

IN THE HIGH COURT AT CALCUTTA
Civil Appellate Jurisdiction
Appellate Side

Present :- **Hon'ble Mr. Justice I. P. Mukerji**
 Hon'ble Mr. Justice Biswaroop Chowdhury

FMAT 9 of 2023
With
CAN 1 of 2023
CAN 2 of 2023

Poulami Mukherjee

Vs.

Duckbill Drugs Pvt. Ltd. & Ors.

For the Appellant/State :- **Mr. Debnath Ghosh,**
 Mr. Aniruddha Chatterjee,
 Mr. Debdutta Basu,
 Mr. Bimalendu Das,
 Mr. Abirlal Chakravarty,
 Mr. Shomrik Das,
 Mr. Nikhil Kumar Gupta, Advs.

For the Respondent No.1 :- **Mr. Abhrajit Mitra, Sr. Adv.**
 Mr. Soumabho Ghose,
 Mr. Avishek Guha,
 Mr. Sourajit Dasgupta,
 Ms. Akansha Chopra,
 Ms. Debarati Das, Advs.

For the Respondent No.2 :- **Ms. Pampa Dey Dhabal, Adv.**

For the Respondents :- **Mr. Swatarup Banerjee,**
 Ms. Somali Mukhopadhyay, Advs.

Judgment On :- 23.06.2023

I. P. Mukerji, J.:-

SHORT BACKGROUND

I will refer to the parties by their names. It would be more convenient in that way to deal with this case.

An interim judgment and order dated 12th December, 2022 was passed by the learned Court below in an interlocutory application in a suit filed by Poulami Mukherjee against Duckbill Drugs Pvt. Ltd. (Duckbill) alleging infringement of seven trademarks over which she had proprietary rights acquired through a deed of assignment executed in her favour by Duckbill, the registered owner of those marks. The learned court refused to grant an order of injunction restraining Duckbill from using the marks.

In those circumstances, the present appeal was filed in this court by Poulami.

On 24th January, 2023 the appeal and the connected application for injunction (FMAT 9 of 2023 with CAN 1 of 2023 & CAN 2 of 2023) came up before this court for admission and consideration of an interim order.

An affidavit of service was filed. We recorded in our order passed on that day that apart from the second respondent Swapan Kumar Mukherjee, an ex-director of Duckbill and father-in-law of Poulami, no other respondent was represented in court.

Upon scrutiny of the impugned judgment and order we found that although the learned Judge had found prima facie infringement of those trademarks by Duckbill yet he refused to pass any order of injunction.

At the admission stage, without the assistance of the entire papers and detailed submissions, our notion was that under well settled principles of intellectual property law, if infringement was prima facie established, then an order of injunction necessarily followed. Considering that the point involved was very short, we disposed of the appeal by setting aside the judgment and order appealed against. We granted an order of injunction restraining Duckbill from using the marks. The interim order would be valid till 31st March, 2023 with power vested in the learned judge to extend it if hearing of the application could not be completed by that time.

Immediately, thereafter, on or about 28th January, 2023 Duckbill made an application for setting aside our order dated 24th January, 2023 and for reinstatement of the order of the learned Court below, on the ground that the ex parte order was obtained on 24th January, 2023 by misleading the court that inspite of service, Duckbill had not appeared.

SHORT FACTS

The facts of this case are most extraordinary. Very rarely does one come across a case of this kind where there is such a serious allegation of fraud, misrepresentation and suppression of facts and cheating.

Insolvency commencement date for Duckbill was 17th December, 2019, when NCLT commenced Corporate Insolvency Resolution Process (CIRP) against them. The order of liquidation of Duckbill was passed by the tribunal on 13th April, 2021.

The Liquidator proposed to sell the assets of the company as a going concern. The most valuable assets of the company were seven out of its fourteen trademarks i.e. i) Laxit ii) Laxit Laxative Oral Emulsion (label) iii) Healzyme iv) Catalyd v) Laxit plus label vi) Brofentol plus label vii) Cyaptin with calcium (label). There was some lease hold interest of the company as well which according to Duckbill was of insignificant value, as the lease had expired. On 29th June, 2021 the Liquidator had asked the trademarks registry to maintain status quo of the seven trademarks. The assets which were handed over by Swapan Kumar Mukherjee to the Liquidator on 12th February, 2022 were to be sold by e-auction as stated in the Liquidator's notice of sale dated 23rd April, 2022. The liquidator fixed a reserve price of rupees five crores for this sale. On 9th May, 2022 he held an auction for this purpose under Section 35 (1)(f) of the Insolvency and Bankruptcy Code. On 11th May, 2022 they were sold in favour of Paul Brothers, a partnership firm having its office at 7, Kali Prasanna Chatterjee Lane,

Kolkata – 700034 who were to run Duckbill as a going concern and a sale certificate issued to them.

