

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

+ **FAO No. 441/2017**

% **13th November, 2017**

INDIAN PLASTIC FOOTWEAR AND CLOTHING PVT. LTD.

..... Appellant

Through: Mr. Abhishek Malhotra and
Mr. Himanshu Deora,
Advocates.

versus

BALDEV SINGH

..... Respondent

Through: Mr. Ajay Sahni and Mr. Mahir
Malhotra, Advocates for R

CORAM:

HON'BLE MR. JUSTICE VALMIKI J. MEHTA

To be referred to the Reporter or not?

VALMIKI J. MEHTA, J (ORAL)

Caveat No. 970/2017

Counsel appears for the caveator. Caveat accordingly stands discharged.

CM No. 40876/2017 (exemption)

Exemption allowed subject to just exceptions.

CM stands disposed of.

FAO No. 441/2017 & CM No. 40875/2017 (stay)

1. This First Appeal under Order XLIII (1)(r) CPC is filed by the appellant impugning the order of the trial court dated

24.10.2017 by which the trial court has allowed the application under Order XXXIX Rules 1 and 2 CPC filed by the respondent/plaintiff and restrained the appellant/defendant from using their mark 'House of Madaan' or any other mark which is identical or deceptively similar to the respondent/plaintiff's trademark 'MADAAN'. Parties are in the business of selling footwear.

2. The subject suit was filed by the respondent/plaintiff pleading that there were various partnerships between the family members and first of such partnership business commenced under the partnership w.e.f 1977. Partnership firm initially was selling plastic footwear under the mark MPI (Logo) and the trademark 'MADAAN'. The first partnership was between Sh. Darshan Singh who was the elder brother of the respondent/plaintiff/Sh. Baldev Singh and the mother of the parties Smt. Veera Devi. Thereafter, there are various partnership deeds and reconstitution of the partnerships were effected and we for the decision of this appeal are really concerned with the Partnership Deed dated 1.4.1992. This Partnership Deed dated 1.4.1992 was entered into between the three partners who were three brothers namely Sh. Darshan Singh, Sh. Baldev

Singh/respondent/plaintiff and Sh. Satvinder Singh. The firm was to carry on business under the name and style of M/s Madaan Plastic Industry and the business was of manufacturing of plastic/PVC goods, footwear etc. Profit sharing ratio between the three brothers was provided with 20% being of Sh. Darshan Singh, 40% being of Sh. Baldev Singh/respondent/plaintiff and 40% being of Sh. Satvinder Singh in the profits. The ratio for the loss sharing was Nil, 50% and 50% respectively. Sh. Darshan Singh was a dormant partner as per the partnership deed as he had to be away from India for long spans of times. This partnership between the three brothers was dissolved in terms of the Dissolution Deed dated 1.4.1995 and since an important aspect will turn in the language of this Dissolution Deed, this Dissolution Deed is reproduced as under:-

“DISSOLUTION DEED

This Instrument of Dissolution Deed is executed on 1st day of April, 1995 in between:-

1. Sh. Satvinder Singh
S/o Sh. Gurcharan Singh
R/o B-67, Bali Nagar,
New Delhi.
2. Sh. Darshan Singh
S/o Sh. Gurcharan Singh
R/o I-142, Kirti Nagar,
New Delhi.
3. Sh. Baldev Singh
S/o Sh. Gurcharan Singh
R/o G-66, Bali Nagar,
New Delhi.

Whereas the aforementioned parties were carrying on the Partnership business for Manufacturing of Footwear under the name and style M/s “Madaan Plastic Industry” at A-71, Naraina Industrial Area, Phase-I, New Delhi in accordance to the written instrument of Partnership deed executed on 1.4.94 which was in continuation to the deed executed on 1.4.92.

Whereas due to one reason or the other the party of the Ist two parts have shown their intention to get retirement from the partnership business and the surviving party has also agreed to relieve them from partnership business w.e.f 31st March 1995 and has decided to continue the business in the same line and style as proprietary concern.

Whereas the party of the Ist two parts have given their consent by signing this dissolution deed that they have no objection in continuation of the business by surviving party under the same name and style as his proprietary concern or may admit any one or more partners to strengthen his business. They have also agreed by signing this document that the balance outstanding towards their capital may be paid as and when the liquidity will be available with the continuing party.

