

IN THE HIGH COURT OF DELHI AT NEW DELHI

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Judgment delivered on: 09.10.2020

+ **W.P.(C) 4846/2011 & CM APPL. 10586/2011**

M/s. P. M. DIESELS PVT. LTD.

..... Petitioner

versus

**M/s. THUKRAL MECHANICAL WORKS
AND ANR.**

..... Respondents

Advocates who appeared in this case:

For the Petitioner : Mr Chander Lall, Senior Advocate with Mr R.K. Aggarwal, Advocate.

For the Respondent : Mr Amarjit Singh, Advocate with Ms Shubhi Sharma, Advocate for R-1.

CORAM

HON'BLE MR JUSTICE VIBHU BAKHRU

JUDGMENT

VIBHU BAKHRU, J

1. The petitioner has filed the present writ petition impugning an order dated 27.01.2011 (hereafter 'the impugned order') passed by the Intellectual Property Appellate Board (hereafter 'IPAB') whereby the application filed by the petitioner (M.P. No 161/2009) to implead M/s Jain Industries as a respondent to the rectification petition (CO No. 6/1987) filed by it, was rejected.

2. The brief facts that are relevant for examining the controversy in the present petition are as under:-

2.1 The petitioner is a company incorporated under the Companies Act, 1956 and claims that it is engaged in the business of manufacturing, marketing and exporting diesel oil engines and its parts, since the year 1963. The petitioner claims that it adopted the trademark 'Fieldmarshal' for its products, which stands registered in its name under nos. 224879, 252070 and 252071 in Class 7. The petitioner further started manufacturing and selling monoblock pumps and motors including centrifugal pumps and their parts under the said trademark in or around the year 1973.

2.2 Thukral Mechanical Works Ltd (hereafter 'Thukral') is a company registered under the Companies Act, 1956 and is also engaged in a similar business. In 1985, the petitioner filed a suit (suit no. 2408/1985) against Thukral (respondent no. 1), *inter alia*, alleging infringement and passing off and praying for a decree of perpetual injunction restraining Thukral from using the trademark 'Fieldmarshal' or any other mark or tradename similar to it. This Court, by an order dated 19.12.1985, passed an *ex parte ad interim* injunction against Thukral, restraining it from using the said mark.

2.3 The petitioner claims that, thereafter, it became aware that the trade mark 'Fieldmarshal' bearing registration no. 228867 in respect of flour mills, circulating and centrifugal pumps, coupling for machines, pulleys and valves in class 7 was registered in the name of

Pooran Chand Jain and Kailash Chand Jain trading as M/s Jain Industries.

2.4 The said trademark was stated to be used by Jain Industries only with respect to flour mills. This led the petitioner to file a rectification application under Sections 46, 56 and 107 of the Trade and Merchandise Marks Act, 1958 (hereafter 'the Act'), being CO no. 9/1986 in November, 1986. The petitioner contended that M/s Jain Industries had not used the mark with regard to circulating or centrifugal pumps for a period of more than five years and one month preceding the filing of the said application and sought expunging the said items – circulating or centrifugal pumps – from the description of the goods in respect of which the trademark in question was registered.

2.5 Notice of the said petition was issued to M/s Jain Industries, however, none appeared on behalf of the said firm on the returnable date, that is, on 16.01.1987. However, Thukral – although not arrayed as a party to the said petition – was represented on the said date and it filed a reply, *inter alia*, stating that the trademark 'Fieldmarshal' stood assigned to it by virtue of an Assignment Deed dated 30.05.1986 (hereafter 'Assignment Deed') and the request for recording the name of Thukral as the subsequent proprietor of the trademark had already been made before the Registrar of Trade Marks.

2.6 On 16.01.1987, the petitioner sought to withdraw the rectification petition (CO no.9/1986) with liberty to file a fresh on the

same cause of action. Its request was allowed and this Court passed the following order:-

“This petition has been filed by M/s PM Diesels Pvt. Ltd. against M/s Jain Industries and the Dy. Registrar of Trade Marks under Section 46, 56 and 107 of the Trade and Merchandise Marks Act, 1958 for rectification of entry relating to the Registered Trade Mark No.228867 in Class 7. After the notice was served upon the respondent no.1, a reply has been filed by M/s Thakural Mechanical Works bringing out therein that they are now the registered proprietors of said Trade Mark No.228867. In this view of the matter learned counsel for the petitioner has submitted that he may be permitted to withdraw this petition with permission to file a fresh petition on this very cause of action. The request is not opposed on behalf of M/s Thakural Mechanical Works. In these circumstances the request of the plaintiff is granted and petitioner is permitted to withdraw this petition and file a fresh petition on this very cause of action. The petition is accordingly filed as withdrawn leaving the parties to bear their own costs.”

