

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

Judgment Reserved on: September 13, 2012
% *Judgment Pronounced on: September 19, 2012*

+ **RFA (OS) No.4/2012**

MORGARDSHAMMAR INDIA LIMITED & ORS. Appellants
Represented by: Mr.Rajive Sawhney, Sr.Advocate
instructed by Mr.Debarshi Dutta, and
Mr.Salil Sethi, Advocates.

versus

MORGARDSHAMMAR AB Respondent
Represented by: Mr.Suhail Dutt, Sr.Advocate
instructed by Mr.Abhixit Singh,
Mr.Ankur Manchanda, and
Mr.Alam, Advocates.

CORAM:
HON'BLE MR. JUSTICE PRADEEP NANDRAJOG
HON'BLE MR. JUSTICE MANMOHAN SINGH

MANMOHAN SINGH, J.

1. The appellants filed the present appeal against the judgment and decree passed on 2nd January, 2012 in CS(OS) No.863/2010 by the learned Single Judge whereby the suit filed by the respondent for permanent injunction against the appellants was decreed restraining them from using the name “MORGARDSHAMMAR” and the trademarks “MORGARDSHAMMAR LABEL” and “MH ARROW DEVICE” or any other mark identical or deceptively similar to the trademarks/trade name “MORGARDSHAMMAR LABEL” and “MH ARROW DEVICE” and “MORGARDSHAMMAR” of the respondent.

2. The dispute revolves on four agreements and admitted facts are as under:

- (a) Centro MORGARDSHAMMAR AKTIEBOLAG also earlier known as MORGARDSHAMMAR AB (hereinafter referred to as “Volvo”) was the proprietor and owner of the trade mark “MH MORGARDSHAMMAR (LABEL)” in respect of rolling mills guides system equipments as well as spare parts for rolling mills, accessories thereof etc. Volvo was also the owner and registered proprietor of trade mark label “MORGARDSHAMMAR” and “MH ARROW DEVICE” and trade name MORGARDSHAMMAR bearing No.393277 in class 7 as of 22nd July, 1982.
- (b) Volvo entered into a Collaboration Agreement dated 3rd June, 1982 with one Sh.S.K.Gupta, Chartered Accountant acting on behalf of Modi Group for incorporation of a Company by the name of “Morgardshammar India Limited” which was to be provided technical knowhow by Volvo for manufacture of the said equipments in India. The said Collaboration Agreement expired in August, 1989 as acknowledged by the appellant in its Annual Report of 1991-92. A Shareholders Agreement dated 3rd June, 1982 was also executed under which the Modi Group was to own 60% share holding in the Indian company and 40% shareholding was to be owned by Volvo as the Collaborator of the Modi Group.
- (c) In pursuant to the above, the appellant No.1’s company was incorporated under the Indian Companies Act, 1956 in the year 1983 as a Joint Venture Company between Indian shareholders including Own Investment (India) Private Limited, Superior Investment (India) Private Limited and Mr.Umesh Kumar Modi

("Modi Group") and MORGARDSHAMMAR AB earlier known as Centro MORGARDSHAMMAR AKTIEBOLAG and also known as Volvo. 60% shareholding in the Joint Venture Company was held by the Modi Group and 40% shareholding was held by Volvo.

- (d) A Trade Mark License Agreement dated 10th September, 1984 was executed between Volvo and the appellant whereunder the appellant-company was allowed to use by Volvo its trade name and trade mark(s) including registered trade mark in India, inter-alia 393277. As per clauses 5 and 10 of the said agreement, the appellant clearly acknowledged that Volvo was the exclusive owner of the trade mark and trade name and that the appellant had no right, title or interest whatsoever in the said trade mark and trade name and was being given only a permissive user of the said trademarks and trade name till such time Volvo's shareholding was not reduced below 25% as stipulated in clauses 15 & 17 of the agreement.

Clause 15 of the Trade Mark License reads as under:-

"This agreement shall take effect from the date of signing hereof and shall be without limit of period subject to termination as hereinafter provided:

- (a) By the Proprietors giving to the Users in writing of its intention to terminate this Agreement forthwith upon the equity participation of the Proprietors with the User being reduced to less than twenty five percent of the paid up equity share capital of the User."

Clause 17 of the Trade Mark License reads as under:-

"Upon termination for any reason whatsoever the Users shall forthwith stop using the said trademarks and shall

transfer to the proprietors all registrations of the said trademarks or any other trademarks confusable therewith which the Users may have obtained with or without the consent of the proprietors without any right to compensation to the Users.....”

In view thereof you are no longer entitled to use the aforesaid Trade Marks/Trade Name and our Client hereby notifies you that the said Trade Mark agreement stands revoked and/or cancelled.

- (e) A Name License Agreement dated 9th April, 1983 (hereinafter referred to as the ‘NLA’) was also executed between Volvo and appellant having similar clause as per clause 15.

3. The said arrangement was continued between the appellants and Volvo in pursuant to four agreements but in the meanwhile, by virtue of an Asset Purchase Agreement dated June 16, 1987, Volvo sold and transferred all its business and assets including all its patents, registered designs, trademarks, copyrights and other intellectual property rights including the subject Trade Mark(s) to the respondent. The respondent was earlier also known as PREMIARAKTOREN 689 AKTIEBOLAG AND NYA MORGARDSHAMMAR AKTIEBOLAG.

3.1 As per Clause 4 of the Asset Purchase Agreement dated June 16, 1987, Volvo assigned all its trademarks, copyrights and other intellectual property rights without any limitation to the respondent. Necessary entry was made by the Trade Mark Registry also with Confirmatory Deed of Assignment dated 13th August, 2008 executed between Volvo and the respondent by way of order passed on 23rd September, 2008 whereby the respondent was registered as subsequent proprietor of the marks from 1st June, 1987.

3.2 The Asset Purchase Agreement also gave an option to the respondent to buy 40% shareholding of Volvo in appellant company which was

exercised vide Share Purchase Agreement between Volvo and the respondent/plaintiff dated December 22, 1993. However, the appellant-company refused to register the name of the respondent as shareholder of 40% shares acquired by the respondent from Volvo.

3.3 Consequently, Volvo filed a Petition No.40/111/95-CLB before the Company Law Board seeking appropriate directions which was allowed vide order dated June 16, 1998. In the said judgment in paragraphs 36 and 37, it is observed by the CLB that the appellant knew about the sale of business by Volvo to the respondent who was the respondent No.2 in the said proceedings and the appellant was really concerned whether the agreements executed with Volvo would continue or not and it is for this reason that they were opposing the transfer of shares.

3.4 Paras 36 & 37 of the order passed by the CLB read as under:-

“36. Coming to the facts of the case, it is an admitted position that the petitioner-company has entered into certain contracts in 1987 and 1988 for the transfer of their business and also certain assets including the impugned shares to the second respondent-company. It is also clear from the records that these transfers were within the knowledge of the first respondent-company. The case of the first respondent-company is that it was under a misapprehension based on information furnished by the petitioner-company that the transfer is within the same group. Incidentally the original name of the petitioner-company, viz.; the Morgardshammar AB is assumed by the second respondent-company. We have to now proceed to analyze the facts on two presumptions, namely, (a) that the first respondent-company was really misled to believe that the transfer is within the same group and (b) that the first respondent-company was fully aware that the transfers are outside the group. We have already dealt in detail with the various correspondence between the second respondent and the first

respondent to show that the first respondent-company was actually aware that the transfer is to another group. In fact the correspondence refers to the coming in of the Danieli group to India as a major shareholder of the first respondent company instead of the Volvo group which is the original shareholding group. In fact the Danieli group also expressed a desire to increase their percentage of holding in the first respondent company. It is further evident that there had been meetings between the executives of the first respondent and the second respondent companies. A careful study of the copies of correspondence from pages 35 to 51 of the counter reply shows clearly that the first respondent-company was aware that the shares have been transferred to the Danieli group. The crucial letters in January and February, 1993, indicate the real issue which appears to be the controlling interest in the first respondent-company and the threat of the Danieli group to choose another alternative by starting a Danieli company. Thereafter a Danieli company has come to be established. This appears to be the rub when the first respondent-company started adopting a hostile attitude. As such the objections are unrelated to the transfer of shares. In the circumstances it is difficult for us to accept that the first respondent-company was not aware that the transfer is to a different group.

