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

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Date of Decision: 28.07.2016

+ CM(M) 376/2013 & CM No.5681/2013 (*stay*)

WONDERFUL DEVELOPERS PRIVATE LTD. Petitioner
Through Mr.Sohan Singh Rana, Mrs.Bindra
Rana & Ms.Manashi Pathak,
Advocates.

versus

IMPRESARIO ENTERTAINMENT AND
HOSPITALITY PRIVATE LTD. & ORS. Respondents
Through Ms.Shikha Sachdev & Ms.Jasleen
Kaur, Advocates

CORAM:

HON'BLE MR. JUSTICE JAYANT NATH

JAYANT NATH, J. (Oral)

CM(M) 376/2013 and CM No.5681/2013 (*stay*)

1. By the present petition the petitioner seeks to impugn the order dated 16.02.2013 passed by the learned trial court in T.M. No.143/2011.
2. By the said order, the learned trial court allowed the application under Section 124 of the Trade Marks Act, 1999 read with Section 151 CPC for stay of the suit filed by the respondent/defendant and stayed the suit pertaining to the alleged infringement of the Trade Mark till rectification proceedings before the Intellectual Property Appellate Board (*hereinafter referred to as 'IPAB'*) are disposed of but allowed the proceedings regarding passing off to continue.
3. The petitioner filed a suit for permanent injunction for infringement of

the Trademark, passing off, rendition of accounts and damages etc. regarding Trademark MOJO. The petitioner states that his Trademark MOJO is a registered Trade Mark.

4. After filing of the suit by the petitioner, the defendant/respondent moved an application under Section 124 of the Trade Marks Act for stay of the suit. The respondent contended that it had on 27.02.2012 filed before the IPAB an application for rectification of the register under Sections 57(2) and 124 of the Trade Marks Act regarding the Trade Marks of the petitioner. The application by the respondent for rectification before IPAB was filed after the petitioner had filed the suit.

5. The trial court by the impugned order noted that where a party concerned has moved an application under Section 124(2) of the Trade Marks Act before the IPAB for rectification of the Trade mark and the rectification proceedings are pending adjudication, it is mandatory for the trial court to grant stay in the matter. The trial court accordingly stayed the proceedings pertaining to that part of the suit dealing with the infringement of the Trademark till the disposal of the rectification proceedings. However, the suit for passing off was directed to continue.

6. The learned counsel for the petitioner submits that in view of the judgment of the Full Bench of this court in ***Data Infosys Ltd. & Ors. v. Infosys Technologies Ltd., 2016 (65) PTC 2009 (Del)[FB]***, the present suit could not be stayed. It is urged that the stay operates only in case rectification application has been filed by the defendant prior to the filing of the suit. The stay would follow in a case where such an application is not filed before filing of the suit and where the trial court is satisfied that the plea regarding the invalidity of the registration of the Trademark is *prima*

facie tenable and the trial court adjourns the case to permit the other side to file a rectification petition. In that eventuality, the trial court may adjourn the matter. He further submits that even otherwise the trial court can continue to hear the injunction application.

7. The learned counsel appearing for the respondents has, however, contended that she has no objection in case the stay application is heard but she submits that as per the Full Bench judgment, the suit has to be stayed till the order in the rectification petition by the IPAB is passed.

8. We may first look at Sections 124(1), (2) & (3) of the Trade Marks Act, which reads as follows:

“124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc.—

(1) Where in any suit for infringement of a trade mark—

(a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or

(b) the defendant raises a defence under clause (e) of subsection (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall,—

(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;

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

(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b) (ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.

(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.”

9. Reference may be had to the judgment of this Court in the case of ***Data Infosys Ltd. & Ors. vs. Infosys Technologies Ltd.(supra)*** the majority of the Full Bench stated the issue pending before the court as follows:

“1.This Full Bench is called upon to answer a reference made in terms of the order of the Division Bench dated 27.08.2012. The Division Bench, by its order of reference noticed a judicial conflict on the question whether prior permission of the Court is necessary under Section 124(1)(b)(ii) of the Trade Marks Act, 1999 (hereafter "the Act") for rectification of a registered trademark, during the pendency of a suit. The first view is that proceedings for rectification of the defendant’s mark cannot be initiated without the prima facie satisfaction of the plea by the Court and that the suit cannot be adjourned or stayed in terms of Section 124(1)(b)(ii) of the Act to await the outcome of the rectification proceedings initiated by the plaintiff before the Intellectual Property Appellate Board (hereafter “IPAB”) - if the procedure outlined therein is not followed. The other view is that such proceedings (for rectification before the IPAB) can be initiated without the permission of the court trying the infringement suit and the consequence of not obtaining permission is only that the applicant cannot seek stay of suit.”

10. The Full Bench concluded as follows:

“This Full Bench therefore, in its unanimous opinion, holds that:

1. (a) IPAB has exclusive jurisdiction to consider and decide upon the merits of a plea of trademark registration invalidity – applying Section 47 and 57 of the Act- in the context of an infringement suit based on such registered trademark. Access to IPAB is not dependent on the civil court’s prima facie assessment of tenability of a plea of invalidity of trademark registration. In other words, Section 124 of the Trademarks Act does not control the choice of a litigant to seek rectification of a registered trademark.

(b) The decision in *Astrazeneca UK Ltd. and Anr. v. Orchid Chemicals and Pharmaceuticals Ltd.* 2007 (34) PTC 469 (DB) (Del) and all other judgments which hold that the plea of rectification can be raised by a party to an infringement suit, only if the court trying the suit, rules it to be prima facie tenable and that if such finding is not recorded, the party cannot avail the remedy of rectification of a registered trademark, is accordingly overruled.

