

Delhi High Court Rob Mathys India Pvt. Ltd. vs Synthes Ag Chur on 29 May, 1997 Author: S Kapoor Bench: R Lahoti, S Kapoor ORDER S.N. Kapoor, J. 1. These two FAOs arise out of a collaboration agreement between predecessor-in-interest respondent No. 2 and promoters of the appellant Company for formation of appellant-company in India and revocation of the agreement and withdrawal of implied consent to use Trade Marks by successors of a Swiss partnership firm which entered into the collaboration agreement plaintiff/respondent No. 2 and proprietors of unregistered Trade Mark “AO/ASIF” and registered device and the word “Synthes” Trade Marks. The plaintiff/respondents have filed two suits - one for “passing off action” and the other for “infringement action”. In I.A. 3420/93 in Suit No. 709/93 for passing off action, learned Single Judge passed an injunction order restraining the appellants from manufacturing, selling, offering for sale and advertising surgical instruments and orthopedic implants one under the unregistered trade mark A.O./ASIF or device mark or any other similar mark as is likely to cause confusion, deception or may amount to passing off the goods of the defendants for those of the plaintiffs. On I.A. No. 3419/93 in Suit No. 708/93 for infringement action, learned Single Judge passed similar order restraining the appellants from using the registered trade mark “Synthes” or any other similar mark amounting to infringement of the trade mark causing confusion or deception or amounting to passing off. F.A.O. No. 192/96 has been filed against the injunction order on I.A. No. 3419/93 in Suit No. 709/93 in infringement action, while F.A.O. No. 193/96 relates to I.A. No. 3420/ 93 in Suit No. 708/93, in passing off action. Undisputed/unchallenged facts common to both the matters 2.1. In so far as factual matrix is concerned, one Robert Mathys, a Swiss mechanical engineer, is said to be the force in development of surgical instruments and orthopedic implants, etc. made of special steels and formation of the Association of Study of Internal Fixation (AO/ASIF) as well as Synthes A. G. Chur plaintiff/respondent No. 1. Robert Mathys along with his son Renauld Mathys founded a partnership firm M/s. Robert Mathys Company in Bettlach Switzerland (the predecessor in interest of respondent No. 2) in 1946. In 1958 they entered the field of the development and manufacture of machinery and apparatus including surgical instruments and orthopedic implants and similar other components made of special steels. On 15th April 1978, the firm entered into a collaboration agreement with N. P. Dhawan and R. M. Dhawan, proprietors of the appellant Company. On 20-4-1990 M/s. Robert Mathys Company was converted into a corporate body and Mathys Limited Bettlach R. 2 came to be incorporated. 2.2. In 1958 the Association of Study of Internal Fixation (ASIF) was founded with the object of studying internal fixation and its bio-mechanical prerequisites and pitfalls relating to regaining of the complete function of injured limbs by anatomic reduction, stable fixation and early mobilization. These two letters ‘AO’ of the trade mark (unregistered) are the acronyms formed from initial letters of two German words ‘Arbeitsgemeinschaft’ and “osteosynthes” while the word “ASIF” is acronym formed from the English words “Association for study of Internal Fixation” and AO/ASIF is also the name of the Swiss trust which owns almost all the shares in “synthes AG CHUR” plaintiff/respondent No. 1. In 1960 the founders of AO and ASIF

established AG Chur respondent No. 1 for the manufacturing marketing of a complete surgical armamentarium with the hope that respondent No. 1 would eventually provide funds for research etc. During 1960 to 1963 A. G. Chur R. 1 granted the right of manufacture and sale of surgical instruments and implants exclusively to three firms including M/s. Robert Mathys Company along with two other firms. But in 1963 Respondent No. 1 Synthes AG Chur granted exclusive licence in favour of M/s. Robert Mathys company to use the trade marks, trade names Logos, symbols of Synthes AG Chur in respect of the entire territories of Asia (including India), Australia and New Zealand. According to a contract effective as of January 1, 1992 between Synthes AG CHUR, is licensor and Mathys AG Bettlach, as licensor, Mathys AG Bettlach also has the exclusive right to use Synthes marks, in connection with the manufacturing use and sale of Synthes products in certain territories including the territory of India. 2.3 Synthes AG Chur obtained registration of its AO/ASIF trade mark in Great Britain, Northern Ireland, Switzerland, United State between 31st January, 1973 to 25th January, 1977. 2.4 The "Synthes" device trade mark was registered vide Registration No. 252074 dated 4-10-68 and it was renewed from time to time. Similarly, the "Synthes" word trade mark was registered on 2-5-1972 vide registration No. 2799001 and has been renewed from time to time. Both are registered in the name of Synthes A. G. Chur Respondent/plaintiff No. 1. 2.5 Robert Mathys and his son Renauld Mathys on one side and N. P. Dhawan and his brother R. M. Dhawan and other entered into collaboration agreement on 15th April, 1977. They formed the appellant/defendant company Rob Mathys (India) Pvt. Ltd. with effect from 24th November, 1978, having equity investment to the extent of 60% and two of the Mathys to the extent of 40%. Two of the Mathys were also appointed as Directors in January, 1979. The defendant company installed its factory at Jaipur and started production using the aforesaid trade marks in dispute in 1979 and thus carrying out the manufacturing of the orthopedic implants and surgical instruments and trading activities from 1979 till date. The appellant company have been manufacturing and marketing its goods in India and using trade mark in dispute with the "permission of the plaintiffs on account of his financial and technological collaboration between plaintiff No. 2 and the defendants" as has been put by learned Counsel for the appellant. The collaboration agreement was initially for 10 years from 15th April, 1977 and that period had expired. However, the parties, it appears, continued to act upon the said agreement till it was specifically sought to be canceled by letter dated 24-6-1992 and legal notice dated 12th November, 1992 and Public Notice. Disputes between the parties 3.1 In short, according to the case of the respondents, Clause 11 of the Collaboration agreement related to future Trade Marks and did not cover existing Trade Marks, including the mark Synthes device and word mark "Synthes". Further by virtue of the said Clause 11, no sub-licensee was granted in favour of the appellant company to use the existing Trade Marks of respondent No. 1, including the Synthes device and word mark "Synthes". Robert Mathys Company (predecessor of respondent No. 2) prior to incorporation of Rob Mathys India Pvt. Ltd., the appellant had been carrying on large business in the manufacturing and sales of surgical prod-

ucts and orthopedic implants in Europe and elsewhere. They have carried out both the function of export of goods manufactured by them under the Trade Marks in question as well as other Trade Marks from Switzerland into India and advertising, promoting and offering them for sale, packaging them and selling them directly to the customers. In most cases finished goods manufactured by respondent No. 2 in Switzerland and bearing the Trade Mark in question have been imported into India by the appellant. In some cases, semi-finished goods and raw materials have been imported into India by the appellant for conversion into finished goods in terms of the collaboration agreement. The value of the goods imported and manufactured by the appellant was rupees 2.4 crores and rupees 61 lakhs respectively. Thus, the Trade Marks were continuously used into India by the respondents. Respondent No. 2 merely granted the bare privilege to use the Trade Mark in question, as such a gratuitous licence was granted. Four reasons have been given to revoke the licence. Firstly, failure of the appellant to pay a colossal sum of rupees 3.5 crores for the finished and semi-finished goods and raw material supplied to it by respondent No. 2; secondly, numerous complaints received by them from hospital and other parties in India about sub-standard qualities of the goods supplied by the appellant bearing Trade Marks in question; thirdly, dispute relating to shares and fourthly, non-payment of a sum of Rs. 1,72,767/- for supply of machinery and capital goods along with interest at the rate of 4 per cent. Consequently, the collaboration agreement was cancelled by letter dated 24th June, 1992 and legal notice 12th November, 1992 coupled with Public Notice dated 15th November, 1992 published in "The Hindustan Times". The trade mark in dispute has been continuously advertised by the defendant/appellant for the last 17 years with their permission. The plaintiff have revoked their permission. The defendant/appellant company has no right to use the trade marks in dispute. 3.2 In response to the said contentions of the plaintiff/respondents it is contended that proprietary rights in a trade mark whether registered or unregistered could only be acquired by its user in India. Registration by itself does not create any right. The plaintiffs/respondents have neither used trade mark in India nor do they have any right or property therein. Hence, they could not have possibly transferred any such right to the defendant in 1979 or afterwards. Besides an unregistered trade mark is neither assignable nor transferable under Section 38 of Trade Mark and Merchandise Act. The appellant company was and is willing to abide by the collaboration agreement. Suits have not been filed by duly authorised persons, and as such not maintainable in view of Section 28 FERA and 79 of the Act. 4. We have heard parties' Counsel at length and gone through the record. We propose to deal with pleas and arguments point wise as and when they crop in proper sequence. Accordingly, at first we propose to deal with pleas and arguments advanced relating to jurisdiction, scope of Section 10 of Delhi High Court Acts, guidelines on granting ad interim injunction, and importance of public interest in such matters, before we take up points relating to authority to institute suits, effects of revocation of collaboration agreement, registration of trade marks, user by the appellant and its effect on right to trade marks, conduct of appellant and other incidental points, before reaching any conclusion. Territo-