2.7 Thereafter, the petitioner filed another petition (being CO no. 6/1987) against Thakural for rectification of the entry relating to the trademark ‘Fieldmarshal’ on the same ground as pleaded in CO no. 9/1986. M/s Jain Industries was not arrayed as a party to this petition. Further the petitioner pleaded the cause of action for filing the petition in the following words:-

“That the cause of action for the present petition arose in favour of the petitioner and against the respondents in the month of January, 1987 when the respondent informed this Hon’ble Court that they have been recorded as subsequent proprietors of the impugned

registered trade mark No.228867 in Class 7 in C.O. No.9 of 1986, whereupon the petitioner withdrew the said earlier petition C.O. No.9 of 1986 with permission of this court to file the present petition, because of the changed circumstances. The cause of action is continuous from day to day till the impugned registration is cancelled/rectified.”

2.8 This court clubbed CO no. 6/1987 with suit no. 2408/1985.

2.9 Subsequently, by an order dated 19.01.1988, the *ex parte* injunction granted against Thukral was vacated, albeit, on certain terms, as the Court noticed that Thukral was registered as the proprietor of the trade mark in question.

2.10 The aforesaid petition (CO No. 6/1987) was transferred to IPAB on the enactment of the Trade Marks Act, 1999. IPAB dismissed the said petition by an order dated 27.10.2004. The petitioner impugned the said order by filing a writ petition in this court being W.P. (C) No. 19632/2004 captioned '*P.M Diesels Pvt Ltd. v Thukral Mechanical Works & Anr.*'. The petitioner also filed an application (C.M. No. 14450/2004) seeking interim relief, which was rejected by an order dated 05.07.2005.

2.11 Aggrieved by the said order date 05.07.2005, the petitioner filed an appeal being L.P.A No. 2063 of 2005 captioned '*P.M Diesels Pvt Ltd. v Thukral Mechanical Works & Anr.* '.

2.12 The said appeal (LPA 2063/2005) and the writ petition WP(C) No.19632/2004 were taken up together and by an order dated

18.01.2006, this Court allowed the writ petition and set aside the said order dated 27.10.2004, passed by IPAB.

2.13 Aggrieved by the said decision, Thukral filed a Special Leave Petition (S.L.P. (C) No. 6145/2006) in the Supreme Court. Special leave to appeal was granted and the appeal was numbered as Civil Appeal no. 7404/2008. The Supreme Court allowed the said appeal by an order dated 18.12.2008 and remanded the matter to IPAB to determine the petitioner's application afresh in light of the principles set out by the Court.

2.14 Thereafter, the petitioner filed an application (MP no. 161/2009) – under Order I Rule 10 of the Code of Civil Procedure, 1908 – in the rectification petition (C.O. No. 6/1987) to implead M/s Jain Industries as respondent no. 2 in the said petition. It also sought to add further to the pleadings by seeking to introduce a paragraph briefly narrating the background in which M/s Jain Industries was being impleaded. According to the petitioner, the Supreme Court had settled the law that in an application under Sections 46(1) and 56 of the Act, it was necessary to implead the original registrant as well as the assignee. Thus, it became necessary to implead Jain Industries as a party to the said petition.