Under Section 45 of the Insolvency and Bankruptcy Code, 2016, any transaction before two years of commencement of the Insolvency cannot normally be considered by the court or adjudicating authority as a fraudulent preference.

An extraordinary situation has been created by the production of a deed of assignment dated 3rd April, 2017 under which seven trademarks were purportedly assigned by Duckbill to Poulami for a consideration of Rs.7,000/-, a letter dated 4th April, 2017, by Poulami to Duckbill that she had become the owner of seven trademarks; a form dated 18th January, 2022 by Poulami to the Registrar of Trademarks for recording this assignment in his records and a document issued by the Trade Marks registry showing that the assignment was registered on 14th June, 2022.

Apparently, on 7th November, 2022 Paul Brothers wrote to the Liquidator that they had discovered that seven trademarks had been transferred to Poulami. On 9th November, 2022 the Liquidator asked the Registrar of Trade Marks to reverse the transfer.

The case of Duckbill is that a colossal fraud has been practised on them by Poulami. These seven trademarks were all along the assets of the company and were included in its assets proposed to be sold by e-auction by the Liquidator. The assignment of 3rd April, 2017, is a fabricated document, so backdated that the assignment would appear to have been effected prior to two years of commencement of insolvency on 17th December, 2019. According to the Liquidator, the consideration received from Duckbill has been utilized to pay the dues of the company. According to Duckbill, Poulami in connivance with her father-in-law who was the director of that company, wanted the liability of Duckbill to be met from the consideration paid by Paul Brothers and at the same time stake their wrongful claim on

the seven trademarks, so as to deprive the company of these valuable assets and enrich themselves.

On 14th November, 2022 Paul brothers filed a writ application in this court (WPA 24933 of 2022) asking inter alia for a writ of mandamus for cancellation of the assignment of the seven trademarks in favour of Poulami and for its restoration in favour of Duckbill. At the ad-interim stage on 6th April, 2023 a learned single judge hearing the writ took note of our order dated 24th January, 2023 restraining Duckbill from using the marks. She ruled, on appreciation of the prima facie case that Poulami be also restrained from using the marks.

An appeal was preferred by Poulami from this order before a division bench of this court which while admitting the appeal on 20th April, 2023 ruled that the ad-interim order passed by the learned single judge without inviting affidavits had the effect of finally allowing the writ application. The said order of the learned single judge dated 6th April, 2023 was stayed and directions were made for hearing of the appeal.

The net result of this is that the writ application and the appeal are pending before the respective courts.

On 28th November, 2022 Paul Brothers filed an application on the Section 60(5) of the Insolvency and Bankruptcy Code (Avoidance Application) before the NCLT claiming that the assignment and transfer of the seven trademarks by the deed of assignment dated 3rd April, 2017 was preferential, fraudulent and undervalued and that Duckbill was entitled to commercially exploit the trademarks. At this stage, it is made clear by us that the effect of pendency of the proceedings before the writ court and before NCLT on these proceedings was not argued. I only observe that the proceedings before the writ court and the NCLT were commenced by Duckbill whereas the substantive suit from which this appeal is entertained by us was preferred by Poulami.

ARGUMENTS

According to Mr. Abhrajit Mitra, learned senior counsel for Duckbill, the deed of assignment is clearly backdated. In support of his contention, he said that on 18th January, 2022 when the deed of assignment was lodged with the registry only seven out of the fourteen trademarks were valid, though on 3rd April, 2017 fourteen trademarks were alive. Suspiciously, the deed of assignment related only to seven trademarks.

It was cleverly dated so as to appear to have been executed before two years of the insolvency commencement on 17th December, 2019, so as to make the transaction valid and not a fraudulent preference under Section 45 of the above Code. According to learned counsel, very astonishingly, the deed of assignment also included two trademarks Brofentol Plus and Cyaptin which were registered on 2nd August, 2018.

Furthermore, what casts a cloud of doubt on the whole transaction was that whereas Duckbill purchased the assets of the company of which the trade marks were the most substantial for five crores, these trade marks were shown to be assigned to Poulami for a consideration of only Rs.7,000/-, by Swapan Kumar Mukherjee, the respondent No.2 as the director of the company as well as the father-in-law of Poulami.

