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

Reserved on: 15.11.2018

Pronounced on: 10th January, 2019

+ **FAO(OS) (COMM) 261/2018 with CM Appl. Nos. 34779 & 37383/2016**

**THE NALGONDA RANGAREDDY DISTRICT
MILK PRODUCERS MUTUALLY AIDED
COOPERATIVE UNION LTD**

..... Appellant

Through: Mr. Jayant K. Mehta,
Mr. Jaspreet Singh Kapur,
Mr. Rahul Kukreja & Ms. Drishti
Harpalani, Advocates.

versus

**MOTHER DAIRY FRUIT AND
VEGETABLE PRIVATE LTD.**

..... Respondent

Through: Mr. Suhail Dutt, Sr. Advocate
with Ms. Shweta Bharti,
Mr. Shantanu, Mr. Sukrit
R. Kapoor & Ms. Shruti
Shivkumar, Advocates.

CORAM:

HON'BLE MR. JUSTICE S. RAVINDRA BHAT

HON'BLE MR. JUSTICE PRATEEK JALAN

PRATEEK JALAN, J.

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1. The appellant is the defendant in CS(OS) No. 1350/2015 filed by the respondent herein, claiming an injunction restraining the appellant from using the trademark "Mother Dairy". This appeal is directed against an order dated 14.09.2016 passed by the learned

Single Judge on the application of the plaintiff/respondent under Order XXXIX Rule 1 & 2 of the CPC (IA No. 10126/2015). By the impugned order, the respondent has been granted an injunction against the appellant using the trademark "Mother Dairy" in any form whatsoever for any of its products, subject to exhaustion of its existing stocks by 01.10.2016.

2. The respondent is engaged in the business of milk, milk products, fruits and vegetables and other food products in India under the brand name "Mother Dairy" and "Safal". It was granted registration of its trademark "Mother Dairy" on 09.04.2003 for milk and milk products and its label mark was registered on 18.02.2013. On the same day, it also registered the artistic work, get-up, layout, pattern and colour scheme under the Copyright Act, 1957.

3. The parties entered into a Collaboration Agreement dated 24.12.2004 for a period of 5 years. Disputes arose between them, leading to the institution of a petition under Section 9 of the Arbitration and Conciliation Act, 1996 before this Court (being OMP No. 663/2007). During the pendency of that petition, the parties entered into a Settlement Agreement dated 22.04.2008 (hereinafter referred to as "the Settlement Agreement") wherein it was *inter alia* recorded that the appellant does not claim any right in the trademark but was permitted to use the words "Mother Dairy" on the labels for sale of its milk and milk products, below the logo and above its address.

4. The parties thereafter entered into a second Collaboration Agreement dated 01.08.2010 for a further period of 5 years

(hereinafter referred to as the “Collaboration Agreement”). Under this agreement, the liquid milk processed, packed and supplied by the appellant was to be marketed in specified markets by the respondent under its (the respondent’s) trademark “Mother Dairy”. In this agreement also, the appellant acknowledged the respondent's ownership in the trademark. The appellant also undertook not to market any liquid milk under any brand during the subsistence of the said agreement.

5. By a communication dated 09.01.2015, the respondent informed the appellant of its intention to terminate the Collaboration Agreement with effect from 11.04.2015. Pursuant to negotiations between the parties, by a further communication on 07.04.2015, the respondent stated that the Collaboration Agreement would stand discontinued upon its expiry on 31.07.2015. In the meantime, the respondent also addressed a legal notice dated 09.04.2015 calling upon the appellant not to use the trademark “Mother Dairy” except in accordance with the Settlement Agreement. However, by a further legal notice dated 02.05.2015, it has purported to terminate the Settlement Agreement.

