

MANU/DE/1237/2001

**Equivalent Citation:** 96(2002)DLT156

**IN THE HIGH COURT OF DELHI**

IA 5509/2001 in S. 1144/2001

Decided On: 21.09.2001

Appellants: **K.E. Burgmann A/S.**  
**Vs.**

Respondent: **H.N. Shah and Anr.**

**Hon'ble Judges/Coram:**

J.D. Kapoor, J.

**Counsels:**

For Appellant/Petitioner/plaintiff: A.S. Chandhiok, Sr. Adv., Pratibha Singh and Vandana Miglani, Advs

For Respondents/Defendant: C.A. Sundram, Sr. Adv. and Sanjay Sen, Adv.

**Subject: Commercial**

**Acts/Rules/Orders:**

Code of Civil Procedure, 1908 (CPC) - Section 151, Code of Civil Procedure, 1908 (CPC) - Order 23 Rule 3, Code of Civil Procedure, 1908 (CPC) - Order 39 Rule 1, Code of Civil Procedure, 1908 (CPC) - Order 39 Rule 2; Trade Mark and Merchandise Act, 1958 - Section 27(2), Trade Mark and Merchandise Act, 1958 - Section 33; Constitution of India - Article 10

**Cases Referred:**

N.R. Dongre v. Whirlpool Corporation, 1996 PTC 476; Ziff-Davis Inc. v. D.K. Jain and Ors., 1998 PTC (18); J.K. Jain and Ors. v. Ziff.Davies Inc., 2000 PTC 244; Rob Mathys India Pvt. Limited v. Synthes Ag Chur, 1997(17) PTC 669; Power Control Appliances and Ors. v. Sumeet Machines Pvt. Limited, 1994(1) ALR SC 308

**Case Note:**

**a) The case discussed the scope of the plea of acquiescence and waiver under Sections 27(2), 29 and 106 of the Trade and Merchandise Marks Act,1958 – It was held that, unless the conduct was inconsistent with the claim for exclusive right in trade mark, the plea was not available**

**JUDGMENT**

**J.D. Kapoor, J.**

1. This is an application filed on behalf of the applicants under Order 39 Rule 1 & 2 read with Section 151 CPC for injuncting respondent in terms of prayer (a), (b) & (c).

2. The admitted facts are:

3. Logo KE was got registered by the plaintiff on 11th March, 1971 at Denmark. The plaintiff no. 1 company was founded in the year 1963. Since then it has extended its business to several countries including U.K., Scandinavian countries, North & South America and South Korea. A Joint Venture Agreement dated 15 January, 1987 and later dated 6th May, 1987 was entered into between the plaintiff no. 1 and the Directors of F. Harley & Company (P) Ltd. as Indian partners. By virtue of this Joint Venture Agreement, defendant No. 2 came into existence on 14th May, 1987 of which defendant no. 1 became the Managing Director.

4. A Technical Collaboration Agreement was entered into between plaintiff no. 1, and defendant no. 2. It was a License Agreement. This agreement was for a period of five years ending 14th February, 1998. Disputes and differences arose between the parties in the year 1998 itself. As a result several meetings were held between the parties and it was decided in December, 1999 that Danish partners would sell their 96,000 shares to the Indian Partners for total consideration of Rs. 96,44,000/- and thereafter be free to set up an independent business either in partnership or on its own in India.

5. However in a civil suit filed by the defendant no. 1 in Madras High Court, the parties settled their disputes by way of Memorandum of Compromise under Order 23 Rule 3 CPC. By virtue of this Deed defendant no. 2 was allowed to continue to manufacture and sell only the products that carried the name with the prefix KE.

manupatra Clause 10 of the Deed of compromise is relevant for the purpose of deciding the controversy in question which reads as under:-

"10. Within 3 months from this date, the second defendant shall ensure that in all its stationery, publicity material, audio/visual material in any form or media shall not indicate or imply that the said company is in any manner and more connected with or forming part of or having any relations with the first defendant company or the International Burgmann Group..."

6. The grievance of the plaintiffs/applicants stems from the use of logo KE by the defendants in stationery, publicity material and also on the products. The instances of the use of the logo KE by the defendants have been shown in documents at pages 147, 148 and 150 to 161. So much so in one of their brochures it is alleged that the defendant has a Joint Venture between the plaintiff no. 1 and Shah Business House, inspired by the fact that by way of compromise deed the defendants had agreed to dis-associate themselves from the plaintiff. Following clauses introduced in the Agreement as well as Technical Collaboration Agreement show that the defendants had not only agreed to disassociate themselves from the plaintiff but also that the use of the logo in question was a permissive use by the defendants.

