

THE HIGH COURT OF DELHI AT NEW DELHI

% Judgment Reserved on: 7th July, 2011
Judgment Pronounced on: 18th July, 2011

+ **CS(OS) No. 1144/2001**

M/s K.E.Burgmann A/S **.....Plaintiff**

- versus -

H.N.Shah & Ors. **.....Defendant**

Advocates who appeared in this case:

For the Plaintiff: Mr. D.S.Narula, Sr. Advocate with
Ms. Vandan Miglani, Advocate

For the Defendant: Mr. M.K.Miglani, Advocate with
Mr. Kapil Kumar, Giri, Advocate

CORAM:-

HON'BLE MR JUSTICE V.K. JAIN

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

V.K. JAIN, J

1. This is a suit for grant of permanent injunction, rendition of accounts, delivery up of the infringing material and damages. Plaintiff No. 1 is a company registered in Denmark whereas plaintiff No. 2 is a subsidiary of plaintiff No.1 and is registered in India. Plaintiff No. 1 company was

founded by Mr. Keld Ellentoft for developing, designing and manufacturing, fabric, elastomer and fluoropolymer expansion joints/compensators, which are installed to accommodate thermal expansion/contraction of the ducting system due to rise and fall in temperature and claims to be a well known manufacturer of these products carrying business in several countries including U.K., Scandinavian countries, North and South America and South Korea.

Pursuant to Joint Venture Agreements dated 15.1.1987 and 6.5.1987 the first agreement between plaintiff No. 1 F.Harlay and Company and the second between it and the directors of F. Harlay and Company, defendant No. 2 was incorporated in India on 14.5.1987, for the purpose of manufacturing and marketing expansion joints/compensators, coating materials and related services. 40% of the share capital of defendant No. 2 company was contributed by Danish partners, whereas the remaining 60% was subscribed by the Indian partners. The technology for manufacturing and technical knowhow to defendant No. 2 was provided by plaintiff No. 1. A technical collaboration agreement was entered into between plaintiff No. 1 and

defendant No. 2 whereby defendant No. 2 was granted a license, by plaintiff No. 1, to use its trademark with respect to licensed products manufactured for export only. It was stipulated in agreement that on its termination/expiration, defendant No. 2 shall have non-exclusive rights to use the technical knowhow and information but would not have right to use any trademark of plaintiff No. 1, whether licensed during the term of the agreement or otherwise. The Collaboration Agreement was extended for a period of 05 years and expired on 14.2.1998. In the meanwhile, the name of Danish company was changed first from M/s Keld Ellentoft A/S to M/s K.E. Safematic A/S and then to M/s K.E. Burgmann A/S, when it was taken over by Feador Burgmann Dichtungswerke GmbH & Company. Plaintiff No. 1 and defendant No. 1 signed a Memorandum of Agreement dated 12.6.1993 whereby they agreed to remain bound by the earlier existing relationship between defendant No. 2 and predecessors of plaintiff No. 1.

In December, 1999, it was decided that Danish partners would sell their shares in defendant No. 2 company to the Indian partners and will thereafter be free to set up

an independent business. It was further agreed that the defendants would issue a 'No Objection Certificate' in this regard to plaintiff No. 1. Defendant No. 2 filed a suit for injunction in Madras High Court which was settled in terms of a Memorandum of Compromise whereby a 'No Objection' was given to plaintiff No. 1 to set up its independent business in India and defendant No. 2 was allowed to continue to manufacture and sell only the products specified in the Memorandum of Compromise. Defendant No. 1 was not permitted to use any trademark or logo "KE" of plaintiff No. 1 company and it was agreed that defendant No. 1 will not represent itself as a company connected with or part of plaintiff's.

The case of the plaintiffs is that plaintiff No. 1 uses the "KE" mark and "KE" logo in various countries. The aforesaid mark and "KE" logo are its exclusive property registered in the name of plaintiff No. 1 or its subsidiary in a number of countries. This is also the case of the plaintiffs that defendants were allowed to use the logo as a permissive use and they are not entitled to use the same after termination of relationship between the parties. It is alleged

that the defendants have been found continuing to use the “KE” logo on their letterheads, stationery, business material, publicity brochure etc. thereby giving an impression that they are connected with plaintiff No. 1. During the subsistence of Joint Venture, the “KE” logo was registered in the name of defendant No. 2 which, according to the plaintiff was illegal and unlawful. The plaintiffs have sought an injunction restraining the defendants from using “KE” logo or any logo which is a substantial reproduction or a colourable imitation of their logo. They have also sought injunction against use of the mark “KE” in relation to any product except to the extent it was allowed under the Memorandum of Agreement, which formed part of the compromise between the parties. They also sought injunction restraining the defendants from representing that they were registered proprietors of “KE” logo/mark. They also sought an order directing them to transfer the aforesaid mark to the plaintiffs. The plaintiffs have also claimed damages amounting to Rs.25 lakh and delivery up of stationery, brochures etc. bearing their logo and/or mark.