rial Jurisdiction In so far as the question of territorial jurisdiction is concerned, Section 20 of the CPC provides for a suit being instituted in a Court within the local limits of whose jurisdiction the defendant or each of the defendants or one of the defendants, actually or voluntarily resides, or carries on business, or works for personal gains (subject to leave of the Court one of the defendants only resides within the jurisdiction of the Court) where the causes of action wholly or in part arise. Seeking the heading of Section 20 "Other suits to be instituted where defendants reside or cause of action arises", ordinarily suit not being a suit for compensation for wrong done to the person or movable property should be instituted in a Court within the local limits of whose jurisdiction the defendant resides. However, in certain cases a suit could be filed in places where cause of action wholly or in part arises but in case of several defendants, though the suit could be filed at a place where one of the defendants resides, but it is very apparent from illustrations 'b' to Section 20 that in each of these cases as the non-resident defendant objects the suit cannot proceed without the leave of the Court. In the case in hand the last part of the illustration 'b' to Section 20 is not applicable for there is single defendant and it is apparent from the plaint that cause of action did arise in Delhi. Consequently, Delhi Court will have jurisdiction. Scope of Section 10 of Delhi High Court Act One of the arguments advanced is that this Court must not interfere with the impugned discretionary orders in these two cases while hearing the appeal under Section 10 of the Delhi High Court Act. The learned Counsel for the appellant referred to numerous cases - (a) *Shah Babulal Khimji v. Jayaben B. Kania*, . (b) *Wander Ltd. v. Antox India P. Ltd.*, 1990 (Supp) SCC 727 - Para 14 at p. 733. (c) *N. R. Dongre v. Whirlpool Corporation*, 1996(6) Scale (Vol. VI No. 1) 276-Para 8 at pp. 279 to 280 and para 17 at p. 285. (d) *Haridas Mondal v. Sahadeb Mondal*, . (e) *M/s. Apsara Hotels (P) Ltd. v. M/s. Rajputana Hotels (P) Ltd.*, AIR 1981 NOC 21 (Raj.) p. 96. (f) *GTC Industries Ltd. v. ITC Ltd.*, . (g) *Chinnamma v. N. Nagaraja*, . In *Shah Babulal Khimji v. Jayaben B. Kania* Supreme Court observed in para 119 as under. 119. ... (1) That the Trial Judge being a senior Court with vast experience of various branches of law occupying a very high status should be trusted to pass discretionary or interlocutory orders with due regard to the well settled principles of civil justice. Thus, any discretion exercised or routine orders passed by the Trial Judge in the course of the suit which may cause some inconvenience or, to some extent prejudice one party or the other cannot be treated as a judgment otherwise the appellate Court (Division Bench) will be flooded with appeals from all kinds of orders passed by the Trial Judge. The Courts must give sufficient allowance to the Trial Judge and raise a presumption that any discretionary order which he passes must be presumed to be correct unless it is ex-facie legally erroneous or cause grave and substantial injustice." In *Wander Ltd. v. Antox India P. Ltd.* (1990 (Suppl.) SCC 727), following observations were made by the Supreme Court in para 14 : 14. "... In such appeals, the appellate Court will not interfere with the exercise of discretion of the Court of first instance and substitute its own discretion except 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 of refusal of interlocutory injunctions. An appeal against exercise of discretion is said to be an appeal on principle. Appellate Court will not reassess the material and seek to reach a conclusion different from the one reached by the court below if the one reached by that Court was reasonably possible on the material. The appellate Court would normally not be justified in interfering with the exercise of discretion under appeal solely on the ground that if it had considered the matter at the trial stage, it would have come to a contrary conclusion. If the discretion has been exercised by the Trial Court reasonably and in a judicial manner the fact that the appellate Court would have taken a different view may not justify interference with the Trial Court's exercise of discretion. After referring to these principles Gajendragadkar, J. in *Printers (Mysore) Private Ltd. v. Pothan Joseph* : (SCR 721)"... These principles are well established, but as has been observed by Viscount Simon in *Charles Osenton & Co. v. Jhanaton* ... the law as to the reversal by a Court of appeal of an order made by a Judge below in the exercise of his discretion is well established, and any difficulty that arises is due only to the application of well settled principles in an individual case." The propositions of law propounded in these cases are not under challenge. We will just like to say that due deference must be shown to the learned Single Judge in such like appeals. After all, the learned Single Judge is having vast experience of various branches of law and occupies a very high status. Learned Single Judge has looked into the matter in great details and has done his best to achieve a just result according to his perception also based on the submissions of the Counsel for the parties. Consequently the order passed by learned Single Judge should not be lightly interfered with. However, if the attention of the learned Single Judge has not been drawn to certain facets of the matter, or though the attention was drawn, but learned Single Judge, either did not feel it necessary to go far enough, due to inequitable conduct of the party in an appeal under Section 10 of the Delhi High Court Act a Division Bench is not debarred to have a second look at those facts and facets of the matter. It parties or their Counsel could not draw attention of learned Single Judge towards certain facts and facets and the tentative or final conclusions are apparently based on insufficient premises, a division bench, while hearing an appeal would be justified to have a second look over the matter and to form a different opinion on the basis of the facts established by material on record and on established legal propositions. Guidelines on granting Interlocutory Injunction The Supreme Court laid down certain guidelines for granting of an interlocutory injunction during the pendency of legal proceedings in para 4 of *Wander Ltd. v. Antox India P. Ltd.* (supra) and paras 42 & 43 of *Gujarat Bottling Co. Ltd. v. Coca Cola Co.* ((1994) SCC 4). To quote from the letter case : 42. "In the matter of grant of injunction, the practice in England is that where a contract is negative in nature, or contains an express negative stipulation, breach of it may be restrained by injunction and injunction is normally granted as a matter of course, even though the remedy is equitable and thus in principle a discretionary one and a defendant cannot resist an injunction simply on the ground that observance of the contract is burdensome to him and its breach would cause little or no prejudice to the plaintiff and

that breach of an express negative stipulation can be restrained even though the plaintiff cannot show that the breach will cause him any loss. (See : Chitty on Contracts, 27th Edn., Vol. I, General Principles, paragraph 27-040 at p. 1310; Halsbury's Laws of England, 4th Edn., Vol. 24, paragraph 992.) In India Section 42 of the Specific Relief Act, 1963 prescribes that notwithstanding anything contained in Clause (e) of Section 41, where a contract comprises an affirmative agreement to do a certain act, coupled with a negative agreement, express or implied, not to do a certain act, the circumstances that the Court is unable to compel specific performance of the affirmative agreement shall not preclude it from granting an injunction to perform the negative agreement. This is subject to the proviso that the plaintiff has not failed to perform the contract so far as it is binding on him. The Court is, however, not bound to grant an injunction in every case and an injunction to enforce a negative covenant would be refused if it would indirectly compel the employee either to idleness or to serve the employer (See : *Ehrman v. Batholomew*, N. S. Golikari at p. 389.) 43. The grant of an interlocutory injunction during the pendency of legal proceedings is a matter requiring the exercise of discretion of the Court. While exercising the discretion, the Court applies the following tests - (i) whether the plaintiff has a prima facie case; (ii) whether the balance of convenience is in favour of the plaintiff; and (iii) whether the plaintiff would suffer an irreparable injury if his prayer for interlocutory injunction is disallowed. The decision whether or not to grant an interlocutory injunction has to be taken at a time when the existence of the legal right assailed by the plaintiff and its alleged violation are both contested and uncertain and remain uncertain till they are established at the trial on evidence. Relief by way of interlocutory injunction is granted to mitigate the risk of injustice to the plaintiff during the period before that uncertainty could be resolved. The object of the interlocutory injunction is to protect the plaintiff against injury by violation of his right for which he could not be adequately compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial. The need for such protection has, however, to be weighed against the corresponding need of the defendant to be protected against injury resulting from his having been prevented from exercising his own legal rights for which he could not be adequately compensated. The Court must weight one need against another and determine where the "balance of convenience" lies. (See : *Wander Ltd. v. Antox India (P) Ltd.*, (SCC at pp 731-32)). In order to protect the defendant while granting an interlocutory injunction in his favour the Court can require the plaintiff to furnish an undertaking so that the defendant can be adequately compensated if the uncertainty were resolved in his favour at the trial." Importance of interest of consumers and general public and conduct of the parties/appellant in such matters. It is widely accepted by the Courts that in passing off and infringement actions, the interest of general public as well as the interest of consumers of the goods in question are of paramount importance. The learned Counsel for the respondent in this regard referred to following authorities : (a) *GCT v. Laurie March*, (1973) RPC 432 (p. 434). (b) *LRC International v. Lilla Edets*, (1973) RPC 560 (p. 564). (c) *Simatul Chemical Industries Pvt. Ltd. v. Citabul Ltd.*,

