, in a tube with a different get-up (and one such tube was produced as "Z6").

The learned High Court Judge upheld these two contentions, observing that the plaintiff when applying for an interim injunction against the defendant using the box with the trade mark "Aussie Sweeties" had made some attempt to mislead the Court by holding out that its product was also packed in a cardboard box; and, further, that the tube "Z6" indicated that the plaintiff's averment as to the consistent and continuous use of a standard trade dress, without alteration, so as to preserve the absolute identification of the plaintiff's product with the plaintiff, was "far from the truth", and was made in order to mislead the Court.

It is necessary to determine whether there was, in either instance, a misrepresentation or suppression of fact; and, if so, whether it was material.

Did the plaintiff suppress a fact by failing to state either that its product was not sold in boxes or that it was sold only in tubes and thereby lead the Court to believe that both were sold in containers of the same shape? The plaintiff averred that "smarties" were sold in a "cardboard *pettiya*" (in the Sinhala plaint), and in a "carton" (in the English translation). "*pettiya*" and "carton" are synonyms for "box"

or "container". They are not descriptive of shape (or size or colour or material). Thus, one can quite properly speak of a wig-box, or a hat-box, or an ice-cream or yoghurt or margarine carton, even if they are all cylindrical in shape. The fallacy of the defendant's contention is the assumption that a "carton" or a "box" is necessarily oblong (or rectangular) in shape: on the contrary, it may be cylindrical (or round), triangular, semi-circular, or even spherical. But, even if I were to assume that a "carton" or a "box" or a "pettiya" is generally oblong, yet in paragraph 8 it was "a *cylindrical* carton (and in Sinhala, *cylindarakara nalayak*", ie tube) of the plaintiff's product" which the plaintiff annexed. So, there was no room for anyone to think that the plaintiff's product was being sold in oblong boxes. Apart from all that, the fact remains that the containers themselves had been produced. The essence of the plaintiff's case – and the vital issue for consideration, even at the enjoining order stage – was the question of confusing visual (and phonetic) similarity. That question could not have been determined, even *prima facie*, upon a reading of a verbal description. An examination of the containers was necessary. Indeed, the nature of the claim was such that if the containers had not been produced, the learned trial Judge should probably have said that he was not satisfied that a *prima facie* case had been made out. Since the containers were available, whether or not the attention of the learned trial Judge was specifically drawn to them by counsel, it was his duty to have examined them, whereupon it would have been immediately obvious that one container was cylindrical and the other oblong. Taken together – as indeed they must be – the plaint and the annexes more than adequately disclosed that the containers were quite different in shape.

I hold, therefore, that the learned trial Judge was in error in concluding that the plaintiff had attempted to mislead the Court by holding out that its product was packed in a container of the same shape as the defendant's.

Was the plaintiff's averment that it consistently and continuously used (etc) the get-up depicted in "A5" either a misrepresentation of facts (in that it implied that "smarties" were sold only in that get-up), or a suppression of facts (in that it failed to disclose that "smarties" were also sold in the get-up depicted in "Z6")? Mr. Parathalingam, PC, for the defendant sought to interpret paragraph 8 of the plaint as if it implied that the plaintiff had *only* used the get-up in "A5". Paragraph 8 contains neither the word "only" nor anything equivalent; nor can it be construed as implying anything of the sort. A manufacturer may use more than one get-up for the same product : one may be "absolutely identified" with that product, while the other(s) may or may not be. The assertion that one get-up has been consistently and continuously used, and absolutely identified, etc., does not imply, in law or logic, that no other get-up has been used. In essence, the plaintiff's claim – right or wrong – was that it had certain rights in respect of the get-up "A5". It asserted – rightly or wrongly – in support of that claim that it had consistently and continuously used (etc) that get-up. It then alleged that the get-up "A7", is confusingly similar, and that by using that get-up the defendant had contravened sections 117 and 142 of the Act, and had infringed the plaintiff's rights. It is not contended, on behalf of the defendant, that – if the pleaded facts are established – that is not a valid claim. However, it is unnecessary to express an opinion on that question. What is relevant at this stage is to consider whether the maintainability of that claim would be affected by that fact that "smarties" are also sold in the get-up "Z6". The learned trial Judge did not cite any authority – nor did Mr. Parathalingam – suggesting that the plaintiff's rights in respect of the get-up "A5" would be extinguished because it also used the get-up "Z6". To put it another way, if the plaintiff had pleaded in paragraph 8 that it also sold "smarties" under another get-up, would its rights in respect of "A5" have been extinguished, or even diminished? No authority has been cited to that effect, and I am not satisfied, *prima facie*, that the plaintiff's cause of action would have been affected; certainly, the learned trial Judge did not think so. Such a view would result



