

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

+ **CM(M) 1058/2014 and CM No. 19637/2014**

% **Reserved on: 5th May , 2015**
Decided on: 14th May, 2015

MITSUBISHI ELECTRIC INDIA PVT LTD Petitioner
Through: Mr. Sanjeev Sindhwani, Sr. Advocate
with Mr.Prashant Gupta and Mr.
Kanishk Kumar, Advocates.

versus

ANUP MITTAL & ORS. Respondent
Through: Mr. Rakesh Mittal and Mr. Kamlesh
Anand, Advocates for Respondent
No.1 and 2.
Mr. N.K. Bhardwaj and Mr. Bikash
Ghorai, Advocates for Respondent
Nos. 3 to 7.

Coram:

HON'BLE MS. JUSTICE MUKTA GUPTA

MUKTA GUPTA, J.

1. The petitioner Mitsubishi Electric India Pvt. Ltd. (in short Mitsubishi) was impleaded as defendant No.6 in a suit filed by the respondent No.1 Anup Mittal and A Square Automation Pvt. Ltd. besides respondents No.3 to 7 who were the defendants No.1 to 5 in TM No.58/12 before the learned Additional District Judge. In the suit Mitsubishi filed an application under Order 1 Rule 10 CPC seeking deletion from the array of defendants as it was neither a necessary nor proper party. Vide the impugned order dated 26th March, 2014 the learned ADJ held that though Mitsubishi was not a

necessary party but it was a proper party whose presence would enable the Court to completely, affectively and adequately adjudicate upon the matter in issue in the suit and thus the application of Mitsubishi under Order 1 Rule 10 CPC was dismissed. Hence, the present petition.

2. A brief exposition of facts is that respondents No.3 to 7 who are defendants No. 1 to 5 in the suit were carrying on business in the name of MESSUNG and thus Anup Mittal, who was the Managing Director of Plaintiff No.2/A Square Automation Pvt. Ltd., in the suit alleged that Respondents No.3 to 7 i.e. Farooq Merchant proprietor of MESSUNG System, MESSUNG system, MESSUNG System Pvt. Ltd. MESSUNG Technologies Pvt. Ltd. and MESSUNG Sales and Services Pvt. Ltd. (in short called MESSUNG Systems) were infringing and passing off its trade in the name of MESSUNG and thus prayed for permanent injunction restraining infringement, passing off, rendition of accounts etc. It was stated that the plaintiff No.1 i.e. Anup Mittal was the owner and proprietor of trademark/label 'MESSUNG' and plaintiff No.2 had been using the said trademark/label with permission of plaintiff No.1 who is the Managing Director of plaintiff No.2. The plaintiff is involved in manufacturing and marketing of Programmable Logic Controllers (PLCS) including Nesgen PLCS, Programmable Controllers (PCS), Frequency Inverters/AC Drives, Man Machine Interfaces/Operator Interfaces/Graphical Operator Terminals/Got Touch Sreen, Computer Numeric Controllers (CNCS), Servo Systems, Supervisory Control and Data Acquisition Devices (SCADA) etc. The plaintiff started providing consultancy for manufacturing, marketing & services to defendant No.1 since 1996. Defendant No.1 and its affiliates i.e. defendants No.2 to 5 have been manufacturing their goods under the

plaintiff's said trademark/label 'MESSUNG' and all permanent customers were getting the supply of the same from plaintiff No.2. In the year 2002 relationship between plaintiff and defendant No.1 got estranged and defendant No.1 tried to usurp the vast good-will and trademark/label of 'M/s. MESSUNG' which was the property of plaintiff No.1 and represented the said trademark/label to be his own malafidely. Since both the plaintiffs and defendants are engaged in the same business of manufacturing and marketing of Industrial Automation Products allied/cognate goods, the defendants in breach of proprietary right of plaintiff's trademark/label MESSUNG started using identical, deceptively similar trademark/label MESSUNG on their goods. Due to the activities of the defendants the plaintiff suffered huge losses both in business and reputation. It is further stated that defendant No.6 i.e. Mitsubishi had earlier business relationship with defendants No.1 to 5 only because of the quality of goods in business provided under the said trademark/label MESSUNG of the plaintiff with the expertise of the plaintiff. However, defendants No.1 to 5 are lately misrepresenting to defendant No.6 that they are the owner and proprietor of the impugned trademark/label MESSUNG. In middle of March 2012 through website of defendants No.1 to 5 the plaintiffs came to know that defendants No.1 to 5 have signed Business Transfer Agreement (in short the BTA) with defendant No.6 i.e. the petitioner herein to merge operations of the defendants. The BTA is likely to be completed by the end of March 2012 which would result in acquisition and consolidation of the two business causing an immediate threat to the plaintiff's goods, business and services under the trademark/label MESSUNG.