37. Even the contention that the transfer is outside the Volvo group and hence cannot be allowed was also considered by us. If the transfer from an existing group to another group is not to be allowed such a provision should be contained in the articles of association of the company. The first respondent-company being a public company, its articles do not contain any restrictive clause with regard to the transfer of the shares even though it does incorporate some of the covenants of the shareholders agreement with regard to the composition of the board, use of brand name, etc. We are in agreement with Dada that so long as there is no restrictive stipulation in the

articles of association, the board of directors of the company cannot enforce the contents of a private agreement between two shareholders. On this the case law is unambiguous and, therefore, the petition has to be granted. Even the restrictive stipulation contained in the shareholders' agreement does not bar a transfer of the shares but only prescribes two conditions; namely, that (a) before transferring to any other persons, the shares shall be offered to the other party to the agreement; (b) it is the burden of a transferring party to ensure that the transferee is bound by the shareholders' agreement. The petitioners have complied with the first part by offering the shares to the other party to the agreement which, however, has not been accepted. As regards the second stipulation, it is for the other party to enforce the provisions of the shareholders' agreement through appropriate proceedings. The company, however, has no prerogative to stop or stall the transfer on this score since it is not a party to the agreement."

(emphasis supplied)

3.5 The said order was not challenged by appellant No.1 further, rather a Board Resolution was passed on 31st July, 1998 which reads as under:-

The Chairman explained to the Board that in the matter of transfer of shares the company should either challenge the order dated 10.06.1998 of the Hon'ble Company Law Board before the appropriate forum or transfer the shares to Morgardshammar AB. He expressed the view that since the transferee company Morgardshammar AB is a successor of the original shareholder namely Centro Morgardshammar AB. The company should decide to transfer the shares to Morgardshammar	"Resolved that the transfer of 80000 equity shares bearing distinctive numbers from 60000 to 100000 and from 160001 to 200000 standing in the name of Volvo Lastvagnar Komponenter AB be made in favour of Morgardshammar AB being the successor of the original shareholder namely Centro Morgardshammar AB and that necessary endorsement be made on the share certificates".
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AB instead of going for further litigation. Mr. B.D. Garg, Director expressed the view that since the transferee company is a successor of Centro Morgardshammar AB, the company should agree for the transfer of shares to Morgardshammar AB. Similar views were also expressed by Mr.R.K.Bansal, Director. Mr. D.B. Engineer also fully agreed with the views of the Chairman and other Directors and stated that the transferee company Morgardshammar AB is a successor of the original allottee of shares, Centro Morgardshammar AB. Mr. Engineer further stated that the transfer of shares will not affect the interests of Morgardshammar India Limited as after the transfer of shares the transferee company Morgardshammar AB will be bound by all those agreements restrictions as applicable to Centro Morgardshammar AB. Mr. Engineer expressed the view that under these circumstances the company should decide to transfer the shares to Morgardshammar AB.	
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3.6 Later on, in the Board meeting held on 26th October, 1998, the appellant No.1 confirmed the minutes of meeting dated 31st July, 1998 in the following manner:-

“The Chairman informed the Board that minutes of meeting held on 31st July, 1998 as finalized by him were signed on 21st August, 1998. A draft of the minutes were also circulated to all the Directors and were confirmed by them all.

Mr.D B Engineer, Nominee of Morgardshammar AB however stated that he wish certain modifications to be recorded in the minutes. In this connection he also drew attention to his letter dated 16th October, 1998. The Directors noted that Mr Engineer had also approved the draft minutes and had countersigned the same and sent a copy to the company. The directors unanimously disagreed with Mr Engineer’s contention at Para 2 of Page no.2 of aforementioned letter and confirmed that Mr Engineer had himself confirmed that Morgardshammar AB is the successor of the original share holder namely Centro Morgardshammar AB. The Chairman and other directors accepting the statement of Mr Engineer had agreed to accept the transfer of shares and in these circumstances, it was agreed not to further challenge the decision of Company Law Board.

The Directors were unanimously of the view that minutes as recorded were true and no changes are required to be made and took due note of the fact that Mr Engineer have also confirmed the minutes in writing.”

3.7 Pursuant to the decision of the Company Law Board, 40% shareholding was transferred in the name of the respondent.

3.8 It is not in dispute that in January, 2008, shareholding of the respondent in the appellant-company was reduced from 40% to 8% by way of an allotment of 7,50,000 shares to Mr.B.K.Modi by the appellant-company without the knowledge of the respondent who came to know about it only in November, 2009 and the Trade Mark License Agreement was revoked by the respondent by notice dated 15th March, 2010 and the

appellant was called upon to cease and desist from using the trade mark and trade name of the respondent-company. The appellants by their reply dated 9th April, 2010 stated that only Volvo could have terminated the Trade Mark License Agreement and that it had no privity of contract with the respondent. The appellants were entitled to continue using the trade mark and trade name. Thereafter, within the short span of time, respondent filed the suit being CS(OS) No.863/2010. After recording the evidence of the parties and hearing, the said suit was decreed vide judgment and decree passed by the learned Single Judge on 2nd January, 2012 which have been challenged by the appellants on many grounds.

4. The main case set up by the appellants in the appeal is that pursuant to contemporaneous agreements (the appellants documents) which form part of one transaction, executed in 1982 the Indian shareholders and a Swedish Company agreed to collaborate and to set up a joint venture in India, and pursuant thereto the Indian Company i.e. the appellant was incorporated on 3rd June, 1982. The Indian shareholders subscribed to 60% of the equity shares of the appellant-company and Volvo subscribed to 40% of the equity shares. The appellant-company was incorporated with the name “Morgardshammar India Limited” in terms of and pursuant to Clause 18 of the Collaboration Agreement. Volvo agreed to and transferred knowhow to the appellant for which the appellant agreed to pay a knowhow fee to Volvo. The appellant-company also agreed to pay royalty to Volvo. The appellant as also its Indian promoters/shareholders proceeded on the promises and assurances made by Volvo that:

- (i) the appellant would have the right “for all times to come” to use the trademarks and the word MORGARDSHAMMAR in its name;

- (ii) that the right to cancel the appellants' above rights to the trade mark and name was permissible only on occurrence of the specific eventualities stated both in the Collaboration Agreement (Clause 18.4) and in the Trade Mark License Agreement (Clause 15);
- (iii) that Volvo has never exercised the right to cancel the appellants' rights to the trademarks under anyone of the agreements;
- (iv) that Volvo, though it may have subsequently sold the trademarks to the respondent pursuant to the Asset Purchase Agreement dated 16th June, 1987 the four prior agreements with the appellants were never assigned to it (and could not have been assigned) and that the respondent has not stepped into the shoes of Volvo and cannot assert rights under the four agreements that Volvo signed with the appellants; and
- (v) that the respondent is a stranger to the agreements signed by Volvo with the appellants and their Indian shareholders.

In support of his submissions, Mr. Rajive Sawhney, learned Senior counsel appearing on behalf of the appellants referred Clauses 2, 3, 5, 18, 21, 25 & 31 of the Collaboration Agreement dated 3rd June, 1982, Clauses A to F, 5-7, 15 & 16 of the Shareholders Agreements of the same date, and Clauses 1 & 15 of the Trade Marks Licence/Registered User Agreement dated 10th September, 1984.