2. The defendants have contested the suit and have

taken a number of preliminary objections. They have alleged that (i) this Court has no territorial jurisdiction to try the present suit; (ii) the suit is barred by limitation; (iii) the plaint has not been signed and verified by a competent person; (iv) the suit suffers from delay, laches and acquiescence; and (v) the suit is liable to be stayed in view of the arbitration agreement between the parties. They have also claimed that in view of compromise between the parties before Madras High Court, the present suit is not maintainable. On merits they have claimed that defendant No. 2 is the proprietor of the trademark “KE” logo registered in its name in respect of expansion joints/compensators. They have also alleged that the registration was obtained by defendant No. 2 with the knowledge, consent and encouragement of the plaintiff. It is also alleged that defendant No. 2 has been extensively using the “KE” logo on its products, letterheads, advertisements, brochures etc. to the knowledge of the plaintiffs. It is also alleged that “KE” logo does not enjoy any trans-border reputation, spilling over to India.

3. The following issues were framed:

1. *Whether this Hon'ble Court has no territorial jurisdiction to entertain and try the present suit? – OP Parties*
2. *Whether the suit is liable to be stayed and the matter be referred to Arbitration in view of the Arbitration Agreement between the parties? – OPD*
3. *Whether the present suit is barred by limitation? – OPD*
4. *Whether the suit has been signed and verified properly and by a competent person?*
5. *Whether the suit is maintainable in view of compromise decree granted by Hon'ble High Court of Madras in Civil Suit No. 341/2000? – OPD*
6. *Whether the suit suffers from delay, laches and acquiescence, if so to what effect? – OPD*
7. *Whether the plaintiff has any transborder reputation in the impugned trademark? – OPP*
8. *Whether the defendant has passed off its goods as those of the plaintiff? – OPP*
9. *Whether the defendant is guilty of infringement of copyright? – OPP*
10. *Whether the plaintiff is owner of copyright of the impugned logo? – OPP*
11. *Whether the suit has been valued properly and requisite Court Fee has been paid thereto? – OPP*
12. *Whether the defendants are liable to be permanently restrained from using the trademark “KE” for products other than those mentioned in para 13 of the plaint? – OPP*
13. *Whether the defendants are entitled to use the logo “KE” as a part of their name and trading style? – OPP*
14. *Whether the defendants are liable to pay damages as claimed? – OPP*
15. *Whether the NOC dated 7.6.2000 permits the defendant to use the trademark “KE” on all its products? – OPP*
16. *Relief.*

ISSUE No. 1

4. Admittedly defendant No. 2 company has an office in Delhi at the address H-49A Kalkaji, New Delhi which is also its sole address given in the plaint. In his affidavit annexed to the Written Statement, defendant No.1 Mr. H.N.Shah has given the address of defendant No. 2 as H-49A Kalkaji, New Delhi. The same address also appears on the letterhead and brochure of defendant No. 2-company as well as on the visiting card of its employee, filed by the plaintiffs. Section 20(a) of the Code of Civil Procedure, to the extent it is relevant, provides that the suit shall be instituted in a Court within the local limit in whose jurisdiction the defendants carry out business or work for gain at the time of commencement of the suit. The explanation to the Section provides that a corporation shall be deemed to carry on business at its sole or principal office in India or, in respect of any cause of action arising at any place where it has also a subordinate office, at such place. It has been specifically alleged in para 24 of the plaint that the defendants carry on their business for profit and gain within the territorial jurisdiction of this Court. There is no

averment in corresponding para of the written statement that defendant No. 2-company is not carrying any business at H-49A, Kalkaji, New Delhi and that it is only a postal address of defendant No. 2. No witness of the defendants has claimed that defendant No.2-company is not carrying any business at H-49A, Kalkaji, New Delhi. The documentary evidence produced by the plaintiff, coupled with implied admission contained in the written statement and no evidence from the defendants in rebuttal is sufficient to prove that the defendants were carrying business in Delhi when the suit was instituted.

The logo “KE” is being used by defendant No. 2 on the brochure of its products, on its letterheads as well as on the visiting cards of its employees. Since defendant No. 2 has been carrying business in Delhi, obviously, it must be using the stationery such as brochure, letterheads and visiting cards bearing the logo “KE” in Delhi and the use of the aforesaid logo constitutes cause of action for the plaintiffs to file this suit. Since cause of action on account of use of use of the logo “KE” on the stationery of defendant No. 2 arose also in the jurisdiction of this Court, this Court

has territorial jurisdiction to try the present suit.

