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IN THE HIGH COURT OF DELHI AT NEW DELHI

+ FAO(OS) 189/2010

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Reserved on: 6th April, 2010

Decided on: 28th May, 2010

1. SHRI JAYESH KANAIYA LAL SHUKLA
Managing Director of Parth Parenteral P. Ltd.
R/o 24, Royal Crescent Bangalow,
Thaltej, Ahmedabad.

2. SHRI SHAILESHBHAI CHAUTURVEDI,
S/o Sh. Ram Prasad Chaturvedi,
Marketing Executive of Parth Prenteral P. Ltd.
R/o 41, Swami Krupa Society,
Pachwati, Kalol, Taluka Kalol,
District Gandhinagar, Gujarat,

3. PARTH PARENTERAL P. LTD.
GIDC Estate, State Highway,
Kalol (North Gujarat)-382725

..... Appellants

Through: Mr. Dushyant Dave, Sr. Advocate with
Mr. Suryakant Singla, Mr. Rakesh
Gupta and Ms. Madhvi Dewan,
Advocates.

versus

1. RFCL LTD,
A-3, Okhla Industrial Area, Phase –I,
New delhi-110 020.

2. RANBAXY LABORATORIES LTD.,
12th Floor, 6 Devika Towers,
Nehru Place,
New Delhi-110 019.

..... Respondents

Through: Mr. Sudhir Chandra, Sr. Advocate with
Mr. Hemant Singh, Ms. Mamta Jha,

Mr. Aprajit Bhatayachara and Mr.
Sumit Rajput, Advocates for R-1.
Mr. Rajiv Nayar, Sr. Advocate with
Mr. H.P. Singh and Mr. Navroop
Singh, Advocates for R-2/Ranbaxy.

AND

+ FAO(OS) 190/2010

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Managing Director of Parth Parenteral P. Ltd.
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Mr. Rajiv Nayar, Sr. Advocate with
Mr. H.P. Singh and Mr. Navroop
Singh, Advocates for R-2/Ranbaxy.

CORAM:

HON'BLE MR. JUSTICE MADAN B.LOKUR

HON'BLE MS. JUSTICE MUKTA GUPTA

1. Whether the Reporters of local papers may
be allowed to see the judgment? Yes
2. To be referred to Reporter or not? Yes
3. Whether the judgment should be reported
in the Digest? Yes

MUKTA GUPTA, J.

1. The Respondent No. 1 herein had filed a civil suit being CS (OS) No. 40/2010 against the Appellants and the Respondent No. 2 herein inter alia seeking the following prayers:

- “i) a decree for declaration to the effect that the plaintiff was the rightful proprietor of trade mark CAPSOLA, CAPSOLA GOLD AND CAPSOLA PREMIUM in relation of animal feed supplement and the stock of CAPSOLA branded goods transferred to Vetnex Animal Health Ltd. by the plaintiff were legitimate goods, manufactured and marketed in accordance with law;

- ii) a decree for declaration that defendant nos. 1, 2 & 3, on expiry of agreement dated 20.11.2006, have no right to use or claim proprietary right in the trade mark CAPSOLA and any such use thereafter constitutes acts of passing off;
- iii) a decree of permanent injunction restraining defendant nos. 1, 2 & 3 from manufacturing, promoting, marketing, distributing, advertising, packaging, selling or offering for sale, directly or indirectly dealing in animal feed supplement, pharmaceutical preparations or any other related goods under the trade mark CAPSOLA or any other trade mark deceptively similar thereto as may lead to confusion or deception amount to passing off.
- iv) an order for rendition of accounts of profit illegally earned by the Defendant Nos. 1, 2, 3 and a decree for an amount so found due or in the alternative, a decree for Rupees One Crore (1,00,00,000/-) towards compensatory and penal damages may be passed in favour of the Plaintiff and against the Defendants nos. 1, 2, 3;
- v) award exemplary costs of the present proceedings in favour of the Plaintiff and against the Defendant nos. 1, 2, 3; and
- vi) any other order as this Hon'ble Court deems fit and proper in the facts and circumstances of the present case."

2. Along with the plaint an application under Order XXXIX Rule 1 and 2 being I.A. No. 3079/2010 was filed, seeking ex-parte injunction which was granted to the Respondent No. 1. Vide the ex-parte order dated 13th January, 2010 the Appellants have been restrained from using the trademark 'CAPSOLA' in relation to animal feed supplements or from using any other

trademark deceptively similar thereto as may amount to passing off goods and business of the Respondent No. 1 herein. This order dated 13th January, 2010 was served on the Appellants on 20th January, 2010. The Appellant filed an application for vacation of the interim order under Order XXXIX Rule 4 CPC being I.A. No.1903/10 and simultaneously filed a reply to the application under Order XXXIX Rule 1 and 2 on 15th February, 2010. According to the Appellant, the Respondent concealed vital facts at the time of seeking ex parte ad interim order dated 13th January, 2010. The matter came up for hearing on 17th February, 2010 when due to non-availability of the learned Single Judge the matter could not be heard and was adjourned to 15th March, 2010, the date already fixed.

3. On 15th March, 2010 the learned Single Judge of this Court issued notice in the application under Order XXXIX Rule 4 and fixed the matter for 25th May, 2010. Aggrieved by the orders dated 13th January, 2010 and 15th March, 2010, the Appellants have preferred the present appeals, when an objection with regard to maintainability of the appeals was raised by the learned counsel for the Respondent No. 1. Thus, the issue of maintainability of the present appeals is being dealt in the first instance.

MAINTAINABILITY

4. Learned counsel for the Respondent No. 1 contends that the present appeals are not maintainable as the impugned orders are not appealable orders under Section 104 or Order 43 Rule 1 CPC and in this regard relies on a decision rendered by this Court in the case of *Allied Nippon Ltd. & another v. M/s Allied Motors, 1999 (80) DLT 38*. He also relies on the provisions of Order XXXIX Rule 3A contending that since the application for vacation was filed after a long time of service of ex parte interim order, the same could not have been disposed of within thirty days and thus the Appellants cannot complain of the delay.