. (d) M/s. Hindustan Pencils Pvt. Ltd. v. M/s. India Stationery Products Co., . (e) Kirloskar Diesel Recon Pvt. Ltd. v. Kirloskar Proprietary Ltd., AIR 1996 Bom. 146 - Para 10 at pp. 160 and 161. In GCT (Management) Ltd. v. The Laurie Marsh Group Ltd. (supra) following observations were made : "... It is inevitably always an important question in cases of this kind whether or not the public are being confused, because the Court, apart from deciding the conflict that there is between the parties, has always got to have the interests of the public in mind and it is highly desirable that in the field of businesses, as much as it is in the field of trade marks for goods, the public should be put in a position where they are likely to be deceived or confused. That, however, is a matter which has finally to be determined on the final hearing of the action, that is to say, the position as regards the public. In M/s. Hindustan Pencils Pvt. Ltd. v. M/s. India Stationery Products Co. & Anr. , Hon'ble Mr. Justice B. N. Kirpal observed in para 29 as under : 29."If an action is taken by the registered owner and no interim injunction is granted, the effect is that goods bearing the infringement mark or spurious goods would continue to be sold in the market. After a number of years when the case is finally disposed of, after trial, and the plaintiff succeeds and gets permanent injunction then, possibly the plaintiff may also be compensated by his being awarded damages or an account of profits that sense the non-grant of the interim injunction would not, ultimately, prejudice the plaintiff for he may be compensated with payment of money but during this period when the defendant is allowed to continue to infringe the intellectual property it is the consumer or the purchaser who alone suffers and who ultimately cannot be compensated. Therefore, in order to curb the means of manufacture, production and sale of spurious goods and the blatant violation of intellectual property it will be proper for the Court to take into consideration the interest of the general public. In this regard reference may usefully be made to the following observations of McCarthy at page 346, para 30.21 which deals with the protection of third parties : "Some Courts also consider the necessity of protecting third parties. In trade mark infringement cases,"third parties" means the buying public. If the equities are closely balanced, the right of the public not to be deceived or confused may turn the scales in favour of a preliminary injunction." Further, in para 32 again, Hon'ble Mr. Justice B. N. Kirpal took the view that "delay or laches may defeat the claim of the damages or rendition of account but the injunction should not be refused because it is in the interest of general public." In this regard his Lordship observed as under : "... Nevertheless, if the Court comes to the conclusion that prejudice is likely to be caused to the general public who may be misled into buying the goods manufactured by the defendant thinking them to be the goods of the plaintiff then an injunction must be issued. The Court may, in appropriate cases, allow some time to the defendants to sell of their existing stock but an injunction should not be denied." The above said judgment was followed by Bombay High Court as well in Kirloskar Diesel Recon Pvt. Ltd. and Anr. v. Kirloskar Proprietary & Ors. (AIR 1996 Bom 146). In the case in hand, it is apparent that 10 years period of the collaboration agreement dated 15th April 1978 has expired long ago and it has also been revoked as well by

notice. Thus, the licence to use the trade marks in both the actions had ceased to exist. The principle being that there could only be one mark, one source and one proprietor. There cannot be two origins as the registered trade mark as well as the unregistered trade mark both could be used only under the collaboration agreement by the defendant/appellants. The appellant/ company is obviously not the owner. They cannot be allowed to use the registered trade mark device and the word “Synthes” and the trade mark “AO/ASIF” after the revocation of the collaboration agreement. It is notable that the revocation had taken place on account of admitted failure of the appellant to pay a colossal sum of Rs. 3.5 crores for the finished and semi-finished goods and raw material supplied to it by respondent No. 2 apart from non-payment of a sum of Rs. 1,72,667 for supply of machinery and capital goods along with interest at the rate of 4% per annum thereon. The respondents have also produced numerous letters on record complaining against substandard quality of the products supplied by the appellant. In view of the above factors, the learned Single Judge was absolutely justified in taking the view that once the Agreement dated 15th April, 1977 was cancelled, the defendant would cease to have any right at all to use the marks and if the defendant is permitted to pass off his implants and instruments etc. for the products approved by respondent No. 1 and manufactured and supplied throughout the world by respondent No. 2. Innocent persons coming to the hospital for the bone surgery would be put to irreparable loss and prejudice. However, in this respect, there could be two points of view-one, that the complaints could be promoted and biased ones and therefore we may not be very much justified in saying that the goods are substandard specially in view of the general bias in favour of imported goods; secondly, this is not the stage where we should make any categorical statement. Even if we ignore this aspect, these precious implants and medical instruments originating from two different sources would certainly cause confusion on account of not only slight deceptive similarity but total similarity in view of the user in the instant case. This would not be in public interest for, the public is entitled to know the source of origin of such implants and medical instruments to appreciate the distinction of the two products based on the reputation of the two origins and the experience of medical experts in respect of medical implants and instruments originating from two different sources. This by itself is a reason to reject these two appeals. Authority to institute suit and sign and verify pleadings 5. So far as objection about the maintainability of the suit on the ground that the two suits have not been filed by legally authorized persons in terms of Section 28 of the Foreign Exchange Regulation Act (FERA) 19/3 is concerned, the arguments advanced by Dr. K. S. Sidhu are based on the following plea in memo of appeal read with Section 28 of the FERA. “That the learned Single Judge failed to appreciate that R. J. Hartman, the alleged power of attorney holder on behalf of both the Swiss Companies does not have any valid power on behalf any of the two. He cannot be allowed under law to sign and verify the plaint on behalf of the Swiss Companies and to file a suit.” It is notable both the plaintiffs Synthes AG Chur and Mathys Ltd. Bettlach are companies other than banking companies which have not been incorporated under any law in force in India. The submission of

the learned Counsel is that since two plaintiff companies are foreign companies and the suit has been filed by Mr. R. J. Hartman without obtaining permission of Reserve Bank of India, the two suits were not competent in view of the afore-said provision. Except saying that such factual issues ought to be raised before the Trial Court at the appropriate time and such issues ought not to be brought at this stage before the Appellate Court, the argument has not been replied by the respondents. Before the learned Single Judge, the questions about proof of Power of Attorney with reference to Section 78B of the Indian Evidence Act, 1872 as well as about violation of the provisions of Foreign Exchange Regulation Act were raised and argued. But the learned Single Judge did not feel it necessary in the light of the attitude of the defendant/appellant to go into these aspects of the matter. In ordinary course we might have also not gone into these technical objections but for the fact that it is alleged that the representation by R. G. Hartman being void, plaints in the suits cannot be taken note of. Before proceeding further, we would refer to sub-sections (1) & (2) of Section 28 of the FERA, 1973. They read as under - 28. Restrictions on the appointment of certain persons and companies as agents or technical or management advisers in India :- (1) Without prejudice to the provisions of Section 47 and notwithstanding anything contained in any other provision of this Act or the Companies Act, 1956, a person resident outside India (whether a citizen of India or not) or a person who is not a citizen of India but is resident in India, or a company (other than a banking company) which is not incorporated under any law in force in India or in which the non-resident interest is more than forty per cent or any branch of such company, shall not, except with the general or special permission of the Reserve Bank. (a) act, or accept appointment, as agent in India of any person or company, in the trading or commercial transaction of such person or company; or (b) act or accept appointment, as technical or management adviser in India of any person or company; or (c) permit any trade mark, which he or it is entitled to use, to be used by any person or company for any direct or indirect consideration. (2) Where any such person or company (including its branch) as is referred to in sub-section (1) acts or accepts appointment as such agent, or technical management adviser, or permits the use of any such trade mark, without the permission of the Reserve Bank, such acting appointment or permission, as the case may be, shall be void. Since it is not the case of the respondent companies that they had obtained any permission of the Reserve Bank to appoint Reynold Hartmann as an agent, an objection analysis of sub-sections (1), (2) of Section 28 is essential. It shows as under; (i) This provision provides a rule and its exception. (ii) Rule under this provision shall apply - (a) without any prejudice to Section 47 of the Act, and (b) notwithstanding anything contained in any other provisions of the FERA or the Companies Act. (iii) The rule is that : (a) a person who is resident outside India. (b) a person who is not citizen of India but a resident in India; and (c) a company not being a banking company which is not incorporated in India or any branch of such a company; shall ordinarily not act or accept an appointment as agent in India of any person or company in the trading and commercial transaction of such person or company. (iv) The exception is that persons enumerated in (iii)