Now this Deed of Dissolution witnesseth as under:-

1. That the firm deemed to be dissolved w.e.f. 31st March 1995.
2. That the continuing parties shall hereafter be the Owner of the assets of the firm and shall also be liable for all its liabilities, but in case, due to any act done by the retiring partners, any loss is incurred by the firm, then the retiring partners or their legal heirs shall be liable for all such losses, damage or expenses in whatever shape they may occurs.
3. That the retiring partners will not use, in any form, the name and goodwill of the firm in future, and will also not be entitled to disclose or use any information or knowledge which is in their possession or which they may acquire afterwards. In case, they fails to comply with this clause or any clause mentioned in this deed, they shall be deemed to be defaulter and dealt in accordance with legal proceedings.
4. That the books of accounts will be kept by the continuing partner and the same will be produced before the Income Tax and Sales Tax authorities for the finalization of the case.
5. That the retiring partners shall have no objection to the operation of the existing bank account of the firm by the continuing partner who may operate the same either individually or jointly with someone else.
6. That the account of the firm have been finalized upto the date of the dissolution and the same have been scrutinized checked and accepted by all the partners.
7. That each party shall sign, execute such documents or instrument and shall do anything for completely carrying out this dissolution.

In witnesses where of the parties have put their signatures to the deed on the day, month and year appearing above.” (underlining added)

3. It is seen that as per para 3 of the Dissolution Deed the retiring partners, and who were Sh. Satvinder Singh and Sh. Darshan Singh, had given up their rights to the name and goodwill of the firm; the name of the firm was M/s Madaan Plastic Industry and goodwill of the firm would include as per law the rights in the trademark 'MADAAN' with respect to carrying on of the business of the firm. At this stage itself it is noted that there is no dispute between the parties with respect to entering into of the Partnership Deed and dissolution of the partnership in terms of the Dissolution Deed. The appellant company is in fact of the retiring partner Sh. Darshan Singh as the appellant company is owned by the sons of Sh. Drashan Singh and who are the shareholders of the appellant company. The respondent/plaintiff in the suit is Sh. Baldev Singh and who took over the assets, liabilities and goodwill of the dissolved partnership firm.

4. It is also not in dispute that in terms of the Partnership Deed dated 1.4.1992 and prior to dissolution of the same on 1.4.1995, the partners had applied for registration of the trademark 'MADAAN' on 11.2.1994 vide application no. 619329 in Class-25. This registration of the trademark 'MADAAN' in the name of M/s Madaan

Plastic Industry was granted on 13.9.2002, but retrospectively with effect from 11.2.1994. Registration was granted in the name of M/s Madaan Plastic Industry having as its partners Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh, and thus allegedly giving one basis to the claim of the appellant/defendant for using the mark 'House of Madaan'.

5. It is also very important and relevant to note that the respondent/plaintiff had independently applied for and got registration as an exclusive proprietor of the trademark 'MADAAN' for footwear w.e.f 8.9.2003 in Class 25 with trademark no. as 1233562.

6. Respondent/plaintiff has given the following figures with respect to its sales turn over and advertisement expenses in para 29 of the plaint as under:-

Financial year	Sales Turnover[IN INR]	Advertisement expenses [IN INR]
2002-03	69,979,309.54	242,838.97
2003-04	80,665,247.00	189,898.40
2004-05	83,959,188.50	488,169.14
2005-06	125,945,524.00	605,038.00
2006-07	137,415,219.03	775,857.16
2007-08	182,306,566.00	1,502,435.98
2008-09	187,932,419.00	1,629,084.97
2009-10	189,931,360.00	1,394,220.27
2010-11	196,360,408.00	619,778.16
2011-12	204,673,255.00	405,991.72
2012-13	221,396,886.00	464,149.88

2013-14	220,198,441.00	403,114.00
2014-15	239,227,017.00	156,956.39
2015-16	233,805,986.00	1,137,710.59

Learned counsel for the respondent/plaintiff on instructions states that these aforesaid figures of sales turn over are duly supported by audit books of accounts of respondent/plaintiff and also are reflected in various sales tax returns which are filed by the respondent/plaintiff for the years as aforesaid.