5. Before dealing with the rival submissions of the parties, it is necessary for us to refer and discuss the impact of relevant terms and conditions of four agreements entered between the appellants and the Volvo as well as the subsequent three agreements between Volvo and respondent.

Collaboration Agreement

6. It is the common case of the parties that a Collaboration Agreement was entered into between Volvo and S.K. Gupta & Associates as one of the promoters of appellant No.1. On the same day, Shareholders Agreement was also executed between Volvo and Modi Group. As per the Shareholders Agreement, Modi Group was to have 60% shareholding; whereas Volvo was to retain 40% of the shareholding in appellant No.1. Appellant No. 1 was set up for fabrication, construction, manufacturing and supply of rolling mills guide system equipments; spare parts for the said system as well as spare parts for rolling mills. Volvo was having past experience of several years in the designing, fabrication, construction and manufacturing of rolling mills guide system, spare parts for rolling mills and accessories thereof. Volvo was to provide knowhow and technology for the designing, fabrication, construction and manufacturing of such equipments to the appellant No.1, after its incorporation. Volvo also agreed to allow the appellant No. 1 to use its Intellectual Property for marketing the products manufactured by appellant No.1 as also its corporate name. Relevant is Clause 18 of the Collaboration Agreement in this regard, which reads as under:-

“18. PRODUCT AND CORPORATE NAME

18.1 Subject to the approval of the relevant Government authority in India, if required, the said Equipment manufactured by the new Company shall be sold under the name “MH Morgardshammar India” or any other name indicated by MH and approved by the new Company. MH and the new Company shall jointly make an application to the Registrar of Trade Marks under the Indian Trade and Merchandise Marks Act 1958 for the appointment of the new Company as exclusive registered users of the trade mark “MH Morgardshammar India”, the registration of which is being applied for by MH in India, in respect of Roller

Guides and spare parts for Rollar Guides as provided in Part I and Part II respectively of Annexure A hereto.

18.2 The use by the new Company of the name and trade mark set out in para 18.1 and the right to use the work “Morgardshammar in its corporate name as per Clause 3 above is conditional upon the said Equipment being manufactured by the new Company strictly in accordance with the specifications laid down, directions given, know-how, Drawings and information supplied and technical advice tendered by MH and of quality set out in Clause 13 hereof. In the event that the said Equipment should not any longer comply with the said requirements MH and the new Company shall first make joint efforts to rectify any drawbacks on agreed terms between MH and the new Company. If, however, within a period of Ten (10) months such rectification is not possible, then MH may terminate the right of the new Company to use the said corporate name and trade mark with immediate effect without any right to compensation to the new Company. Provided MH shall be entitled to purchase the inventory of finished goods and/or goods in progress of the said Equipment at the time of termination at the cost price of the new Company meaning the ex-factory price less profit. If MH should not exercise the said option to purchase within Three (3) months after the termination, the new company shall be allowed to sell the inventory under the said trade mark within a period of one year. In such a case MH shall be entitled to receive the amount of royalty stipulated in Clause 1J hereof to the extent of Fifty percent (50%) thereof.

18.3 MH may stipulate the conditions it deems fit for the use of the “Morgardshammar” name in the new Company’s activities. The use of the symbol, logo and trade mark in plain letters and/or distinctive style on the stationary, in sales leaflets and other sales promotion material and on the products of the new

Company shall be subject to prior approval in writing by MH.

18.4 The right of the new Company to use the word “Morgardshammar” in its corporate name or to use the trade name and trade mark, referred to in para 18.1 or the logo, symbol or design of MH or any other trade mark, trade name, corporate name, symbol, logo or design identical with or resembling those used by or registered for MH shall, without any right to compensation to the new Company, terminate on the equity participation of MH with the new Company being reduced to less than 25% of the paid-up equity share capital of the new Company upon written request being made by MH at any time thereafter to the new Company, or if this Agreement is terminated in accordance with para 21.2 or 21.3. All registrations which the new Company may have obtained with or without the consent of MH shall be transferred to MH without any right to compensation to the new Company. Subject to the provisions of Clause 18.2 hereof, the new company shall have the right to use such trade name or trade mark on the said Equipment already manufactured or which is in the course of manufacture on the date of such termination.

18.5 Should the right to use the word “Morgardshammar” in its corporate name terminate as provided in para 18.2 or 18.4 above, the new company shall take all necessary steps to make clear to all concerned that the new Company has no business connection with MH and shall forthwith adopt a new corporate name excluding the word “Morgardshammar”.

18.6 All units of the said Equipment manufactured by the new Company in accordance with this Agreement shall display in a conspicuous manner by means of name plates or otherwise that they are manufactured under a license from MH and the text and the place thereof shall be subject to prior approval in writing by MH.”

7. Clause 21.1 of the Collaboration Agreement provided that the agreement shall remain valid for a period of five years from the date of commencement of commercial production provided such commencement of commercial production is not delayed beyond the period of three years from the date of the agreement i.e. for a maximum period of eight years from the date of agreement. Clause 31.2 provided that clause 18, amongst certain other clauses, shall survive the expiration or termination of the agreement.

Shareholders Agreement

8. Clause 1.1 of the Share Holders Agreement provided that Memorandum and Articles of Association of the Company shall, as far as possible incorporate the terms of the agreement. It further provided that after incorporation of the company issue of shareholding between Volvo and Modi Group would be 40% and 60% respectively. Clause 5.1 provided that in the event Volvo or any of the Indian Shareholders decides to dispose of wholly or partly of its beneficial ownership or any shares owned by it, the other party shall have first right to refusal. Relevant Clauses 5.1 and 5.7 read as under:-

“5.1. In the event that MH or any of the Indian Shareholders decides to dispose wholly or partly of its/his beneficial ownership or any shares owned by it/him, the Indian Shareholders pro rata to the number of shares already held by each of them in the company (in the case of MH wishing to sell) and MH or its appointee (in the case of any of the Indian Shareholders wishing to sell) shall have the right of first refusal at a fair value to be mutually agreed between seller and buyer and, failing such agreement, to be conclusively determined by the Auditors of the Company acting as experts and not as arbitrators whose decision shall be final and binding on the parties. In case the Company has joint Auditors and such joint auditors do not agree upon a common price

they shall refer the matter to a third auditor who shall conclusively determine such price. In case the joint Auditors do not agree to the appointment of the third auditor, the name of such third auditor shall be determined by the Institute of Chartered Accountants in India. Such price shall, however, be subject to the approval (if required) of the Government of India and the Central bank of Sweden.

5.7 If pursuant to this Agreement a transfer of shares in the Company is made to a person who is not a party hereto, the Transferor shall on the sale thereof secure that the proposed Transferee agrees to be bound by the terms of this Agreement and shall procure that the Transferee enters into a legally binding Agreement containing the terms hereof.”

9. Clause 8.1, inter alia, provided that so long as Volvo holds not less than 25% of the paid up share capital of the company by itself or along with SWEDFUND or a similar Swedish body referred to in Clause 1.8, the agreement shall remain in force subject to, however, “Force Majeure”.

Trade Mark License/Registered User Agreement

10. Trade Mark License/Registered User Agreement (hereinafter referred to as ‘TMLA’) was executed by Volvo in favour of appellant No.1 on 10th September, 1984 whereby appellant No.1 was permitted to use trademarks as mentioned in the Schedule A to the agreement which reads as under:-

SCHEDULE ‘A’

Sl. No.	Trade Mark	Registration/Registration Application No.	Class	Specification of goods
1.	MH Arrow Device MORGARDS HAMMAR	378015	7	Rolling Mill Machinery and Equipment

2.	MH Arrow Device MORGARDS HAMMAR India	393277	7	Rolling Mill Machinery and Equipment and parts and Accessories therefor.
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11. It was mentioned in the TMLA that the license and permission granted was without assigning any proprietary right in favour of appellant No.1 over the aforesaid trademarks. The relevant clauses of TMLA in this regard are reproduced herein under:-

“1.(b) Sole license and permission to use the trade mark bearing no.393277 on or in relation to the Roller Guides and parts and accessories thereof to be assembled and/or manufactured and marketed by or for the Users under the strict supervision and control of the Proprietors as hereinafter mentioned in this Agreement;

(c) non-exclusive license and permission to use the trade mark No.393277 in relation to the Rolling Mill machinery and equipment and parties and accessories therefor except the Roller Guides and parts and accessories therefor (for which a sole license and permission is given to the Users as mentioned in sub-Clause (b) above) also to be assembled and/or manufactured and marketed by or for the Users under the Strict supervision and control of the Proprietors as hereinafter mentioned in this Agreement.