above could act and accept appointment as an agent in India by any person in the trading and commercial transaction of such person or company with “the general or special permission of the Reserve Bank.” Thus, for a person who is not a citizen of India but is resident in India could be appointed as agent by a foreign company only with the express permission of the Reserve Bank. Similarly, a person who is citizen as well as resident of India could act or accept appointment as agent in India of any person or company in the trading and commercial transaction of a company incorporated outside India. Obviously, this Section relates to and covers representation of foreign companies involving foreign exchange for the purpose appears to be to ensure that Foreign Exchange Regulation Act should not be violated. This Section does not apply to Indian Companies. Section 28(2) of the said Act provides the consequences of non-compliance of the provisions of Section 28(1) and it makes acts as well as the appointment of persons not having general or special permission of Reserve Bank of India void. Consequently, an agent or attorney, who is neither a citizen of India nor resident in India, could not file any suit on behalf of foreign company in India. Sub-section (3) of Section 28 would not be attracted in the present case to cure defects for sub-section (3) shall apply to only those agents who were covered under sub-section (i) at the time of commencement of FERA. We need not say that the Act came into force in 1973 and amended in 1993. From the perusal of the documents on record, it appears that neither any copy of power of attorney in favour of R. G. Hartmann has been filed nor any certificate of incorporation of Synthes AG Chur and Mathys Bettlach (Pvt.) Ltd. has been filed as annexure along with the plaint. However, there is an affidavit of Mr. Rene J. Hartman along with notarized copy of registration of Mathys AG Bettlach on 20th April, 1990 along with its translated copy. In the document file of Suit No. 708/93 there is not even a notarized copy of registration of M/s Synthes AG Chur on record. There is no resolution of any of the two companies authorizing Director or Managing Director to execute a power of attorney in favour of Mr. R. J. Hartman. Order 29 Rule 1 reads as under :- “1. In suits by or against a corporation, any pleading may be signed and verified on behalf of the corporation by the secretary or by any director or other principal officer of the corporation who is able to depose to the facts of the case.” The said Order 29 Rule 1 does not authorize persons mentioned therein to institute suits on behalf of the company. It only authorize them to sign and verify on behalf of the Company. (See Notified Area Committee v. Kidar Nath & Ors. (AIR 1935 Lahore 345), Seth Kirpal Chand v. The Traders Bank Ltd. (AIR 1954 J&K 45), M/s. Nibro Limited v. National Insurance Co. Ltd. . It is well settled that under section 29 of the Companies Act expect where express provision is made that the powers of a company in respect of a particular matter are to be exercised by the company in its general body meeting, in all other cases, the Board of Directors are entitled to exercise its powers. The individual directors have only such powers as are vested in them by the Memorandum and Articles of Association. However, the question to institute a suit on behalf of a company, having far-reaching effect, is not a technical matter. It often affects policy and finance of the company. Thus unless the power to institute a suit is specifically

conferred on a particular Director, the has no authority to institute a suit on behalf of the company. Needless to say that such a power can be conferred by the Board of Directors on any person only by passing a resolution in that regard (See *Nibro Ltd. v. National Insurance Co. Ltd.*) (supra). However, where the memorandum and articles of association of the company confer powers on the Board of Directors to delegate power for filing a suit or appeal and such power was delegated to a Director (Marketing) who was further authorised to delegate the aforesaid power and subsequently the said Director (Marketing) engaged an attorney of the corporation it might have been held that the appeal or suit filed by the said attorney is competent. Were any director or managing director of a company has power to institute suits and legal proceedings which includes power to file appeals and revisions, no resolution would be necessary if the managing director or the so authorized director in turn authorizes the Counsel to file appeal. In absence of the memorandum of association and articles of the company, and resolution of the Board of Directors power of attorney executed by “authorized person” to delegate such an authority in favour of R. J. Hartman, it may prima facie appear that there is some force in the submissions of Dr. K. S. Sidhu. As regards the second limb of the argument of Dr. K. S. Sidhu about the applicability of Section 28 of the FERA in absence of any specific reply one may draw an adverse inference and hold that R. J. Hartman not being an Indian citizen is not entitled to file suit on behalf of the respondent/plaintiffs. But it is a question of fact which needs to be pleaded. If he is not an Indian citizen his appointment as an agent of the plaintiff companies may be void. A question arises whether on such a technical plea it would be desirable to non-suit the plaintiff/respondents at this stage. In ordinary course our response to the situation could be that these defects are neither sufficient to reject the applications for injunction in two suits, nor we can approve of this hyper-technical approach for two reasons; firstly, we must make an attempt to decide the matter on merits and not on technicalities and secondly, it is curable defect, See *United Bank of India v. Naresh Kumar & Ors.* . But if in view of statutory prohibition of Section 28 representation of R. J. Hartman is void, then there is no plaint before the Court to grant any relief. Unfortunately, the appellants have not taken any definite plea in their written statement in this regard, to enable the respondents to meet and reply the same. Consequently, at this stage, we leave this point for the decision of the learned Single Judge, if any specific plea is raised in the written statement by way of amendment, the plea being mixed of fact and law both and not purely a legal one. Collaboration Agreement : its revocation and its effect : The next argument of the learned Counsel for the appellant is that there is a collaboration agreement dated 15th April, 1977 entered into by M/s. Robert Mathys with Dhawans, promoters of the appellant. A Company in India under the name of Roby Mathys India Private Ltd. with its registered office in the state of Rajasthan to manufacture and sell orthopedic surgical components and for internal fixation etc., was not registered. Following Clauses of this documents are relevant for the purpose of appreciating the contention of the parties : “11. In the event of any inventions, patents, copyrights, trade marks or trade names are acquired either by

MATHYS or the proposed company, the same will be shared by MATHYS and the proposed company without payment of any royalty or fee from either side.

12. It is understood and agreed between DHAWANS and MATHYS that this agreement will be assigned by DHAWANS to the proposed company as soon as possible. It is understood and agreed that the proposed company will acquire all the rights of DHAWANS hereunder and will assume all of the duties, liabilities and obligations of DHAWANS hereunder except such duties, liabilities and obligations as are by their very nature or otherwise specifically imposed on DHAWANS hereunder.

13. In the event of any dispute shall arise in connection with this agreement or any alleged breach thereof, such dispute or disputes shall be fully and finally settled by arbitration in accordance with the rules of the International Chamber of Commerce. It the parties entitled hereunder to designate the place of arbitration shall not submit such designation in writing to the other party within two weeks after actual receipt of the request for arbitration, such party shall be deemed to have waived its right of designation and the arbitration shall be proceeded at such place as may be requested by the party requesting arbitration. In the event of any arbitration, all the costs and expenses of the arbitration shall be in the discretion of the arbitrators who may award such costs and expenses in such a matter and against such party as they may think proper. Judgment upon any award rendered may be entered in any Civil Court in India or any Civil Court in Switzerland having jurisdiction to entertain it.

14. This agreement shall continue initially for a period of 10 years and the parties do their best to extend the period by mutual consultation.

15. This agreement shall be non-cancelable except in the event of one or more of the following events :- (a) Bankruptcy or insolvency of either party. (b) Any assignment of this agreement except mutually agreed between the parties. In the event of the occurrence of either of the foregoing events, involving the proposed company or MATHYS, the other party shall have the right to cancel and terminate this agreement upon the giving of written notice to such effect to the party charged with, or suffering such event. In the event of termination of expiration of this agreement, DHAWANS or the proposed company as the case may be shall hand over all the drawings, specifications, dated or documents etc. received from MATHYS to them. (a) MATHYS agrees that it will make no similar contract relating to manufacture and sales of Orthopedic bone-surgical implants and relevant instruments for internal fixation as well as the prostheses and also hospital equipment with any body in India while this agreement is in effect. (b) Similarly DHAWANS agree that they will not cause themselves to the proposed company to enter into a similar contract relating to manufacture and sales of Orthopedic bone-surgical implants and relevant instruments for internal fixation as well as the prostheses and also hospital equipment with anybody else other than MATHYS while this agreement is in effect.

19. It is understood between the parties that the ratio of share capital in the proposed company will be retained by the parties in the same proportion as far as practicable. It there is any transfer or divest of any share on account of various contingencies, such transfer will be made to the family members of the same family and if there is no member in a particular family interested in buying those shares, the same

shall be offered to the subject, of course, to the law prevailing in the Republic of India. 20. It is clearly understood that DHAWANS are acting for and on behalf of the proposed company or wherever the context permits, they are acting for and on behalf of MATHYS. It is clearly understood between both the parties that this agreement shall be governed by the approval of the Government of India or any other Government authority.” There is a subsequent agreement at page 72 by which Clause 19 has been amended to incorporate as below :- AGREEMENT “In view of Clause 19 of the agreement of collaboration between M/s. Rob Mathys, Bettlach and Mr. N. P. Dhawan submitted to the Ministry of Industry, Govt. of India. This Clause stands amend as stated below : M/s. Rob Mathys India Pvt. Ltd. shall export the manufactured products only to Switzerland and Australia and to any other country only with prior and specific consent of M/s. Rob Mathys, Bettlach, Switzerland.” This documents indicates that there was an agreement between Dhawans and the two - Mathys Robert and Reynold. A bare reading of Clauses 14 & 15 of the agreement indicates that in ordinary course it was non-cancelable for 10 years for two reasons; (a) firstly, it was initially for a period of 10 years and parties intended to do their best to extend the period by mutual consultation, (b) Secondly, it was non-cancelable except in the event of (i) bankruptcy, and (ii) assignment of this agreement. In such an agreement there is an arbitration Clause to settle disputes arising out of the agreement, by arbitration in accordance with the rules of the International Chamber of Commerce in terms of Clause 13. These two cases have arisen out of the revocation of the agreement not immediately after 10 years, but after 16 years, but the fact that parties continued to act upon the collaboration agreement, even after expiry of initially agreed period of 10 years, leads to an irresistible inference that the parties had agreed to extend the collaboration agreement for an indefinite period but not in perpetuity. Consequently, the “non-cancelable” collaboration agreement became cancelable after expiry of period of initial 10 years. In so far as “consequence of cancellation of the agreement” is concerned, Clause 11 of the agreement has to be read to implement the intention of the parties regarding sharing by both the parties “inventions, patents, copy rights, trade marks or trade names acquired either by Mathys or the proposed company without payment of any royalty or fee from other side”, along with later portion of Clause 1. “In the event of the termination of expiration of this agreement, Dhawans or the proposed company, as the case may be, shall hand over all the drawings, specifications, dates or documents etc., received by them from Mathys”. This has to be seen further in the light of the provisions of the Act. Since the agreement does not say that the proposed company shall not manufacture and deal in the same kind of goods, the cancellation could not have the effect closing the factory to stop production. The appellants could continue to manufacture orthopedic implants and surgical instrument for they cannot be expected to loose their experience and expertise gained during all these 16 years in absence of any such term. The fact that parties continued to act upon the collaboration agreement, even after expiry of initially agreed period of 10 years, leads to an irresistible inference that the parties agreed to extend the collaboration agreement for an indefinite period but

