

IN THE HIGH COURT OF PUNJAB & HARYANA AT CHANDIGARH

F.A.O. No. 1738 of 2016 (O&M)
Date of Decision: 10th May, 2016

M/s Bharat Iron Foundry, Smalkha and others

..Appellants

versus

M/s Sadhu Singh & Sons Iron and Steel Rolling Mills

..Respondents

CORAM: HON'BLE MR. JUSTICE S.J.VAZIFDAR, ACTING CHIEF JUSTICE.

Present : Mr. Shailen Bhatia, Advocate,
Mr. Vikas Bali, Advocate,
Mr. Arun Kumar Jha, Advocate, for the appellants.

Mr. S.K.Garg (Narwana), Sr. Advocate with
Mr. Teevar Sharma Durerkha, Advocate,
for the respondents.

S.J.VAZIFDAR, ACTING CHIEF JUSTICE

This FAO is against the order of the learned Additional District Judge, Jalandhar in the respondents' application for interlocutory reliefs in an action for infringement and passing off.

2. The learned Judge allowed the respondents-plaintiffs' application by restraining the appellants-defendants from manufacturing, marketing or offering for sale of their products i.e. chaff cutter or agricultural implements without collaborating with the respondents-plaintiffs in contravention to the deed of assignment dated 07.05.1996 during the pendency of the suit.

3. The operative part of the order read by itself does not specify the ambit or the nature of the order. Words to this effect are used in the body of the judgment as well. What the learned Judge meant is apparent from the following sentences of paragraph-12 of the impugned order:-

“The word 'collaboration' (as per dictionary) means and denotes the act of manufacturing jointly and not solely by either party. Therefore, what was legally required from the defendants and incumbent upon them, was to use the brand 'TOTA' and the name of the plaintiff concern, only in collaboration with the plaintiff. Their consistent stand that they are using the said marka since 1996, is indicative of the fact that they have never sought the consent of the plaintiff nor are manufacturing or marketing or selling their products in collaboration of the plaintiff firm and, thus, the defendants are apparently committing breach of a material term and condition of the deed of assignment dated 7.5.1996 Annexure A1. Therefore, the plaintiff has certainly prima facie case in its favour and balance of convenience also tilts in its favour. The plaintiff firm will certainly suffer an irreparable loss in case the respondents continue the breach of a material term of deed of assignment, admittedly entered into between the parties. Therefore, the plaintiff has been able to prove the existence of all the three ingredients, requisite for the grant of ad-interim injunction in its favour.”

4. The interpretation placed on the agreement is prima-facie not sustainable. This is evident especially from the conduct of the parties. The plaintiffs-respondents raised this contention for the first time only in the year 2014 i.e. about 20 years after the agreement was entered into. The respondents-plaintiffs admittedly were the registered proprietors of the trademark ‘TOTA’. The mark is registered under class-7. By a deed of assignment dated 07.05.1996, the respondents-plaintiffs assigned the mark in favour of the appellants-defendants. The respondents admit that by virtue of the deed of assignment, the appellants are entitled to use the mark but contend that they are entitled to do so only in collaboration with them. As is

evident from the observations in the impugned judgment quoted above, by collaboration the respondents mean that the mark should be used with their consent on the products manufactured by the parties in collaboration with each other. This contention calls for an interpretation of the agreement. As I find that the agreement is not well worded it is necessary to refer to the relevant part thereof verbatim. The reference to the assignors and assignees in the agreement is to the respondents and the appellants respectively. The relevant part of the agreement reads as under:-

“Whereas the Assignors and the Assignees have agreed to sell rights in the registered mark Tota which is valid and in the name of the assignors and the assignees and assignors have agreed to manufacture Tota Brand Machine at Smalkha and as per collaboration of the actual owner of the mark by using the name of the Assignors M/s Sadhu Singh & Sons, Iron & Steel Rolling Mills, Goraya and the assignors have agreed to use this mark for ever and there will be no forfeiture of the rights by the Assignors at any stage later on. By this act of the assignors hereby transferred by sale of Tota brand registered No. 244112 in clause 7 all the benefits, interest and rights including common law as well as Trade & Merchandise Marks Act, 1958 alongwith goodwill and proprietary rights.

Further the assignors will have nothing to with the trade mark Tota Brand bearing registered No. 244129 in clause 7 after the receipt of the sum of Rs.200000/- (Rs. Two lac only) bearing Draft No. 483635 dated 3.5.1996 of Punjab National Bank, Goraya favouring M/s Sadhu Singh & Sons, Iron and Steel Mills, Goraya, for which a separate receipt is being issued and attached herewith Annexure B.

