

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

% **Date of Decision: 4th January, 2021**

+ **FAO(OS) (COMM) 119/2020**

SHRIVATS RATHI & ANR.

..... Appellants

Through: Mr. Rajeev Virmani and
Mr. Sanjeev Sindhvani, Sr. Adv.
with Mr. Tanmay Mehta & Mr.
Subhash Chawla, Advocates

Versus

ANIL RATHI & ORS.

....Respondents

Through: Mr. Sudhir Chandra & Mr.
Sandeep Sethi, Sr. Adv. with Mr.
Sagar Chandra, Ms. Srijan Uppal,
Ms. Mehek Dua & Mr. R.K.
Rajwanshi, Adv. for R-1.

+ **FAO(OS) (COMM) 122/2020**

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CORAM:

HON'BLE MR. JUSTICE RAJIV SAHAI ENDLAW

HON'BLE MS. JUSTICE ASHA MENON

[VIA VIDEO CONFERENCING]

JUSTICE ASHA MENON

FAO(OS) (COMM) 119/2020, CM Nos.24330/2020 (for stay), 24331/2020 & 25167/2020 (both for placing on record additional facts & documents) AND FAO(OS) (COMM) 122/2020, CM Nos.24341/2020 (for stay), 24342/2020 & 25183/2020 (both for placing on record additional facts & documents)

1. These are two first appeals filed against a common judgment of the learned Single Judge dated 15th September, 2020 disposing of two interim applications under Order XXXIX Rules 1 & 2 of the Code of Civil Procedure, 1908 (CPC), in two suits filed against the defendants for infringement of trademark of the plaintiff. The appellants are two of the defendants in the suits, whereas the respondent No.1 is the plaintiff. Vide the impugned judgment, the learned Single Judge restrained all the defendants, including the present appellants, from issuing licenses, manufacturing, exporting, marketing, offering for sale, selling, advertising or in any manner dealing in TMT Bars, Steel Bars, common metals, their alloys, metal building materials and several other products and goods of common metal under the trademark “RATHI” or adopting any other mark or label which is identical or deceptively similar to the registered trademark “RATHI” amounting to infringement of registered trademark, passing off, dilution and unfair competition, during the pendency of the suits.

2. On 30th September, 2020, after hearing counsel, we directed as under:-

“11. It is therefore ordered that the appellants / defendants which are members of the Rath family, during the pendency of these appeals, shall not renew, alter or change in any way any existing licence / licensee and shall not grant any new licences. A list of licences already granted along with copies thereof be also furnished to the counsels for the respondent / plaintiff and be filed in this Court.

12. On request of counsel for the appellants, instead of tomorrow, list on 5th October, 2020.

13. However it is made clear that the compensation in monetary terms in respect whereof undertaking would be required to be given, would be effective from tomorrow i.e. 1st October, 2020.”

3. On 6th October, 2020, the CM Application Nos.24330/2020 and 24341/2020 for stay were dismissed and the following order was passed:-

“9. Having considered the controversy, we are of the view that once the appellants/defendants, on the basis of their books of accounts, have computed the profits earned by them in the preceding three months at the rate of Rs.6.33 lakhs per month and have also put the rider that owing to the prevalent pandemic, the profits in the ensuing months are likely to be less, the offer of the respondent/ plaintiff will more than compensate the appellants/defendants for the losses suffered from non stay of the operation of the impugned judgment till the decision of the appeal.

10. As observed in the order dated 30th September 2020, once the Single Judge of this Court has granted an interim injunction, merely because the appeal is preferred, will not ipso facto lead to stay of the operation of the order of the Single Judge during the pendency of

the appeal.

11. We thus accept the undertaking on behalf of the respondent / plaintiff Anil Rathi in his personal individual capacity, to, in the event of the appeal being allowed, within 15 days, deposit in this Court, an amount computed at the rate of Rs.20 lakhs per month including for the days of a month less than the complete month on pro rata basis, with effect from the order dated 29th September, 2020 and till the decision of the appeal. The disbursement of the said amount to the FAO (OS) (COMM) Nos. 119/2020 & 122/2020 Page 6 of 6 appellants/defendants shall however be subject to the orders, if any, in the further remedies, if any taken against the decision in the appeal.