5. In response learned counsel for the Appellants contends that as per Order XXXIX Rule 3A where the Court grants an injunction without giving notice to the opposite party, the Court shall make an endeavour to finally dispose of the application within thirty days from the injunction granted and if the same is not disposed of in thirty days the Court has to record reasons for such inability. It is further contended not only was the application under Order XXXIX Rule 1 and 2 not decided in thirty days, the notice itself was beyond thirty days. It is further contended that on an application for vacation of stay moved under Order XXXIX Rule 4 when a party has made false and

misleading statements, the Court has to vacate the injunction unless, for reasons to be recorded it considers that it is not necessary to do in the interest of justice. Order XXXIX Rule 3A and 4 CPC reads as under: -

“3-A. Court to dispose of application for injunction within thirty days.- Where an injunction has been granted without giving notice to the opposite party, the Court shall make an endeavour to finally dispose of the application within thirty days from the date on which the injunction was granted; and where it is unable so to do, it shall record its reasons for such inability.

4. Order for injunction may be discharged, varied or set aside.- Any order for an injunction may be discharged, or varied, or set aside by the Court, on application made thereto by any party dissatisfied with such order:

Provided that if in an application for temporary injunction or in any affidavit supporting such application, a party has knowingly made a false or misleading statement in relation to a material particular and the injunction was granted without giving notice to the opposite party, the Court shall vacate the injunction unless, for reasons to be recorded, it considers that it is not necessary so to do in the interest of justice;

Provided further that where an order for injunction has been passed after giving to a party an opportunity of being heard, the order shall not be discharged, varied or set aside on the application of that party except where such discharge, variation or setting aside has been necessitated by a change in the circumstances, or unless the Court is satisfied that the order has caused undue hardship to that party.”

6. It is the contention of the learned counsel for the Appellants relying on the decision rendered in *A. Venkatasubbiah Naidu v. S. Challappan and others, 2000 (7) SCC 695* that in case the learned Single Judge does not decide the application under Order XXXIX Rule 4 and the application of the Respondent under Order XXXIX Rule 1 and 2 in terms of Order XXXIX Rule 3 A and 4 within thirty days and does not record reasons, the party against whom the injunction is granted gets a right to file an appeal. The relevant portions of the judgment are:

“19. The aforesaid Rule casts a three-pronged protection to the party against whom the ex parte injunction order was passed. First is the legal obligation that the Court shall make an endeavour to finally dispose of the application of injunction within the period of thirty days. Second is, the legal obligation that if for any valid reasons the Court could not finally dispose of the application within the aforesaid time the Court has to record the reasons thereof in writing.

20. What would happen if a Court does not do either of the courses? We have to bear in mind that in such a case the Court would have by-passed the three protective humps which the legislature has provided for the safety of the person against whom the order was passed without affording him an opportunity to have a say in the matter. First is that the Court is obliged to give him notice before passing the order. It is only by way of a very exceptional contingency that the Court is empowered to by-pass the said protective measure. Second is the statutory obligation cast on the Court to pass final orders on the application within the period of thirty days. Here also it is only in very exceptional cases that the Court can by-pass such a rule in which cases the legislature mandates on the

Court to have adequate reasons for such bypassing and to record those reasons in writing. If that hump is also bypassed by the Court it is difficult to hold that the party affected by the order should necessarily be the sole sufferer.

21. It is the acknowledged position of the law that no party can be forced to suffer for the inaction of the Court or its omissions to act according to the procedure established by law. Under the normal circumstances the aggrieved party can prefer an appeal only against an order passed under Rules 1, 2, 2A, 4 or 10 of Order 39 of the Code in terms of Order 43 Rule 1 of the Code. He cannot approach the appellate or revisional Court during the pendency of the application for grant or vacation of temporary injunction. In such circumstances the party who does not get justice due to the inaction of the Court in following the mandate of law must have a remedy. So we are of the view that in a case where the mandate of Order 39 Rule 3A of the Code is flouted, the aggrieved party, shall be entitled to the right of appeal notwithstanding the pendency of the application for grant or vacation of a temporary injunction, against the order remaining in force. In such appeal, if preferred, the appellate Court shall be obliged to entertain the appeal and further to take note of the omission of the subordinate Court in complying with the provisions of Rule 3A. In appropriate cases, the appellate Court, apart from granting or vacating or modifying the order of such injunction, may suggest suitable action against the erring judicial officer, including recommendation to take steps for making adverse entry in his ACRs. Failure to decide the application or vacate the ex-parte temporary injunction shall, for the purposes of the appeal, be deemed to be the final order passed on the application for temporary injunction, on the date of expiry of thirty days mentioned in the Rule.”

Reliance is also placed on a decision of the Hon’ble Supreme Court in

Shiv Kumar Chadha and others v. Municipal Corporation of Delhi and others, 1993 (3) SCC 161, relevant paras 34, 35 and 36 whereof are:

“34. The imperative nature of the proviso has to be judged in the context of Rule 3 of Order 39 the Code. Before the proviso aforesaid was introduced, Rule 3 said "the Court shall in all cases, except where it appears that the object of granting the injunction would be defeated by the delay, before granting an injunction, direct notice of the application for the same to be given to the opposite party". The proviso was introduced to provide a condition, where Court proposes to grant an injunction without giving notice of the application to the opposite party, being of the opinion that the object of granting injunction itself shall be defeated by delay. The condition so introduced is that the Court "shall record the reasons" why an ex parte order of injunction was being passed in the facts and circumstances of a particular case. In this background, the requirement for recording the reasons for grant of ex parte injunction, cannot be held to be a mere formality. This requirement is consistent with the principle, that a party to a suit, who is being restrained from exercising a right which such party claims to exercise either under a statute or under the common law, must be informed why instead of following the requirement of Rule 3, the procedure prescribed under the proviso has been followed. The party who invokes the jurisdiction of the Court for grant of an order of restraint against a party, without affording an opportunity to him of being heard, must satisfy the Court about the gravity of the situation and Court has to consider briefly these factors in the ex parte order. We are quite conscious of the fact that there are other statutes which contain similar provisions requiring the Court or the authority concerned to record reasons before exercising power vested in them. In respect of some of such provisions it has been held that they are required to be complied with but non-compliance thereof will not vitiate the order so passed. But same cannot be said in respect of the proviso to Rule 3 of Order 39. The Parliament has prescribed a particular procedure for passing of an order of injunction without notice to the other side, under exceptional circumstances. Such ex parte orders have far reaching effect, as such a condition has been imposed that Court must record reasons before passing such order. If it is held that the