The licenses and permissions granted under this clause shall extent to and is for goods to be manufactured and marketed in India by the Users as well as for goods to be exported by the Users from India to all countries except Sweden, Finland, West Germany, United Kingdom, Spain, U.S.A., Canada, Brazil and Japan.

5. The Users recognize the ownership of the said trade marks by the Proprietors and the Users do not

acquire by this Agreement any right, title or interest whatsoever in the said trademarks other than in respect of the rights of user explicitly provided for in this Agreement and any additional goodwill accruing to the said trade marks by the Users use of them shall belong to the Proprietors without any right to any compensation whatsoever;

9. No royalty or other payment is made or shall be made by the Users to the Proprietors in respect of the permitted use of the said trade marks. The use hereby permitted of the said trade marks by the Users is without any consideration, direct or indirect;

10. Nothing herein contained or implied shall give the Users any right now or hereafter to acquire the said trade marks whether for valuable consideration or otherwise.

11. The Users shall not assign or transfer, in any manner in whole or in part, their rights or obligations under this Agreement to any other party without the previous written consent of the Proprietors;

15. This Agreement shall take effect from the date of signing hereof and shall be without limit of period subject to termination as hereinafter provided:

(a) By the Proprietors giving to the Users notice in writing of its intention to terminate this Agreement forthwith upon the equity participation of the Proprietors with the Users being reduced to less than twenty-five per cent of the paid up equity share capital of the Users.

(b) In the event of any breach or default by the Users in observance or performance of any of the terms and conditions of this Agreement on the Proprietors giving to the Users a minimum of three months notice in writing of such termination, provided always that if the Users shall effectively remedy the breach or default upon which such notice is based, within the period of the notice, such notice shall not become effective and this Agreement shall remain in full force;

(c) Forthwith upon the bankruptcy or insolvency of the Users or upon the appointment of a Receiver of the Users.

16. In all instances the termination shall be without any right to compensation to the users and the Users agree that in the event of termination of this Agreement for any reason whatsoever the Users have no right to claim any compensation from the Proprietors for publicity work, advertising or other activity with regard to the said trade marks.

17. Upon termination for any reason whatsoever the Users shall forthwith stop using the said trade marks and shall transfer to the Proprietors all registrations of the said trade marks or any other trade mark confusable therewith which the Users may have obtained with or without the consent of this Proprietors without any right to compensation to the users. The Proprietors or their designee shall have the right to purchase the inventory of finished goods and/or goods in process at the time of termination at the cost price of the Users meaning the ex-factory price less profit. If the Proprietors should not exercise said option to purchase within Three (3) months after the termination, the Users shall be entitled to sell the inventory under the said trade mark within a period of one year thereafter.” (emphasis supplied)

12. Perusal of TMLA, which indicates that Volvo was proprietor, manufacturer and dealer of the goods shown in Schedule A, i.e. rolling mills machinery, equipment, parts and accessories thereof, in respect of the trademark “MH Morgardshammar” and it had permitted the use of the said trademark by the appellant No.1 during the continuance of TMLA without assigning any proprietary rights in favour of appellant No.1.

13. Appellant No.1 had admitted the rights and title of Volvo who granted licence to the appellant No.1 to use the trademark, without any limit of period, subject to termination in the circumstances as stipulated in Clause 15

of TMLA which stipulated that in case equity participation of the proprietors i.e. Volvo is reduced to less than 25% of the paid up equity share capital, an option is given to the owner to terminate the agreement. Additional rights were also provided to the owner to terminate the agreement in the event of any breach or default by appellant No.1 in observance or performance of any of the terms and condition of the TMLA and upon termination for any reason whatsoever the appellant No.1 shall forthwith stop using the trade mark and no right shall vest with appellant No.1 who shall transfer to the proprietors all registrations in favour of the owner.

Name Licence Agreement (NLA)

14. Prior to the execution of TMLA, Volvo had also executed a NLA on 19th April, 1983 in favour of appellant No.1, whereby it permitted the appellant No.1 to use the word “Morgardshammar” as a part of its corporate name, trading style as also to use its logo in connection with the activities within the main objects clause of Memorandum of Association of appellant No.1. NLA also contained a termination clause. Relevant clauses in this regard read as under:-

“6. Notwithstanding anything contained in this Agreement MH SWEDEN shall be entitled to terminate this Agreement forthwith upon the happening of any or all of the following events:

(a) Upon MH SWEDEN and/or its nominees, parent, subsidiary or associate companies or bodies corporate or assigns or any company or body corporate in or with which MH SWEDEN is merged or amalgamated and the parent, subsidiary or associate company or body corporate of any such company or body corporate with which MH SWEDEN is merged or amalgamated ceasing to hold at least 25% of the issued, subscribed and paid-up equity share capital or MH INDIA;

(b)xxxxxxxxxxxxxxxxxxxxxx

(c)xxxxxxxxxxxxxxxxxxxxxx

(d)xxxxxxxxxxxxxxxxxxxxxx

(e)xxxxxxxxxxxxxxxxxxxxxx

(f)xxxxxxxxxxxxxxxxxxxxxx

(g)xxxxxxxxxxxxxxxxxxxxxx

(i)xxxxxxxxxxxxxxxxxxxxxx

(j)xxxxxxxxxxxxxxxxxxxxxx

8. With a view to effectuate the provisions of this Agreement, MH India have inserted and shall continue to retain the following provision of their Articles of Association:

(1) Upon Morgardshammar ceasing to hold at least 25% of the issued and paid-up equity share capital of the Company, or 25% of the total voting power of the shareholders for the time being of the Company, for any reason whatsoever, Morgardshammar shall be entitled, at any time thereafter by a written notice to the Company, to call upon the Company to discontinue the use of the word “Morgardshammar” in any form or manner as a part of its corporate or trade name or trading and operating style and the use of the “Morgardshammar” Logo and to change its name in such manner as to delete the word “Morgardshammar” appearing in the name of the Company. The Company shall from the date of receipt of such notice immediately discontinue the use of the “Morgardshammar” logo in any form or manner, and take such steps as may be necessary to adopt a new logo. Such logo which the Company may adopt shall not consist or the word “Morgardshammar” or any abbreviation thereof or coined therefrom or any name or expression in any language, alphabet or script similar, phonetically or in sound, appearance, meaning or otherwise howsoever, to the name or word “Morgardshammar”.

(2) Within thirty days from the date of receipt of such notice, the Company shall take all such steps as may be necessary to convene a General Meeting of shareholders for the purposes of passing of such resolution, the Company shall also do all acts, deeds and things as may be necessary to effectuate such change of name. Such name which the Company may adopt shall not consist of the word “Morgardshammar” or any abbreviation thereof, or coined therefrom, or any word, name or expression in any language, alphabet or script similar phonetically in sound, appearance, meaning or otherwise howsoever to the name or word “Morgardshammar”.

9. Upon termination of this Agreement, MH India shall forthwith discontinue the use of MH Sweden’s logo or corporate logo in any form or manner as a part of MH India’s logo, trading style or trade name.