6. The respondent has thereafter filed the present suit, claiming that the appellant was continuing to use the said trademark on its packaging in a manner contrary to Settlement Agreement and the Collaboration Agreement, and was infringing its trademark and causing confusion in the mind of the consumer. The reliefs sought in the suit are as follows:-

“a. Pass a decree of permanent and mandatory injunction restraining the Defendant, its servants, agents,

dealers, stockiest or any other person acting on its behalf from manufacturing, selling or advertising products under the trademark “Mother Dairy”, owned by the Plaintiff in any manner and from doing any other things, acts or deeds as are or likely to infringe the registered trade mark of Plaintiff i.e. “Mother Dairy”, including using the Plaintiff’s tradename/trademark in any other language;

b. Pass a decree of perpetual injunction restraining the Defendant, its servants, retailers, stockiest, distributors, representatives and agents from manufacturing, selling, offering for sale, stocking, advertising the products under the trademark “Mother Dairy”, owned by the Plaintiff in packaging/pouch mark annexed to the Plaint or in any other manner, including using the Plaintiff’s tradename/trademark in any other language;

c. The Defendants be ordered and directed to deliver up for destruction all the material bearing the mark “Mother Dairy”, owned by the Plaintiff in any manner, including the cartons, moulds, dies, packaging material, pouches, names plates, publicity material like pamphlets, fliers, hoarding, sign boards, stationery etc;

d. A decree of rendition of accounts of profits illegally earned by Defendant by reason of infringement of Plaintiffs’ trademark;

e. Fix the amount of damages payable by the Defendant and pass a decree of payment of such amount of damage as may be fixed by this Hon’ble Court against the Defendant and in favour of Plaintiff alongwith interest @ 18% p.a. with compensation towards financial and business losses;

f. A decree of costs in the present proceeding be passed in favour of the Plaintiffs and against Defendant;

h. Pass any other relief which this Hon'ble Court may deem fit and proper in the facts and circumstances of the case. ”

7. The respondent also filed the aforesaid application for injunction against the appellant. While issuing summons in the suit on 18.05.2015, the Court recorded the statement of the counsel for the appellant that it shall comply with the terms of the Settlement Agreement and use the trademark only in terms thereof, and the statement of the respondent that it shall not pursue a petition under Section 9 of the Arbitration and Conciliation Act, 1996, which had been filed by it before the City Civil Court, Hyderabad. This order held the field until the passing of the impugned order dated 14.09.2016.

8. The learned Single Judge, in the impugned order, has granted the interim injunction sought by the respondent on the ground that the respondent's ownership of the trademark was undisputed, and the appellant was only entitled to use of the same under the Settlement Agreement. The Settlement Agreement having been terminated, it was observed that the appellant could not use the trademark and, in any event, would only be entitled to damages if the termination was ultimately held to be illegal.

9. In the present appeal, an interim order was passed on 23.09.2016 staying the operation of the impugned order dated 14.09.2016 and directing the appellant to abide by the *ad interim* order dated 18.05.2015.

10. In support of the appeal, Mr. Jayant Mehta, learned counsel for the petitioner submitted that the appellant has been selling its products since 1992 using the mark/logo "Narmul Mother Dairy" and has used the mark "Mother Dairy" in all its communications, advertisements, packaging and other promotional material in the State of Andhra Pradesh. He contended that the appellant's application for registration of its logo "Mother Dairy Narmul" was withdrawn pursuant to the Settlement Agreement entered into between the parties in 2008, [which has been referred to and made binding on the parties by the order of the Court dated 16.09.2008], and that the Settlement Agreement also specifically permitted the appellant to use the word "Mother Dairy" in the manner specified. Mr. Mehta emphasized that the respondent specifically agreed not to oppose the registration of the modified labels as and when registration was sought by the appellant.

11. Mr. Suhail Dutt, learned Senior Counsel for the respondent referred to the respondent's use of the trademark since 1974 and urged that, following the expiry of the collaboration agreement on 31.07.2015, the appellant had no right whatsoever to continue its use of the trademark, even in accordance with the Settlement Agreement.