not in perpetuity. Consequently, the “non-cancelable” collaboration agreement, became cancelable after expiry of initial period of 10 years. It appears prima facie that plaintiff/respondent No. 1 has granted an exclusive license in favour of M/s. Robert Mathys Company to use the trade marks/trade names/logos/symbols of plaintiff/respondent No. 1 in connection with the manufacture and use and sale of the product of respondent No. 1 in certain territories including territory of India in the year 1958. It has not been disputed before us that the Robert Mathys Company has been converted into Mathys Limited Bettlach as successor of Robert Mathys Company. The license has also not been disputed. But at the same time, no agreement to grant exclusive license in favour of respondent No. 2 dated 1st January 1992 has been produced. However, it may be inferred that the initial licence in favour of respondent No. 2 may be on more or less on permanent basis, for, they themselves have granted licence to the appellants for a period of 10 years and indicating that (i) it was non-cancelable (ii) the parties would do their best to extend the time; and (iii) actually after the expiry of the period of 10 years of the license the parties continue to act on the said license for as many as six years. Secondly it is also apparent that neither plaintiff No. 1 nor plaintiff No. 2/respondent is manufacturing any goods in India. Few bills, produced by respondents, relate to 1993 i.e. a period after cancellation of the collaboration agreement vide letter dated 24th June 1992. Thus, it is apparent that respondents have neither imported any article manufactured by them in this country nor directly sold any such goods till 1992. This substantiates the claim of the appellant about manufacturing and marketing of the products independently as principal and not as agent of the respondent, but under a sub-licensed user under the agreement. It is only plaintiff/respondent 1 who was the proprietor of the unregistered as well as the registered trade mark and the plaintiff/respondent No. 2 was licensee thereof. Prima Facie Facts The contention of the learned Counsel for the appellant Dr. K. S. Sidhu is that the appellant/company has not acted as agent of respondent No. 2 or respondent No. 1. All transactions in between the appellant and the respondent No. 2 were from principal to principal. The business of the appellant neither was nor is being run on behalf of the respondents. As such, all the manufacturing and marketing under the name Rob Mathys India (Pvt.) Ltd. was that of the appellant/company. Therefore, the appellant and appellant only acquired right, title and interest in the said trade mark in India. According to the submission of learned Counsel for the respondent, the collaboration agreement dated 15th April, 1977 related only to future trade marks and did not cover existing trade marks of respondent No. 1. Respondent No. 2 granted to the appellant a bare personal privilege to use the trade mark in question in relation to the goods manufactured by it. As such, the respondent No. 2 granted a licence in favour of the appellant but the respondents retained full control over the use of the trade mark, to maintain the validity of the trade mark by strict quality control and supervision of the goods manufactured by the appellant and the trade mark of all material demands indicated connection in the course of trade with the proprietor thereof being respondent No. 1. Similarly, the use of unregistered trade marks by the appellant was under licence granted by the proprietor bona

fide and strict control and supervision was used in maintaining the sanctity of the unregistered mark, by the proprietor. It is further notable that Clause (v) of Section 2(1) of the Trade Marks Act which defines the expression trade mark clarifies that when a person gets a trade mark registered he acquires valuable rights of exclusive user in connection with the goods in respect of which it is registered and it also confers another right that registered proprietor of a trade mark can protect his trade mark by an action for infringement. In cases of unauthorized use of an unregistered trade mark the proprietor of unregistered trade mark could only file a suit in passing off action. For success in such an action the proprietor of unregistered trade mark has to prove that his mark has by user acquired such a reputation as to become distinctive of its goods so that if it is used in relation to the goods of any other kind dealt with by him it will be understood by the trade and public as meaning that the goods are his goods. In an infringement action to protect a registered trade mark reputation of the goods mark is not required to be proved for registration of the mark is prima facie evidence of its validity. Acquisition of proprietary right in any trade mark whether registered or unregistered is always found to be a question open for consideration by the Courts. Law of Trade Mark and relevance of foreign precedents It may be seen that our trade mark law is primarily based on English law statutory as well as common law of trade mark prevailing in England. However, everything is not confined to only English Law. We find seeds of American Law also in our trade mark law. So a question arises : "How far the English, American, Australian authorities and judgments are going to help us ?" We need not say that if the provision has been lifted from English law then the English authorities and judgments would be very relevant and good guide in interpreting a particular section in India but if the provision has been lifted from say American law then the judgment of Courts of USA may provide us a better guidance. However, two facts more are required to be kept in mind. In India, the entire law of Trade Marks has not been codified. The 1958 Act is : "An Act to provide for the registration and better protection of trade marks and for the prevention of use of fraudulent marks on merchandise". Thus, it does not forbid common law action arising between the parties out of agreements. Sub-section (2) of Section 27 of the Act specifically provides : "Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods as the goods of another person or the remedies in respect thereof." When there are available Indian precedents based on overall context of Indian statutory provisions, then foreign authorities though not irrelevant yet pale into being of persuasive value merely. We need not look and follow the English authorities on these points in face of India authorities. In this regard, it is desirable to refer to observations made by the Supreme Court in *American Home Products Corporation v. Mac Laboratories Pvt. Ltd.* , which reads as under : 63. "... As pointed out by this Court in *Foresol v. Oil and Natural Gas Commission*, , in the absence of any binding authority of an Indian Court on a particular point of law English decisions in which judgments were delivered by judges held in high repute can be referred to as they are decisions of Courts of a country from which Indian jurisprudence and a large part of our law is derived, for they are authorities of high

persuasive value to which the Court may legitimately turn for assistance; but whether the rule laid down in any of these cases can be applied by our Courts must, however, be judged in the context of our own laws and legal procedure and the practical realities of litigation in our country.” But in cases of passing off action English authorities may prevail to a certain extent for we have borrowed from and followed entire gamut of English Common Law and precedents of other countries based on common mixture of English Common Law developed in the light of local and statutory perception may not be good guide. Of course, the law laid down by the Supreme Court being law of the land under Article 141 of the Constitution, has to be followed. Learned Counsel for the respondent referred to numerous cases. We feel that it is not necessary to refer to all of them and therefore we confine ourselves to the judgments of the Supreme Court and this Court basically. Many cases out of those cited at the Bar have already been referred to in this judgment. We have also avoided to refer to those cases where similarity of trade mark registered or unregistered, was considered by the Courts for it is totally refund ant in this case since the appellant does not claim any distinction between the registered trade marks and the device and word “Synthes” in infringement action and the words “AO/ASIF” in passing off action and the trade marks used by it. We also do not fell it necessary to refer to judgments of foreign countries except where it is felt necessary to clarify a point in the light of the observations of the Supreme Court. ownership of registered and unregistered trade marks Considering the rival contention of the two parties, it is to be seen as to who is the owner of the trade marks in India. It is notable that from the pleadings in paras 10 and 11 of the plaints in Suit No. 709/93 written statements and replication, it is evident that the appellant either manufactured or imported goods and marketed the goods under the disputed trade marks as principal under the collaboration agreement and marketed them. The appellant itself being manufacturer or importer, marketed the goods using the disputed Trade Marks since 1979 and thus, the defendant (not the plaintiffs) has acquired substantial goodwill and reputation. The plaintiffs have neither imported any of their goods into this country nor the plaintiffs have advertised their products in this country. In replications it is not subsequently asserted that apart from the goods imported by the appellant any other person also imported the goods. As a matter of fact, in para 10 of the plaint the sale of products in the past few years indicated sales of locally manufactured and the sales of imported goods by the appellant only. As regards the advertisement, in para 10 it was pleaded that the plaintiff have widely advertised his products under the Trade Mark “Synthes” by distribution of related literature to surgeons, hospitals and medical profession and has been regularly holding seminars and conferences/courses for the dissemination of the information to the profession for the use of its products. The plea of the respondent is that all advertising was done by the appellants only. In replication it was asserted that the plaintiff advertised extensively by way of seminars to popularize the goods bearing the “Synthes” Trade Mark and device mark. In regard to Suit No. 708/93, the plea of the plaintiffs/respondents is that apart from making available the technical know-how respondent No. 2 also supplied raw materials and unfinished

goods. It is also claimed that respondent No. 2 had been manufacturing and supplying its products under trade mark AO/ASIF and device mark directly from Switzerland to various customers, and in particular to hospital, surgeons and end users. Accordingly, respondent No. 2 supplied its products under the trade mark AO/ASIF and the device mark to the defendant company during 1979-91. In para 11 of the plaint, the respondents have also given figures of sales of the products in the past few years as under : —————