2.15 The IPAB rejected the said application by the impugned order dated 27.01.2011.

3. IPAB held that no cause of action against M/s Jain Industries under Section 46 (1) (b) of the Act survived after a period of twenty-

three years had elapsed. The IPAB also referred to the observations made by the Supreme Court and held that the petition for non use of the trademark by M/s Jain Industries, was not maintainable. The IPAB did not accept the petitioner's contention that in terms of the order of the Supreme Court it was necessary to implead M/s Jain Industries. The IPAB held that it was not the intent of the Supreme Court to allow the impleadment of M/s Jain Industries. Next, the IPAB held that rectification petition (C.O. No.6/1987) was filed pleading a cause of action that was different from the one pleaded by the petitioner in the first rectification petition (C.O. No.9/1986). It held that no relief was sought against M/s Jain Industries and therefore, impleading the said firm was not necessary. The IPAB also held that the petitioner had sought to implead M/s Jain Industries on the ground that it had not used the trademark for a period of five years and one month but it was also stated that M/s Jain Industries was not in existence. The IPAB held that once the petitioner admitted that the proposed respondent was not in existence, the question of impleading it did not arise. Lastly, IPAB held that impleading M/s Jain Industries would imply that the trial would have to be conducted *de novo* and the same could not be allowed.

4. Mr Agarwal, learned counsel appearing for the petitioner contended that the IPAB had erred in proceedings on the basis that the decision of the Supreme Court restricted the discretion of IPAB to implead M/s Jain Industries to decide the issue of a non-user in accordance with law. He contended that the Supreme Court had

remanded the case to IPAB to decide the same in the light of the principles explained by it. According to him, this enjoined IPAB to determine the applications afresh and if required, to implead all necessary parties. He further submitted that the petitioner could not be faulted for not impleading M/s Jain Industries in the first instance as the Supreme Court had in its decision, for the first time, observed that where an allegation of trafficking is made, both the original registrant as well as assignee are required to be impleaded as parties. He submitted that prior to the said decision, the law did not require the original registrant to be impleaded as a party in any case where the applicant was challenging the assignment on the ground of trafficking. He submitted that the person who is registered as the proprietor at the material time is required to be arrayed as a respondent. He also stated that the petitioner was not seeking any relief against M/s Jain Industries and the same was also one of the reasons by IPAB had rejected the petitioner's application for impleading M/s Jain Industries. He submitted that this ran contrary to the decision of the Supreme Court, which required the original proprietor to also be impleaded where an allegation of trafficking was made. He submitted that in this view, the failure of petitioner to implead M/s Jain Industries at the material time could not be held against it. Lastly, he submitted that in terms of Section 46(1)(b) of the Act, a proprietor 'for the time being' would alone appear to be a necessary party for adjudication of a rectification application, which is premised on the basis of non-user for a continuous period of five years. He submitted that in this view, M/s Jain Industries was not impleaded as a party at

the material time. However, in view of the decision of the Supreme Court, which was rendered subsequently, it is necessary to implead M/s Jain Industries. He submitted that in terms of Order 1 Rule 10(2) of CPC, the IPAB could *suo moto* implead M/s Jain Industries as it had power to effectively and completely to adjudicate the disputes.

5. Mr Chander Lall, learned senior counsel who also appeared for the petitioner summarized the contentions advanced on behalf of the petitioner. He referred to the order dated 18.12.2008 passed by the Supreme Court in Civil Appeal no. 7404/2008 and contended that the import of the said order directing the IPAB to consider afresh in terms of the principles laid down in the said decision would also be to consider impleading such parties as are held to be necessary and proper in such proceedings.

6. In order to address the controversy, it would be relevant to briefly take note of the controversy in the first round. The IPAB had dismissed the rectification petition (C.O. No. 6/1987) by an order dated 27th October, 2004. The petitioner had claimed that since M/s Jain Industries had not used the trademark in question for a period of five years and one month, the registration in its favour was liable to be rectified in accordance with Section 46(1)(b) of the Act, notwithstanding that the said trademark had been assigned to Thukral. The IPAB did not accept the petitioner's contention and held that Thukral had become the proprietor of the trademark on 30th May, 1986 and the rectification petition was filed on 19th January, 1987, that is, after the period of about seven and a half months of alleged non-use

by Thukral; thus, the requirements of Section 46(1)(b) of the Act were not fulfilled. The IPAB was of the view that period of five years and one month of non use of a trademark, which would give the ground for rectification of the said trademark, was required to be considered with reference to the registered proprietor's use of the trademark and not the assignor from whom it was acquired. In other words, the IPAB held that the non use of trademark by M/s Jain Industries would not affect the assignment in favour of Thukral and the registration could be rectified under Section 46(1)(b) of the Act, only if the last proprietor (that is, Thukral) had not used the trademark for a period of five years and one month, prior to the date of the application. Admittedly, this condition was not met and therefore, IBAB dismissed the rectification petition.