That it has been settled and agreed between the parties that the assignee will not use the premises factory machinery etc. of the assignors in future.

Now this Deed of assignment witnessed and it is hereby agreed by and between the parties hereto as follows:-

1. That the payees account draft No. as above has been received and receipt issued.

2. That the assignor will help the assignees in getting the rights transferred from party No.1 to party No.2 in their record of the registration office at Bombay.

That the proprietary rights including common law rights, rights in Trade mark as per Trade & Merchandise Marks Act, 1958 rights have been conferred alongwith goodwill etc. on the assignees with immediate effect after the receipt of draft dated 3.5.1996.

That all the benefits, rights, title and interest vested in the said mark together with the complete goodwill shall vest in the assignee with all the benefits of business relating thereto.”

5. Before going further, it is necessary to note the reliefs claimed in the plaint and the operative part of the order.

(A) The prayer in the civil suit reads as under:-

“It is, therefore, prayed that a decree for permanent injunction restraining the defendants from manufacturing, marketing and offering for sale its products i.e. Chaff cutter or agricultural implements, spare parts, sign boards, letter heads etc. in the name and style of Sadhu Singh & Sons Iron and Steel Rolling Mills, Goraya in contravention of the deed of assignment dated 07.05.1996.....”

(B) The operative part of the impugned order reads as under:-

“As a result of my above referred discussion, the application in hand is allowed to the extent that the respondents/defendants or their agents are restrained from manufacturing, marketing or offering sale of their products i.e. chaffcutter or agricultural implements etc. without collaborating with the plaintiff concern (in contravention to the deed of assignment dated 7.5.1996, executed between the parties) during pendency of the suit.”

6. I must presume that the operative part of the judgment is restricted to and in any event is in relation to the prayer. What the respondents prayed for was only an injunction restraining the appellants from manufacturing, marketing and offering for sale its products in the firm in the name and style of M/s Sadhu Singh & Sons, Iron and Steel Rolling Mills., in contravention of the deed of assignment dated 07.05.1996. The respondents did not seek an injunction restraining the appellants from using the mark 'TOTA'. The appellant was, therefore, not restrained by the impugned order from using the trademark 'TOTA'.

7. Mr. Narwana, learned counsel appearing on behalf of the respondents, however, contended that what the respondents actually sought was an injunction restraining the appellants from selling their products in the firm name and style of the respondents, namely, "M/s Sadhu Singh & Sons, Iron and Steel Rolling Mills. Goraya" as well as using the mark 'TOTA' except in collaboration with the appellants. I have already mentioned what the respondents meant by the term 'collaboration'. In other words, according to Mr. Narwana, the appellants are neither entitled to use the mark 'TOTA' nor the respondents firm's name in respect of manufacturing, marketing, sale of its goods etc. except in collaboration with the respondents.

8. If this is what the respondents intended, it was not reflected in the prayers in the plaint. This does not appear to have been the intention from the plain reading of the prayer. This, therefore, cannot be the effect of the operative part of the impugned order.

9. This brings me to a construction of the agreement for deciding the validity of the submissions. Before interpreting the agreement, it is necessary to note that both the parties contend that the agreement must be construed by considering the operative part as well as the recitals thereof.

This was obviously on account of the fact that whereas the appellants contend that they are also entitled to use the respondents firm name, the respondents contend that the appellants are entitled to use the trade mark only alongwith their firm name and subject to the products being manufactured in collaboration with each other. I will, therefore, proceed on the basis that the agreement must be interpreted by considering the operative part as well as the recitals.

10. One thing is clear. The mark 'TOTA' stands assigned by the respondents in favour of the appellants. After entering into the agreement dated 07.05.1996, an application was made to the Registrar of Trade Marks on 14.06.1996 for registration of the mark in the appellant's name as the subsequent proprietor of the mark. By an order dated 22.08.1996 the application was granted. The certificate issued by the Registrar confirms that as from 07.05.1996 i.e. the date of the deed of assignment, the appellant was the proprietor of the mark.

11. The appellant, on the basis of the agreement, therefore, cannot be restrained from using the mark 'TOTA'.

12. Except for the latter part of the first sentence of the recital, the agreement expressly transfers the trade mark in favour of and vests the same in the appellants. For instance, clause-2 of the agreement expressly states that the proprietary rights including common law rights in the trade mark as per the 1958 Act have been conferred alongwith goodwill etc. on the appellants and that all the benefits, rights, title and interest in respect of the mark together with complete goodwill vest in the appellants alongwith all the benefits of the business relating thereto. To the similar effect is the second sentence in the recital. The second paragraph of the recital further provides that the respondents would have nothing to do with the trademark

upon receipt of the consideration. Moreover the mark now stands registered in the appellants' name. It is not even the respondents case that the mark is registered to any extent or in any manner whatsoever in their name.