7. Clause 4.1 and 4.2 of the Agreement dated 15th January, 1987 are as under:-

"4.1 During the term of this agreement, KE hereby grants the company an exclusive, royalty-free license, under any Indian patents acquired by KE which relate to expansion joints/compensators, such license to continue only as long as this agreement is in force.

4.2 As may be agreed by the parties, KE shall register its trademarks on expansion joints/compensators and related products and services in India and shall enter into a license agreements with the company with respect to the use of said trademarks."

8. Brochure of the plaintiff projects that the plaintiff has offices or Franchises all over the world including India and on it defendant no. 2 is also mentioned. This brochure was published during the subsistence of the license period and logo KE appears on the brochure.

9. It is contended by Mr. A.S. Chandhiok, learned senior counsel for the applicant/plaintiff that as regards the registration of the logo KE by the defendant with the Trademark Authorities under the Trade Mark & Merchandise Act, 1958 it is on behalf of the plaintiff and by virtue of the license granted by the plaintiff to the defendant no. 2 and even if the registration is taken on its face value the defendant is guilty of passing off action inasmuch as the plaintiff is user thereof prior to 1971 and, Therefore, registration in October, 1988 is of no consequence and the plaintiff is still entitled to injunct the defendant.

10. In support of the above proposition of law, Mr. Chandhiok has placed reliance upon the following observations of the Supreme Court in N.R. Dongre v. Whirlpool Corp 1996 PTC 476.

"Therefore, registration of a trade mark under the Act would be irrelevant in an action for passing off. Registration of a trade mark in fact does not confer any new right on the proprietor thereof than what already existed at common law without registration of the mark. The right of goodwill & reputation in a trade mark was recognised at common law even before it was subject of statutory law. Prior to codification of the trade mark law there was no provision in India for registration of a trade mark. The right in a trade mark was acquired only by use thereof. This right has not been affected by the Act and is preserved and recognised by Sections 27(2) and 33."

"No one can be permitted to trade by deceiving or misleading the purchasers or to unauthorisedly divert to itself the reputation and goodwill of others. Under Section 27(2) an action for passing off against registered user of trade mark is maintainable at the instance of a prior user of the same, similar or identical mark. Since such a remedy is available against the registered user of a trade mark, an interim injunction restraining him to use the mark can also be granted to make the remedy effective."

11. In nutshell, action for passing off arises not from the infringement of the registered trademark. It is available to a trader who has a long, prior and continuous use of the trademark and has established goodwill and reputation. Any person who uses identical or near similar or deceptively similar mark at later point of time creating confusion as to its source or origin renders himself liable for action of passing off. Injustice would be done if such a person is permitted to use the impugned trademark.

12. On the right of an ex-license to use the trade mark on the plea that he himself has been using it as his trade mark, the learned counsel has contended that the moment the license expires the ex licensee is stopped from using that mark. In this regard the learned counsel sought support from Ziff-Davis Inc. v. D.K. Jain and Ors. 1998 PTC 18 wherein it was held:-

"The source of authority to use the trade mark was only the license in view of the

The moment license ceases the defendants being just a licensee could not claim ownership of the trade mark."

13. The above view received confirmation from the Division Bench of this Court in J.K. Jain and Ors. v. Ziff Davis Inc. 2000 PTC 244 wherein it was held that use of all the trademarks or any other trade mark owned by licensor or its affiliates, at any time during or after the term of the agreement will accrue solely to the beneficiary of the licensor.

14. This view was subscribed further by Rob Mathys India Pvt. Limited v. Synthes Ag Chur 1997 (17) PTC 669 wherein it was observed:-

"It is well settled that use of an unregistered trade mark under a license granted by the proprietor bonafide under its control and supervision is user of the unregistered mark by the proprietor. Under no principle or precedent can it be held that at common law use by the licensee of an unregistered mark is not use by the licensor or that such use will invalidate a passing off action or disentitle the licensor to protection of its trade mark."

15. While refuting the aforesaid contentions, Mr. C.A. Sundaram, learned senior counsel for the defendant propounded that unless the plaintiff prima facie shows and proves the following facts it is not entitled to any injunction:

- (i) That the right of the defendant to use the mark was specifically conferred by a license which specifically barred him from using the mark after termination of license;
- (ii) That the defendant did not have any other source of right to use the mark;
- (iii) If there is a registered trade mark the undisputed existence of facts that prompt a passing off action.