compliance of the proviso aforesaid is optional and not obligatory, then the introduction of the proviso by the Parliament shall be a futile exercise and part of Rule 3 will be a surplusage for all practical purpose. Proviso to Rule 3 of Order 39 of the Code, attracts the principle, that if a statute requires a thing to be done in a particular manner, it should be done in that manner or not at all. This principle was approved and accepted in well-known cases of *Taylor v. Taylor* and *Nazir Ahmed v. Emperor*. This Court has also expressed the same view in respect of procedural requirement of the Bombay Tenancy and Agricultural Lands Act in the case of *Ramchandra Keshav Adke v. Govind Joti Chavare*.

35. As such whenever a Court considers it necessary in the facts and circumstances of a particular case to pass an order of injunction without notice to other side, it must record the reasons for doing so and should take into consideration, while passing an order of injunction, all relevant factors, including as to how the object of granting injunction itself shall be defeated if an ex parte order is not passed. But any such ex parte order should be in force up to particular date before which the plaintiff should be required to serve the notice on the defendant concerned. In the Supreme Court Practice 1993, Vol.1, at page 514, reference has been made to the views of the English Courts saying:

Ex parte injunctions are for cases of real urgency where there has been a true impossibility of giving notice of motion....

An ex parte injunction should generally be until a certain day, usually the next motion day....

36. Accordingly we direct that the application for interim injunction should be considered and disposed of in the following manner:

- (i) The Court should first direct the plaintiff to serve a copy of the application with a copy of the plaint along with relevant documents on the counsel for the Corporation or

any competent authority of the Corporation and the order should be passed only after hearing the parties.

- (ii) If the circumstances of a case so warrant and where the Court is of the opinion, that the object of granting the injunction would be defeated by delay, the Court should record reasons for its opinion as required by proviso to Rule 3 of Order 39 of the Code, before passing an order for injunction. The Court must direct that such order shall operate only for a period of two weeks, during which notice along with copy of the application, plaint and relevant documents should be served on the competent authority or the counsel for the Corporation. Affidavit of service of notice should be filed as provided by proviso to Rule 3 of Order 39 aforesaid. If the Corporation has entered appearance, any such ex parte order of injunction should be extended only after hearing the counsel for the Corporation.
- (iii) While passing an ex parte order of injunction the Court shall direct the plaintiff to give an undertaking that he will not make any further construction upon the premises till the application for injunction is finally heard and disposed of.”

Reliance is also placed on the decision of this Court in the case of

Ratna Commercial Enterprises Ltd. and another v. Vasutech Ltd., AIR 2008 Delhi 99 (DB).

7. Bound as we are by the decision of the Hon’ble Supreme Court in the case of ***A. Venkatasubbiah Naidu v. S. Challappan***(Supra), in view of the fact that even on 15th March, 2010 the case was simply adjourned to a date beyond thirty days without recording reasons, the objection of the learned

counsel for the Respondent qua maintainability of the present appeal is rejected. We are in agreement with the views expressed by the division bench of this Court in the case of ***Ratna Commercial Enterprises Ltd. and another v. Vasutech Ltd., AIR 2008 Delhi 99 (DB)***. The relevant portions of the said decision are as under:

“19. The upshot of the above delineation of the law by the Hon'ble Supreme Court is as under:

- (i) In the exceptional circumstances where a Court is unable to dispose of the application Under Order 39 Rule 4 within 30 days 'It shall record its reasons for such inability';
- (ii) If the court does not dispose of the application then notwithstanding the fact that the order is not appealable in terms of Order 43 Rule 1, the aggrieved party shall be entitled to the right of appeal; and
- (iii) When such an appeal is filed 'the appellate court shall be obliged to entertain the appeal and further to take note of the omission of the court in complying with the provisions of Rule 3A.”

ON MERITS

8. Learned counsel for the Appellants contends that the Respondent No. 1 clearly misstated facts in the plaint by asserting that it was the undisputed proprietor of the trade mark ‘CAPSOLA’ for animal feed supplement, plasting materials and bandages on account of:

- a) Being successor in title and business of animal feed supplement business of Ranbaxy which was the prior user of the trade mark CAPSOLA;
- b) Proprietorship acknowledgement of the plaintiff by defendant no. 3 as recorded in agreement dated 1.11.2005 and 26.11.2006 which included CAPSOLA;
- c) Registered trade mark CAPSOLA recorded in the name of plaintiff.”

9. According to the learned counsel for the Appellants the assertion that the “Registered trademark CAPSOLA is recorded in the name of plaintiff” is clearly misleading and misstating facts as the Respondent No. 1/plaintiff is the registered trademark holder of ‘CAPSOLA’ for bandages and plasters in class 5 and not animal feed supplements or veterinary animal feed supplement medicines.

10. Learned counsel for Appellants contends that in fact both the Respondents were admittedly aware of the fact that Appellant No. 3 was the undisputed registered owner and proprietor of the trade mark ‘CAPSOLA’ for animal feed supplement in class 31 and veterinary animal feed supplement medicines in class 5. It is further contended that all material facts and documents in this regard were concealed from the learned Single Judge resulting in passing of the ex-parte ad-interim order dated 13th January, 2010.