12. The relevant provisions of the Settlement Agreement are set out below:-

“A. **WHEREAS** the NDDB/MDFVL has conceived the trademark “**MOTHER DAIRY**” and has been using the same in connection with the sale of milk and milk products since the year 1974 and duly registered under the provisions of the Trademarks Act.

- B. **WHEREAS** the NARMACS have applied for registration of “**Mother Dairy**” under application Nos. 1354973 and 1354977 in class 29 under the Trademarks Act at the Trademarks Registry, Chennai, copies where of are attached hereto as Annexure-I. The MDFVL filed OMP No.663/2007 in the High Court of Delhi restraining NARMACS from using trademark “MOTHER DAIRY”.
- C. **AND WHEREAS** both the parties, in order to resolve the disputes amicably, have entered into negotiations and after series of negotiations, they have reached a settlement subject to the following terms and conditions.

NOW THIS AGREEMENT WITNESSETH

1. NARMACS agrees that it does not claim any right whatsoever in the MDFVL’S trademark MOTHER DAIRY.
2. MDFVL allows NARMACS to use the words “MOTHER DAIRY” on the labels for sale of their milk and milk products at the bottom of the logo and above their address “Nalgonda Rangareddy Milk Producer’s Mutually Aided Cooperative Union Limited, Hayatnagar-Hyderabad 501 505” and modify the labels as per **Annexure-II & II-A** to this agreement. MDFVL agrees not to oppose the registration of the modified labels as and when they are published in Trademark Journal.
3. In view of the above, NARMACS shall withdraw the aforesaid two trademark applications filed with the Trademark Registry, Chennai and MDFVL shall withdraw OMP No.663/2007 pending before Delhi High Court. Both parties shall bear their own costs in all its pending matters including OMP.
4. Both parties agree to assist each other to the fullest extent possible to conclude all pending contentious

matter regarding the MOTHER DAIRY trademark.”

13. It is evident that the Settlement Agreement deals specifically with the issue of the trademark and, while acknowledging the respondent's ownership, permits use of the words “Mother Dairy” by the appellant in the manner provided in Clause 2 thereof. The specific label agreed between the parties was also annexed to the agreement and signed by them. The same clause also records that the respondent would not oppose the registration of the modified labels, as and when published in the Trademark Journal. It is on the basis of this agreement that the appellant withdrew the applications filed by it for registration of the trademark “Mother Dairy” and the respondent withdrew the petition filed in this Court. The Settlement Agreement was not expressly limited in tenure.

14. The fact that the Settlement Agreement expressly contemplated that the labels as agreed between the parties (including the words "Mother Dairy" in the manner provided) would be registered by the appellant is *prima facie* indicative of its continuing right to use those words in the said manner. The Collaboration Agreement, on the other hand, was for a limited period of 5 years and was entered into with the stated objective of continuing the collaboration of the parties in sale and marketing of milk and milk products. The fact that this Agreement provided for the appellant's product to be marketed by the respondent under the respondent's trademark does not *per se* extinguish the rights of the appellant under the Settlement Agreement. It is important to

note that the Collaboration Agreement, in fact, does refer to the Settlement Agreement at all.

15. In these circumstances, we are of the opinion that, pending the final adjudication of the suit, parties ought to be governed by their rights under the Settlement Agreement. This is in fact the effect of the *ad interim* order dated 18.05.2015 which had been passed by the learned Single Judge, and which has been restored by the interim order dated 23.09.2016 passed in this appeal.

16. For the reasons aforesaid, the appeal is allowed and the impugned order dated 14.09.2016 is set aside. The parties will be bound by the order of the learned Single Judge dated 18.05.2015 during the pendency of the suit. The pending applications are also disposed of.

17. The observations contained in this order are only for the purpose of disposal of this appeal, and will not prejudice the rights and contentions of the parties in the suit.

18. There will be no order as to costs.

PRATEEK JALAN, J

S. RAVINDRA BHAT, J

JANUARY 10, 2019

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