10. Upon termination of this Agreement, MH India shall forthwith and not later than 120 days from the date of such termination:

(a) discontinue the use of the name “MORGARDSHAMMAR” in any form or manner as a part of its corporate name, trading style or trade name and change its corporate name, trading style or trade name in such manner as to delete therefrom the name “MORGARDSHAMMAR” and

(b) take all such steps as may be necessary or desirable for the purpose of changing the name or style as aforesaid and discontinuing the use of the name or word “MORGARDSHAMMAR” as a part of its trading style or operating style or trade name and further that any new corporate name, trade name or trading style or symbol which MH INDIA may adopt, shall not consist of any word, name, expression or device in any language, script or alphabet similar or deceptively similar in sound and appearance to the name “MORGARDSHAMMAR” or any word or words which is in abbreviation thereof or coined therefrom or any word, name, expression or device or

in any language alphabet or script similar phonetically or in sound appearance or meaning or otherwise howsoever, to the name or word “MORGARDSHAMMAR”. All members and shareholders of MH INDIA shall be deemed to have undertaken to exercise their rights as members and especially their voting rights in such manner so as to enable MH INDIA to comply with or implement, the provisions hereof and shall be deemed to have joined MH INDIA on this basis.”

15. In case, we read all the agreements entered between the appellant No.1 and the Volvo together in meaningful manner, it is evident that till the Volvo retains 25% shareholding in appellant No.1, the said arrangement between them shall continue subject to other terms and conditions. An inference could also be drawn by reading agreements that both parties were agreeable to extend the said arrangement in terms and conditions of Collaboration Agreement for an indefinite period but not in perpetuity. But subject to the specific condition that in case, the shareholding of Volvo is reduced to less than 25% of the paid equity share capital, the owner shall have the rights to terminate the agreements and under these circumstances, the appellant No.1 shall have no rights to use the trade mark and trade name forthwith who shall transfer the same to the owner.

16. The NLA also stipulated specific clause that appellant No.1 was permitted to use the word “Morgardshammar” as part of its corporate name, trading name and style, subject to condition stipulated therein, more particularly, till the time Volvo retains 25% share holding in appellant No.1. Appellant No.1 was further under obligation to stop using the word “Morgardshammar” and the logo on termination of the agreement in any other event as provided under the said agreement.

Asset Purchase Agreement between Volvo and respondent

17. Vide Asset Purchase Agreement dated 1st July, 1987, Volvo sold the respondent its land, building, machinery, equipments, intellectual property rights, common name, technology etc. Relevant clauses in respect of intellectual property rights, company name, license and agreements read as under:-

“4. Intellectual Property Rights, Company name- Seller hereby sells to Buyer all its patents, registered designs, trademarks, copyrights and other intellectual property rights including but not limited to those which have been specified in the attached Appendix 3.

Seller warrants that Seller has the sole and exclusive right, except as disclosed in Appendix 3 and in Appendix 7, to these rights and that all intellectual property rights in the widest sense of this expression have been transferred to Buyer without any limitation. Seller further warrants that there are no claims or disputes relating to the validity, ownership or in any other respect regarding the intellectual property rights now sold and that all fees, costs etc which are necessary to keep such rights in force have been paid. Seller is not aware of any infringements of the intellectual property rights sold.

Seller undertakes to co-operate with Buyer in order to have all these intellectual property rights legally and validly assigned to Buyer immediately after the Effective Date and to execute all such formal documents which may be necessary for such assignment.

Seller undertakes to eliminate immediately after the Effective date the names Centro and Morgardhshammar from its company name and from the name of any subsidiary of Seller or from any other entity within the Volvo Group of companies and shall not use any of these names as a company name, trade mark or similar except as disclosed in Appendix 3.

The names of such subsidiaries, the shares of which Buyer has an option to acquire according to 8 below, shall not be changed unless Buyer does not make use of the option. In the event that Buyer does not make use of the option with regard to the Spanish or Brazilian company then the Centro and Morgardshammar names shall also be eliminated from their company names and shall not be used as a trade mark or similarly by these companies.

Seller also agrees that Buyer uses the names Centro and Morgardshammar in its company name, as a trade mark or otherwise.

Seller has informed Buyer that as long as Seller owns more than 25% of the share capital of Morgardshammar India Private Ltd. that company is allowed to have Morgardshammar as part of its company name. If Buyer does not make use of its option to buy Seller's shares of Morgardshammar Private Ltd. Seller shall arrange so that the name of this company will be changed during 1988.

10. Licenses and similar agreements

In the attached summaries Appendix 7 all licenses granted Seller have been listed. Seller is not liable for any in-accuracies in such summaries. Seller warrants that all these license agreements are valid in accordance with their terms, that no other licenses exist which are of any significance for the activity transferred, and that Seller has fulfilled all its obligations under such license agreements until this date. Seller is not aware of any breaches by the Licensors under such agreements except as disclosed in Appendix 7.

Seller and Buyer shall co-operate with each other in order to have these agreements transferred to Buyer.

Seller shall use its best efforts to have the following three important licenses assigned to Buyer and shall in any case be responsible to arrange that Buyer will be in the position as from the Effective Date on to

continue Seller's production of the products for which these licenses may be necessary:

Licensor	Date of License Agreement	Product
Rexnord, USA	From before 1940 and renewed successively	Symon's cone crushers
Sumitomo Electric Industries (SEI) Japan	August 11, 1972	Cooling of hot rolled wire
Centre de Recherches Metallurgiques (CRM Beligum)	September 24, 1974	Cooling of hot rolled wire

The licenses granted by Seller to Nya Stavanger Staal A/S, Norway, to Morgardshammar India Private Ltd. and to ISPL Pvt. Ltd., Bombay, India, and the agreement with WL-produkter AB, Sweden shall be assigned to Buyer on the Effective Date provided that the licensees and WL-produkter AB accept such assignments."

Share Purchase Agreement between Volvo and respondent

18. Later on, vide Share Purchase Agreement dated 22nd December, 1993 the respondent purchased 40% share holding of Volvo i.e. 80,000 equity shares of appellant No.1. Later on, Volvo also executed a CDA of trademark with goodwill on 13th August, 2000 in favour of the respondent. It was specifically mentioned therein that from 16th June, 1987 the Assignor (Volvo Group) and the Assignee (respondent) entered into an Asset Purchase Agreement, wherein the Assignee, with effect from 1st July, 1987 purchased the Assignor's assets including land and buildings, machinery,

equipment, inventory, intellectual property rights (including the Indian Trade Mark bearing registration No. 393277 and the goodwill attached to the said Trade Mark), and technology related to the activities necessary to run the Assignor's business for a consideration as defined under the APA. It was stipulated that in accordance with mutual consent and pursuant to the APA dated 16th June, 1987, Assignor has assigned the trade mark "MH MORGARDSHAMMAR" (Indian Registration no. 393277) to the Assignee for USD 10 (Ten dollars only).

19. Section 37 of the Trade Marks Act, 1999 provides that the registered proprietor has the power to assign the trade mark for any consideration and to give effectual receipts for any consideration for such assignment. The procedure for registering the said transmissibility is provided in Section 45 of the Act.

20. The respondent in view of the Asset Purchase Agreement and Share Purchase Agreement filed an application for registering the said assignment in the prescribed manner on TM-24 dated 20th June, 2006 in the Trademarks Office. Separate deed of assignment dated 13th August, 2008 was executed by Volvo in order to get the assignment registered as per rules in favour of the respondent which was ultimately accepted. Order thereon was passed on 23rd September, 2008 whereby the respondent was registered as a subsequent proprietor of the trade mark in question as from 1st July, 1987 by virtue of the Deed of Assignment dated 13th August, 2008.

By virtue of the registration being the subsequent proprietor, the respondent has acquired the exclusive right to use the trade mark in relation to the goods or services in respect of which the trade mark is registered under Section 28 of the Trade Marks Act, 1999 and to obtain relief in respect of the infringement of trade mark in the manner provided by this Act.