16. Mr. Sundaram further contended that the defendant can defeat the plaintiffs' case by showing that the plaintiff has acquiesced in the use of the trade mark. Mr. Sundaram projected the following conspectus of facts to defeat the claim of the plaintiff.

- (i) That the Joint Venture Agreement dated 15th January, 1987 was made between the plaintiff and F. Harley & Co. Pvt. Ltd. which is manifestly clear from the Joint Venture Agreement itself and not between the name Directors of the F. Harley & Company as referred above.
- (ii) That Defendant no. 2 was not in existence when the said Joint Venture Agreement was executed and, Therefore, the question of grant of any license to the defendant no. 2 for using the mark KE does not arise.
- (iii) That even otherwise according to Clause 4.1 the license was for Patents and Clause 4.2 required that the plaintiff shall first register its trade mark on expansion joints/compensators and related products and services in India and then shall enter into a license agreement with the company with respect to the use of the trade mark.
- (iv) That this company is yet to come into existence though it was intended by virtue of Clause 1.1 of the Joint Venture Agreement that the parties shall promptly form a Private Limited Company which shall be for an unlimited time.
- (v) That Clause 4.2 contemplates and admits no other interpretation than that the plaintiff company was required to register its trade mark first and then enter into a license agreement and thus by no stretch of imagination the Joint Venture Agreement dated 15th January, 1987 can be termed as a license agreement.
- (vi) That the defendant no. 2 company was incorporated on 14th May, 1987 whereas the Joint Venture Agreement is dated 15th January, 1987 and, Therefore, the question of granting any license to defendant no. 2 under the agreement dated 15th January, 1987 does not arise and thus the use of the logo by the defendant no. 2 is in its independent capacity and right and with the registration of the logo under the Trade Mark Act, this right has become unassailable.
- (vii) That when defendant no. 2 came into existence on 14th May, 1987, the Technical Collaboration Agreement was entered into between the plaintiff and defendant no. 2 and Article 10 upon which the plaintiff is relying and which was for the purpose of license given to the defendant no. 2 shows that it was only in respect of licensed products manufactured for export only. Article 10 reads as under:-

"Article 10: Trademarks

Trade marks for Exports

A. Subject to the other provisions of this Agreement and without additional cost of LICENSEE, LICENSOR hereby grants to LICENSEE a non-exclusive, royalty free right to use the Trademarks with respect to Licensed Products manufactured for export only. On each Licensed Product manufactured for export pursuant to this said License, whether sold separately or installed on products manufactured by the LICENSEE shall place or have placed prominently, in a legible from and permanent manner such trademark identification as LICENSOR from time to time may direct. LICENSEE shall use such identification in all advertising of such Licensed Products intended for export which it undertakes, the advertising of which LICENSEE shall submit to LICENSOR for its written approval in advance of use."

(viii) That it was by virtue of its being registered owner of a trade mark in Denmark that the plaintiff by way of a Technical Collaboration Agreement granted the license to defendant no. 2 for using the trade mark in respect of licensed products manufactured for export only.

(ix) That the registration of the trade mark was to the knowledge of the plaintiff and plaintiff had also the knowledge about the registration of the defendant no. 2 company and since they had 40% share in the company and two Directors on the Board in a total Board of five Directors, it is no more open to rake up the controversy of using the trade mark which even otherwise is, by way of registration, not permissible.

(x) When defendant no. 2 applied for the registration of the trade mark the constituted attorney of the plaintiff gave approval and had knowledge about the agreement though the said attorney happened to be the employee of defendant no. 2 and this amounts to acquiescence and waiver.

17. At the outset, it is pertinent to refer here to Clause 7 of the Memorandum of Compromise before the Madras High Court which is as under:-

"On and from this date, the first defendant shall be at liberty to carry on its own business activities in India subject to the terms and conditions contained in writing in a No Objection Certificate (NOC) duly issued by the second defendant company on June 7, 2000 and confirmed by the first defendant company. a signed copy of the said of NOC is annexed herewith as ANNEXURE-A and a signed letter of confirmation to the NOC, given by the first defendant is annexed herewith as Annexure-B.