7. The petitioner impugned the IPAB's order rejecting the rectification application before this Court by preferring a writ petition (C.W. No. 19632/2004). This Court did not concur with the IPAB's aforesaid view. It held that the non use of the trademark during the period prior to assignment of the trademark in favour of Thukral was not inconsequential. It held that a plain reading of Section 46(1)(b) of the Act indicated that a registered trademark could be taken off from the register if it had not been used for a minimum continuous period of five years and one month before the date of application of its removal. It held that M/s Jain Industries (the registered proprietor of the trademark) had not used the trademark at all. The trademark in question was only used by the petitioner and Thukral, neither of whom

were proprietors of the trademark except that Thukral claimed to have become the proprietor with effect from 30th May, 1986. The Court held that prior to the said date the use of the trademark by Thukral, if at all, was not legally permissible. This Court did not accept that period of five years and one month was required to be considered from the date on which Thukral became the proprietor of the trademark (that is 30th May, 1986). This Court was of the view that the period of non use would also include the period when M/s Jain Industries was the registered proprietor of the said trademark. Accordingly, this Court, by a judgment dated 18.01.2006 rendered in CW no. 19632/2004 set aside the order dated 27th October, 2004 passed by the IPAB and remanded the matter to the IPAB to be considered on merits. The said judgment also disposed of the appeal (L.P.A. No. 2063/2005) which was filed against an interlocutory order passed in the said writ petition.

8. Aggrieved by the judgment of this Court rendered on 18.01.2006, allowing the writ petition (CW 19632/2004) preferred by the petitioner, Thukral preferred a Special Leave Petition before the Supreme Court. The same was allowed and the Supreme Court considered the resultant appeal (Civil Appeal No. 7404/2008). The Supreme Court did not concur with the view of this Court that the period of five years and one month would also include the period when M/s Jain Industries was the proprietor of the trademark in question. The Supreme Court reasoned that non-user of a trademark entails consequences laid down under Clause (b) of Sub Section (1) of

Section 46 of the Act and when an application seeking rectification of the trademark is filed under the said Section, the proprietor of the trademark has the opportunity to show that his case falls under the purview of Sub-section (3) of Section 46 of the Act. He alone can prove that he has a *bona fide* intention to use the trademark. The relevant extract of the decision of the Supreme Court is set out below:-

“19. There cannot be any doubt or dispute that the registration of a trade mark confers a very valuable right. The person in whose name the trade mark has been registered may take action against any person for passing off the goods as that of the registered owner. It confers an exclusive right of use of the trade mark in relation to the goods in which the trade mark is registered. The same is an assignable right in terms of Section 36 of the Act, whereas an unregistered trade mark is not.

20. Non-user of the said mark, therefore, entails the consequences laid down under clause (b) of Sub-section (1) of Section 46. However, such an application can be filed only by a person aggrieved. When the applicant before the Board establishes the fact in regard to non-user of the mark for a period of more than five years on the part of the registered owner, the latter may show that his case falls within the purview of sub-section (3) of Section 46.

21. The question which, therefore, arises is as to who can prove that he had the bona fide intention to use the trade mark on the date of application for registration. Indisputably, it would be the registered proprietor. Section 46 is a penal provision. It provides for civil or evil consequences. It takes away the valuable right of a registered proprietor. It, therefore, can be

taken away only when the conditions laid down therefore are satisfied.

22. While we say so, we are not oblivious of the fact that trafficking in trade mark is to be discouraged. A registered proprietor of a trade mark should not be permitted to circumvent the law of user of the trade mark for a long time by assigning the same from time to time. But then such a case has to be made out. Allegation of trafficking is a serious one. It must be proved in presence of the person against whom such allegations are made. At the time of grant of original registration, advertisements are issued and objections are called for. Renewal of registration, in a sense, also is not automatic. A person who had been using the said trade mark as a proprietor thereof by user is supposed to keep itself abreast with such applications filed by another either for registration of the trade mark or renewal thereof. The non-user for a long time would disentitle a registered proprietor from renewal of the registration.