21. The assignment was without any restriction and the respondent has been recorded as the proprietor and owner of the said trade mark with effect from 1st July, 1987 by the Trade Mark Authorities without any restriction.

22. Under Section 29 of the Act, a registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark.

23. Sub-section (5) of Section 29 mandates that a registered trade mark is infringed by a person if he uses such registered trade mark, as his trade name or part of his trade name, or name of his business concern or part of the name, of his business concern dealing in goods or services in respect of which the trade mark is registered.

24. The effect of infringement has been considered by the Apex Court in various cases. Some of the cases are referred as under:-

- (a) In ***Kaviraj Pandit Durga Dutt Sharma v. Navaratna Pharmaceutical Laboratories***, reported in AIR 1965 SC 980, the Supreme Court held that an action for infringement is a statutory remedy conferred on the proprietor of a registered trademark for the vindication of its exclusive right to the use of that trademark in relation to its goods. It was further held that when the defendant use of the mark which is claimed to infringe the plaintiff's mark is shown to be in the course of trade, the question whether there has been an infringement is to be decided by comparison of the two marks. Where the two marks are identical no further questions arise, for then the

infringement is made out. The Supreme Court made observations to a similar effect in *National Bell Co. v. Metal Goods Manufacturing Co.*, AIR 1971 SC 898.

- (b) In *American Home Products Corporation v. Mac Laboratories Pvt. Ltd.*, reported in AIR 1986 SC 137, the Supreme Court observed that when a person gets his trademark registered, he acquires valuable rights by reason of such registration. It was observed that registration of a trademark gives him the exclusive right to the use of that trademark in connection with goods in respect of which it is registered, and if there is any invasion of this right by any other person using the mark, which is the same or deceptively similar to his trademark, he can protect his trademark by an action for infringement in which he can obtain an injunction, damages or an account of profits made by the other person. In such an action, the registration of the trademark is prima facie evidence of its validity.

25. The submission of Mr.Sawhney is without any substance to the effect that there is no privity of contract between the appellants and the respondent, therefore, the appellants are entitled to use the trade mark and trade name as Volvo has not terminated the Trade Mark User Agreement which was entered between them.

26. It is well settled law that once the licence is revoked, any use by the licensee of the trademarks and trade name would amount to infringement of the trade mark and the rights of the proprietor and on revocation, the licensee is restrained from using the trade mark and trade name belonging to the proprietor. We refer the following decisions on this aspect:-

- (a) In ***Fedders North American vs. Show Line & Others***, reported in 2006(32) PTC 573 (DEL), it has been held that after termination of the agreement dated 21st May, 1956, plaintiff had given right to defendant No.18 to use the trade mark “Fedders” for a period of five years, by virtue of the agreement dated 11th October, 1963. It was held that after this period came to an end in the year 1968, use of trade mark “Fedders” by defendant No.18 from 1968 onwards was not in line with the rights available to the plaintiff as a registered proprietor of trademark “Fedders”. In ***Velcro Industries B.V. & Anr. vs. Velcro India Ltd.***, reported in 1993(1) Arb.LR 465, the facts involved were, more or less, similar to the present case. In the said case, Velcro Industries (plaintiff) had entered into collaboration agreement with the Indian Directors and pursuant thereof Velcro India Ltd. (Defendant) came in existence. Defendant was granted trademark license vide a License Agreement which was renewed and subsequently, defendant was permitted to use the word “Velcro” as part of its trade name. Renewed agreement also expired on 30th September, 1986, thereafter plaintiff called upon defendant to stop using the mark of the plaintiff which was not complied with. Accordingly, plaintiff approached the Bombay High Court wherein defendant was restrained from using the mark “Velcro” as their trade name in India. It was held that after the license expired, defendants had no right to use the same as that of their corporate name/trade name.
- (b) In ***Rob Mathys India Pvt. Ltd. v. Synthes Ag Chur***, reported in 1997 (17) PTC 669 (DB), this Court echoed the view expressed by the Supreme Court in ***Power Control Appliances v. Sumeet***

Machines Pvt. Ltd. JT, reported in 1994 (2) SC 17 to the effect that it is a settled principle of law relating to trademarks that there can be only one mark, one source and one proprietor. A trademark cannot have two origins. It was held that after termination of the collaboration agreement between the parties to that litigation, the appellant therein, not the owner of the trademark, could not use the word “Synthes” or the trademark “AO/ASIF” after revocation of the collaboration agreement.

(c) The Division Bench in the case of ***J.K.Jain vs. Ziff Davies***, reported in 2000 PTC 244 (DB) held that an ex licensee, having taken the benefit of an agreement with the licensor is estopped from resisting an application for an injunction by the licensor after termination of the agreement between the parties.

(d) In ***Baker Hughes Limited vs. Hiroo Khushalani***, reported in 1998 PTC (18) 580, this Court held as under:-

“Permission to use the mark granted in terms of a collaboration agreement which stipulated that the joint venture company shall be entitled to use the name of collaborator company till the share holding does not fall below 40% – Use of mark after the share in equity fell below 40% – Improper – Interim injunction granted.”

27. In the present case, no doubt, there is no dispute about the fact that the respondent is the subsequent registered proprietor of the trade mark “MORGARDSHAMMAR” in question and the appellants are using the identical trade mark as well as part of its trade name in respect of the same goods as well as in its corporate name. It is obvious that a case of infringement of trade mark is made out by the respondent in case the agreement is validly terminated. And after the termination of the Trade

Mark Agreement, as per settled law, the appellants by no means can be considered as permitted user. It is also not the case of the appellants that they are holding the registration of the trade mark in question. They were, after termination, using the identical trade mark and trade name, under those circumstances, any such use by them if not permitted, under Section 29 of the Act would likely to cause confusion to the public or which is likely to have an association with the registered proprietor.

28. It is not denied by the appellants that admittedly, Volvo had not assigned the trade mark and the corporate name to appellants. Volvo kept the proprietary rights with them when four agreements were entered between the appellants and Volvo with regard to the trade mark/logo. Appellants were merely a permissive user. Volvo had sold all its patent, registered design, trade mark/copyright and other intellectual property rights including the one specified in Appendix 3 attached with APA to the respondent.

29. Mr.Rajive Sawhney, learned counsel appearing on behalf of the appellants has made his submissions which can be outlined as under:-

- a) That in terms of the four agreements i.e. the Collaboration Agreement, Share Holders Agreements, Trade Mark License and Name License Agreement executed between the appellants and Volvo, intent was of subsisting rights to use the trademarks without any limit of time and in perpetuity. By virtue of Asset Purchase Agreement and the Share Purchase Agreement executed between Volvo and the respondent, the respondent did not become the successor of Volvo as respondent/plaintiff did not step into the shoes of the original licensor and was a total stranger to the four agreements executed in their favour by Volvo.

- b) There is no privity of contract between the respondent and the appellants and the respondent had no right to notice calling upon the appellants to cease and desist the use of the trademarks/trade name in question or to institute the suit, nor the respondent had any right to terminate the licences granted to the appellant. It could have been terminated only by the Volvo as the Volvo's share holding to have reduced below 25% and the right to cancel could have been exercised by Volvo who did not exercise the right to terminate when its shareholding was reduced to below 25% in the appellant on 22.12.1993 upon sale of its 80,000 shares in the appellant-company. Thus, the right to terminate the agreements is waived and abandoned for all times. The appellants are entitled to use the trademarks and trade name perpetuity.
- c) That the dispute before the CLB admittedly pertained to registering the respondent as shareholder in the appellant-company and delivery of share certificate to the respondent pursuant to purchase of 40% shareholding from Volvo vide a separate Share Purchase Agreement dated 22.12.1993 and not to transfer of rights and obligations of Volvo under two agreements of the respondent. The respondent cannot take the advantage of the order passed by the Company Law Board.
- d) That the Board Resolution approving the transfer of shares in terms of the order of Company Law Board was not and cannot be construed as consent on the part of the appellants for the assignment of the rights of Volvo.
- e) It is also argued by Mr.Sawhney that both Volvo and the respondent were aware that Volvo is prohibited under the

Collaboration Agreement and Shareholders Agreement from assigning any rights when they executed the Asset Purchase Agreement. In Clause 8 of the Asset Purchase Agreement, the existence of the licenses is mentioned. The learned Single Judge in the impugned judgment and decree dated 2nd January, 2012 wrongly held that the respondent had the right on its 40% shareholding in the appellant-company and by reducing shareholding below 25% by the appellant-company, the respondent then had a valid right to cancel the License Agreement.