12. The said undertaking of the respondent/plaintiff Anil Rathi is accepted and respondent/plaintiff Anil Rathi ordered to be bound with the said undertaking and has been explained through counsel the consequences of breach of undertaking given to this Court.

13. C.M. Appl. Nos. 24330/2020 & 24341/2020 for stay are dismissed and the order of the Single Judge shall continue to operate during the pendency of the appeal.”

BACKGROUND FACTS

4. Gordhan Das Rathi and his brother Kanhiya Lal Rathi along with their late brother Chuttan Rathi's son Hari Kishan Rathi set up in 1942 a steel rolling mill in the name of "Rathi Steels Rolling Mills" (RSRM) and in 1968, started manufacturing cold twisted deformed bars i.e. TOR Steel Bars, under the trademark "RATHI". However, in 1969, both the brothers split RSRM into two units which continued to roll TOR steel bars under the name of "RATHI". M/s G.D. Rathi Steels Ltd. was owned by the sons

of late G.D. Rathi, while M/s. K.L. Rathi Steels Ltd. was owned by C.R. Rathi, the son of late K.L. Rathi and his family and H.K. Rathi and his family. As the business grew, the sons of late G.D. Rathi established in 1970 M/s. Rathi Ispat Ltd. and in 1972, M/s. Rathi Udyog Ltd., both at Ghaziabad. Similarly, C.R. Rathi and H.K. Rathi established a steel plant under the name of Rathi Super Ltd. in Ghaziabad and Rathi Alloy Steel Ltd. in Alwar, Rajasthan.

5. In October 1975, M/s. K.L. Rathi Steels Ltd. applied for and obtained the registration of the trademark “RATHI” under registration number 309435 in class 6 for certain products. M/s. G.D. Rathi Steels Pvt. Ltd. also obtained a registered trademark “RATHI” in October 1980 under the registration number 367635. In 1986, there was a split in the G.D. Rathi family. M/s G.D. Rathi Steels Ltd. came to be owned by P.R. Rathi and his sons and K.K. Rathi and his sons and M/s. Rathi Ispat Ltd. and M/s. Rathi Udyog Ltd. came to be owned by P.C. Rathi and family, Arun Kumar Rathi and family, and Anil Rathi and family.

6. Things continued in this fashion till the members of the Rathi family felt the need to come together to protect and safeguard the interest of the family in the trademark “RATHI” against outsiders. They were also keen to maintain the standards of the products manufactured and sold under the trademark “RATHI”. With this objective in mind, a Memorandum of Understanding (MOU) was executed on 24th June, 1995 to ensure a consistent quality of the products manufactured in their own rolling mills under the trademark “RATHI”. As per this MOU, it was also agreed that the Rathi family would create two trusts, being Rathi Foundation and Rathi Research Centre.

7. For the purposes of the Trust, named, Rath Foundation, on 28th June, 1995, vide the Trust Deed executed, the entire family was divided into three groups- A, B and C with the Group C being further divided into C1, C2 and C3 with twelve Lifetime Trustees. The same is reproduced in a tabulated form for ready reference as under: -

GROUP A	GROUP B	GROUP C
1.Shanta Bai Lakhotiya (In place of deceased erstwhile trustee Late Harikishan Rath) Rath. [Deceased] Mr. C.R. Rath)	1.Deepak Rath (S/o Late Mr. Harikishan Rath)	<u>GROUP C1</u> 1.P.C Rath, S/o Late Mr. G.D. Rath, (Deceased)
2. Rajesh Rath (S/o Late Mr. C.R. Rath)	2. Dhananjay Rath (S/o Mr. Deepak Rath)	2.Raj Kumar Rath (S/o Mr. P.C. Rath)
3. Gaurav Rath (S/o Mr. Rajesh Rath)	3. Kshitij Rath (S/o Mr. Deepak Rath)	3.Pradeep Rath (S/o Mr. P.C Rath)
4. Lila Devi Rath	4. Rekha Rath	<u>GROUP C2</u> 1.Arun Kumar Rath (S/o Late Mr. G.D. Rath)
		<u>GROUP C3</u> 1.Anil Rath (S/o Late Mr. G.D. Rath)