On behalf of Poulami Mukherjee, learned counsel Mr. Debnath Ghosh assisted by Mr. Aniruddha Chatterjee, learned counsel contended that the deed of assignment by Duckbill in favour of Poulami Mukherjee was validly executed on 3rd April, 2017. By such assignment, Poulami acquired the rights of the registered proprietor of seven trademarks of Duckbill. Under Section 28 of the Trade Marks Act, 1999, Poulami became entitled to the exclusive right to use the trademark and under Section 29 entitled to prevent infringement of the marks by another party.

Learned counsel contended that upon initial registration of the trademark and its subsequent assignment, the assignment became prima facie

evidence of the validity of the mark under Section 31 of the said Act. Relying on Rules 75 to 77 of the Trade Mark Rules, it was argued that the certified copy of the original assignment had to be furnished with the Registrar. The deed of assignment by which the marks were assigned under Chapter V of the said Act would only be challenged by filing proceedings under Section 57 of the said Act for cancellation or rectification of the register.

It was also said that Poulami had filed her application with the Registrar of Trademarks to record the assignment on 18th January, 2022 which was much prior to the e-auction sale notice dated 23rd April, 2022. The e-auction of assets took place on 9th May, 2022 and sale certificate issued in favour of Duckbill on 11th May, 2022.

Much stress was laid on the fact that the assets of Duckbill were sold on an as is where is basis.

The Liquidator who was requested by us to assist the court tells us by an affidavit and a compilation of documents, through Mr. Swatarup Banerjee, Advocate the entire facts narrated above.

SUPPRESSION

The application (CAN 2 of 2023) has been made by Duckbill to set aside the said order. In the said order dated 24th January, 2023 we had recorded the filing of an affidavit of service and non-appearance of the respondent No. 1. It was very strongly contended before us that the representation made by learned counsel for the appellant that Duckbill had been duly served was erroneous. Records were placed before the court to show that Duckbill received service of the papers in the evening of the day when the order was passed.

We have also checked all the records. The contention of Duckbill appears to be true.

Learned counsel arguing matters in court rely on instructions. Indeed, the instructions received by learned counsel were incorrect. We do not ascribe any ill motive on the part of learned counsel. We, in the strongest words deprecate the conduct of the advocate-on-record instructing counsel.

While going through the application to vacate our order dated 24th January, 2023 and the affidavits filed, we found that all the material papers necessary to hear out the appeal were before us.

So, while hearing out the application to vacate our judgment and order dated 24th January, 2023, we also had an opportunity to hear out the appeal on merits.

In those circumstances, we hold that there was sufficient cause which prevented Duckbill from attending court when the appeal was heard on 24th January, 2023. We set aside the order dated 24th January, 2023. At the same time, we have treated the appeal in our list and deemed to have heard it out also. Our decision in the appeal is contained in the subsequent part of this judgment. The application (CAN 2 of 2023) is allowed to the above extent.

DISCUSSION AND CONCLUSION

The dispute between the parties as I see it is more concerned with proprietorship of the seven trademarks than with their infringement. At this stage of the suit, the court is only called upon to decide prima facie the proprietorship rights of these trademarks.

The prima facie finding of the learned judge in the impugned judgment and order is palpably erroneous to the point of being perverse. No learned judge on the basis of the deed of assignment of 3rd April, 2017 lodged some five years later on 18th January, 2022 and purportedly registered on 14th June, 2022 would have come to the prima facie conclusion that it was valid, under Section 42 of the Trade Marks Act, 1999. However, the learned Judge came to this finding. At the ad interim stage we did not have the

opportunity of scrutinizing the documents. We entertained the view that if the learned judge had entered the finding that the assignment was valid, then Poulami had the right of the proprietor of a registered trademark and entitled to an ad interim order restraining Duckbill from using the marks. Hence, with an interim order in the appeal we restrained Duckbill from using the marks.

We are extremely suspicious about the authenticity of the deed of assignment for several reasons. Being allegedly executed in 2017 it did not come to light when the corporate insolvency resolution process was started on 17th December, 2019, or on 13th April, 2021 when the liquidation proceedings were commenced. On 12th February, 2022 the father-in-law of Poulami, Swapan Kumar Mukherjee quietly handed over the possession and assets of the company to the Liquidator without informing him that on 18th January, 2022 he had filed the application with the Registrar to record the assignment of the seven trademarks of the company purportedly made on 3rd April, 2017.

On 23rd April, 2021 the liquidator identified fourteen trademarks belonging to the company which included the seven trademarks.

There is every reason to believe that as a statutory functionary the liquidator acted regularly in the usual course of his duties and found fourteen registered trademarks in the name of the company. He found nothing in the records to suggest that out of those trademarks, seven had been transferred in 2017.