5. The learned counsel for the defendants has referred to **Dabur India Limited v. K.R.Industries** 2008(37) PTC 332 (SC), **Patel Roadways Limited v. Prasad Trading Company** AIR 1992 SC 1514, **Saranya Zaveri v. Kamdon Academy Pvt. Ltd.** 2008(38) PTC 554 Ker. & **Dhodha House & Patel Field Marshal Industries v. S.K. Maingi** 2006(32) PTC 1 (SC) in support of his contention that this Court has no territorial jurisdiction to try the present suit. None of these judgments applies to the facts of this case since cause of action to file this suit arose also in the jurisdiction of this Court and defendant No. 2-company has also been carrying business within the jurisdiction of this Court. In the case of **Dabur India Ltd.** (supra), defendant was a resident of Andhra Pradesh and there was no evidence to prove that it was selling goods in Delhi. It was in these circumstances that Supreme Court held that a composite suit for infringement of copyright and passing off would not lie in the same forum.

In the case of **Patel Roadways Limited (supra)**, the defendant-corporation had a subordinate office at the

place where cause of action arose. It was held that where the defendant does not have a sole office, but has principal office at one place and a subordinate office at another place, it is not the Court within whose jurisdiction the principal office of the defendant is situated, but the Court within whose jurisdiction it has a subordinate office, which alone shall have jurisdiction in respect of the cause of action arising at a place where it also has a subordinate office. Since the cause of action which led to the filing of this suit arose in the jurisdiction of this Court on account of the defendant having office in Delhi and using the stationery bearing the logo “KE” in Delhi also, the territorial jurisdiction of this Court cannot be disputed.

In the case of **Saranya Zaveri** (supra), it was held that in a suit falling under clause 3(c) of Section 134 (1) of Trade Marks Act, 1999, the territorial jurisdiction of the Court has to be decided with reference to general provisions of the Code of Civil Procedure, namely, under Section 15 to 20 and not with reference to sub-Section (2) of Section 134 of Trade Marks Act. This judgment does not help the defendant for the simple reason that if Section 20 of the

Code of Civil Procedure is applied, this Court does have territorial jurisdiction to try the present suit.

In the case of **Dhodha House** (supra), it was held that territorial jurisdiction cannot be conferred upon a Court by joining two cause of action, one for infringement of trademark and the other for copyright. This judgment is of no help to the defendants since there is no such clubbing of causes of action in the present suit and the suit of the plaintiff, to my mind, is based primarily on passing off and the contractual obligation arising out of the agreements between the parties.

For the reason given in the preceding paragraphs, the issue is decided against the defendants and in favour of the plaintiffs.

Issue No. 3

6. This issue was not pressed during arguments. The issue is accordingly decided in favour of the plaintiff.

Issue No. 2

7. A careful analysis of Section 8 of Arbitration and Conciliation Act, 1996 would show that the following conditions are required to be fulfilled before the Court can

refer the matter to arbitration;

- (a) the dispute between the parties should be subject matter of an arbitration agreement;
- (b) one of the parties to the suit should apply for referring the parties to arbitration;
- (c) the application should be filed on or before submitting first statement on the substance of the dispute and;
- (d) the application should be accompanied by the original arbitration agreement or its certified copy.

8. In **Sukanya Holdings Pvt. Ltd. v. Jayesh H. Pandya & Anr. AIR 2003 SC 2252** Supreme Court, while interpreting Section 8 of the Act, inter alia, observed as under:

“Further, the matter is not required to be referred to the arbitral Tribunal, if-(1) the parties to the arbitration agreement have not filed any such application for referring the dispute to the arbitrator; (2) in a pending suit, such application is not filed before submitting first statement on the substance of the dispute; or (3) such application is not accompanied by the original arbitration agreement or duly certified copy thereof.”

9. It was contended by the learned counsel for the defendants that since they have pleaded in the written statement that the suit is liable to be dismissed and the matter is to be referred to arbitration as the agreement, being relied upon by the plaintiffs, contains an arbitration clause, failure of the defendants to file an application under Section 8 of Arbitration and Conciliation Act would not be material. I, however, find no merit in this contention. It is not as if a Civil Court lacks inherent jurisdiction to adjudicate upon the civil disputes which are covered by an arbitration agreement between the parties. Nothing prevents a party to the suit from submitting to the jurisdiction of the Civil Court, despite there being an arbitration agreement between the parties and such submission to the jurisdiction of the Civil Court needs to be inferred when the defendants do not file an appropriate application under Section 8 of the Act, seeking reference to the arbitration in terms of agreement between the parties. The purpose behind requirement of filing such an application before submitting the first statement on the substance of the dispute is to ensure that the precious time of the Court is not spent on adjudicating upon a dispute

which is covered by an arbitration agreement. The jurisdiction of Civil Court is not ousted on account of an arbitration agreement between the parties. It is ousted only when an application under Section 8 of the Act is filed by the defendant.

