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

+ **FAO(OS) 296/2009**

Date of decision: February 16, 2010

% **PUMA STATIONER P.LTD. & ANR.** Appellants

Through: Mr. Hemant Singh with Mr. Sachin
Gupta and Mr. Shashi Kumar, Advs.

versus

HINDUSTAN PENCILS LTD. Respondent

Through: Mr. Sushant Singh, Mr. Manav Kumar,
Mr. Tejinder Singh and Ms. Neha Kapoor,
Advs.

CORAM:

HON'BLE THE ACTING CHIEF JUSTICE

HON'BLE MS. JUSTICE MUKTA GUPTA

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| 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 |

MADAN B. LOKUR, J. (ORAL)

1. The Appellants are aggrieved by an order dated 1st May, 2009 passed by a learned Single Judge in IA No.15842/2008 in CS (OS) No.476/2004.

2. The Respondent had filed a suit alleging that the Appellants are passing off its goods as those of the Respondent.

3. During the pendency of the suit, the trade mark which was relied upon by the Respondent, that is, 'Non-Dust' was registered with the Registrar of Trade Marks.

4. The Appellants objected to the registration of the trade mark 'Non-Dust' and filed a rectification/cancellation application which is still pending with the Intellectual Property Appellate Board. These facts are not disputed by either of the parties.

5. After filing the application for rectification/cancellation, the Appellants moved an application before the learned Single Judge under Section 124 of the Trade Marks Act, 1999 for a stay of the suit with regard to the alleged infringement. Section 124 (1) of the Act which is material for our purposes reads as follows:-

“124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc.”-(1) Where in any suit for infringement of a trade mark-

- (a) the defendant pleads that registration of the plaintiff's trade mark is invalid ; or
- (b) the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark,

the court trying the suit (hereinafter referred to as the court), shall,-

- (i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;
- (ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is *prima facie* tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register."

6. A plain reading of the above would show that in any suit, which in our opinion means a pending suit, if an application is moved for rectification/cancellation of a registered trade mark, the Court is obliged to stay the suit in so far as the cause of action pertaining to infringement is concerned.

7. A similar provision existed under the Trade and Merchandise Marks Act, 1958 being Section 111 thereof and that came up for interpretation in two cases before different learned Single Judges of this Court.

8. In the first case that is ***Chandra Bhan Dembla Trading, Delhi v. Bharat Sewing Machine Co., Bikaner, AIR 1982 Delhi 230***, a composite suit was filed for infringement of a trade mark and for passing off. The learned Single Judge observed in paragraph 4 of the Report that once rectification/cancellation proceedings are initiated, the suit in the High Court is liable to be stayed:

“As for the question of stay, the position appears to be quite simple. Both the parties are registered owners of the identical trademarks. The trademarks in favour of one are under challenge by the other. Rectification proceedings in respect of the

trademark 'Sainik' in favour of the plaintiff were pending before the Registrar of Trademarks, New Delhi, even before the institution of the suit and the factum of pendency is admitted in the plaint in terms. The proceedings for the rectification of registration in respect of 'Harsha' were filed subsequently and are pending in this Court. Plaintiff has also admittedly challenge the subsisting registration in favour of the defendants and these are pending in this Court. True, one of the rectification proceedings was filed subsequent to the institution of the suit but in view of sub-sec. (2) of S. 111 of the Trade and Merchandise Marks Act, 1958, once such proceedings are filed, for the purpose of stay the fact that they are subsequent to the suit would be immaterial. In view of the contest between the parties with regard to the validity of the registration of each other, it is reasonable and proper that the suit is stayed u/s 111 of the Act."

9. Similarly, in *M/s Elofix Industries (India) v M/s Steel Bird Industries*, **AIR 1985 Delhi 258**, in composite proceedings for alleged infringement and passing off the learned Single Judge in paragraph 5 of the Report came to the conclusion that the suit is liable to be stayed:

"It is not disputed that after the service of the summons in the present suit, the defendants filed their written statement on 14-9-1983 and simultaneously filed C. O. No. 17/1983, a petition under Ss. 107, 46 and 56 of the Trade & Merchandise Marks Act for the rectification of the plaintiffs trade Mark No. 252967-B in Class 7, dated. 7-11-1968. S. 111 seeks to prevent parallel enquiries in the same matter. The intention of the Legislature is that the Court trying the suit must wait for the result of rectification proceedings before it passes any final order or decree involving the validity of the registration. Instead of requiring the Court to raise as issue regarding the invalidity of the plaintiff's registration of the trade mark, the defendant filed the rectification proceedings. In my opinion this is a substantial compliance with the provisions of clause (B) (ii) of sub-section 1 of S. 111 of the Trade & Merchandise Marks Act. Even otherwise under S. 151 of the Code P.C. this Court under its inherent powers can grant the stay of the action of the plaintiff, as no useful purpose would be served by proceeding

with the case while the plaintiff's trade mark is in jeopardy and the outcome of the rectification proceedings is awaited.”