18. The first defendant referred in the clause is the plaintiff and the second defendant is defendant no. 2. The 'No Objection Certificate' shows that defendant no. 2 was permitted only to manufacture, sell, service and market the range of products mentioned as items 1 to 9 which carried the KE pre-fix. But so far as the trade name is concerned i.e. KEB the plaintiff was permitted to use in respect of products 1 to 8.

19. Defendant no. 2 is, Therefore, deriving its right to use the logo KE by virtue of its registration in the year 1988 and continuous user since then with the acquiescence and knowledge of the plaintiff.

20. It is apparent from the above that neither by virtue of the Technical Collaboration Agreement nor by 'No Objection Certificate' nor by the Compromise Deed the defendant was given the right to use the logo KE. His right to use the mark KE was only confined to manufacture, sell, service and market as many as 8 products having the pre-fix KE. It does not mean that the defendant was permitted to use the logo KE also. KE was a trade mark right given to the defendant no. 2 only in respect of 8 products and not as a logo.

21. The contention of Mr. Sundaram that Clause 9 of the compromise Deed shows that defendant no. 2 was restrained from using the word 'Burgmann' as it was special to the plaintiff and in practice tantamount to trade name whereas there was no restraint against use of the word or logo KE has neither force nor cogency. Had it been so the word KE would not have been permitted to be used in respect of 8 products only. That is why Clause 10 of the agreement assumes great significance.

22. Defendant no. 2 came into existence by virtue of Agreement dated 15th January, 1987 perpetuated by the agreement dated 6th May, 1987. Merely because the agreement dated 6th May, 1987 happens to mention the names of the Directors as the persons between whom and the plaintiff entered into agreement does not mean that they entered into the agreement in their individual capacity. The very fact that they signed the agreement as the Directors of F. Harley & Company shows that this agreement was in continuation of the agreement dated 15th January, 1987. The document dated 6th May, 1987 was contemplated by virtue of Clause 8(b) and from this document flows the Technical Collaboration and Assistance Agreement dated 19th May, 1987 wherein Clause (F) postulates as under:-

"F. Termination or expiration of this Agreement shall not relieve licensee of its obligation to pay any money which has accrued prior to said termination or expiration. From and after the termination/expiration of this Agreement and any extensions thereof, licensee shall have the non-exclusive right to use the technical know-how and information in the Territory and in

such manner that it deems necessary and desirable. The foregoing rights do not include the right to use any trademarks of licensor whether licensed during the term of this Agreement or otherwise."

23. On all the pages of the agreement dated 15th January, 1987 logo KE was embossed and, Therefore, the defendant knew it that it was a logo that belonged to the plaintiff and it was specifically prevented from using any trade mark or logo and, Therefore, it was the permissive use of logo by the plaintiff to the defendant no. 2 and Clause 10 was an additional permission granted to the defendant no. 2 to use this logo without any additional cost on non-exclusive basis in respect of export items only.

24. To ensure that the logo KE is not used by defendant no. 2 Clause 10 of the Compromise Deed was introduced whereas the word 'Burgmann' appeared in Clause 9 only.

25. Lastly the plea of acquiescence and waiver is of no avail as it is well settled law that unless the conduct is inconsistent with the claim for exclusive right in a trade mark, plea of acquiescence or waiver is not available. The Hon'ble Supreme Court in Power Control Appliances and Ors. v. Sumeet Machines Pvt. Limited 1994(1) ALR SC 308 has held as under:-

"Acquiescence is sitting by, when another is invading the rights and spending money on it. It is a course of conduct inconsistent with the claim for exclusive right in a trade mark, trade name etc. It implies positive acts, nor merely silence or inaction such as in involved in laches. If the plaintiff stood by knowingly and let the defendant build upon important trade until it had become necessary to crush it, then the plaintiffs would be stopped by their acquiescence."

26 Any trademark or mark irrespective of the fact whether it is registered or not that has established goodwill and global reputation over the years which involves huge expense by way of advertisements has in common law immense value for its owner or user and if it is usurped by any other person by way of adopting it as a whole or with near or deceptive similarities causing confusion as to its source or origin, he is guilty of infringement or passing off as the case may be.

27. As the logo KE is a trade mark of immense value to the plaintiff/applicant in respect of good will and its global reputation, the applicant shall suffer irreparable loss and injury if respondent is not injuncted.

28. As a consequence the application is allowed and defendant no. 2 is restrained in terms of prayer Clause (a) (b) & (c) of the application.

29. The application stands disposed off.