8. The trademark bearing number 309435 obtained by M/s.K.L. Rath Steels Ltd. was assigned to Rath Foundation through Assignment Deed dated 29th June, 1995. The senior-most trustee of each group and sub-group i.e. A, B, C1, C2 and C3, were granted power to issue licenses to use the trademark subject to certain conditions in the Trust Deed read

with the MOU under information to the Rathi Foundation. The Licensees were also required to file with the Rathi Foundation, acceptance of all terms and conditions of the Trust Deed.

9. The present dispute has commenced as a result of the appellant No.1 allegedly granting licenses to outsiders without adherence to the terms of the Trust Deed and the MOU. It may be mentioned here that the appellant no.1 is the son of the respondent No.6 who, being the head of the sub-group C-2, has the right to issue two licenses to two entities in which the family had a majority interest. However it is alleged that the appellant No.1 who had no right whatsoever, either under the Trust Deed or the MOU, during the lifetime of the respondent No.6, illegally issued eight licences to entities which were not connected to the family. The respondent No.1, being a Lifetime Trustee of the Rathi Foundation, instituted the two suits seeking an injunction against the defendants in the suits from using the registered trademark of the Foundation in infringement thereof and to restrain the appellants herein from wrongly issuing any further licences against the terms of the MOU and Trust Deed. Pending trial, he sought interim injunction which was granted.

SUBMISSIONS IN APPEAL

10. The focus of the arguments of Sh. Virmani and Sh. Sindhvani, senior counsel and Sh. Tanmay Mehta, Advocate, as advanced on behalf of the appellants, was that the respondent No.1 had himself sought the registration of the trademark “RATHI” by filing a number of applications, claiming use of “RATHI” “as a surname” and could not have taken a contrary stand to oppose a similar claim by the appellant

No.1. Relying upon *S.P. Chengalvaraya Naidu v. Jagannath & Ors.* AIR 1994 SC 853, it was also urged that having come to the conclusion that the respondent No.1 as plaintiff had willfully suppressed facts relating to such attempt to obtain registration, the learned Single Judge ought not to have granted the injunction as the respondent No.1 had not come to the court with clean hands and had no equities in his favour. The *locus standi* of the respondent No.1 to file the suit was also questioned since all the trustees had not passed a Resolution in his favour and as the plaint was actually signed by a Power of Attorney.

11. The case put forth by the learned senior counsel for the appellants is that the appellant No.1 was a lineal male descendant of late G.D. Rathi and like all family members, had the right to use the family name as a trademark under Section 35 of the Trademarks Act, 1999. The learned senior counsel has relied upon the judgements in *S.K. Sachdeva v. Shri Educare Ltd.*, 2016 SCC OnLine Del 473 and *Shri Ram Education Trust v. SRF Foundation*, 2016 SCC OnLine Del 472 to put forth his argument that goodwill in the registered mark "RATHI" of the Foundation is not exhaustive of the goodwill and entitlement in Rathi family name. It was submitted that the trademark "RATHI" had been in existence since 1942 and that goodwill had remained with the family and when M/s. K.L. Rathi Steels Ltd. registered the said trademark in its name in 1975, it created goodwill from that date which was transferred to the Foundation but it did not include all of the goodwill generated in the family name and which several other family members continued to use despite such registration. It was also argued that the subsequent registration in the name of M/s. G.D. Rathi Steels Ltd. was improper and

the very fact of it getting another trademark registered in its name reflected the fact that “RATHI” was not an exclusive trademark. Finally, it was argued that the appellant No.1 was not a party to the MOU and therefore none of its terms were binding upon him. It was suggested that the entire game plan of the respondent No.1 was to monopolize the issuance of licenses for the use of the trademark “RATHI” in the hands of the trustees, including himself.