3. In the application under Order 1 Rule 10 CPC filed by Mitsubishi defendant No.6 it was stated that Mitsubishi is neither a necessary nor a proper party to the suit and thus deserves to be deleted from the array of parties. Mitsubishi has never claimed ownership in the trademark MESSUNG. Further in the entire plaint there is no whisper or allegation about Mitsubishi doing any wrong or infringing or passing off the plaintiff's trademark/label. It was further stated that Mitsubishi acquired the business and assets of defendants No.2 to 5 with effect from May 02, 2012 excluding those relating to 'MESSUNG' marks including, inter alia, the trademark 'MESSUNG logo' bearing registration No. 1057978 in Class 16, "MESSUNG pyramid logo" bearing registration No. 1815525 in Class 9 and the domain name www.messung.com which are the subject matter of the suit. Mitsubishi stated that it states and undertakes that it has neither acquired nor will acquire right in 'MESSUNG' or any other 'MESSUNG' formative marks from defendants No.1 to 5. There being no cause of action Mitsubishi were required to be deleted from the array of parties.

4. In the reply filed plaintiff Anup Mittal and A Square Automation Pvt. Ltd. challenged the maintainability of the application and claimed that Mitsubishi was a necessary party to proceedings. Mitsubishi was using the same technology as that of the plaintiff. Plaintiff have been providing the technical know-how to the other defendants who have business relationship with Mitsubishi. Off late defendants No.1 to 5 have been representing to Mitsubishi that they are the owner and proprietor of impugned trademark/label MESSUNG. Mitsubishi is not only a proper party but also a necessary party. As noted above vide the impugned order the learned ADJ dismissed the application, hence the present petition.

5. Learned counsel for Mitsubishi contends that the principle of lis-pendence as provided under Section 52 of the Transfer of Property Act would not apply to the present case for the reason that the property is not immovable and that Agreement had been arrived at between the parties prior to the filing of the suit. The BTA is dated 28th December, 2011 whereas the suit was instituted on 26th March, 2012. On 26.04.12 only an amendment was carried out in the BTA. As per the BTA trademark/label MESSUNG or its rights etc., have not been transferred to Mitsubishi and there is no allegation that Mitsubishi is either infringing or passing off the goods in the name with the said trademark/trade dress. The only reason why Mitsubishi is sought to be continued as a party defendant is that since the assets of MESSUNG System have been transferred to Mitsubishi thus in case recovery is to be made the same will have to be affected from Mitsubishi. The defendant No.1 Farooq Merchant who is the proprietor of defendant No.2 MESSUNG System has already filed an affidavit taking personal liability and hence Mitsubishi is not even a proper party. It is stated that the contention is in the nature of seeking a prayer under Order 37 CPC which is very harsh and in any case Mitsubishi does not own the said liability of MESSUNG System. Thus by impleading Mitsubishi as a party/respondent the plaintiff is seeking attachment before judgment under Order 37 CPC which is impermissible.

6. Learned counsel for the respondent on the other hand states that the contention that BTA was entered on 28th December, 2011 is contrary to the admission of Mitsubishi in the various affidavits filed by Mitsubishi and the other defendants wherein they have admitted that the transfer took place on 2nd May, 2012 i.e. after the amendment in the BTA was carried out and

during the pendency of the suit. The prayer of the respondent No.1 and 2/ plaintiffs in the suit is not only with regard to infringement and passing off but also rendition of accounts and damages. All assets having been transferred to Mitsubishi it is now liable to render the accounts. Thus Mitsubishi is not only a proper party but a necessary party to the suit. The application of the plaintiffs/ respondent No.1 & 2 under Order 39 Rule 1 & 2 CPC when it sought stay of transfer of assets was declined for the reason that Mitsubishi was also a party before the Court, hence the respondents No.1 & 2 the plaintiffs in the suit cannot be now put to a disadvantage by deleting Mitsubishi from the array of parties.