23. It must not, however, be forgotten that Section 46(1)(b) provides for a special remedy. As a person obtains a right on and from the date of registration and/or renewal thereof, he can ordinarily be deprived of his right unless it is shown that the assignment thereof by his holder was not a bona fide one or had been made by way of camouflage. If the assignee has obtained assignment for bona fide use, he may not be fastened with any liability owing to non-user on the part of his predecessor. In other words, the mistake of the predecessor should not be visited with non-use of the present registered owner.

24. It must, however, be observed that whether a use is for bona fide purpose would essentially be a question of fact. Whether Section 46(1)(b) read with Section 48 of the Act would bring within its purview, not only a

registered proprietor but also the proprietor who had otherwise acquired a right would depend upon the facts and circumstances of each case.”

9. The Supreme Court also noticed a passage from the text, Law of Trademarks and Geographical Indications by Shri K. C. Kailasam, wherein the author had expressed a view that an assignment of a trademark after five years of its non use would not give it any fresh lease of life. The author had reasoned that a registered proprietor could defeat an application for rectification by assigning the mark to some other person, thereby acquiring a fresh lease of five years from the date of the assignment. And, this would effectively frustrate the very objective of enacting the provision for rectification of the register on account of non use of the trademark. The author reasoned that an assignor could obviously not transfer to the assignee greater rights than he himself possessed under the Act.

10. The Supreme Court did not agree to the aforesaid view and held that non-use does not extinguish the title and the same requires to be adjudicated. Any assignment of the trademark made would be valid, except in the circumstance where it is established that the assignment was for a purpose of frustrating the application for rectification and the assignee had colluded with its predecessor for the purpose of trafficking in the trademark and entering into a deed of assignment, which was otherwise illegal and bad in law. The relevant extract of the decision of the Supreme Court is set out below:-

“32. Our attention has again been drawn to a passage from ‘Law of Trade marks & Geographical

Indications' by Shri K.C. Kailasam, wherein the judgment of the Tribunal has been criticized in the following terms :

“From the above legislative intent, it would seem that the period of non-use of the trade mark is to be reckoned continuously from the date of its registration. In the case of American Home Products Corporation v. Mac Laboratories Pvt. Ltd. Rendered under the 1958 Act, it was held by the Supreme Court that “the person seeking to have the trade mark removed from the register has only to prove such continuous non-user.” It would appear that neither the U.K. Act, nor the Indian Act, at any time envisaged that the commencement of 5 year period of non-use is to be delinked from the date of registration of the mark, so as to give a fresh lease of life to the registration, every-time there is change in the ownership of the mark. If that be so, any registered proprietor could easily defeat an application for rectification by assigning the mark to some other person to have a fresh period of 5 years from the date of assignment and thus effectively frustrate the very object of the provision in section 47(1)(a) and (b). Further, it is to be noted that an assignment is subject to “the provisions of the Act and any rights vested in any other person” -- See section 37. The assignor cannot obviously transfer more rights than he himself has to the assignee under the Act.”

“33. We do not think that the approach of the learned author is entirely correct. An assigner can transfer only such right which he possesses. If his title is not extinguished by reason of a provision of a statute for non-user of the trade mark for a period of five years,

any assignment made shall be valid subject to such situation which we have noticed in paragraph 25 supra.”

11. The observations made by the Supreme Court in paragraph no. 25 of its decision are reproduced below:-

“We are not concerned herein as to since when it had been doing so. It obtained an or of injunction. The order of injunction was vacated. For one reason or the other, the said order attained finality. *Prima facie*, therefore, appellant has been held to be the registered owner of the trade mark. It is one thing to say that for the purpose of frustrating an application for rectification, the appellant had colluded with its predecessor for the purpose of trafficking by entering into the deed of assignment which is otherwise illegal and bad in law but it is another thing to say that the appellant could be proceeded against alone for non-user of the registered trade mark for a period of more than five years. For the purpose of making out such a case, both the original registrants as also the assignee were required to be impleaded as parties.”

12. It is apparent from the above that an application for rectification of the trademark on account of non-use would not be maintainable if prior to the filing of the said application, the registered proprietor of the trademark has assigned the same and the assignee has acquired it for its *bona fide* use and in fact, used the same.