7. Appellant/defendant/company pleads that it is a licensee of the trademark 'House of Madaan' from Darshan Singh and Sons (HUF). Notably, and as already stated above, Sh. Darshan Singh is none else than the brother of the respondent/plaintiff, and who was the partner who had retired from the partnership firm in terms of the Dissolution Deed dated 1.4.1995. As already stated above, the Dissolution Deed dated 1.4.1995 between the three brothers Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh was of the partnership which had come into existence in terms of the Partnership Deed dated 1.4.1992 between these three brothers.

8. It is also relevant to note at this stage that appellant/defendant additionally claims that M/s Darshan Singh and

Sons (HUF) adopted the trademark 'House of Madaan' in the year 2014 and thereafter licenced this mark to the appellant/defendant who is using the same and thereby appellant/defendant and Sh. Darshan Singh have entitlement to use the mark 'House of Madaan'.

9. The issue before this Court is that whether appellant/defendant can be permitted to use the trademark 'House of Madaan' and which the appellant/defendant cannot be allowed to do in case the respondent/plaintiff is the owner and prior user of the trademark 'MADAAN'.

10. The ownership of a trademark so far as the appellant/defendant is concerned is claimed to arise and exist on account of two causes of action. One cause of action is on the ground that the registration which was granted to the trademark 'MADAAN' with effect from 11.2.1994 by the certificate dated 13.9.2002 was in the name of three persons namely Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh and accordingly it is argued that once registration is granted to three persons namely Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh, hence Sh. Darshan Singh was and continued to be the owner of the trademark 'MADAAN' and

consequently M/s Darshan Singh and Sons (HUF) had a right to licence the trademark 'House of Madaan' to the appellant/defendant. The second cause of action which is pleaded for entitlement to use the trademark 'House of Madaan' is on account of the claim of adoption of the trademark 'House of Madaan' by M/s Darshan Singh and Sons (HUF) since the year 2014.

11. So far as the first issue of claim of the appellant/defendant to use the trademark 'House of Madaan' on account of the trademark being registered including in the name of Sh. Darshan Singh, it is seen that this argument is completely without any basis on account of the fact that in terms of para 3 of the Dissolution Deed dated 1.4.1995, the two retiring partners being Sh. Darshan Singh and Sh. Satvinder Singh had given up all their rights to the name and goodwill of the firm M/s Madaan Plastic Industry. M/s Madaan Plastic Industry had in its assets, its name and goodwill including the trademark 'MADAAN' because it is already stated above that registration of the trademark 'MADAAN' was applied for on 11.2.1994 i.e during the continuation of the partnership firm of M/s Madaan Plastic Industry in terms of the Partnership Deed dated

1.4.1992 and prior to dissolution of the partnership firm in terms of the Dissolution Deed dated 1.4.1995. Therefore, the name and goodwill of the partnership firm M/s Madaan Plastic Industry which was granted in terms of the Partnership Deed dated 1.4.1992 will have to necessarily go as per the terms of the admitted Dissolution Deed dated 1.4.1995 containing its para 3 i.e once M/s Madaan Plastic Industry was the owner of the trademark 'MADAAN' as on the date of Dissolution Deed dated 1.4.1995, the ownership of the trademark will necessarily in terms of para 3 of the Dissolution Deed vest in Sh. Baldev Singh i.e the respondent/plaintiff. It is also very important to note that registration which is granted in the name of three brothers namely Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh was in terms of the certificate dated 13.9.2002, but w.e.f. 11.2.1994 i.e during the subsistence of the partnership firm. The partnership deed however came to an end subsequently in terms of the Dissolution Deed dated 1.4.1995 and consequently this date 11.2.1994 in the registration certificate is very relevant because this date of 11.2.1994 of granting of registration of the trademark 'MADAAN' to all the three partners Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder

Singh will have to necessarily abide by any subsequent contract between Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh. This subsequent contract is a Dissolution Deed dated 1.4.1995, and in terms of which categorically and clearly the name and goodwill of the partnership firm including the trademark 'MADAAN' was to vest solely and only with the respondent/plaintiff. In my opinion, therefore, no benefit can be taken by the appellant/defendant of the fact that registration was granted of the trademark 'MADAAN' in the name of all the three brothers inasmuch as registration was granted w.e.f. 11.2.1994 and which did not reflect and affect subsequent events which would have happened after 11.2.1994 and the subsequent event being dissolution of the partnership firm of the three partners Sh. Darshan Singh, Sh. Baldev Singh and Sh. Satvinder Singh and in terms of the Dissolution Deed dated 1.4.1995 the assets, liabilities, name and goodwill of the partnership firm M/s Madaan Plastic Industry came to vest in the respondent/plaintiff Sh. Baldev Singh.