11. Learned counsel for the Appellants also contends that the claim of the Respondent for 'CAPSOLA' brand for animal feed supplements from 2000 is only on the basis of its manufacturing being got done from the Appellants and the same is evident from para 6 of the plaint where there is a clear admission that it was the Appellant No.3 who was manufacturing and supplying to Ranbaxy Laboratory Ltd. (in short Ranbaxy)/Respondent No.2 herein, which it was marketing since 2000. It is contended that admittedly the Appellants are not only prior user of 'CAPSOLA' brand for animal feed supplements but also the registered proprietor. That vide agreement dated 1st January, 2004 Ranbaxy admitted the ownership of Parth Parental Pvt. Ltd. (in short PPPL)/Appellant No.3 herein, for the trademark as by that time PPPL had got the trademark 'CAPSOLA' brand in class 31 and 5 for animal feed supplements and veterinary animal feed supplements medicine, assigned to it from Pearl Pvt. Ltd. (in short Pearl) by an assignment deed dated 17th February, 2003 and thus Ranbaxy Fine Chemical Ltd. (in short RFCL) could not have got any better title than what Ranbaxy had as on 30th September, 2005, that is, the date of agreement between Ranbaxy and RFCL.

12. It is contended that the claim of Respondent No.1 qua CAPSOLA brand for animal feed supplements in view of the agreements dated 1st November, 2005 and 20th November, 2006 between RFCL Ltd. and the Appellants is also

untenable as the Annexure 'A' along with agreement dated 1st November, 2006 has not been filed and deliberately concealed and in the agreement dated 20th November, 2006 there was a subsequent correction which fact has also been concealed in the plaint.

13. It is also contended that the Appellants are defendants in the suit and it is for the Respondent No.1 to have produced the relevant document and demonstrated a prima facie case that it owned the 'CAPSOLA' brand for animal feed supplements by virtue of user. It is further contended that the Respondent No. 1, that is, RFCL Ltd. in the civil suit is seeking a declaration under Section 34 of the Specific Relief Act which is a discretionary relief and in such a relief no injunction can be granted till the declaration is given by the Court. It is also contended that RFCL further renamed as RFCL Ltd. having sold its animal health division to Vetnex Animal Health Ltd. (in short Vetnex) it has no personal interest in the matter and thus in terms of Section 41 (J) of the Specific Relief Act it cannot maintain the present suit against the Appellants. It is further contended that the prima facie case and balance of convenience lies in favour of the Appellants and not the Respondent No. 1. It is contended that the present suit for declaration and injunction has been filed belatedly and hence the Respondent No. 1 was not entitled to an injunction.

Since the Respondent No.1 suppressed material facts in the plaint, that PPPL
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was asked to negotiate with M/s Pearl Drugs Pvt. Ltd. (in short 'Pearl') whereafter it purchased the trademark 'CAPSOLA' for animal feed supplements and veterinary animal feed supplement medicines from Pearl and became its registered owner, it is entitled to vacation of stay on this ground alone.

14. Learned counsel for the Appellants further contends that in view of the fact stated hereinabove the plaint of the Appellant No. 1 is liable to be rejected as: -

- “i). The Respondent No. 1/Plaintiff could not have transferred to Vetnex any right in trade mark CAPSOLA in class 31 for animal feed supplement which it did not inherit from Ranbaxy and so did not possess any right thereto, and
- ii). In any case, the Respondent no. 1/Plaintiff had no interest on the date of filing of the suit in trade mark CAPSOLA whatsoever and only Vetnex Animal Health Ltd. could have brought the proceedings, if at all, in respect of CAPSOLA in class 5.”

15. Learned counsel for the Respondent No.1 on the other hand claims that the word 'CAPSOLA' was first coined and adopted by Ranbaxy, RFCL Ltd.'s predecessor in interest on 7th August, 1986 for bandages and plaster in class 5. In 2000 Ranbaxy started using the trade mark 'CAPSOLA' for its animal feed supplements. Vide agreement dated 1st January, 2001 between Ranbaxy and

PPPL, the ownership of Ranbaxy in trade mark 'CAPSOLA' for animal feed supplements is clearly recognized. Ranbaxy having transferred its entire animal health division to RFCL on 30th September, 2005 it is thus the owner of 'CAPSOLA' brand for animal feed supplements. The claim of the Respondent is based not on infringement but on passing off being a prior user. Learned counsel for the Respondent in this regard has relied on the decision rendered by this Court in the case of *Century Traders v. Roshan Lal Duggar & Co.*, AIR 1978 Delhi 250, *J.K. Jain and others v. Siff-Davies Inc*, 2000 PTC 244 (DB), *N.R. Dongre and others v. Whirlpool Corporation and others*, AIR 1995 Delhi 300.

16. It is further contended on behalf of the Respondent that the Appellant having taken advantage under the agreement, having got the manufacturing fee and acknowledging the proprietorship of the Respondent, the Appellants are now estopped from claiming proprietorship in the trademark 'CAPSOLA'. It is further contended that the conduct of the parties itself establishes that Ranbaxy was the proprietor of title 'CAPSOLA' as the Appellant never objected to the user of this trademark by the Respondent. Not only this the Appellant's also permitted the Respondent to enter into an agreement with Harshvardhan for supply of animal feed supplements under the brand 'CAPSOLA Gold'.

17. We have heard learned counsel for the parties at length. At the outset it may be mentioned here that there is no dispute to the entitlement of Ranbaxy qua 'CAPSOLA' brand with regard to plaster and bandages in class 5 which was registered vide registration No. 458212 B dated 7th August, 1986 and the only dispute is with regard to 'CAPSOLA' brand for animal feed supplements and veterinary animal feed supplement medicines. The Appellants were manufacturing animal feed supplements under the brand name 'CAPSOLA' for the Respondent No. 2 that is Ranbaxy since the year 2000. The relevant portion of the plaint in this regard is:

“6. CAPSOLA branded animal feed supplement were manufactured and supplied by PPPL to Ranbaxy and they were marketed by Ranbaxy under its own name since 2000.”

18. The Appellant entered into an agreement with Respondent No. 2 on 1st January, 2001 and it is this agreement that RFCL Ltd. rests its claim of prior user being the successor in interest of Ranbaxy and thus the owner and proprietor of the trademark 'CAPSOLA' for the animal feed supplement in class 31. The relevant portions of the agreement dated 1st January, 2001 between Appellant No. 3/PPPL and Ranbaxy are as under: -

- “B. RANBAXY wishes to secure a reliable and ongoing source for manufacture of certain PRODUCTS as listed in Annexure ‘A’ hereto.
- C. PPPL represents that it has necessary facilities and technical competence for manufacture of PRODUCTS in accordance with specifications and standards set out.