13. However, the latter part of the recital appears confusing in view of the words "the assignors have agreed to use this mark for ever and there will be no forfeiture of the rights by the assignors at any stage later on". Read by themselves these words seem to suggest that the appellants have retained a proprietary interest in the trademark. That, however, cannot be so as is evident upon a reading of the agreement as a whole.

14. From the operative part of the agreement as well as a part of the recital, it is clear beyond doubt that it is the appellants and the appellants alone who are the proprietors of the mark and entitled to deal with the same.

15. The question is whether the appellants on the goods manufactured by them are entitled to use the respondents' firm's name. The learned Judge has placed considerable reliance upon the lexical definition of the term 'collaborate'. The learned Judge has presumed that the term "collaboration" only applies to parties manufacturing products together. That is not so. A collaboration, however, is not necessarily an agreement between the parties to manufacture something. Parties can collaborate in several other ways as well. For instance, parties may collaborate in a joint intellectual effort or on a literary work.

The opening part of the first sentence of the recital itself is inaccurate for it refers to an agreement between the assignors and the assignees to a sale of the rights in the registered mark. Presumably what was meant was that the parties had agreed to *the* sale of the rights in the registered mark for prior to the agreement the appellants had no proprietary right in the mark which they could have sold. Moreover, it is not even the

respondents' case that the mark was to be sold to anyone. And surely the appellants were not to sell the mark to themselves.

There is some difficulty in construing the words that follow in this sentence. There is a reference to the parties having agreed to manufacture 'TOTA brand machine' at Samalkha. The sentence read as a whole, however, suggests that what was actually meant was that the parties had agreed to *the* manufacture of 'TOTA brand machine'.

16. This is evident from the facts and circumstances of the case. The agreement was entered into on 07.05.1996. It was implemented by assigning the mark to and vesting the same in the appellants. For twenty years, there has never been a collaboration agreement between the parties for the manufacture of the goods. The machinery was never manufactured pursuant to a collaboration agreement written or oral between the parties. The last part of the recital records the agreement between the parties that the appellants would not use the premises, factory, machinery etc. of the respondents in future. It is not even the respondents' case that they were to manufacture the machinery in collaboration with each other at any other premises, or factory or by using any other machinery. Nor is it the respondents case that there was any attempt ever to do so. The respondents never called upon the appellants to carry forward or to implement such a collaboration. The sentence read as a whole appears to suggest that the collaboration of the parties with respect to the goods manufactured was to be "by using the name of the assignor M/s Sadhu Singh & Sons, Iron and Steel Rolling Mills, Goraya". This interpretation is supported by the use of the word 'by'. Admittedly, for the past twenty years, the goods have been manufactured by the appellants alone and in respect thereof the 'TOTA' mark has been used and the respondents' firm's name has also been used.

Prima-facie at least this appears to have been the understanding between the parties. This interpretation would explain the inconsistency relating to the assignors having agreed to use the mark forever. Prima-facie it appears what was meant was that the assignors had agreed to use their mark forever and that there would be no forfeiture of the rights by the assignors at any stage thereafter.

17. I must clarify that this is only a prima-facie view relating to the interpretation of the agreement. Considering the manner in which the deed of assignment is worded it is possible that the evidence may establish a different interpretation. I am, however, persuaded to accept the appellants' case especially in view of the manner in which the parties themselves appear to have understood the agreement over the past twenty years. The learned Judges attention does not appear to have been drawn to this aspect which is vital for the consideration of an interlocutory injunction. It is important to note here the appellants' contention that they were infact reluctant to use the respondents' firm's name initially as it had no value and that through their efforts over the years the name has itself attained considerable goodwill.

18. I must also clarify that it was not contended before me that the agreement is void or even voidable on account of the respondents being entitled to use the appellant's firm's name on and in respect of the goods manufactured by the appellants exclusively. I must also clarify that this order and judgment would not in any manner affect the rights of third parties if they assail the agreement as being void. The rights and contentions of the third parties on account of the agreement or the parties conduct in respect thereof including as to the dilution of the marks are different matters altogether and are kept open.

19. In the circumstances, the impugned order and judgment is set-aside. The application for interim relief is rejected. The appellants shall maintain accounts during the pendency of the suit. There shall, however, be no order as to costs.

(S.J.VAZIFDAR)
ACTING CHIEF JUSTICE

10th May, 2016
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To be referred to the reporter	√Yes	No.
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