13. The Supreme Court set out the principles required to be applied while considering an application for rectification of a Register under Section 46(1)(b) of the Act. The question whether the Register was

required to be rectified on account of non-use of a trademark is required to be considered with reference to the registered owner of the said trademark at the material time. This High Court's view that if the non-use of the trademark attached a disability to the assignor of a trademark, such disability would also be inherited by the assignee, was not accepted by the Supreme Court. However, the Supreme Court also clarified that if the assignment was merely to frustrate the provision of the law and made as a device to traffic in trademark, such an assignment of a trademark would not frustrate the provisions of Section 46(1)(b) of the Act. Having set out the principles, the Supreme Court remanded the matter to IPAB to decide the same in accordance with the said principles.

14. In view of the above, the only question to be considered by the IPAB was whether the petitioner had made out a case of trafficking of trademark and had impugned the assignment on the said ground. A clear reading of the application for rectification (C.O. No. 9/1987) indicates that the petitioner had not laid any such challenge in its application. Mr Lall contended that it was the petitioner's case that the assignment of the trademark was *mala fide* and to frustrate the provisions of law. However, a bare perusal of the application indicates that the principal ground urged by the petitioner in its application is that the registration of the trademark in favour of M/s Jain Industries was liable to be rectified as the same had not been used for a period of five years and one month. Although the petitioner has also averred that the assignment of the trademark was *mala fide*, a close examination of the pleadings indicates that it is not the petitioner's contention that

there was any trafficking of the trademark or that Thukral was squatting on the same. On the contrary, it is an admitted case that Thukral was using the trademark in respect of its goods (although it is contended that the same amounted to infringement of the petitioner's trademark). The petitioner had alleged that Thukral had secured an assignment of the said trademark to frustrate the petitioner's suit for infringement. The contention that M/s Jain Industries and Thukral had been trafficking in the trademark and had registered the same without the intention to use it and that the trademark had been assigned only for the purpose of keeping the registration alive without any intention of using the same, is inconsistent with the case set up by the petitioner. Thus, the contention that M/s Jain Industries is required to be impleaded on the basis of the law as laid down by the Supreme Court, is unmerited.

15. In view of the decision of the Supreme Court, the disability attached to the assignor on account of non-use would not survive once the said trademark has been assigned to a *bona fide* user prior to the institution of any action for rectification of the Register on account of non-user. In the present case, the fact that Thukral has been using the said trademark in respect of goods manufactured by it, is admitted. Thus, the petitioner's application for rectification of the trademark solely on the ground that M/s Jain Industries had not used the said trademark for a period of five years and one month after its registration is not sustainable. The observations made by the Supreme Court that a petition for rectification of a registration on account of or non-use by the assignor would not be maintainable without

impleading the assignor is in the context where the petitioner also challenges the assignment as being *mala fide* and with the view to frustrate the provisions of Section 46(1)(b) of the Act.

16. In the present case, the petitioner had alleged that the trademark was liable to be rectified as it had been erroneously entered in the Register. The petitioner specifically pleaded that the trademark in question was registered without sufficient cause and is wrongly remaining on the Register of Trademarks. It had further pleaded that the assignment of trademark amounts to a fraud and is also unsustainable in law. Clearly, in order to urge the said ground, it was necessary for the petitioner to have impleaded the assignor (M/s Jain Industries) as well as the assignee (Thukral). Not impleading the assignor would clearly be fatal to this case. However, the petitioner had chosen not to implead M/s Jain Industries at the material time. In the aforesaid circumstances, this Court concurs with the IPAB that impleading M/s Jain Industries at this stage (that is, after twenty-three years) would not be apposite.

17. The petitioner's contention that it had become necessary to implead M/s Jain Industries only on account of the decision rendered by the Supreme Court in the matter is erroneous as the observations made by the Supreme Court were in the context of the petitioner's ground regarding non-use of the trademark and the allegations that it had been fraudulently transferred. There is little doubt that the assignor (M/s Jain Industries) was required to be impleaded in case its original registration in its favour was being questioned as being made without sufficient cause or the assignment made by M/s Jain Industries

was sought to be challenged as fraudulent and a subterfuge to squat on the registration.

18. In view of the above, this Court finds no reason to interfere with the impugned order. The petition is, accordingly, dismissed. The pending application is also disposed of.

OCTOBER 09, 2020
MK/RK

VIBHU BAKHRU, J