THE PARTIES therefore have mutually discussed and arrived at this agreement in the terms and conditions as follows:

1. PPPL shall manufacture on behalf of and deliver to RANBAXY the PRODUCTS as per terms and conditions set out hereinafter. This agreement is non-exclusive and RANBAXY reserves the right to source the PRODUCTS from elsewhere by prior informing to PPPL 60 days in advance.
2. PPPL guarantees and warrants that the PRODUCTS to be manufactured and supplied hereunder shall in all respects be strictly in accordance with the standards and specifications applicable to the PRODUCTS and as may be specified by RANBAXY in writing. The specifications may be revised by RANBAXY and accepted by PPPL from time to time. The manufacture of PRODUCTS shall include in particular.
 - (i) ...
 - (ii) ...
 - (iii) ...
 - (iv) Packaging and labeling of PRODUCTS in accordance with RANBAXY specifications.
- |. ...
- |. ...
18. PPPL acknowledges that any trademarks under which the PRODUCTS are manufactured and sold as contemplated in the present Agreement shall at all times be and remain

the sole and exclusive property of RANBAXY and PPPL shall have no express or implied right, title or interest therein.”

19. On 20th December, 2002 a notice was issued by Pearl to Ranbaxy with a copy to PPPL alleging infringement of its copyright stating that they are the owners of trademark ‘CAPSOLA’ for the animal feed supplements in class 5 and 31, registered vide nos. 1124385 and 1124386 respectively. To this Dr. N. Sinha, Sr. Manager (Production), Animal Health Division of Ranbaxy requested the Appellant No. 1 by a letter dated 6th January, 2003 and requested it to sort out the matter. The letter dated 6th January, 2003 is reproduced as under:

“Mr. Jayesh K. Shukla
Managing Director
Parth Parenteral Pvt. Ltd.
G.I.D.C. Estate, National Highway,
Kalol (N.G.) 382 725

Sub: **NOTICE FOR ‘CAPSOLA’ BRAND**

Dear Mr. Shukla,

We are in receipt of notice dated 20th December, 2002, from M/s Pearl Drugs Pvt. Ltd., addressed to us and copy to you informing about misuse and infringement of their trademark ‘Capsola’. They have claimed to be the trademark owner and advised us to withdraw and desist forthwith from using the brand ‘Capsola’ for Animal Feed Supplement.

Now, in the above matter, I have taken legal view and it is sure that we are on the wrong side as the brand which we have is for medicated plaster and bandage and not for animal feed supplement.

You are therefore requested to take immediate steps otherwise we have to change the brand name 'Capsola' and it will create a difficult situation in the market.

Kindly do the needful at once and inform me.

Yours sincerely

For Ranbaxy Laboratories Ltd.

Sd/-

(Dr. N.SINHA)
Senior Manager (Production)
Animal Health Care Division”

On negotiations between PPPL and Pearl an agreement was entered into on 17th February, 2003 and by a deed of assignment the trademark 'CAPSOLA' for veterinary animal feed supplement medicines and animal feed supplements in class 5 and 31 respectively were assigned by Pearl to PPPL. Thus on 17th February, 2003 the Appellants became the proprietor of trade mark 'CAPSOLA' for the animal feed supplements in class 5 and 31,

which effort of the Appellant No. 1 was duly appreciated by Dr. Sanjay Chibber of Ranbaxy vide letter dated 7th March, 2003.

20. On 1st January, 2004 an agreement was entered into between Ranbaxy and PPPL whereby the terms and conditions were completely changed. The relevant clauses of the agreement dated 1st January, 2004 between Ranbaxy and are as under: -

“1. DEFINITIONS:

1.1 The expression “Product” shall mean As per Annexure ‘A’,

|. ...

|. ...

5. PROMOTION OF THE PRODUCTS:

RANBAXY shall use its best efforts to promote the PRODUCT in India. PPPL agrees to provide reasonable quantities of promotional material as requested by RANBAXY from time to time.

|. ...

|.

7. Brand Names:

The PRODUCT shall be sold by RANBAXY under the trademark of PPPL. RANBAXY acknowledges that all rights, title and interest in trademarks and the pack design, get up etc. of the PRODUCT pack used by PPPL on the PRODUCT as above shall always vest in PPPL and RANBAXY shall not at any point of time be deemed to acquire any right, title or interest in such trademarks or pack design.

8. **QUALITY**

- 8.1 PPPL warrants that the PRODUCT sold and supplied to RANBAXY as per terms of this Agreement will conform to the specifications as set out in Technical Dossiers of the PRODUCT as supplied by PPPL to RANBAXY as per terms and conditions of this Agreement.

|. ...

|. ...

10. **WARRANTY**

- 10.1. PPPL warrants that the PRODUCT supplied by it hereunder are in conformity with PPPL's standard specifications and that they are suitable for the applications indicated in writing by PPPL.

|. ...

|.

|.

19. Either party acknowledges that this Agreement along with schedule appended hereto constitutes the entire Agreement between the parties and supersedes all previous negotiations and arrangements between the parties with respect to the subject matter hereof.”

That as per annexure ‘A’ of the agreement dated 1st January, 2004 the product as agreed upon in this agreement trademark ‘CAPSOLA’ relating to animal feed supplements is mentioned at serial No. 5. Thus by agreement dated 1st January, 2004 Ranbaxy agreed to the ownership of PPPL for the trademark ‘CAPSOLA’ for animal feed supplements. Further as per clause

19, the agreement dated 14th January, 2004 superseded all previous agreements between the parties.