12. Sh. Sandeep Sethi, senior counsel appearing on behalf of the respondent No.1 submitted that the suit had been filed as a trustee on behalf of the trust and as per the express authority given in para 11.3 of the Trust Deed, in order to protect the interest of the trust in the registered trademark. All allegations of concealment were against the respondent No.1 Sh. Anil Rathi as a person and there were no allegations against the Trust. In any case, the consequences of the mistake of the lawyer cannot be visited upon the respondent No.1 as observed by the Delhi High Court in *Insecticides (India) Limited vs. Parijat Industries (India) Pvt. Ltd.* 2018 SCC OnLine Del 9748 and there could be no estoppel against him even if it was to be believed that he had himself sought to register the name “RATHI” on the plea that it was also his surname though it was argued that what was sought to be registered was “EUROTHERM by RATHI”.

13. It was pointed out by Sh.Sudhir Chandra, senior counsel that the very purpose of the MOU was to protect the standard and quality of RATHI TORS which had gained high acceptability as a brand signifying high quality, so much so that per metric tonne RATHI TORS sold at a rate that was higher than for other brands by more than INR 2000/- and

that it was because of the large margin that outsiders desired to use the trademark “RATHI” for their TORS. In order to have control over the quality of products manufactured by various rolling mills, the MOU provided that no rolling mill without a 51% holding in the company of the family member would be allowed to use the trademark “RATHI” for their products. According to the learned senior counsel, the appellant No.1 was trafficking in the trademark to all and sundry for profit without caring for the quality or the fair name of the family. Sh. Sethi also contended that for 25 years, the MOU and the Trust Deed had played out well with no one having any problems till the appellant No.1 began indulging in dilution of the trademark.

DISCUSSION

14. It is well settled that there are limitations on the powers of the appellate court while dealing with an appeal arising out of a discretionary order. The appellate court will not reassess the material on which the court of first instance has decided to grant or refuse an interim protection. As held by the Supreme Court in ***Wander Limited and Anr. Vs. Antox India P Ltd.*** 1990 Suppl. SCC 727, the appellate court would normally not be justified in interfering with the exercise of discretion particularly on the ground that if it had considered the matter at the trial stage, it would have come to a contrary conclusion. Only where the discretion has been shown to have been exercised arbitrarily or capriciously or perversely or where the court had ignored the settled principles of law regulating grant or refusal of interim relief in the form of an injunction will the appellate court be justified in interfering with the decision.

15. Interim relief of injunction is granted at a time when all facts have yet to be proved in trial. At the same time, the court will consider whether the party seeking such injunction pending trial has a “*prima facie case*” in its favour. If no *prima facie* case exists, in other words, the party seeking the interim injunction discloses no right in its favour, no interim injunction will be granted as it would not be justified. However, even where a party discloses a *prima facie* case, interim relief will not automatically follow. The party would have to establish that the absence of such relief would cause it “*irreparable injury and damage*” which would not be compensated by money and that the “*balance of convenience*” lies in its favour. The existence of all these three conditions alone will justify the grant of interim injunction. Reference in this regard can be made to ***Dalpat Kumar vs. Prahlad Singh***, (1992) 1 SCC 719, as follows: -

“5. Therefore, the burden is on the plaintiff by evidence aliunde by affidavit or otherwise that there is “a prima facie case” in his favour which needs adjudication at the trial. The existence of the prima facie right and infringement of the enjoyment of his property or the right is a condition for the grant of temporary injunction. Prima facie case is not to be confused with prima facie title which has to be established, on evidence at the trial. Only prima facie case is a substantial question raised, bona fide, which needs investigation and a decision on merits. Satisfaction that there is a prima facie case by itself is not sufficient to grant injunction. The Court further has to satisfy that non-interference by the Court would result in “irreparable injury” to the party seeking relief and that there is no other remedy available to the party except one