10. In **K.Jayakumaran Nai vs. Vertex Securities Ltd.** *AIR 2005 Ker. 294*, the defendant filed Written Statement raising a contention that there was an arbitration agreement between the parties. After framing of issues he filed an application seeking reference of the dispute for arbitration. The High Court noted that Section 8 of the Act clearly provides that the application had to be made not later than submitting the first statement whereas the application before it had been filed after the issues were framed. The Court expressly rejected the contention that since the matter had been raised in the Written Statement that was enough. While doing so the Court noted that the Written Statement contained no prayer for referring the matter for arbitration.

In **West Bengal State Electricity Board and Ors. Vs. Shanti Conductors Private Ltd.** *AIR 2004 Gau 70*, the defendants filed Written Statement indicating that the

dispute which had arisen between the parties and led to institution of the suit, was covered by arbitration clause. After submitting the Written Statement on 22.9.2000 the defendants filed an application under Section 8 of the Act on 7.11.2000 seeking reference of the dispute to the arbitration. The trial Court having rejected the application the matter was agitated by the defendant before the High Court and it was contended that in the plaint itself the plaintiff had admitted the existence of the arbitration clause and the Written Statement also indicated about its existence and therefore the Court below had taken a misconceived view of law as to its jurisdiction. Rejecting the contention, the High Court inter alia held as under:

In the case at hand, the application under Section 8 was made by the defendants after the written statement stood submitted. Hence, this application was not maintainable. The fact that the existence of the arbitration clause was admitted in the plaint or asserted in the written statement is immaterial inasmuch as the Court, under Section 8, can refer for arbitration a dispute pending in a civil suit only when the party or parties concerned make application for getting the dispute referred to arbitration. If despite existence of arbitration clause, the parties choose to contest the suit, the powers under Section 8 cannot be

invoked.

11. The learned counsel for the defendants has referred to **Hindustan Petroleum Corporation Ltd. vs. Pinkcity Midway Petroleum** (2003) 6 SCC 503 and **P. Philip vs. Director of Enforcement, New Delhi** AIR 1976 SC 1185. In the case of **Hindustan Petroleum Corporation Ltd.** (supra), an application under Section 8 of Arbitration and Conciliation Act was filed by the defendant in reply to the suit summons. There is nothing in this judgment which would support the proposition that a Civil Court lacks inherent jurisdiction to adjudicate upon a dispute covered by an arbitration agreement and is precluded from doing so even if the defendant do not file an application under Section 8 of Arbitration and Conciliation Act. As far as the decision in the case of **P. Philip** (supra) is concerned, the reliance on the judgment is wholly misplaced since this judgment does not even pertain to the question of jurisdiction of Civil Court to adjudicate upon a dispute covered by an arbitration agreement. The issue is, therefore, decided against the defendants and in favour of the plaintiffs.

Issue No. 4

12. The plaint has been signed and verified and the suit had been instituted by Mr D. Lahiri as Constituted Attorney of the plaintiff-companies. Ex. PW-2/2 is the copy of the Resolution passed by Board of Directors of plaintiff No. 1 in its meeting held on 06th April, 2001. Vide this Resolution, it was decided that legal action be initiated against M/s Keld Ellentoft India Pvt. Ltd. and its Directors and for this purpose, Mr D. Lahiri, Managing Director of plaintiff No. 2-company, was authorized to institute a suit against defendant No. 1-company as well as its directors. The authority delegated to him included authority to engage advocates, institute or defend legal proceedings and sign & verify the pleadings. Plaintiff No. 2 is a subsidiary of plaintiff No.1-company. Order XXIX Rule 1 of the Code of Civil Procedure, to the extent it is relevant, provides that in suits by or against a corporation, any pleading may be signed and verified on behalf of the corporation by the Secretary or by any director or other principal officer of the corporation who is able to depose to the facts of the case. Since Mr D. Lahiri is the Managing Director of plaintiff No. 2-company, he is competent to sign and verify its pleadings on its behalf. In **United Bank of India vs. Naresh Kumar & Ors.** (1996) 6

SCC 660, Supreme Court, reading the provisions of Order VI Rule 14 of the Code of Civil Procedure together with Order XXIX Rule 1 thereof was of the view that even in the absence of any formal letter of authority or power of attorney having been executed a person referred to in Rule 1 of Order XXIX can, by virtue of the office which he holds, sign and verify the pleadings on behalf of the corporation. It was further held that in addition thereto and *de hors* Order XXIX Rule 1 of the Code of Civil Procedure, as a company is a juristic entity, it can duly authorize any person to sign the plaint or the written statement on its behalf and this would be regarded as sufficient compliance with the provisions of Order VI Rule 14 of the Code of Civil Procedure.