- f) That the respondent acquiesced in the appellants' use of the trademarks for a period of more than 21 years if the arguments of the respondent with the assignment of trade mark in their favour w.e.f. 1st July, 1987 by virtue of alleged deed of assignment dated 13th August, 2008 which confirms the Asset Purchase Agreement dated 16th June, 1987 which was to be effective from 1st July, 1987 are accepted. The respondent was debarred from objecting to the use of trademarks and trade name by the appellant No.1 as they failed to take any action for such a long period.

30. Mr. Sawhney has not denied the fact that the right to cancel the appellants' right to use the trade mark and trade name were permissible only on occurrence of the specific eventualities stated in the Collaboration Agreement (Clause 18.4), the Trade Mark License Agreement (Clause 15) and Name License Agreement (Clause 8.1). He also admitted that the shareholding of the Volvo was reduced below 25% and when the said eventuality was happened and by that time, the respondent already entered the Asset Purchase Agreement dated 16th June, 1987 as well as the Share Purchase Agreement dated 22nd December, 1993 with Volvo which

includes the trade mark and trade name in dispute. It is also not denied by the appellants that the respondent has become the subsequent proprietor of the trade mark by virtue of these Assignments and Trade Mark Agreement dated 13th August, 2008 by Volvo. The respondent (herein) was also arrayed as respondent No.2 in the proceedings pending before the CLB who allowed the petition No.40/111/95 filed by Volvo on 16th June, 1998. In para-36 of the said order, it is specifically referred that the Volvo has entered into certain contract in the years 1987 & 1988 for transfer of their business and also certain assets including the impugned shares to the second respondent-company and it was clear from the records that these transfers were within the knowledge of the appellants herein.

After having come to know about the transaction between the Volvo and respondent, the appellants did not challenge the said order in higher Fourm/Courts instead the appellant accepted the respondent as successor-in-interest of Volvo which is evident from the Board Resolution dated 31st July, 1998. No protest or rectification of the Trade Mark which was assigned to the respondent was filed for removing the entry from the Trade Marks office. No challenge was also made about the assignment of the trade mark by the Volvo in favour of the respondent.

31. In a way, the ownership of the trade mark being subsequent proprietor was not disputed by the appellants by taking action in any manner. Even, no counter claim in the written statement or a separate suit was filed by the appellants against the respondent. Therefore, the submission of the appellants that by execution of the Asset Purchase Agreement, Share Purchase Agreement and Assignment Deed executed between the Volvo and respondent, they have not become the successor of Volvo, is without any substance. The conduct of the appellants itself shows that the respondent

was not a stranger to the proceedings. It is incorrect to argue that the respondent had no right to issue a notice calling upon the appellants to cease and desist from using of the trade mark or trade name or to institute the suit by terminating the licence granted by the Volvo, as in their Board Meeting dated 21st July, 1998 it was recorded by them that the respondent shall be bound by all the agreements and restrictions as applicable to Volvo being its successor-in-interest.

32. The appellants have not denied the fact that when the shareholding of Volvo which had become the property of the respondent were reduced below 25%, the respondent could not have exercised its right which is specifically stipulated in the Collaboration Agreement (Clause 18.4), the Trade Mark License Agreement (Clause 15) and Name License Agreement (Clause 8.1).

33. The submission of Mr.Sawhney is that the Collaboration Agreement, Shareholding Agreement and Trade Mark License Agreement have to be read together and therefore, rights under the said Agreements cannot be assigned without the consent of the appellants. These contentions were not pleaded in the written statement filed by the appellants in the suit and also in affidavit by way of evidence of the appellant of Mr.Brijeshwar Garg. Therefore, the arguments are beyond pleadings and evidence (Refer ***Kalyan Singh Chouhan vs. C.P.Joshi***, AIR 2011 SC 1127, paragraphs 15 to 20 and 24). Further, the appellants themselves had recorded, represented and accepted that the respondent was the successor-in-interest and is bound by the agreement between Volvo and the appellant-company and cannot resile from that position or contend to the contrary after having taken benefit of the same. Even, subsequent conduct of the appellants demolishes the arguments of the appellants.

34. The next submission of Mr.Sawhney is that even after the assignment it could continue the use of the trademark(s) and trade name independently of the permissive user from the respondent or that only Volvo could have terminated this agreement after assignment, is untenable in law. It is also settled law as has been laid down by this Court in the decision of ***Sun Pharmaceuticals Industries Limited vs. Cipla Limited***, 2009 (39) PTC 347 (Delhi) that upon assignment the assignee becomes the owner of the trade mark and can sue even for infringement even before the mark is registered by the Trade Mark Registry in his favour as a subsequent proprietor.

35. It is contended that in view of Clause 15 of the Shareholders Agreement which provides “this Agreement and all rights and obligations hereunder are personal as to the parties hereto and none of the parties hereto shall assign or attempt to assign any such rights or obligations without first obtaining written consent of all the other parties”, the rights and obligations flowing from the said agreement, being personal to the parties to the agreement, could not have been assigned by the Volvo in favour of the plaintiff without the consent of defendant No.1. Reliance has been placed on ***Khardah Co. Ltd. Vs. Raymon & Co. (India) (P) Ltd.***, AIR 1962 SC 1810.

36. The Appendix 7 and 7/10 of the Asset Purchase Agreement have been explained by the witness of the respondent in his affidavit by way of evidence. The said testimony of PW-1 is not rebutted in the affidavit by way of evidence of Mr.Brajeshwar Dayal Garg made on behalf of the appellants-company. The agreement referred to therein was the Collaboration Agreement and not the Trade Mark License Agreement. The appendix refers to a period of 5 years has a term and also for payment of royalty which were provisions of Collaboration Agreement and not the Trade Mark

License Agreement. The Trade Mark License Agreement did not provide any condition for any permission of the appellants.

37. By direct evidence, it has come on record that the respondent is successor-in-interest of Volvo after acquiring assets including trademarks by virtue of APA and subsequently by purchasing 40% shareholding of Volvo in the appellant No.1 which, in fact, has been acknowledged by the appellant No.1 who has also accepted in categorical terms in its Board Resolutions. A specific finding in this regard has been returned by the CLB and which finding has not been assailed by the appellant No.1 in any higher forum, who has apparently accepted by registering the transfer of shares in the name of plaintiff.

38. Appellant No.1 was offered to buy 40% shareholding of Volvo, which offer was declined by it and which fact has been mentioned in the judgment of CLB. Even after coming to know about the transactions between Volvo and the respondent, appellant No.1 did not challenge the same in any Court, rather accepted the respondent as successor in interest of Volvo, which is evident from the Board Resolution dated 31st July, 1998 of appellant-company. It has been specifically mentioned in the Board Resolution that “Morgardshammar AB” (respondent) being the successor-in-interest of “Centro Morgardshammar AB” (Volvo) shall be bound by all those agreements, restrictions as applicable to “Centro Morgardshammar AB”. The appellants now cannot be allowed to take a different stand that the respondent is not the successor-in-interest of Volvo or it has not stepped into the shoes of Volvo.