to grant injunction and he needs protection from the consequences of apprehended injury or dispossession. Irreparable injury, however, does not mean that there must be no physical possibility of repairing the injury, but means only that the injury must be a material one, namely one that cannot be adequately compensated by way of damages. The third condition also is that “the balance of convenience” must be in favour of granting injunction. The Court while granting or refusing to grant injunction should exercise sound judicial discretion to find the amount of substantial mischief or injury which is likely to be caused to the parties, if the injunction is refused and compare it with that which is likely to be caused to the other side if the injunction is granted. If on weighing competing possibilities or probabilities of likelihood of injury and if the Court considers that pending the suit, the subject matter should be maintained in status quo, an injunction would be issued. Thus the Court has to exercise its sound judicial discretion in granting or refusing the relief of ad interim injunction pending the suit.”

16. The observations made in ***Dorab Cawasji Warden v. Coomi Sorab Warden***, (1990) 2 SCC 117 may be profitably reproduced here-

“16. The relief of interlocutory mandatory injunctions are thus granted generally to preserve or restore the status quo of the last non-contested status which preceded the pending controversy until the final hearing when full relief may be granted or to compel the undoing of those acts that have been illegally done or the restoration of that which was wrongfully taken from the party complaining. But since the granting of such an injunction to a party who fails or would fail to establish his right at the trial may cause great injustice or irreparable harm to

the party against whom it was granted or alternatively not granting of it to a party who succeeds or would succeed may equally cause great injustice or irreparable harm, courts have evolved certain guidelines. Generally stated these guidelines are:

(1) The plaintiff has a strong case for trial. That is, it shall be of a higher standard than a prima facie case that is normally required for a prohibitory injunction.

(2) It is necessary to prevent irreparable or serious injury which normally cannot be compensated in terms of money.

(3) The balance of convenience is in favour of the one seeking such relief.”

These cardinal principles for grant of interim injunction have been reiterated in ***Hindustan Petroleum Corpn. Ltd. v. Sriman Narayan***, (2002) 5 SCC 760, ***M. Gurudas and Ors. v. Rasaranjan and Ors.***, AIR 2006 SC 3275, ***Best Sellers Retail (India)(P) Ltd. v. Aditya Birla Nuvo Ltd.*** (2012) 6 SCC 792 and ***Ambalal Sarabhai Enterprise Ltd. v. KS Infraspace LLP Ltd.*** (2020) 5 SCC 410.

17. In this background, it may be seen whether any interference in the impugned judgment is called for or not. We may determine this on the basis of the arguments advanced.

18. There is no strength in the arguments advanced on behalf of the appellants that the appellants are not bound by the MOU or the Trust Deed because they were not a party thereto. The Rathi family chart filed by the respondent No.1 reflects the fact that except for P.R. Rathi and K.K. Rathi, sons of Late G.D. Rathi, all other family groups are parties to the MOU as also the formation of the Trust. From the family chart, these two persons are connected to the Rathi Research Centre which is the

second foundation created by the family and to which the registered trademark in favour of M/s. G.D. Rathi Steels Ltd. was assigned. The MOU includes all male lineal descendants of the parties who are signatories to the MOU. In other words, the appellant No.1 being the lineal male descendant of respondent No.6, who has signed the MOU, is also governed by the terms and conditions of the MOU as well as the Trust Deed. Merely because he did not sign the document would not result in his being excluded from such terms as such an interpretation would undo the very intent of the elders of the family when they had entered into the arrangement encapsulated in the MOU and cemented by the Trust Deed.

19. The claim that other family members have carried out business under the trademark “RATHI” for the steel TORS and common metal products even after the creation of the Trusts and assignment of the trademark to them, would be a matter of evidence as rightly observed in the impugned judgment.