Hence, in view of the provisions of Order XXIX Rule 1 of the Code of Civil Procedure, the Resolution passed by plaintiff No. 1-company on 06th April, 2001 and Mr D. Lahiri, being the Managing Director of plaintiff No. 2-company, I have no hesitation in holding that the suit has been instituted and the pleadings signed and verified by a competent person on behalf of the plaintiff-companies. In fact, even I proceed on the assumption that Mr D. Lahiri had authority to institute the suit only on behalf of plaintiff

No. 1-company, in terms of the Resolution passed on 06th April, 2001, but, being its Managing Director, he had no authority to institute a suit on behalf of plaintiff No. 2 in the absence of a Board Resolution from plaintiff No. 2-company in his favour, the suit would still be maintainable since it is plaintiff No. 1-company, which owns the logo “KE”, which is aggrieved on account of use of the logo “KE” by defendant No. 2-company, and is aggrieved on account of its use by defendant No.2-company on its stationery, etc.

The learned counsel for the defendants has referred to the decision of this Court in **Nibro Limited Vs. National Insurance Co. Ltd** *AIR 1991 Del 25* and **H.P. Horticultural Produce vs. United India Insurance Company** *AIR 2000 HP 11*. However, neither of these judgments can be of any help to the defendants in view of the authoritative pronouncement of the Supreme Court in the case of **United Bank of India** (supra) and the Resolution passed by plaintiff No.1-company, authorizing Mr D.Lahiri to institute this suit and sign & verify the pleadings on its behalf. As held by Karnataka High Court in **M/s Private Eye (P) Ltd. v. Hind High Vaccum Co. Pvt. Ltd.** *AIR 2003 Karnataka 95*, relying upon the decision of

Supreme Court in the case of United Bank of India (Supra), dismissal of a suit on such technical grounds is not appropriate. In the case before Karnataka High Court, the plaint was signed by the director of the company. The suit was dismissed on the ground that the company had not authorized the director to file the suit and sign the plaint. The judgment of the trial Court was set aside by the High Court.

The issue is decided against the defendants.

Issue No. 5

13. Clause 12 of the Compromise Deed between the parties before Madras High Court in CS No. 341/2000 Ex. PW-2/11 reads as under:

“The parties hereto agree and confirm that all issues between them whether as joint venture partners or share holders have been discussed, addressed and finally resolved and all the parties hereto confirm that none of them are having any rights or claims against each other whether monetary or otherwise (except as provided herein) and that the parties do not have any further cause or grievance against each other for any future action on any account whatsoever arising out of the joint venture.”

Relying upon the aforesaid clause, it has been contended by the defendants that after this compromise, no

suit by the plaintiffs against defendants is maintainable with respect to use of the logo “KE” by the defendants. I, however, find no merit in this objection. The case of the plaintiff is that though the compromise between the parties clearly stipulated that defendant No. 2 would ensure that its stationery, publicity material, audio/visual material, etc. shall not indicate or imply that defendant No.2-company was anymore connected with plaintiff No.1-company or International Burgmann Group, the defendants have committed breach of that agreement by using the logo “KE” on the stationery, including brochure, letterhead and visiting cards. If this is so, it cannot be said that the plaintiff-companies are precluded from filing a suit for grant of injunction, restraining the defendants from committing breach of the aforesaid contractual obligation. The dispute with respect to use of the logo “KE” on the stationery of defendant No-2-company contrary to the terms of the settlement before Madras High Court having arisen after the aforesaid settlement, it cannot be said that it is barred by *res judicata* or otherwise. The issue is, therefore, decided against the defendant and in favour of the plaintiff.

Issue No. 7

14. No evidence has been led by the plaintiffs to prove that “KE” logo enjoys a trans-boarder reputation in India. The issue, therefore, is decided against the plaintiff and in favour of the defendant.

Issue No. 11

15. No arguments were advanced on this issue. Even otherwise, the plaintiffs have paid *ad valorem* court fee on the valuation given by them. The issue is decided against the defendant and in favour of the plaintiffs.