10. We see no reason to differ with the view taken by two learned Single Judges of this Court on a plain reading of Section 111 of the Trade and Merchandise Marks Act, 1958 which is in pari materia with Section 124 of the Trade Marks Act, 1999.

11. Learned counsel for the Respondent, however, drew our attention to *Bhavnesb Mohanlal Amin and Anr. v. Nirma Chemicals Works Ltd. and Anr.*, *JT 2005 (10) SC 232* to contend that it is not obligatory that the suit should be stayed pending rectification/cancellation proceedings. In this context, he drew our attention to paragraph 16 of the Report which is as follows:

“It is pointed out by learned counsel for the respondents that since the appellants have moved for action in terms of Section 111 of the Trade and Merchandise Marks Act, 1958 (in short the 'Old Act') corresponding to Section 124 of the Act there is no scope for proceeding in the suit further. Learned Counsel for the parties agreed that an early disposal of the matter would be in the interest of the parties. Learned Counsel for the appellants fairly stated that the question relating to bar of jurisdiction in terms of Section 111 of the Old Act corresponding to Section 124 of the New Act shall not be raised and the trial court would be free to proceed with the suit.”

12. On a reading of the above paragraph, we find that it is quite clearly stated that both learned counsel appearing in the Supreme Court had agreed that early disposal of the matter would be in the interest of the parties. Learned counsel for the appellants in the Supreme Court stated that the question relating to the bar of jurisdiction under Section 111 of the Trade and Merchandise Marks Act

(corresponding to Section 124 of the Trade Marks Act) shall not be raised and the trial court would be free to proceed with the suit.

13. In view of the above, we find that the judgment referred to by learned counsel is not at all relevant to this case since it has proceeded on a concession that the bar of jurisdiction would not be raised.

14. Our attention has also been drawn to *Arun Colour Chem & Ors. v. Mithumal Essance Mart & Anr., 2009 VII AD (Delhi) 581*. In our opinion, the passages relied upon by learned counsel, that is paragraphs 15 and 16 of the Report do not support his case at all but in fact support the case of the Appellants. In that case, the argument was that a stay should not be granted when the suit is at the stage of final hearing. This was rejected by the learned Single Judge who held that an order staying further proceedings in the suit can be passed at any time during its pendency. This is what was said:

“15. It was sought to be urged by Mr. Sushant Singh that normally an order staying the suit seeking permanent injunction for infringement of registered trade mark under Section 124 of the TM Act, 1999 is passed at an interlocutory stage and not when the suit is at the stage of final hearing.

16. This Court is unable to agree with the above submission. The wording of Section 124 (1) does not indicate that an order staying the proceedings cannot be passed at any time before the disposal of the suit or that it can be passed only at an interlocutory stage. Moreover, when the applications for rectification have been filed by the Plaintiff only in October and December 2007, there is no occasion for this Court to have considered earlier whether the provisions of Section 124 of the TM Act stood attracted. It appears to this Court that there is no option but to stay the further proceedings in terms of Section 124 of the TM Act.”

15. We are of the view, therefore, that the law on this issue is quite well settled. Where an application for rectification/cancellation of a registered trade mark is pending before the statutory authority, the High Court is obliged to stay further proceedings in the suit pending before it pursuant to Section 124(1) of the Trade Marks Act, 1999.

16. In so far as the suit out of which present appeal arises is concerned, there is an allegation against the Appellants of passing off the trade mark 'Plasto' as well as 'Non-Dust' and there is an allegation of infringement of the trade mark 'Non-Dust'.

17. In view of the express provisions of Section 124 of Trade Marks Act, we stay further proceedings in the suit in so far as the alleged infringement is concerned with regard to the trade mark 'Non-Dust' until the disposal of the matter before the Intellectual Property Appellate Board. It is, however, made clear that the passing off action may continue.

18. No further orders are required to be passed on this appeal. It is, therefore, disposed of.

ACTING CHIEF JUSTICE

MUKTA GUPTA, J

FEBRUARY 16, 2010
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