21. Thereafter on 30th December, 2005 Ranbaxy entered into an agreement with RFCL a wholly owned subsidiary of Ranbaxy whereby Ranbaxy sold its entire animal health care and diagnostic business division to RFCL. Thus, on 30th September, 2004 when the animal health care and diagnostic division of Ranbaxy was transferred to RFCL the agreement in operation between Ranbaxy and PPPL was the agreement dated 1st January, 2004 which had superseded the earlier agreement dated 1st January, 2001 and the ownership of the trademark 'CAPSOLA' for animal feed supplements in class 5 and 31 vested in PPPL. Thus as on 30th September, 2004, that is, the date of agreement between Ranbaxy and RFCL since Ranbaxy had no claim on the trademark 'CAPSOLA' for animal feed supplement it could not have assigned the same to RFCL. Moreover even on 2nd December, 2005 when the deed of assignment was entered into between Ranbaxy and RFCL, Ranbaxy was neither the owner nor proprietor of the trade mark and thus could not have assigned 'CAPSOLA' brand for animal feed supplements to RFCL and RFCL could not have got any title better than what Ranbaxy had on 2nd December, 2005.

22. There is yet another basis on which the claim of prior user being successor in interest of Ranbaxy needs to be rejected. RFCL Ltd. claims its right as a prior user being an assignee of Ranbaxy. Vide the deed of assignment dated 2nd December, 2005 between Ranbaxy and RFCL there was an assignment and transfer of the ownership of the trademarks particulars whereof were set out in Appendix 'A' and 'B'. At this stage it will be relevant to reproduce clauses A and 1 (b) of the assignment deed dated 2nd December, 2005:

“WHEREAS: -

- A. Pursuant to a Business Purchase Agreement dated September, 30, 2005 (“the Agreement”), the Assignor has agreed to **assign and transfer the ownership of the trade marks particulars whereof are set out in Appendix “A” & “B” hereto (hereinafter referred to as the ‘said Trade Marks’)** and of all the right, title, interest, property and benefit in and to the said **Trade Marks (including all registrations and pending applications thereof)** free from all mortgages, hypothecations, liens, charges or encumbrances whatsoever to and unto the Assignee together with the goodwill of the business relating to the goods in respect of which the said Trade Marks are registered/applied for registration or have been or are used.
- B. The Agreement contemplates the execution of a Deed of Assignment for the aforesaid purpose which is in terms hereof.

NOW, THEREFORE, THIS DEED WITNESSETH

1. That in pursuant to clause 9.3.1 of Business Purchase Agreement dated 30th September, 2005 executed between the Assignor and Assignee, the Assignor as the legal and beneficial owner DOTH HEREBY ASSIGN AND TRANSFER to and unto the Assignee unconditionally, absolutely and for ever from the date hereof ALL THAT:
 - a. the entire property, right, title, interest and benefit whatsoever, in and to the said Trade Marks, together with the goodwill of the business relating to the goods for or in respect of which the said Trade Marks are registered/applied for registration or have been or are used; and
 - b. (i) the full benefit of all registrations in respect of the said Trade Marks mentioned at item nos. 1 to 70 in Appendix “A” hereto to the intent that the Assignee shall be the proprietor thereof, in India (ii) the full benefit of the applications for registration of the said Trade Marks mentioned at item nos. 1 to 16 in Appendix “B” hereto to the intent that upon the applications or any of them being granted in India, this deed shall operate to create the registration/registered proprietorship in respect thereof to an unto the Assignee absolutely, together with the goodwill of the business relating to the goods in respect of which the same have been registered or applied for registration or have been or are used.”

23. It may be mentioned that the Appendix ‘A’ and ‘B’ relate to registered and applied for trademarks and in Appendix ‘A’ the registered trademark ‘CAPSOLA’ is the one registered in class 5 for plaster and bandages and not ‘CAPSOLA’ for animal feed supplements because Ranbaxy was never the registered proprietor thereof and RFCL being successor in interest of Ranbaxy claims it only as a user. Learned counsel for the Respondent has emphasized a

lot on sub-clause 'A' and 1 (b) of the deed of assignment dated 30th September, 2005 wherein it is agreed that the trademarks which are registered/applied for registration or have been or are used were assigned to RFCL. However, a perusal of Appendix 'A' and 'B' does not show that it has trademarks which have been or are used only and thus there is no merit in this contention of learned counsel for the Respondent. Thus the contention of the learned counsel for the Respondent that it is prior user of the trademark 'CAPSOLA' for animal feed supplements and veterinary feed supplement medicines being successor in interest of Ranbaxy and thus entitled to an injunction against the Appellants deserves to be rejected, there being no assignment of trademark 'CAPSOLA' brand for animal supplements to RFCL.

24. Reliance of the learned counsel for the Respondent on the decisions in *Century Traders v. Roshan Lal Duggar & Co. and N.R. Dongre and others v. Whirlpool Corporation and others* is misconceived as the same relate to a prior user between competing traders. In the present case the claim of the prior user is based on the user by Ranbaxy and not user by RFCL Ltd., the Respondent No. 1 herein and there being no valid assignment to RFCL Ltd. by Ranbaxy of trademark 'CAPSOLA' brand for animal feed supplements even as user it cannot claim to be a prior user. The reliance of the learned

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counsel for the Respondents on *J.K. Jain and others v. Siff-Davies Inc, 2000 PTC 244 (DB)* is also not of any assistance to the Respondent because in the said case there was a license issued to use the name and this Court held that since the ex-licensee recognized the proprietary right of the owner it cannot deny the same subsequently and thus, an interim injunction was granted in favour of the owner. In the present case even if the contention of the Respondent Nos. 1 and 2 is upheld that vide agreement dated 1st January 2001 the Appellants recognized the ownership of Ranbaxy in the trademark 'CAPSOLA' for animal feed supplements, however, vide agreement dated 1st January, 2004 which superseded the earlier agreement dated 1st January, 2001 there is a clear admission by Ranbaxy of the proprietary rights of the Appellants in the trademark. The present is not a case of two distinct or competitive sellers using the goods with a particular trade mark but of entitlement of trade mark between the manufacturer and seller and thus would be governed by the terms of the agreement.