Issue Nos. 8, 9, 10, 12 ,13 and 15

16. These issues are interconnected and can be conveniently decided together.

It is not in dispute that defendant No.1-company knew it very well that “KE” logo was owned by plaintiff No.1-company in a number of countries. This is not the case of the defendant No.2 that the trademark “KE” logo was coined and adopted by it. On all the pages of agreement dated 15th January, 1987, the logo “KE” was embossed. Vide Article 10 of Technical Collaboration and Assistance Agreement dated 19th May, 1987, plaintiff No.1, granted to defendant No.1-company, a non-exclusive licence, royalty free right to use the trademarks with respect to licensed products

manufactured for export only and it was stipulated that on each licensed product manufactured for export pursuant to said licence, licensee shall place or have placed prominently, in a legible from and permanent manner such trademark identification as the licensor from time to time may direct. Defendant No. 2 was required to use such identification in all advertising of the licensed products intended for export. Thus, it was very well known to defendant No.2-company that the trademark “KE” logo was owned by plaintiff No.1-company.

Clause (F) of Technical Collaboration and Assistance Agreement dated 19th May, 1987 reads 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.” (emphasis supplied)

Clause 10 of the Compromise Deed filed in Madras High Court 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..."

NOC dated 07th June, 2000 (Ex.PW-2/12), issued by defendant No. 1-company, which forms part of the settlement before Madras High Court, *inter alia*, reads as under:

“We further confirm that the decision aforesaid was taken mutually and that it is agreed that KEI will as in past continue its operation of manufacturing, selling, servicing and marketing of the present range of products and future developments thereof. The present range of products being:-

1. KE-FLEX (Single layer expansion joint for low temperature non aggressive medium)

2. KE-FLUAFLEX (Multilayer expansion

joint)

3. KE-CEMFLEX (Multilayer expansion joint)

4. KE-FLUASTAL (Multilayer expansion joint)

5. KE-CONVOLUTED BELLOWS as per Feodor Burgmann design fabric multi layer.

6. KE-CHIMNEY SEALS

7. KE-FIRE SEALS

8. KE-COAL MILL GAITER

9. FLUACHEM “O”

10. And future developments.

...KEB would be free to manufacture, sell, market and service in India the products (all kind of flexible joints) other than those presently manufactured, sold and serviced by KEI as mentioned above in points (1) to (9). KEB would not use the same trade names of the products listed in points (1 to 9) above. However, KEB is free to manufacture, market and sell all other products including single layer and multilayer expansion joints using laminates or any other technology which are in substitution to the above products even if it is in competition with the aforementioned products in points (1) to (9).”

It can, therefore, hardly be disputed that registration of the trademark “KE” logo in favour of

defendant No.2-company was obtained with the tacit consent of plaintiff No.1-company and was very much in its knowledge. Mr D. Lahiri has admitted in his cross-examination that registration of trademark “KE” logo in favour of defendant No.2-company was very much in the knowledge of the directors of plaintiff No.-1-company.

Clause (F) of Technical Collaboration and Assistance Agreement dated 19th May, 1987 makes it quite clear that on termination or expiry of that agreement, defendant No.-2-company was not to have any right to use any trademark of plaintiff No. 1 irrespective of, whether it was licensed during the term of the agreement or otherwise. The term “KE” logo not only belonged to plaintiff No.1 in a number of countries, this fact was very much in the knowledge of defendant No.2-company, as is evident from the aforesaid documents and, therefore, it is difficult to dispute that once the Technical Collaboration and Assistance Agreement came to an end, it has no right to use the aforesaid logo, despite registration in its favour. Permission to defendant No.2 to use the technical knowhow, even after termination of the Technical Collaboration Agreement, coupled with a clear prohibition against use of

the trademark of the plaintiffs' leaves no ambiguity in this regard. Neither the Compromise Deed nor the NOC, annexed to it, entitles defendant No. 2 to use the trademark "KE" logo. If defendant No. 2 was to continue to use the trademark "KE" logo, it would have been specifically stated so in the Compromise Deed and/or the NOC dated 07th June, 2000 and in that case, it would have been further stipulated that the plaintiffs will not use the aforesaid logo on the products which they may manufacture, sell and market in India. Neither the settlement nor the NOC place any embargo on the right of the plaintiffs to use the trademark "KE" logo. The plaintiffs were rather specifically permitted to manufacture, sell, market and service all products, except nine products, identified in the NOC. Since there was no stipulation in the NOC, prohibiting the plaintiff from using the trademark "KE" logo, which it owned in a number of countries, it would be obvious to defendant No. 2 that the products which the plaintiff-company manufactures, sells and markets in India would be manufactured, sold and marketed under the trademark "KE" logo. Therefore, grant of permission to the plaintiffs to manufacture, sell and market products other than the nine

products, identified in the NOC dated 07th June, 2000, coupled with right of defendant No. 2, having been restricted to manufacture of only those nine products, clearly indicates that defendant No. 2 was contractually obliged not to use the trademark “KE” logo, which could thereafter be used only by the plaintiff-companies on those products, which it was permitted to manufacture and sell in India. It would be pertinent to note here that the NOC specifically stipulated that plaintiff No. 1 would not use the trade name of the nine products listed in the document. This is yet another indicator that the plaintiff-company could have used the trademark “KE” logo on any of the products, manufactured, sold, marketed and serviced in India though it cannot use the trade names, as noted in the NOC.