	Year Sales of locally manufactured Sales of			
imported Goods (Rs.)	Goods (Rs.)			
—————	1988 58,00,000/-	90,00,000/-	1989 60,00,000/-	100,00,000/-
1990 61,00,000/-	240,00,000/-	1991 60,00,000/-	40,00,000/-	—————

Furthermore, the plaintiff claims to have widely advertised its products under the trade mark ‘AO/ASIF’ and the device mark by distribution of related literature to the surgeons, hospitals and the medical profession and has been regularly holding seminars and conferences for the dissemination of information to the profession for the use of its products. According to the appellant, the plaintiff had not imported into this country any of its products. On the contrary, it was the defendant who imported and marketed them. The table of sales of locally manufactured products and imported products as given in paragraph-11 of the plaint has not been disputed. According to the appellant, it has been advertising its goods with the disputed trade mark/device mark. Again it has not been clarified that apart from goods sent to the appellant company any other goods were sent to any person directly. The plea regarding advertisement is the same as in the case in Suit No. 709/93. Distinction between “Passing off” and “Infringement” Actions : Here it appears essential to appreciate the difference between “passing off” and “infringement” actions for we are supposed to deal with both kinds of actions, to avoid any confusion. Firstly, nature of remedy in two types of actions is different. An action for passing off is a Common Law remedy while an infringement action is a statutory remedy. Secondly, issue in a passing off action is : “Is the defendant selling goods in the market so marked as to be designed or calculated to lead purchaser to believe that they are the plaintiff’s goods ? The issue in an infringement action, on the other hand will be :”Is the defendant using a mark which is the same as or which is colourable imitation of the plaintiff’s registered trade mark ? Thus issues involved in two types of actions are different. Thirdly, in an infringement action, the statutory protection is absolute in the sense that once a mark is shown to offend, there being imitation phonetically, visually or otherwise to lead the purchaser to believe and purchase goods of another as that of plaintiff, no further evidence of violation of plaintiff’s statutory right is necessary and the user of the mark cannot by showing that by something outside the actual mark itself, he has distinguished his goods from that of registered proprietor. But in a passing off action, the defendant may escape liability if he can show that the added matter is sufficient to distinguish his goods from those of the plaintiff. In other words, if the essential features of the trademark of the plaintiff have been adopted by

the defendant, the fact that the get up backing and other writing or marks show marked difference or indicate clearly a trade origin different from that of the registered proprietor of the mark, then such difference though immaterial in an infringement action would be material in a passing off action (See *Durga Dutta Sharma v. N. P. Laboratories*, *Ruston & Hornby Ltd. v. Z. Engineering Co.*, *Wander Ltd. & Anr. v. Antox India P. Ltd.*, 1990 (Supp) SCC 727 and *J&P Coats Ltd. v. Popular Thread Mills*, 1996 V AD (Delhi) 436. How far passing off action is governed by the Act ? Before proceeding further, it would be desirable to appreciate that the Trade and Merchandise Act 1958 “is an Act to provide for the registration and better protection of trade marks and for the prevention of use of fraudulent marks and merchandise”. This Act came into force on 25th November, 1959. It covers not only the matters related to infringement action but also certain matters relating to passing off action. Though in sub-section (2) of Section 27 it is provided that nothing in this Act shall be deemed to affect the rights of action against any person for passing off goods of another person or the remedies in respect thereof, yet it is notable that it prohibits assignment of unregistered trade marks by providing in Section 38 for assignability and transmissibility of unregistered trade marks and in Sections 39 and 40 where multiple or exclusive rights would be created in different parts of India. Section 41 also provides for conditions of assignment otherwise than in connection with the goodwill of business covering registered as well as unregistered trade marks. There are other Sections 42 and 43 which relate to the assignability and transmissibility of certification trademarks, of associated trade marks. All these provisions are sufficient indication of the intention of the legislature to regulate certain areas relating to passing off action also. Further, it is desirable to appreciate the meaning of different relevant terms used in the Act. They read as under : 2. Definitions and interpretations. - (1) In this Act, unless the context otherwise requires, - (a) “assignment” means an assignment in writing by act of the parties concerned; (c) “certification trade mark” means a mark adapted in relation to any goods to distinguish, in the course of trade, goods certified by any person in respect of origin, material mode of manufacture, quality, accuracy or other characteristic, from goods not so certified and registrable as such under the provisions of Chapter VIII in respect of those goods in the name as proprietor of the certification trade mark, of that person; (j) “mark” includes a device, brand, heading, lable, ticket, name, signature, word, letter or numeral or any combination thereof; (m) “permitted use” in relation to a registered trade mark, means the use of a trade mark - (i) by a registered user of the trade mark in relation to goods - (a) with which he is connected in the course of trade; and (b) in respect of which the trade mark remains registered for the time being; and (c) for which he is registered as registered user; and (ii) which complies with any conditions or restrictions to which the registration of the trade mark is subject; (q) “registered proprietor”, in relation to a trade mark means the person for the time being entered in the register as proprietor of the trade mark; (r) “registered trade mark” means a trade mark which is actually on the register; (s) “registered user” means a person who is for the time being registered as such under Section 49; (v) “trade mark” means - (i) in relation to

Chapter X (other than Section 81), a registered trade mark or a mark used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark; and (ii) in relation to the other provisions of this Act, a mark used or proposed to be used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some person having the right, either as proprietor or as registered user, to use the mark whether with or without any indication of the identity of that person, and includes a certification trade mark registered as such under the provisions of Chapter VIII; (w) "transmission" means transmission by operation of law; devolution on the personal representative of a deceased person and any other mode of transfer, not being assignment; 2(2) In this Act, unless the context otherwise requires, any reference - (a) to the use of a mark shall be construed as a reference to the use of a printed or other visual representation of the mark; (b) to the use of a mark in relation to goods shall be construed as a reference to the use of the mark upon, or in any physical or in any other relation whatsoever, to such goods; (c) (d) (e) Acquisition of right to exclusive use of a trade mark There are several ways of acquisition of property right in trade mark : firstly it may be acquired by creation or innovation of the trade mark by the person concerned; secondly, it could also be acquired by assignment under Section 36; thirdly, by simultaneously prolonged user by more than in given areas under certain circumstances (see Section 24(2); and fourthly, there could be a licence under common law. How far licensing is permissible in view of the codified, law, may be a question which may be seen at a later stage. First, we will consider rights under Common Law and rights under the Trade & Merchandise Marks Act. Neither creation nor innovation nor property rights claimed by appellant for about 15 years. The learned Senior Counsel for the appellant Dr. K. S. Sidhu contended that the fact that the appellant was using the trade mark in India by importing the goods as principal to principal and not as an agent of the principal, the use of the trade mark distinctively related to the goods imported and sold by the appellant. Not only this, the appellant also manufactured the goods and used the same trade mark on them. Of course, the raw material and the special steel was purchased from respondent No. 2 for manufacturing the surgical instruments and orthopedic implants. To a limited extent, there is some truth in the version of the appellant but that does not appear to be the whole truth. According to the case of the appellant, the appellant did not claim to have innovated the trade mark. The trade mark in question was being used by the plaintiff/respondent No. 2 even before entering into the collaboration agreement outside India. The device and the word "synthes" had already been registered, the appellant imported the goods marked with the same trade mark, sold under the same trade mark even on the goods manufactured by it in India under the directions, instructions, quality control and managerial control in the shape of two Directors of the plaintiff/respondent No. 2 in the appellant/Company. Ratio in a similar case A question similar to the question involved in the instant case arose in *Sunder Parmanand Lalwani & Ors. v. Caltax (India) Ltd.* . A Division Bench in that case observed