7. Before advertng to the facts of the case it would be appropriate to deal with the legal position for adding or deleting a party to a suit under Order 1 Rule 10 CPC. In Gonsalo De Filomena Luis Vs. Inacio Piedade Hildeberte Fernandes & Ors. AIR 1977 GOA, Daman & Diu 4 the Court formulated five tests for guidance on the question of adding any party under Order 1 Rule 10 CPC as under:

- “(1) If, for the adjudication of the “real controversy” between the parties on record, the presence of a third party is necessary, then he can be impleaded;
- (2) It is imperative to note that by such impleading of the proposed party, all controversies arising in the suit and all issues arising thereunder may be finally determined and set at rest, thereby avoiding multiplicity of suits over a subject-matter which could still have been decided in the pending suit itself;
- (3) The proposed party must have a defined, subsisting, direct and substantive interest in the litigation which interest is either legal or equitable and which right is cognisable in law;
- (4) Meticulous care should be taken to avoid the adding of a party when the addition is intended merely as a ruse to ventilate

certain other grievances of one or the other of the parties on record which is neither necessary or expedient to be considered by the Court in the pending litigation; and

(5) It should always be remembered that considerable prejudice would be caused to the opposite party when irrelevant matters are allowed to be considered by Courts by adding a new party whose interest has no nexus to the subject-matter of the suit.”

8. In Ramesh Hirachand Kundanmal Vs. Municipal Corporation of Greater Bombay & Ors. (1992) 2 SCC 524 Supreme Court held that Sub-Rule 2 of Rule 10 of Order 1 CPC gives a wide discretion to the Court to meet every case of defect of parties and is not affected by the inaction of the plaintiff to bring the necessary parties on record. No doubt, the plaintiff is the *dominus litis* and is not bound to sue every possible adverse claimant in the same suit, however to avoid multiplicity of suit and needless expenses of persons against whom right to relief is alleged to exist may be joined as defendants by the Court at any stage of the suit. It was held that a necessary party is one without whom no order can be made effectively and a proper party is one in whose absence an effective order can be made but whose presence is necessary for a complete and final decision on the question involved in the proceedings. Thus, to decide whether a party is necessary or proper for the suit, the facts have to be applied on the touchstone of construction of the rule, in particular the meaning of the words “whose presence before the Court may be necessary” in order to enable the Court to effectively and completely adjudicate upon and settle all the questions involved in the suit. The Court is empowered to join a person whose presence is necessary for the prescribed purpose and cannot under the rule direct the addition of a person whose presence is not necessary for the

purpose. It was held that it cannot be said that the main object of the rule is to prevent multiplicity of actions though it may incidentally have that effect. But that appears to be a desirable consequence of the rule rather than its main objective.

9. In Kasturi Vs. Iyyamperumal & Ors. (2005) 6 SCC 733 Supreme Court laid down the twin test for application of Order 1 Rule 10 (2) CPC and held that the two tests to be satisfied for determining the question who is a necessary party are (i) there must be a right to some relief against such party in respect of the controversies involved in the proceedings and (ii) no effective decree can be passed in the absence of such party.

10. In the suit the averments qua Missubishi in paras 26 and 27 are as under:

“26. The defendant no.6 had earlier business relationship with other defendants only because of the quality of the goods and business provided under the said trademark/label MESSUNG of the plaintiff with expertise of the plaintiff. It is the plaintiff who was providing the technical know-how and was/is the owner of the said trademark/label MESSUNG under which the other defendants (def.1-5) were doing job-work/manufacturing work. It is the plaintiff who provided strategic guidance to the defendant no.6 to develop its business in the country with various new application areas. The defendant no.1-5, of late, started misrepresenting to the defendant no.6 that they are the owner and proprietor of the impugned trademark/label MESSUNG.

27. In the Middle of March 2012, through website of defendant/respondent no.1-5, the plaintiff/appellant came to know

that the defendant/respondent nos. 1 to 5 have signed Business Transfer Agreement with defendant/respondent no.6 to merge operation of defendant/respondent no.1 to 5 with defendant/respondent no.6. As per documents obtained from the web-site of defendant/respondent no.6. As per documents obtained from the web-site of defendant/respondent no.1 to 5, the business transfer agreement between the defendants/respondents, is expected to be completed by the end of March, 2012 to finalize acquisition and the operation of the consolidated business will commence in April, 2012. This is posing an immediate threat to the plaintiff's goods, business and services under the said trademark/label."

11. The claim of the plaintiffs is thus that since assets of MESSUNG system i.e. defendants No. 1 to 5 have been transferred to Mitsubishi, it is required for rendition of accounts and damages and that it is a continuing cause of action. A proper party is one in whose absence an effective order can be made but whose presence is necessary for a complete and final decision on the question involved in the proceedings. In the present case the presence of Mitsubishi is required not only for a complete and final decision on the question involved in the proceedings as rendition of account is prayed for but also in view of the averment that on transfer of assets, the cause of action continues.