25. We also find force in the contentions raised by learned counsel for the Appellants in as much as that there is material concealment of the facts of PPPL having purchased the trademark in 'CAPSOLA' brand for animal feed supplements from Pearl and RFCL being a wholly owned subsidiary of

Ranbaxy having commonality of personnel, premises and control being the
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successor in interest RFCL, it ought to have disclosed these facts in the plaint. Rather than disclosing these facts the Respondent No. 1 has feigned total ignorance in para 8 of the plaint.

26. The other contention of the learned counsel for the Respondent that by virtue of agreements dated 1st November, 2005 and 20th November, 2006 PPPL had agreed to the ownership of RFCL in the trademark 'CAPSOLA' for animal feed supplements also deserves to be rejected for the reasons hereinafter mentioned. After Ranbaxy transferred its animal health care division to RFCL an agreement was entered into between RFCL and PPPL on 1st November, 2005 wherein as per the definition in clause 1 the expression "Product" was to mean as per Annexure 'A'. As per clause 7 of the agreement the "product" were to be sold by PPPL under the trademark of RFCL and PPPL acknowledged that the rights, title and interest in the trademark and the pack designs of the Product vested in RFCL. However, this Annexure 'A' of the agreement dated 1st November, 2005 has not been filed by the Respondent No.1 with the plaint and substantial stress was laid by the learned counsel for the Appellants on this fact that the Appellants acknowledged the rights of the Respondent No. 1 only in trademark of products mentioned in this Annexure 'A' and this Annexure has been

deliberately concealed as it did not have the trade mark 'CAPSOLA' used as animal feed supplement.

27. On 17th November, 2006 the name of RFCL was changed to RFCL Ltd. This necessitated a fresh agreement between RFCL Ltd., (the plaintiff in CS (OS) No. 40/2010/Respondent No. 1 herein) and PPPL. Thus on 20th November, 2006 a fresh agreement was entered into between RFCL Ltd. and PPPL. According to learned counsel for the Appellants, the Respondent No. 1 has deliberately concealed the actual agreement wherein there is a correction in hand in clause '7' whereby words "Except Capsola group of products" is clearly mentioned. As per learned counsel for the Appellant on the detection of mistake in the agreement dated 20th November, 2006 they had written to the Respondent No. 1 for the exclusion of the trademark 'CAPSOLA' brand in the said agreement, copy whereof has been produced wherein in hand the words "except Capsola group of products" have been added. Both the parties have contested this document vociferously as according to learned counsel for the Respondent the same is a fabricated and a meaningless document whereas learned counsel for the Appellant firmly contends on the basis of this document that it has been duly stamped and signed by the Respondent No. 1 at the place where there is change made in the handwriting. It may be pointed out that on a query by this Court, learned counsel for both the parties stated

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that they are not in possession of the original of this document. On a further specific query of the Court that which of the parties has all the other original agreements, learned counsel for the Respondent No.1 admitted the possession of all other original agreements between the parties with the Appellants except the original of agreement dated 20th November, 2006.

28. We find force in the contention of learned counsel for the Appellant that even if as per Clause 7 of agreements dated 1st November, 2005 and 20th November, 2006 PPPL acknowledged the right, title and interest of RFCL in the trademarks and package business of the products packaged by PPPL to vest in RFCL but it at no point of time agreed for vesting of the trademark 'CAPSOLA' brand for animal feed supplement. The Respondent No. 1 being the plaintiff, duty was cast upon it to show prima facie facts in its favour. The Respondent No. 1 has failed to demonstrate by way of positive agreement that PPPL acknowledged the right of RFCL Ltd. in the trademark 'CAPSOLA' brand for animal feed supplements. Further though on 20th November, 2006 a fresh agreement was entered into between RFCL Ltd. and PPPL, ostensibly recognizing the ownership of RFCL Ltd. in the trademarks in clause 7 however, the agreement enclosed by the Appellant shows that the Respondent No. 1 did not produce the corrected agreement dated 20th November, 2006

wherein in clause 7 by hand the words "Except Capsola group of products"

are inserted. In fact, the Appellants have not only filed the photocopy of this agreement which is corrected by hand but has also filed copies of the relevant correspondence in this regard between RFCL Ltd. and PPPL. In view of the correspondence enclosed and the fact that the Respondent No. 1 has all the original agreements but denies the possession of original agreement dated 20th November, 2006 we are inclined to believe the version of the Appellants. In CS (OS) No. 40/2010 an affidavit of Shri Sushil Mehta has been filed on behalf of the Respondent No.1. Though in the said affidavit Mr. Sushil Mehta has denied his signature on the corrected copy of the agreement dated 20th November, 2006, and has stated that both the agreements, that is, dated 1st November, 2005 and 20th November, 2006 have the same Annexure 'A', however, this Annexure 'A' to the agreement dated 1st November, 2005 has not been filed even along with this affidavit.

29. The Hon'ble Supreme Court in *Ramdev Food Products (P) Ltd. vs. Arvind Bhai Rambai Patel, 2006 (8) SCC 726* held:

“52. A trade mark is the property of the manufacturer. The purpose of a trade mark is to establish a connection between the goods and the source thereof which would suggest the quality of goods. If the trade mark is registered, indisputably the user thereof by a person who is not otherwise authorised to do so would constitute infringement. Section 21 of the 1958 Act provides that where an application for registration is filed, the same can be opposed. Ordinarily under the law and, as

noticed hereinbefore, there can only be one mark, one source or one proprietor. Ordinarily again the right to user of a trade mark cannot have two origins. The first respondent herein is a rival trader of the appellant Company. It did not in law have any right to use the said trade mark, save and except by reason of the terms contained in the MoU or continuous user. It is well settled that when defences in regard to right of user are set up, the onus would be on the person who has taken the said plea. It is equally well settled that a person cannot use a mark which would be deceptively similar to that of the registered trade mark. Registration of trade marks is envisaged to remove any confusion in the minds of the consumers. If, thus, goods are sold which are produced from two sources, the same may lead to confusion in the mind of the consumers. In a given situation, it may also amount to fraud on the public. A proprietor of a registered trade mark indisputably has a statutory right thereto. In the event of such use by any person other than the person in whose name the trade mark is registered, he will have a statutory remedy in terms of Section 21 of the 1958 Act. Ordinarily, therefore, two people are not entitled to the same trade mark, unless there exists an express licence in that behalf.