in paragraphs 32 and 33 as under : “32.”... A proprietary right in a mark sought to be registered can be obtained in a number of ways. The mark can be originated by a person or can be acquired, but in all cases it is necessary that the person putting forward the application should be in possession of some proprietary right which, if questioned, can be substantiated“. 33. One of the modes of acquisition of proprietorship may be if an Indian businessman happens to import and sell in India foreign goods of a foreign trader with the latter’s foreign trade mark. If the Indian trader sells those goods in India, a question may arise who is entitled to that trade mark. It is quite clear that the trade mark being a foreign trade mark, the proprietorship as to India will be determined according to its use in the market of this country. See *Impex Electrical Ltd. v. Weinbanum*, (1927) 44 RPC 405. Now, if there is a specific agreement as to proprietorship of that mark, that agreement will govern as between the foreign owner and the Indian Importer. If, however, there is no specific agreement, diverse factors will govern the determination as to which of the two is the proprietor in India. That determination must depend on the facts of each case. If, for example, the Indian Importer has acted merely as an agent of the foreign owner, the probabilities would be that the trade mark continues to belong to the foreign owner and not to the Indian Importer. If, however, the transaction between the foreign owner and the Indian Importer has been on the basis of principal to principal, the position may be a little more complicated. There again, one of the more important considerations would be to whom was credit given that is, whether the purchasing public paid regard to the reputation of the foreign manufacturer or to the Indian Importer. In some cases, it may happen that the foreign manufacturer is so well known that which importer imported the goods and sold them in India would be immaterial. It would happen, for example, in the case of goods so well known as, for example “Bovril” or “Pears Soap”. The converse may happen when a firm of great repute in India imports and sells goods, and the purchasing public attaches value to the reputation of the Indian Importer who selects to import the goods and not to the reputation of the manufacturer of the goods“. Applying the above principle to the case in hand, while it is true that the appellant Roo Mathys India (P) Ltd., was transacting as principal to principal - and over and above manufacturing in India itself, using material supplied by respondent No. 2, the following facts do indicate that the purchasing public paid regard to the reputation of plaintiff/ respondent No. 2 : for (a) the name of the Indian company was similar to predecessor of the plaintiff/respondent No. 2, (b) the plaintiffs/respondents No. 1 and 2 both had established their reputation world over being pioneers in the field, (c) the goods sold by the appellants were either imported from the plaintiff/respondent No. 2 or manufactured in India by using material supplied by plaintiff/respondent No. 2. Consequently, the appellants cannot be accepted to be the owners of the trade marks in question. Estoppel, Acquiescence, delay & laches. One of the arguments advanced is in regard to plea of the estoppel. One feels that this cannot be a case where estoppel should be applied against all the principles of fair play, equity and goods conscience for the appellant has been using the trademark with the implied consent and permission of the

licensee (respondent/plaintiff No. 2 of the plaintiff No. 1). The facts in the case of *Habib Bank Ltd. v. Habib Bank AG Zurich* (All England Law Reports 1981 p. 650), were altogether different. In the said case there was no implied permission for user at all and on account of prolonged user of the trade mark, the Court took the view that the plea of estoppel would apply in that case. Learned Counsel for the respondent Shri Bose has contended that it was well settled that if the defendant acts fraudulently with the knowledge that he is violating the plaintiff's rights, the essential elements of estoppel are lacking and in such a case the protection of the plaintiff's rights by injunctive relief never is properly denied. The doctrine of estoppel could only be invoked to promote fair dealings. In any event the defense of acquiescence is not available to the defendant/appellant in the instant case for it is well settled that the acquiescence must be such as to lead to the inference of a licence sufficient to create a new right in the defendant. The learned Counsel for the respondent relied on *M/s. Hindustan Pencils Pvt. Ltd. v. M/s. India Stationery Products Co.*, (supra) and *M/s. Power Control Appliances v. Sumeet Machines Pvt. Ltd.* . In so far as the acquiescence is concerned, the observations of the Supreme Court in *M/s. Power Control Appliances v. Sumeet Machines Pvt. Ltd.* (supra) in paras 26 and 27 are noteworthy. They read as under : 26. Acquiescence is sitting by, when another is invading the rights and spending money on it. It is a course of conduct inconsistent with the claim for exclusive rights in a trade mark, trade name etc. It implies positive acts; not merely silence or inaction such as is involved in laches. In *Harcourt v. White Sr.* John Romilly said : "It is important to distinguish mere negligence and acquiescence." Therefore, acquiescence is one facet of delay. If the plaintiff stood by knowingly and let the defendants build up an important trade until it had become necessary to crush it, then the plaintiffs would be stopped by their acquiescence. If the acquiescence in the infringement amounts to consent, it will be a complete defense as was laid down in *Monsoon (JG) & Co. v. Boehm*, the acquiescence must be such as to lead to the inference of a licence sufficient to create a new right in the defendant as was laid down in *Rodgers v. Nowill*. 27. The law of acquiescence is stated by Cotton, LJ in *Pro tor v. Bannis* as under : "It is necessary that the person who alleges this lying by should have been acting in ignorance of the title of the other man, and that the other man should have known that ignorance and not mentioned his own title." In the same case Bowen, LJ said : "In order to make out such acquiescence it is necessary to establish that the plaintiff stood by and knowingly allowed the defendants to proceed and to expend money in ignorance of the fact that he had rights and means to assert such rights." Delay simplicitor in this case is certainly no defense to an action for infringement of a trade mark for the appellants neither claimed to be rivals of respondent No. 1 nor of respondent No. 2 at least and respondent No. 2 also never claimed to be rivals of respondent No. 1. They have been using these trade marks with the permission and consent of respondent No. 1 and not as proprietors. Unchallenged continued assertion of proprietary rights in and use of trade marks is essential to set up defense of acquiescence. But there is no such defense. Therefore, neither alleged estoppel nor acquiescence nor delay would be an appropriate cause to refuse the

injunction prayed for. The appellant is thus estopped by its conduct and now it cannot be allowed to take an about turn to claim that in these registered as well as unregistered trade marks, the appellant has acquired ownership on the basis of the aforesaid user. Abandonment of trade mark Though there is Section 102 of the Act relating to abandonment, it is confined to abandonment of an application for registration of Trade Mark and it is not applicable to the present situation. Consequently, one has to revert back to common law rules. However, here, in view of the peculiar circumstances and non-user of the trade mark in India by the respondents and plaintiffs Nos. 1 and 2 themselves, the question of abandonment is also required to be seen. Question of abandonment depends on determining the intention to be inferred from the facts of each case. While a mere non-user for a few years may not amount to abandonment of a trademark if referable to accountable facts, a long unexplained non user may suggest an intention to abandon the mark. (See Whirlpool Company & Anr. v. N. R. Dongre & Ors.). However, it may be mentioned that a Division Bench of Calcutta High Court in J. N. Nicols (Vimto) Limited v. Rose & Thistle & Anr. , took the view that where an application for removal of registered trade mark was filed for non-user of the same for a long period, the defense of import ban as special circumstance for the said non-user cannot be granted when other similar product was manufactured and freely sold during that period in spite of the import restriction. Hence the onus has not been discharged by the registered proprietor of trade mark for excusing him from non-user during the prescribed period, preceding the application for removal of registered mark. The existence of special circumstance must affect the trade as a whole and the onus of establishing that the case comes within the ambit of Section 46(3) lies on the registered proprietor of the trade mark. It may be shown that the non-user was due to special circumstance of the trade only and not by reason of some other cause which would have otherwise been inoperative even in the absence of the special circumstances. If the non-user was, in fact, by reason of some other factors apart from the special circumstances, question of a defense under Section 46(3) being made available to the proprietor of the mark does not and cannot arise. A specific case shall have to be made and proved with necessary documentary evidence that the non-user was the direct effect of the existence of the special circumstances. The special circumstances cannot be taken note of as a defense if the non-user is by reason of a voluntary act. This view taken by Calcutta High Court might have helped the proceedings under Section 46 of the Act. But here in this case due to special kind of relationship between the respondents No. 1 and 2 and between respondent No. 2 and the appellant in the trade and there being no intention to abandon or not to use the trade mark in relation to the goods to which the registration of the trade mark related, the appellant even for that purpose is not entitled to claim removal from register of the trade mark the device and word “Synthes” on the ground of alleged non-user. In the present case, the question of abandonment has to be judged in the peculiar set of facts. Here the plaintiff/respondent No. 1 is one who is not indulging in any trading activities not only in India but also outside India. The plaintiff/respondent No. 2 does not have any registration as registered user