Clause 10 of the Memorandum of Compromise filed in Madras High Court (Ex.PW-2/11), required defendant No. 2 to ensure that the stationery, publicity material, etc. used by it, would not indicate or imply any connection or association with plaintiff No. 1-company or International Burgmann Group. Since the trademark “KE” logo belongs to plaintiff No. 1-company and International Burgmann

Group in a number of countries, use of the aforesaid logo on the brochure, letterhead, etc. of defendant No. 2 is bound to give an impression to those buying the products, manufactured by defendant No.2-company or otherwise having business dealings with him, that this company continues to be associated/connected with plaintiff No. 1 and in fact, forms part of International Burgmann Group. Any person coming across the stationery material, bearing the trademark “KE” logo is likely to believe that defendant No. 2-company had not severed its connection with plaintiff No. 1 and/or International Burgmann Group. In fact, in its brochure, defendant No. 2 continues to refer to the joint venture agreement between Keld Ellentoft A/S and the Shah Business House under the heading ‘The Group Genesis’. Again, under the heading KEI Profile, it has been stated that Keld Ellentoft & Private Ltd. was started in the year 1987 as a joint venture with M/s Keld Ellentoft A/S of Denmark with 60% holding by the Indian promoters and that they had two terms of technical collaboration of five years each till 1998 during which period they had assimilated all necessary expertise for selection designing, manufacturing, selling and servicing of non-metallic expansion joints. It is further

stated that in June, 2000, the Indian promoters have taken over the share of JV partner and had acquired the complete control of the company. It thus appears that even after purchase of the equity of plaintiff No. 1-company by the Indian promoters, defendant No. 2 continues to encash on the goodwill and technical expertise of plaintiff No. 1 by referring to the collaboration agreements and the equity participation by it to the extent of 40% of the equity capital of defendant No.2-company, which it had with plaintiff No. 1-company in the past.

17. For the reasons given in the preceding paragraphs, I have no hesitation in holding that defendant No. 2-company is under a contractual obligation not to use the trademark “KE” logo on its stationery, on the products, manufactured by it or for marketing and promoting its products and business activities. The registration of the trademark “KE” logo in favour of defendant No. 2 being permissive, it has no right to continue to use the aforesaid logo, particularly in the light of the contractual obligations, contained in clause (F) of Technical Collaboration and Assistance Agreement, Article 10 of Memorandum of

Compromise filed in Madras High Court and the terms of the NOC dated 07th June, 2000, issued by it to the plaintiff-company.

18. The learned Counsel for the defendants has submitted copies of the decisions in **Shankar Sitaram Sontakke v. Balkrishna Sitaram Sontakke** AIR 1954 SC 352, **Bhavan Vaja v. Solanki Hanuji Khodaji** AIR 1972 SC 1371, **Person's Co. Ltd. v. Catherine Christman** Lexsee 900 F2D 1565, **ITC Limited v. Punchgini Inc.** 482 F.3d 135, **The Gillette Comopany v. A.K.Stationery** 2001 PTC 513 (Del.), **Smithkline Beecham Pic & Ors. v. M/s Hindustan Level Limited & Ors.** 2000 PTC 83 Del. and **Punjab Urban Planning v. Shiv Saraswati** AIR 1998 SC 2352. However, none of these judgments is relevant to the disputes involved in this case. The decisions in the case of Person's Co. Ltd. (supra), ITC Limited (supra), The Gillette Company (supra) and Smithkline Beecham (supra) deal with trans-border reputation. While deciding Issue No. 7, I have already held that the plaintiff company has failed to prove any trans-border reputation in respect of the trademark "KE" logo. The decision in the case of Shankar

Sitaram (supra) and Bhavan Vaja (supra) deal with construction of decree whereas in the case of Punjab Urban Planning (supra) it was observed that the plaintiff/appellant must succeed or fail on his own case and cannot take advantage of weakness in the defendant/respondent's case to get a decree. None of these judgments lays down any such proposition of law which would disentitle the plaintiffs from obtaining injunction against use of the trademark "KE" logo.

The issues are decided accordingly.