12. Learned counsel for the appellant/defendant has sought to place reliance upon an interim order passed by a learned Single Judge

of this Court on 11.10.2017 in W.P.(C) 8801/2017 titled as ***Darshan Singh and Another Vs. Union of India & Ors.*** to argue that a learned Single Judge of this Court has stayed operation of the assignment carried out by the Registrar of Trademarks with respect to the trademark 'MADAAN' in the name of respondent/plaintiff, and therefore, respondent/plaintiff should not be allowed benefit of the Dissolution Deed dated 1.4.1995. This order dated 11.10.2017 reads as under:-

“CM No. 35979/2017

1. Exemption is allowed, subject to all just exceptions.
2. The application stands disposed of.

CM No. 35978/2017

3. The principal grievance of the petitioner in this petition is that respondent no.2 has transferred the registration of the trademark, 'Madaan', in favour of respondent no.3. The said trademark was registered in favour of the petitioner no.1, respondent no.3 and respondent no.4 jointly on 13.09.2002 pursuant to their application dated 11.02.1994. The registration was also renewed on 11.02.2001 for a period of seven years. Thereafter, the registration of the said trademark was once again renewed on 11.02.2008.

4. It is stated that pursuant to the request made by respondent no.3 in form TM-24 dated 01.07.2015, respondent no.3 was recorded as the subsequent proprietor of the said registered trademark. The petitioner submits that the said transfer has been affected by respondent no.2 without affording any opportunity to the petitioner of being heard. Indisputably, the petitioner would be vitally interested in the transfer of the said trademark as being one of its registered proprietors.

5. The learned counsel appearing for respondent no.2 (the Registrar) submits that the petitioners' request for being heard to oppose the transfer was not acceded to since that was not accompanied by a valid power of attorney as required under Section 145 of the Trademarks Act, 1999. He further submitted that under Section 127(c) of the said Act, the Registrar has the power to review its own order and, therefore, it would be open for the petitioner to file such an application.

6. On a pointed query, whether there is any specific reasoned order passed by the Registrar for transfer of the said trademark, the learned counsel submitted that a large number of orders for transfers were passed in bulk and no separate reasoned order has been passed in respect of individual cases.

7. The learned counsel appearing for respondent no.3 has drawn the attention of this Court to a dissolution deed dated 01.04.1995 and on the strength of the said deed submitted that the petitioner had relinquished all rights and interest in the said business. He further submitted that in terms of the dissolution deed, the retiring partners (including the petitioner) had undertaken not to use the name and goodwill of the firm. He contended that in view of the said dissolution deed, the petitioner had no right and title in the registered trademark 'Madaan'.

8. Prima facie, this Court is unable to accept the contentions advanced on behalf of respondent no.3 for the principal reason that the dissolution deed is dated 01.04.1995 and concededly, the registration of the trademark had been renewed on 11.02.2008 in the three joint names including that of the petitioner.

9. The application for transfer of the registered trademark was made on 01.07.2015, therefore, prima facie the dissolution deed of 1995 would have little relevance. This Court is also of the prima facie view that the petitioner being vitally affected ought to have been heard by the Registrar before registering the transfer of the registered trademark in the sole name of respondent no.3.

10. It was also been pointed out that the petitioner has filed an appeal before the Intellectual Property Appellate Board (IPAB); however, the said appeal cannot be heard due to lack of quorum.

11. In view of the above, the order passed by respondent no.2 registering the trademark in the sole name of respondent no.3 is hereby stayed till the next date of hearing.

12. Respondents may file their reply within a period of four weeks from today. Rejoinder, if any, be filed within a period of four weeks thereafter.