20. The facts as noticed hereinbefore would also give us a reason why M/s. K.L. Rathi Steels Ltd. and subsequently M/s. G.D. Rathi Steels had obtained separate registrations for the trademark “RATHI” in their names. The original company RSRM was formed and run by two brothers and the son of a deceased brother. When the split took place, it was between G.D. Rathi and K.L. Rathi groups of companies, with the nephew H.K. Rathi choosing to go with K.L. Rathi. But what is more important is that after functioning separately from 1975/1980, all of them thought it appropriate to take concrete steps to preserve the quality of the products being manufactured and sold in the family name of “RATHI” by

the various constituents of the family through their independent units/companies. Their idea was obviously to preserve the brand value and ensure that the expansion of the family and the business does not result in a fall in quality and thus the disappearance of the goodwill that the name “RATHI” had acquired over a long period of time. Each branch of the family, through the eldest member was authorized to grant licenses to their individual units, either existing or to be formed, subject to conditions noticed in the impugned judgement and therefore not required to be reproduced herein.

21. The courts generally give effect to such family arrangements unless there was no *bonafides* or there was fraud and undue influence which facts require to be proved during trial. Apart from the fact that no such plea has been taken in the present case, it has also to be noticed that this arrangement has worked well from 1995 till now when the appellant No.1 has sought to assert a right independent of the MOU and the Trust Deed by claiming a right under Section 35 of the Trademarks Act, 1999. It is in connection with this plea that the appellant No.1 highlighted the pleas taken by the respondent No.1 while seeking registration of certain trademarks including the name of “RATHI” by claiming it as a family name/surname. However it is for the appellant No.1 to independently establish his *bonafide* in using the name “RATHI” irrespective of what plea the respondent No.1 had taken before the registration authorities in respect of some other trademarks. The appellant No.1 is clearly seeking to enforce rights outside the MOU and the Trust Deed by claiming a vested right in a name the goodwill of which was not created by him but created by his predecessors since 1942 and specifically for TORS since

1968. The name “RATHI” in respect of TORS evokes a certain brand quality and this has been established not by a proprietor, being the grandfather of appellant No.1, but by all members of the family over a period of time, including his grand uncles.

22. The learned Single Judge was right, in concluding that on the basis of the MOU and the Trust Deed, the respondent No.1 had disclosed a *prima facie* case whereas the appellant No.1 had not disclosed any right to issue licenses for use of the trademark “RATHI” by outsiders. In view of the goodwill and brand value of the trademark “RATHI”, the injury caused by the widespread unregulated and unlawful use of this trademark, which admittedly had been registered in the name of M/s. K.L. Rath Steel Ltd. and which was thereafter duly assigned to the Rath Foundation, would be irreparable as it would be a loss to the family represented by the Rath Foundation through the respondent No.1. The balance of convenience lies in favour of the Rath family and the Rath Foundation and not with the appellant No.1.

23. The contention that the respondent No.1 was not authorized to file the suits by other trustees also has no force since the Trust Deed itself authorizes each Trustee to initiate legal action against any other Trustee/family member if they were found violating the terms of the Trust. It is a specious plea that without a hundred percent unanimity amongst the Trustees no legal action can be initiated, because if a Trustee is found violating the terms of the MOU/Trust Deed, he would not be agreeable to a Resolution against him and in absence of such absolute unanimity, the terms of the Trust Deed would not be enforceable.

Therefore, placing such an interpretation on the terms of the MOU/Trust Deed before the filing of suits cannot be accepted.

24. The impugned judgment does record an observation that the respondent No.1 had not made full disclosure. But that need not result in a deprivation of relief to the Trust which is seeking to protect interest of all family members in the trademark “RATHI” against unauthorized usage. The respondent No.1 has not sought an injunction against the appellants and other respondents to this appeal in his personal capacity after violating terms and claiming a privilege over other violators. He is in a representative capacity and the acts of one Trustee cannot predicate the rights that can be enforced by the Trust.

25. We therefore find no reason to interfere with the reasoning and the conclusions in the impugned judgement as no perversity or illegality has been disclosed or is evident.

26. Appeals dismissed.

ASHA MENON, J.

RAJIV SAHAI ENDLAW, J.

JANUARY 04, 2021

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