Issue No. 6

19. The case of the defendants is that the trademark "KE" logo was registered in favour of defendant No.2 with the knowledge, consent and encouragement of plaintiff No.1-company and even the No Objection Certificate (NOC), issued by defendant No. 2, which forms part of the compromise decree passed by Madras High Court being on the letterhead bearing "KE" logo, the plaintiffs are guilty of laches and acquiescence. I find no merit in the plea taken by the defendants. It can hardly be disputed that the registration of "KE" logo in favour of defendant No. 2 was

very much in the knowledge of plaintiff No.1-company through its directors. It has also been admitted by Mr D. Lahiri in his cross-examination. But, the facts and circumstances of the case clearly show that the registration of trademark “KE” logo in favour of defendant No.2 was permissive on account of plaintiff No. 1 company having 40% equity participation in the share capital of defendant No.2 at that time. There is no positive act on the part of plaintiff No.1 company, particularly after compromise before Madras High Court, which would indicate that the plaintiffs had given up their right in the trademark “KE” logo or had otherwise consented to its being used by defendant No.2 even after the aforesaid settlement. Acquiescence is an act of encouragement by the plaintiff to the defendant to use the infringing mark. To constitute acquiescence there needs to be a tacit or expressed assent by the plaintiff to the defendant using its mark in a manner as would encourage the defendant to continue his business using the infringing mark. In case of acquiescence, the infringer acts under a mistaken belief that he is not infringing the trademark of the plaintiff. It is also settled proposition of law that the onus lies on the defendant to prove acquiescence by the

plaintiff, which cannot be inferred merely on account of the plaintiff not taking action against the defendant for infrining its rights.

In **Power Control Appliances vs. Sumeet Machines Pvt. Ltd.** (1994) 2 SCC 448, Supreme Court, inter alia, observed 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 rights in a trade mark, trade name etc. It implies positive acts; not merely silence or inaction such as is involved in laches. In *Harcourt v. White*¹⁰ Sr. John Romilly said: "It is important to distinguish mere negligence and acquiescence." Therefore, acquiescence is one facet of delay. If the plaintiff stood by knowingly and let the defendants build up an important trade until it had become necessary to crush it, then the plaintiffs would be stopped by their acquiescence. If the acquiescence in the infringement amounts to consent, it will be a complete defence as was laid down in *Mouson (J. G.) & Co. v. Boehm*". The acquiescence must be such as to lead to the inference of a licence sufficient to create a new right in the defendant as was laid down in *Rodgers v. Nowill*¹².

“Delay simpliciter may be no defence to a suit for infringement of a trade mark, but the decisions to which I have referred to clearly indicate that where a trader allows a rival trader to expend money over a considerable period in the building up of

a business with the aid of a mark similar to his own he will not be allowed to stop his rival's business. If he were permitted to do so great loss would be caused not only to the rival trader but to those who depend on his business for their livelihood. A village may develop into a large town as the result of the building up of a business and most of the inhabitants may be dependent on the business. No hard and fast rule can be laid down for deciding when a person has, as the result of inaction, lost the right of stopping another using his mark. As pointed out in *Rowland v. Mitchell*¹⁵ each case must depend on its own circumstances, but obviously a person cannot be allowed to stand by indefinitely without suffering the consequence.”

In the case before this Court, there has been no delay on the part of the plaintiffs in initiating legal action against the defendants, the compromise before Madras High Court having been effected only on 27th April, 2000 and the suit itself having been filed on 30th May, 2001. Therefore, the plaintiff company cannot even be said to be guilty of laches or delay.

The issue is decided against the defendants and in favour of the plaintiffs.

Issue No. 14

20. The plaintiffs have not laid any evidence to prove the actual damages, if any, suffered by them on account of use of the trademark “KE” logo by the defendants. No arguments on the issue of damages were advanced by the parties. In the facts and circumstances of the case, including that since the plaintiffs could not have manufactured the 9 products which defendant No. 2 was permitted to manufacture and defendant No. 2 could not have manufactured any product, other than those identified in the compromise filed before the Madras High Court, I do not deem it appropriate to award any damages to the plaintiffs.

The issue is decided accordingly.

Issue No. 16

21. In view of my finding on the other issues, the plaintiffs are entitled to grant of permanent injunction against use of the trademark “KE” logo by defendant No.2 either on its stationery etc. or on the products manufactured by it. The plaintiffs are not entitled to any relief against defendant No.1, who is only a director of

defendant No.2 company.

ORDER

A decree for perpetual injunction is hereby passed in favour of the plaintiffs and against defendant No.2 restraining the defendant No.2 from using the trademark “KE” logo either on its stationery such as brochures, letterheads, invoices, visiting cards etc. or on the products manufactured and/or sold by it in India. Defendant No.2 is also restrained from representing that it is the proprietor of the trademark “KE” logo. The facts and circumstances of the case do not warrant any order as to costs against defendant No. 2. The suit against defendant No.1 is dismissed with no order as to costs.

Decree sheet be drawn accordingly.

(V.K. JAIN)
JUDGE

JULY 18, 2011
vn/bg