As rightly pointed out by Mr. Mitra all fourteen marks were valid on the alleged date of execution of the deed of assignment whereas in 2022 only seven trademarks were valid. Furthermore, two of the marks were registered only in 2018. Then why only seven trademarks were allegedly assigned in 2017? Why would the application for recording of the

assignment of the seven trademarks be made on 18th January, 2022 about 5 years after it was purportedly assigned on 3rd April, 2017?

What is most significant is that these marks were assigned by the father-in-law on behalf of the company to her daughter-in-law for only Rs.7,000/- whereas about rupees 5 crores have been paid by Duckbill to purchase these marks.

Chapter V of the Trade Marks Act, 1999, deals with the assignment or transmission of the trademarks. Section 42 provides that if an assignment of trademark is made otherwise than in connection with the goodwill of the business in which the mark has been used, the assignment shall only take effect if within six months or an extended time of three months as the Registrar allows such assignment is notified to the Registrar for the purpose of advertising it.

The purported deed of assignment dated 3rd April, 2017 was sought to be lodged with the Registrar on 18th January, 2022 for registering the assignment. This application to record this assignment was made by filling up a form RM-P issued by the Trademark registry. This form provides for an application for post registration changes in a trademark. In the garb of making this application Poulami Mukherjee tried to record with the registry that Duckbill had assigned the seven trademarks to her (see page 168 of the application CAN 2 of 2023) and managed to get the assignment registered on 14th June, 2022.

First of all, under Section 28 of the Trade Marks Act, 1999 registration is only prima facie proof of validity.

According to the decision in *Lupin* at the ad-interim stage the court can prima facie go into the question of validity.

It is absolutely plain that prima facie there was gross irregularity involved in the alleged assignment and in the registration thereof.

From the prima facie findings arrived at by me there is every reason to believe that the deed of assignment was backdated.

Even if it is assumed that it was not the trademark registry had no power under Section 42 of the said Act to register the assignment when such assignment was presented after 5 years. The Act required notification of this assignment by the assignee within the stipulated period of six months which might be extended by the Registrar by three months only, and if no such notification was made, the assignment would not have any effect. The trademark registry could not have registered the purported assignment on 14th June, 2022.

The involvement of the trademark registry in this fraud also needs to be investigated.

Therefore, in my considered opinion, prima facie, the purported assignment appears to be non-est and a nullity.

Under Chapter V of the Trade Marks Act, 1999 the right of assignment and transmission is vested in the registered proprietor. In case of these seven marks, the registered proprietor was Duckbill, the custodian of whose assets was the liquidator. So the real proprietor was the liquidator.

First of all, on 18th January, 2022 the earlier management of the company could not act by presenting the purported 2017 deed of assignment for recording the assignment with the Registrar without the concurrence of the liquidator. The earlier management could not have in January, 2022 brought to life an assignment which was a dead letter. Furthermore, it could not do any act which would deprive the company of its valuable assets.

I am of the view that a deliberate attempt was made by Poulami and her father-in-law to divest Duckbill of its principal assets that is the trademarks and misappropriating them, by backdating a deed of

assignment to 2017 and then filing it with the trademark registry five years later.

The dating of the alleged deed of assignment that is 3rd April, 2017 raises eyebrows for another reason. It was more than two years before the commencement of insolvency proceeding on 17th December, 2019 so as to take it out of scanner and scrutiny under the 2005 Insolvency and Bankruptcy Code, 2016, as a fraudulent preference.

In those circumstances, the ultimate order passed by the learned trial Judge at the ad interim stage that he was not minded to pass an interim order of injunction was justified, though it should have been for the reasons given above.

Whether our interim order in appeal was obtained by suppression of material facts is redundant because we are ultimately setting aside our interim order on substantive grounds. It is true that if this suppression was not made the interim order may not have been passed at all.

This appeal is dismissed by vacating our interim order dated 24th January, 2023. The impugned judgment and order is affirmed by substituting therein the reasons given by us in this judgment and order. Nothing remains of the injunction application before the court below. It is disposed of by this order. The suit be expedited and disposed of within two years of communication of this order. On the basis of this order a necessary application be made before the court below to record disposal of the interim application and for expediting the suit.

The appeal and all connected applications are disposed of accordingly.

Our findings and observations are to be treated as prima facie in the suit.

For suppressing the fact that Duckbill had not been served with copies of cause papers when the stay application/injunction application in appeal was moved, we express our greatest displeasure.

Certified photocopy of this order, if applied for, be supplied to the parties upon compliance with all requisite formalities.

I agree.

(BISWAROOP CHOWDHURY, J.)

(I. P. MUKERJI, J.)