in absurdity: it would amount to holding that if a manufacturer uses only one get-up for his product, no rival may imitate it; but if he uses two, any competitor may imitate one get-up with impunity; and, further, two competitors, between them, may imitate both. Thus, while I express no opinion as to the merits of the plaintiff's claim, the use of the get-up "Z6" was not material either to that claim or to the defendant's defence. It is true that the use of "Z6" was not disclosed, but that was not a material fact.

I hold that the learned trial Judge erred in holding that "Z6" was inconsistent with the truth of any portion of paragraph 8 of the plaint, or that the non-disclosure of "Z6" was intended to mislead the Court.

Not only did the learned trial Judge misdirect himself on both points, but he also made certain other observations which suggest that he failed to take into consideration the relevant factors. He said, for instance, that the plaintiff admitted that chocolate beans bearing the trade mark "smarties" had been imported into and sold in Sri Lanka by several traders besides the plaintiff, and that although the plaintiff has no objection to chocolate beans bearing the trade mark "smarties" being imported into and sold in Sri Lanka by others, it was taking objection to the defendant importing and selling by using the trade mark "smarties". That was irrelevant to the issue. The fact that the plaintiff did not object to the sale of chocolate beans to which the trade mark "smarties" had – presumably lawfully – been applied is not at all inconsistent with its objecting to the use of an – allegedly – unlawfully confusing mark or get-up.

Further, the learned trial Judge observed that when "A5" and "A7" are compared they can be identified as being distinct although there were certain similarities. He proceeded to identify these in detail. In effect, he did a "side-by-side" comparison, quite forgetting that a customer buying goods will not have the opportunity of comparing them in that way, but would depend on his recollection – so that it would

be the "outstanding characteristics" that are relevant. He brushed aside the similarities, which have been outlined earlier in this judgment; and treating the dissimilarities as being fundamental, he concluded that "A5" and "A7" were not, *prima facie*, identical or confusingly similar. He thus failed to apply the proper test, referred to in *Thiagarajah v. Majeed*<sup>(1)</sup>. Further, he failed to consider whether the available evidence showed, *prima facie*, that the defendant had taken features of the plaintiff's get-up "A5" "contrary to honest practices in industrial or commercial matters" within the meaning of section 142 of the Act. I referred to the ambit of that phrase in *Sumeet Research and Holdings Ltd v. Elite Radio & Engineering Co. Ltd.*,<sup>(2)</sup> and need say only that the learned trial Judge failed to give due consideration to distinctive features of the get-up in "A5". The white letters of smarties as well as their chocolate-brown surround were distinctive: even if he might conceivably have assumed that it was more than a coincidence that the defendant had incorporated *one* of these features in "A7", he should certainly have considered whether the use of *both* (and that, too, in a very similar and distinctive background) was, *prima facie*, a deliberate "taking" of the idea or concept of the plaintiff's get-up; and, if so, he should have gone on to consider whether in using the plaintiff's get-up as a model, as it were, there was inequitable conduct, or "something underhand or sharp", on the part of the defendant.

At the conclusion of the hearing, for the reasons now stated, we were of the opinion that the evidence before the learned trial Judge established, *prima facie*, at least an act of unfair competition, and that he had erred in law in refusing to issue an interim injunction. We, accordingly, set aside the order dated 3.4.98, and granted an interim injunction pending the final hearing and determination of the action.

In regard to costs, I cannot overlook the fact that this was eminently a case in which the interim injunction inquiry and the trial should have been taken up together (see *Murugesu v. Northern Divisional Agricultural Producers' Co-operative Union Ltd.*,<sup>(3)</sup> and *Perera v. Perera*,<sup>(4)</sup>.) Expense and delay might have been avoided if the plaintiff had invited

the learned trial Judge to do so. At the same time, the defendant's objections were not only technical but tenuous as well. I, therefore, order the defendant to pay the plaintiff a sum of Rs.15,000 towards its costs.

**WADUGODAPITIYA, J.** – I agree.

**GUNASEKERA, J.** – I agree.

*Order of the High Court set aside;  
Interim injunction granted.*