13. List on 30.01.2018.

14. Order dasti under signatures of the Court Master.”

13. In my opinion, appellant/defendant cannot take benefit of the order dated 11.10.2017 because the said order is only an interim order in the writ petition and the said order does not dispose of the writ petition. It is only on the final disposal of the writ petition that

the issue will come up for final decision with respect to the entitlement of the respondent/plaintiff to get the trademark transferred exclusively in his name or not and as to whether Sh. Darshan Singh continues to have a right to the trademark 'MADAAN'. The passing of the aforesaid interim order however will not preclude or in any manner prevent this Court from arriving at a decision in this appeal with respect to entitlement and exclusive ownership of the trademark 'MADAAN' by the respondent/plaintiff and disentitlement of anyone including appellant/defendant from using the trademark 'House of Madaan' or any other trademark which is identical or deceptively similar to the trademark 'MADAAN' of the respondent/plaintiff.

14. Therefore, in my opinion, the respondent/plaintiff is completely justified, and so was the trial court, in holding that in terms of the Dissolution Deed dated 1.4.1995, it was the respondent/plaintiff who would be entitled to exclusive ownership of the trademark 'MADAAN' and consequently disentitlement of the appellant/defendant to use the trademark 'House of Madaan' and that the adoption and the claim of the ownership of the trademark 'House of Madaan' by M/s Darshan Singh and sons (HUF) is a misconceived

argument and stand of the appellant/defendant because entitlement to a trademark and exclusive ownership and user thereof arises on account of a prior user of the trademark. Respondent/plaintiff is undoubtedly a prior user of the trademark not only because of the Dissolution Deed dated 1.4.1995 pursuant to which exclusive ownership of the trademark came to the respondent/plaintiff, but also because respondent/plaintiff has got registration of the trademark 'MADAAN' in his favour in terms of the registration certificate dated 8.9.2003 bearing no. 1233562. Therefore, from the year 2003 indubitably respondent/plaintiff is the user and owner of the trademark 'MADAAN' and since it is claimed that appellant/defendant is a licensee of the trademark 'House of Madaan' from M/s Darshan Singh & Sons (HUF) who adopted the mark only later in 2014, hence, neither M/s Darshan Singh and Sons (HUF) or Sh. Darshan Singh or appellant/defendant can claim ownership rights to the trademark 'House of Madaan' because the respondent/plaintiff is the prior user and hence exclusive owner and user of the trademark since at least 8.9.2003 when the registration certificate was independently granted in the sole name of the respondent/plaintiff. I have given above the

figures of sales of the respondent/plaintiff and have recorded the statement of the counsel for the respondent/plaintiff on instructions from Sh. Gurjeet Singh, son of the respondent/plaintiff, that the figures of sales stated in the plaint will stand duly corroborated and substantiated by the audited books of accounts of the respondent/plaintiff and as also the figures are duly reflected in the sales tax returns which have been filed by the respondent/plaintiff.

15. It is therefore clear that appellant/defendant is being less than honest. The shareholders of the appellant/defendant company are nobody else but the sons of the Sh. Darshan Singh, and thus clearly therefore Sh. Darshan Singh and appellant/defendant is trying to be dishonest and clever by half. It is quite clear that the trademark 'House of Madaan' is deceptively similar and in fact more or less identical to the trademark 'MADAAN' of the respondent/plaintiff. Both the parties deal in the same goods being footwear and therefore the customers and trade channels are therefore necessarily the same. User and/or adoption of the trademark 'House of Madaan' by the appellant/defendant is completely and outrightly dishonest so as to

trade upon the goodwill and ownership of the trademark 'MADAAN' of the respondent/plaintiff.

16. I therefore do not find any illegality in the impugned judgment by which the appellant/defendant has been restrained from using the trademark 'House of Madaan'. This appeal, as also the defence of the appellant/defendant being wholly meritless, frivolous and dishonest, the appeal is dismissed with costs of Rs.3 lacs, and which costs are a tentative estimate being the costs which would have been incurred by the respondent/plaintiff towards its lawyers as also for conduct of the suit filed by respondent/plaintiff. Costs be paid within six weeks from today to the respondent/plaintiff by the appellant/defendant and the costs imposed will be subject to any decision thereon at the time of disposal of the suit.

17. The appeal is accordingly dismissed with the aforesaid observations.

NOVEMBER 13, 2017/ib

VALMIKI J. MEHTA, J