39. Volvo being the proprietor/owner of the trademarks under the Trade Marks Act could have transferred or assigned its rights where no consent of appellant No.1 was required, as there was no such stipulation in the TMLA

that prior consent of the appellant No.1, who was a permissive user, was required. Judgments relied upon by the defendant No. 1 are in the context of different facts and are not applicable to the facts of the present case which have already been distinguished by the learned Single Judge and we agreed for the reasons given by him in para-40 of the judgment.

40. It is evident from the facts and circumstances of the present case that after becoming the subsequent proprietor of the trade mark, the respondent still permitted the appellants to continue to use trademarks in terms of TMLA since it had stepped in the shoes of Volvo, inasmuch as in the TMLA itself it was mentioned that appellant No.1 had unfettered right to use the trade mark only, till its termination on the conditions as stipulated in clause 15 of the TMLA, Collaboration Agreement (Clause 18.4) and Name License Agreement (Clause 8.1). Appellant No.1 had admittedly reduced the shareholding of the respondent, who had succeeded Volvo, to less than 25%, thus respondent became legally entitled to terminate the licence, in terms of TMLA, which it did by issuing a notice immediately on becoming aware of the fact that its shareholding has been reduced to less than 25%. After the licence was terminated by the respondent being proprietor of the trade mark “MH MOGARDSHAMMAR”, appellant No.1 has no right to continue to use the same and such use tantamount to infringement of the trade mark of the respondent.

41. Lastly, it was argued by Mr.Sawhney that the respondent is guilty of acquiescence and latches, therefore, no relief of injunction could be issued. His contention is that the cause of action has arisen in the year 1993 when Volvo transferred their share to the respondent. The said submission of Mr.Sawhney is totally without any substance. Actually, the cause of action in the present case arose when the respondent came to know about the

appellants' reducing the shareholding of the respondent from 14% to 8% and legal notice dated 15th March, 2010 was issued to the appellants. The suit was filed in the end of April, 2010. Though admittedly, 7,50,000 shares of appellant No.1-company were allotted to appellant No.2. Thus, the respondent, under no circumstances, could have filed the suit earlier as the respondent in view of the conditional clause did not do so. It appears from the statements made by the respondent in the plaint that they came to know during the month of November, 2009 about the allotment of 7,50,000 shares to appellant No.2 and immediately, the notice was issued. There is hardly any acquiescence and laches on the part of the respondent, therefore, the arguments of Mr.Sawhney have no application in the eye of law.

42. The present case is not a case where the principles of acquiescence and laches can be applied. These are only applicable in the cases where there is a fair play, equity and good conscience. Here, the appellants have been using the trademarks and trade name with the implied consent and without the permission of the owners. The doctrine of estoppel could only be relied upon by the party to promote fair dealings.

43. In so far as the acquiescence is concerned, the observations of the Supreme Court in *M/s. Power Control Appliances v. Sumeet Machines Pvt. Ltd.*, reported in (1994) 2 SCC 448, in paras 26 and 27 are noteworthy. They read as under:

“26. 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 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 defense as was laid down in *Monsoon (JG) & 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*.

The law of acquiescence is stated by Cotton, LJ in *Pro tor vs. Bannis* as under:-

“It is necessary that the person who alleges this lying by should have been acting in ignorance of the title of the other man, and that the other man should have known that ignorance and not mentioned his own title.”

In the same case Bown, LJ said:

“In order to make out such acquiescence it is necessary to establish that the plaintiff stood by and knowingly allowed the defendants to proceed and to expend money in ignorance of the fact that he had rights and means to assert such rights.”

(Emphasis supplied)

44. In the case of *Hindustan Pencils Pvt. Ltd. Vs. M/s India Stationery Products Co.*, reported in AIR 1990 DELHI 19, in para-31 it was held as under:

“31. Even though there may be some doubt as to whether laches or acquiescence can deny the relief of a permanent injunction, judicial opinion has been consistent in holding that if the defendant acts fraudulently with the knowledge that he is violating the plaintiff's rights then in that case, even if there is an inordinate delay on the part of the plaintiff in taking action against the defendant, the relief of injunction is not denied. The defense of laches or

inordinate delay is a defense in equity. Inequity both the parties must come to the Court with clean hands. An equitable defense can be put up by a party who has acted fairly and honestly. A person who is guilty of violating the law or infringing or usurping somebody else's right cannot clarify the continued misuse of the usurped right. It was observed by Romer, J. in the matter of an application brought by J. R. Parkington and Co. Ltd., (1946) 63 RPC 171 at page 181 that "in my judgment, the circumstances which attend the adoption of a trade mark in the first instance are of considerable importance when one comes to consider whether the use of that mark has or has not been a honest user. If the user in its inception was tainted it would be difficult in most cases to purify it subsequently". It was further noted by the learned Judge in that case that he could not regard the discreditable origin of the user as cleansed by the subsequent history. In other words, the equitable relief will be afforded only to that party who is not guilty of a fraud and whose conduct shows that, there had been, on his part, an honest concurrent user of the mark in question. If a party, for no apparent or a valid reason, adopts, with or without modifications, a mark belonging to another, whether registered or not, it will be difficult for that party to avoid an order of injunction because the Court may rightly assume that such adoption of the mark by the party was not a honest one. The Court would be justified in concluding that the defendant, in such an action, wanted to cash in on the plaintiff's name and reputation and that was the sole, primary or the real motive of the defendant adopting such a mark. Even if, in such a case, there may be an inordinate delay on the part of the plaintiff in bringing a suit for injunction, the application of the plaintiff for an interim injunction cannot be dismissed on the ground that the defendant has been using the mark for a number of years. Dealing with this aspect Harry D. Nims in his "The Law of Unfair Competition and

Trade Marks", Fourth Edition, Volume Two at page 1282 noted as follows:

"Where infringement is deliberate and willful and the defendant acts fraudulently with knowledge that he is violating plaintiff's rights, essential elements of estoppels are lacking and in such a case the protection of plaintiff's rights by injunctive relief never is properly denied. "The doctrine of estoppels can only be invoked to promote fair dealings"."

45. In the case of *Midas Hygiene Industries Pvt. Ltd. vs. Sudhir Bhatia and others*, reported in 2004 (Vol.28) PTC 121, relevant para-5 of the said judgment is as under:

"5. The law on the subject is well settled. In cases of infringement either of Trade Mark or of Copyright normally an injunction must follow. Mere delay in bringing action is not sufficient to defeat grant of injunction in such cases. The grant of injunction also becomes necessary if it prima facie appears that the adoption of the Mark was itself dishonest."

46. In the case of *Swarn Singh vs. Usha Industries (India) and Anr.*, reported in AIR 1986 Delhi 343 (DB) it was held as under:

"There is then the question of delay. Learned counsel for the respondents had urged that the delay is fatal to the grant of an injunction. We are not so satisfied. A delay in the matter of seeking an injunction may be aground for refusing an injunction in certain circumstances. In the present case, we are dealing with a statutory right based on the provisions of the trade and Merchandise Marks Act, 1958. An exclusive right is granted by the registration to the holder of a registered trade mark. We do not think statutory rights can be lost by delay. The effect of a registered mark is so clearly defined in the statute as to be not capable of being misunderstood. Even if there is some delay, the exclusive right cannot be lost. The registered mark cannot be reduced to a nullity....."

47. As a matter of fact, the suit was filed within reasonable time when the appellant No.1 reduced the shareholding of the respondent less than 25%. The respondent became aware of the said fact in November, 2009 and the suit was filed in March, 2010 after termination of the agreement by issuing of legal notice to the appellant No.1 to cease and desist from using the trademarks and trade name.

48. For the aforesaid reasons and the facts and circumstances of the matter, we are of the considered view that there is no infirmity in the judgment and decree passed by the learned Single Judge on 2nd January, 2012. The appeal is totally without any merit and the same is dismissed, but no order as to costs.

(MANMOHAN SINGH)
JUDGE

(PRADEEP NANDRAJOG)
JUDGE

SEPTEMBER 19, 2012/jk/ka