2. This Court holds, by its majority judgment (Vipin Sanghi, J dissenting on this point) that the two situations whereby the infringement action is stayed, are when the rectification proceedings are instituted before the filing of the suit (Section 124 (1) (i)) and after the plea of invalidity is held to be prima facie tenable under Section 124 (1) (ii)). In the first situation, if such plea exists, before the filing of the suit, the Court has to stay the suit to await the decision of the IPAB. In the second situation, if there is no application for rectification before the IPAB when the suit is filed and a party to the infringement suit, wishes to challenge it after the filing of the suit, it may do so, but the court has to assess the tenability of the invalidity plea- if it finds it prima facie tenable, then and then alone, would it stay the suit to enable the party to approach the IPAB within a time period. If the party does not avail of this, or approaches the IPAB after the period given, the court would proceed with the suit; the plea of invalidity is deemed abandoned in the infringement suit.”

11. We are here not concerned with the first eventuality as stated under

Section 124(1)(i) which deals with a situation where the rectification proceedings are instituted before filing of the suit. We are here only concerned with the second situation stated under Section 124(1)(ii) where no such plea exists when the suit was filed. The Full Bench took the view that in such eventuality the party to the suit which is to challenge the invalidity after filing of the suit, may do so and the court has to assess the tenability of the invalidity plea that if it finds it tenable and then alone would stay the suit to enable the party to approach the IPAB within a stated time. If the party would not avail any of this, or approaches the IPAB after the period given, the court would proceed with the suit and the plea of invalidity is deemed abandoned in the infringement of the suit.

12. In the written statement filed by the respondents, the respondent(s) have reserved their rights to start rectification proceeding against the petitioner's registered Trade mark for its removal on the register. The written statement is dated 21.02.2012. The application under Section 124 of the Trade Marks Act is also of the same date. The application for rectification filed before the IPAB is also of the same date. Hence, the respondents without requesting the trial court to assess the tenability of the invalidity plea have gone and filed the rectification application before the IPAB.

13. A perusal of the conclusion reached by the Full Bench would show that such an eventuality as the facts of the present case, i.e. the rectification application being filed after filing of the suit, but without approaching the court and requesting the trial court to assess the tenability of the invalidity plea has not been dealt with by the Full Bench. The Full Court only deals with the situation where the plea of invalidity is first held to be *prima facie*

tenable and then rectification application is filed before IPAB. The relevant portion of the said judgment in the last para of the conclusion reads as follows.

“2.....In the second situation, if there is no application for rectification before the IPAB when the suit is filed and a party to the infringement suit, wishes to challenge it after the filing of the suit, it may do so, but the court has to assesses the tenability of the invalidity plea- if it finds it *prima facie* tenable, then and then alone, would it stay the suit to enable the party to approach the IPAB within a time period. If the party does not avail of this, or approaches the IPAB after the period given, the court would proceed with the suit; the plea of invalidity is deemed abandoned in the infringement suit.”

14. The Full Bench also noted that the structure of Section 124 of the Trade Marks Act nowhere indicates that jurisdiction of IPAB is conditional upon the civil court's determination of the *prima facie* tenability of the invalidity of the plea. Relevant portion of the judgment reads as follows:

“39. The structure of Section 124 nowhere indicates that jurisdiction of IPAB (where an invalidity plea is urged in, or after filing of suit) is conditional upon the civil court's determination of the *prima facie* tenability of the invalidity plea. Further, there is nothing in Section 124(1) or 124(2) to suggest that either the plaintiff, or the defendant is precluded from moving an application before the Registrar /IPAB under Section 47 or 57 of the Act for removal/rectification of the registered trademark of the opposite party at any point of time, i.e. before, or after the filing of the suit for infringement by the plaintiff, or before or after the filing of the written statement by the defendant. To infer so, in this court's opinion would result in anomalous consequences, because if a proceeding under section 47/57 – urging the plea of invalidity is filed before filing of the suit, the IPAB would be obliged to consider the matter on merits having regard to all the materials, as the suit

would necessarily have to be stayed (Section 124(1)(i)). However, in the other situation, access to the IPAB itself would be dependent upon the assumed ‘permission’ of the civil court, entirely dependent upon that court’s *prima facie* view of the case.”

15. Hence, according to the Full Bench, the respondents followed the valid procedure so far as the filing of the application for rectification before the IPAB is concerned.

16. The issue would be as to what would be the appropriate steps to be taken by the civil courts in such a situation. Keeping in view the direction of the Full Bench, in my opinion, the mere filing of the rectification application after filing of the suit without approaching the trial court first cannot in any manner prejudice the respondents. The respondents cannot be deprived of the benefit of Section 124 of the Act merely because it did not, first before filing the rectification application, approach the trial court for an issue to assess the tenability of the invalidity issue. The case of the respondents would still be covered by the second situation noted by the Full Bench where no application for rectification has been filed when the suit was filed. Hence, the trial court would have to go into and assess the tenability of the invalidity plea and if it finds it *prima facie* tenable then it would stay the suit to await the decision of the IPAB. If for some reasons, the trial court concludes that the plea is *prima facie* not tenable, it may proceed with the suit.

17. A perusal of the impugned order would show that the trial court has interpreted Section 124 of the Act to mean that whenever the defendant has moved a rectification application under Section 124 of the Act before IPAB,

the suit would ipso facto be liable to be stayed to await the order of the IPAB on the issue.

18. In the light of the above, the impugned order of the trial court staying the suit regarding the infringement of the Trade mark is set aside. The matter is remanded back to the trial court to consider the application under Section 124 of the Trade Marks Act of the respondents afresh in the light of the directions made above. The petition stands disposed of.

JAYANT NATH, J.

JULY 28, 2016/v