63. The learned Trial Judge as also the High Court, however, failed to notice two significant and important provisions in the said MoU, viz., (i) the defendants could not carry on business in wholesale of the said products; (ii) it was meant to be sold directly to the consumers and on the products "not for resale" was required to be printed on each packet. What, therefore, could be done by the respondents was to sell the products of the appellant through the said outlets. It was one of the primary business of the partnership firm which was given to the first respondent. Prima facie, therefore, the first respondent could sell only the product of the appellant. The respondents, however, were not restrained from manufacturing spices in their own factory. They were entitled to do so. They started the same under the brand name of 'Swad'. They could even use the same retail outlets for the purpose of promoting their own products but prima facie they could not use the mark registered

in the name of the appellant Company. The registration number of trade mark is 447700. Once the appellant had acquired goodwill and reputation thereto, in the event of any infringement to the said right, the remedies provided for in the 1958 Act would be available to it. The terms of the MOU, in our opinion, are clear and unambiguous. It was required to be construed, even if it was obscure to some extent by making attempt to uphold the one which would be in consonance with law and not offend the same. Quality control by a registered trade mark holder vis-à-vis the one produced by an unregistered one is one of the factors which is required to be taken into consideration for the purpose of passing an order of injunction. It is one thing to say that the respondents were permitted to carry on trade but it would be another thing to say that they would be entitled to manufacture and market its products under a name which would be deceptively similar to that of the registered trade mark of the appellant. So long as the parties to an arrangement can continue to carry out their respective businesses without infringing the rights of another, indisputably the terms thereof must be given effect to. But the matter would be entirely different when a party who has not been expressly authorised to manufacture the goods in which the Company had been carrying on business under the same name, the respondents under law could not have been permitted to carry on the manufacturing and marketing of their products under the same name. In a case of this nature, even a mandatory injunction can be granted. The respondents in the instant case have adopted a part of the appellant's registered trade mark as a part of its corporate name. They had merely been permitted to trade from seven outlets. In that view of the matter, they had a limited right under the MOU and by reason thereof they could not have been permitted to start manufacturing of spices under the name and style of "Ramdev Masala". Even under the common law, licence has to be interpreted to subsume the law and prevent the mischief which is deceptive having regard to the fact that trafficking in trade mark is not permitted.

64. It is true that the respondents have been permitted in terms of the MoU to continue their business in the name of the partnership firm and to use the label mark, logo, etc. but the said MOU must be construed in the light of the law operating in the field. For the said purpose, prima facie, the deeds of retirement are not required to be looked into. When a right to use a trade mark is given, such a right can be exercised only in the manner laid down therein. If in the absence of any express licence or agreement to use its label the respondents use the self-same trade mark, the same would not only lead to confusion but may also cause deception. Even a common law licence, it is well-settled, cannot result in the dilution of the trade mark.

73. The matter may be considered from another angle. If the first respondent has expressly waived his right on the trade mark registered in the name of the appellant-Company, could he claim the said right indirectly? The answer to the said question must be rendered in the negative. It is well-settled that what cannot be done directly cannot be done indirectly.

30. As regard the relief of interim injunction in cases relating to trademarks, Kerly's law of Trade Marks and Trade Names, 13th Edn. states:

“121. *Kerly's Law of Trade Marks and Trade Names*, 13th Edn. states as under about the general test for grant of an interim injunction:

“In trade-mark infringement cases irreparable damage, in this sense, is relatively easily shown, since infringement may easily destroy the value of a mark or at least nullify expensive advertising in a way that is hard to quantify for the purposes of an inquiry into damages. This has more recently come to be referred to, in cases where the defendant's conduct is not directly damaging but merely reduces the distinctive character of the claimant's mark, as ‘dilution’....

...In particular, although it is usually neither necessary nor appropriate to assess the degree of probability of success which the claimant's action has (provided that it is arguable, and subject to the principle of American Cyanamid that the merits may be resorted to as a 'tie-breaker' if the balance of convenience is very even,) in trade mark and passing-off cases, it is very hard to avoid doing so, since the better the claimant's case on the likelihood of deception (frequently the major issue) the greater the harm which he is likely to suffer. Accordingly, in appropriate cases, where the state of the evidence permits it, the court may seek to weigh up the merits in deciding whether to grant interim relief.”

31. Thus from the abovementioned discussion, we find that:

- a) The Respondent No.1 cannot claim to be a prior user of ‘CAPSOLA’ brand for animal feed supplements being successor in interest of Ranbaxy there being no assignment of this trademark to RFCL from Ranbaxy.
- b) Prima facie the Respondent No. 1 has not been able to show a valid assignment of trademark ‘CAPSOLA’ brand for animal feed supplements from the Appellants through the agreement dated 1st November, 2005 and 20th November, 2006.
- c) The Respondent No. 1 concealed material facts in the plaint by not placing on record that the Appellants had purchased and thus were the assignee and registered owner of trademark ‘CAPSOLA’ for animal feed supplements.

We are not going into the other issues raised by the learned counsels for the parties, as the same are not essential for determination in the present appeal.

32. In view of the aforesaid discussion the interim injunction granted by the learned Single Judge vide order dated 13th January, 2010 and extended vide order dated 15th March, 2010 is vacated. I.A. Nos. 307/2010 and 1903/2010 in CS (OS) No. 40/2010 are accordingly disposed of. To ensure that the parties to the plaint are not prejudiced, we direct the Appellants to maintain the accounts and submit a six monthly statement thereof before the learned Single Judge in CS (OS) No. 40/2010.

33. The appeals are allowed. However, it is made clear that any observation made hereinabove is for the purpose of arriving at a prima facie opinion and is not an expression of opinion on the final merits of the suit.

(MUKTA GUPTA)
JUDGE

(MADAN B.LOKUR)
JUDGE

MAY 28, 2010
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