12. Farooq Merchant has filed an affidavit before the Trial Court stating that he was a defendant No.1 in the suit, partner of defendant No.2 and Director of Defendant No. 3 to 5 and the acquisition or transfer of business assets of defendants No.2 to 5 to Mitsubishi does not include, inter alia, the

trademark 'MESSUNG Logo' bearing registration No. 1057978 in Class 16, 'MESSUNG pyramid logo' bearing registration No.1815525 in Class 9 and the domain name www.messung.com, which are the subject matter of the present proceedings. He further stated that 'MESSUNG logo' bearing registration No. 1057978 in Class 16, 'MESSUNG pyramid logo' bearing registration No. 1815525 in Class 9 and the domain name www.messung.com do not vest with defendant No.6. Further defendant No.1 Farooq Merchant has also filed an affidavit that without prejudice to the defences taken by defendants No. 1 to 5 in the written statement he undertakes that in the unlikely event of the plaintiff succeeding in the suit and a decree being passed in terms of paragraph 31(d) of the plaint in favour of the plaintiffs then defendants No.1 to 5 will jointly and severally render complete accounts to the plaintiffs and will jointly and severally compensate the plaintiffs for the amount so found due in favour of the plaintiff and against the defendants No.1 to 5. Despite this affidavit at this stage it cannot be held that Missubishi is absolved of its liability. As noted above, Anup Mittal has pleaded a cause of action which is continuous in nature so as to accrue till the defendants cease and desist with its impugned adoption and user.

13. Learned counsel for the plaintiffs have also argued that the order for injunction was not granted in favour of the plaintiffs by the trial Court for the reason that defendant No.6 was before it. The relevant portion of the order dated 21st April, 2012 declining to restrain the defendants from transferring the business assets is as under:

“6. Given the situation, I am constrained to make the following observations:

- (i) That the said relief cannot be considered without giving due opportunity to the opposite counsel.
- ii) That the said relief was never prayed for even at the stage when the ex-parte ad interim order was granted on 28.03.2012 or when the order dated 31.03.2012 was passed clarifying, in the presence of the plaintiffs, that there was no bar on the sale of the business assets.
- iii) That the said order was not disclosed by the plaintiffs in their FA No. 169/2012, much less impugn the same.
- iv) That the proposed transferee has been arrayed as defendant No.6. Should the transfer be effected for the time being, rendition of accounts and damages, being pecuniary in nature, can be enforced against the plaintiffs 1-5 who are not being discharged in the present suit, even upon transfer/assignment of their rights in the trademark in favour of the defendant No.6. Their liability to any damages and/or rendition of account shall continue to exist till final disposal of the case.

7. Though, no notice of this application is being issued to the defendants, learned Sr. Advocate appearing on behalf of defendants has stated that the defendants are willing to give an undertaking as well as secure the plaintiff's claim, subject to a reasonable assessment and also keeping in view that the plaintiffs have assessed the relief for the purpose of rendition of accounts at ₹1000/-.

8. I therefore do not find that any irreparable loss would accrue to the plaintiffs by declining their prayer for restraining defendants 1-5 from transferring their assets to defendant No.6, as the same can be compensated by money, as also in view of the defendant's submission that they are willing to secure the plaintiff, and the fact that defendants 1-5 are not being discharged by this Court, even if they dispose off/sell the assets to defendant No.6. Defendant No.6 is already a party to the lis, and the liability if adjudicated against them would be joint and several against the defendants before this Court.

9. Under such circumstances, restraining the defendants from transferring the business assets on the mere asking of the plaintiffs would be travesty of justice and may cause irreparable loss to the defendants. As observed above, the plaintiffs' interest can be suitably secured.

10. This application does not merit any consideration and is being dismissed.”

14. In terms of this order, though the undertaking on behalf of defendants No. 1 to 5 has already been placed on record, however that does not absolve Mitsubishi of its liabilities. There is a prima facie view of the learned Trial Court that defendant No.6 was before the Court and thus the merger was not stayed and the liability to any damages/rendition of accounts shall continue to exist till final disposal of the case.

15. Consequently, the Petition and application are dismissed.

16. Trial Court Record be sent back.

(MUKTA GUPTA)
JUDGE

MAY 14, 2015
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