of the trade marks in India. It is not the case here where the trade mark has not been got renewed by plaintiff/respondent No. 1. It is different thing to look at the situation from the point of view of trafficking in trade marks. But in the face of renewal of the trade mark and allowing the plaintiff/respondent No. 2 to use the same exclusively and further tacitly allowing the appellant to use it, it is difficult rather not possible to say that the trade mark in this case has been abandoned. Claims of the appellant under the Statute Learned Counsel for the appellant also referred to Sections 30(b), 30(c), 33(a), 44(2), 46 and 48 of the Act to substantiate his claim that the action of the appellant did not amount to infringement on one hand and saved and protected under the aforesaid provisions on the other. This is also in support of the claim including that the appellants are owners of the trade mark, the device and the word “synthes”. Registration of the device and the word “Synthes” Trade mark was of no consequence. In the case in hand seeing the nature of the organization AO/ASIF and its concern Synthes AG Chur it is apparent that both these organizations are meant to undertake research and development in relation to orthopedic surgery and surgical implants to ensure speedy recovery in case of any body injury and to rehabilitate the injured as far as it is humanly possible. They do not appear to be a trading organization. They appear to be just concerned with certain specific minimum standard and quality being maintained in orthopedic implants and the surgical instruments. Syntes AG Chur also is itself neither manufacturing any article in India nor in any other part of the world. It is not the case of plaintiff/respondent No. 1 that they are having any kind of supervision over the plaintiff/ respondent 2. It is altogether different thing that plaintiff/respondent 2 might be having some managerial as well as advisory role in the production and management of the appellant Company. It is also notable that initially licenses were given to three concerns with an idea to ensure the financial assistance of the three concerns in the matters of research and development of the orthopedic implants and surgical instruments. In this connection one should also not loose site of the provision of Section 60 relating to certification trade marks and Section 61 which refers to the registration of certification trade marks. The certification trade mark has been separately defined and it is totally distinct from the trade mark. The trade mark and certification mark are not to be confused. In such circumstances, it appears that Respondent No. 1 should have either got a certification mark registered under Sections 60 and 61 of the Act or should have itself started manufacturing these goods and then could have entered into an agreement with registered users, registered under the Section 48 of the Act, or could have allowed as “licensed use” under common law, subject to certain conditions. User and onus of proof of user In so far as the question of user is concerned, in terms of Section 2(2) of the Act, the term ‘user’ has been referred for two different purposes. One is in relation to goods, and that is covered by Clause (b) of Section 2(2). Clause (a) referred to the use of a trade mark as a printed or other visual representation of the mark for the purpose of advertising etc. In this context for acquisition of the proprietary rights in a trade mark in relation to goods is much more important as compared to the user of the trade mark for the purpose of advertisement etc. But it is not

possible to say the use of trade mark for the purpose of advertisement etc. and sales promotion without any relation to goods would not be use in India. But even for that limited purpose, the use has to be in India and any advertisement etc. in foreign countries may not be of any help as would be evident hereinafter. The onus of user is on the person who claims it. One need not look into the register of trade marks where a mark may be entered searching for the proof of user. To quote from para 15 of the speech of A. K. Sarkar, J. in *Corn Products v. Shangrila Food Products* : “Now, of course, the presence of a mark in the register does not prove its user at all. It is possible that the mark may have been registered but not used. It is not permissible to draw any inference as to their user from the presence of marks in the register.” User of the mark is required to be established prior in point of time than the impugned user by the opposite party. The registration of the said mark or similar mark prior in point of time to user by the appellant is irrelevant in an action for passing off and the mere presence of the mark in register maintained by the Trade Mark Registry does not prove its user; and as such it is irrelevant for the purpose of deciding application for interim injunction, unless prima facie evidence is available of user of their registered trade mark. (See *Century-Traders v. Roshan Lal Duggar & Co.* . In *Aktiebolet Jonkoping Valcan v. S. V. Palanichamy Nadar & Ors.* , the term “use” was considered and it was construed to be meaning “to be used within India”. Calcutta High Court made the following observations in para 20 and para 27 as under : “20. Use abroad and advertisement abroad outside the place where the mark is registered are not of any assistance to the appellant, even if it was established in fact that there was such a foreign use, although even that fact has not been proved or brought on record.” “27. On principles, I take the same view. The Trade Mark law from that point of view is not extra-territorial; that use abroad in foreign countries under foreign registration can be use without the meaning of the Indian Trade and Merchandise Marks Act 1958. This statute is an Act which provides for registration and better protection of trade marks and for the prevention of the use of fraudulent marks on merchandise. That is its preamble. That preamble I read as confined to the territorial limits of India. Section 1(2) of the statute extends it to the whole India. The statute establishes trade marks register for India. The definition of a trade mark in Section 2(v) speaking of use in relation to goods must in my opinion be understood as use within the territory of India and not use abroad. On the authorities quoted above and on the principles that I have just mentioned I am of the opinion that under Section 46 of the Trade and Merchandise Marks Act, 1958 the word “use” employed therein is used within India. Naturally if it is not used in India that would be a ground for removal from the Indian register. I cannot imagine that a foreign use or use abroad or outside India could be pleaded as a sufficient ground for retaining a registered Trade Mark on the Indian Trade Mark register . . . I am of the opinion that registration of a Trade Mark and its continuance on the register are exclusively within the scope and ambit of domestic and national law. The “International convention for the protection of Industrial Property” or originally of Paris in 1883 and recently revised at Lisbon in 1958 clearly recognizes the principle specially in its Articles 6 that when a Trade Mark has been duly

registered in the country of origin and is then registered in other Convention Countries, each of these national marks is to be considered as independent and the renewal of registration in the country of origin does not involve the obligation to renew in other Convention Countries. We are in respectful agreement with view expressed in *Aktieboleget Jonkoping Valcan v. S. V. Palanichamy Nadar & Ors.* (supra). Question of distinctiveness in relation to goods In order to control trafficking in trade mark, it is essential that the trade mark should be distinct in relation to goods in respect of which trade mark is proposed to be registered. In this context, the expression “distinctiveness” in relation to goods in respect of which trade mark is proposed to be registered means a mark adopted to distinguish goods with which the proprietor of a trade mark is or may be connected in course of trade from goods in case of which no connection subsists. Distinctiveness has been understood to mean “some quality in the trade mark which earmarks the goods so marked as distinct from those of other producers of such goods” (See *National Bell Co. v. Metal Goods Manufacturing Company* (AIR 1964 Punjab 77), *Imperial tobacco Company v. Registrar, Trade Marks* . One of the recognized tests for determining distinctiveness is whether the registration would tend to protect the public from imposition or the result would be the reverse of it. Trafficking in trade mark and permitted use/Licensing The object of the Act being prevention of trafficking inn trade mark, “Permitted use” appears to be confined to a registered trade mark, in relation to goods and registered user. In view of this limited and restricted meaning of “permitted use”, it may not appear plausible to accept user by a sub-licensee (who is not a registered user) as user by the proprietor of the trade mark. But this has to be seen and appreciated in the light of rights under common law. In so far as the licensing and trafficking in trade marks and privilege of using the trade mark given impliedly by the respondents is concerned, the learned Counsel referred to numerous cases including *American Home Products Corporation v. Mac Laboratories Pvt. Ltd.* (supra); *Re : American Greetings Corp.* (1982 All ER 609), *Bowden Wires Ltd. v. Bowden Brake Co. Ltd.* ((1914) 31 RPC 385), *BOSTITCH Trade Mark* ((1963) RPC 183), *GE Trade Mark case* (1969 RPC 418), *ZING Trade Mark* ((1978) RPC 47). *Pioneer Electronic Corporation & Anr. v. Registrar of Trade Marks* ((1978) RPC 716), (Australia) and submitted that a careful consideration of the cases would show that licensing of trade marks whether registered or unregistered may be possible provided that : 1. The intention to use the trade mark is genuine and real and not for the purpose of trafficking in trade marks and “using them as a weapon to obtain money from subsequent persons who may want to use bona fide trade marks in respect of some classes in respect of which they find these bogus trade marks registered.” 2. The licensing does not result in causing confusion, or deception amount the public. In this connection, the following observation made by Lord Kingsdown in *Leather Cloth Company’s case* reported in 1965 11 HLC 523 is most pertinent : “Though a man may have a property in a trade mark ... it does not follow that he can in all cases give another person a right to use it, or to use his name. If an artist or an artisan has acquired by his personal skill and ability a reputation which gives to his works in the market a higher

value that those of other artists or artisans, he cannot give any other person the right to affix his name or mark to their goods, because he cannot give to them the right to practice a fraud upon the public.” 3. It does not destroy the distinctiveness of the mark that is to say, the trade mark in the public eye continues to distinguish the goods connected with the proprietor of the trade mark from those connected with others. 4. A connection in the course of trade consistent with the definition of trade mark continues to exist between the goods and the proprietor of the mark. 5. The conditions of control are adequate to maintain the connection in the course of trade between the proprietor of the trade mark and the goods in relation to which the trade mark is used by the licensee. Control may be exercised or presumed to be exercised in various ways. In some cases, the very relationship between the licensor and the licensee will imply sufficient degree of control for example, where the licensor stipulates that the licensee should manufacture the goods only in accordance with the specifications and the standards of quality prescribed by the licensor, or reserves the right to inspect the goods and methods of manufacture of the licensee. Lack of adequate control or lessening of control over a period of time would be fatal to the distinctiveness of a trade mark. Learned Counsel for the appellants in regard to BOSTITCH Trade Mark case (supra) submitted that the mere fact that the foreign manufacturer who had got registered trade mark in UK and had been using such mark through an unregistered licensee has not been able to export goods later on due to war conditions does not mean that the foreigner had abandoned his mark so as to entitle his licensee to have the registered mark of the foreigner expunged from the register and as such the BOSTITCH Trade mark case (supra) does not appear to be of any relevance. *Caprihens (India) P. Ltd. v. Registrar of Trade Marks* ((1976) 80 CWN 222), according to learned Counsel for the respondent - was decided *inertia* on the ground that any person claiming to be proprietor of a trade mark may mean person claiming to be a proprietor of an unregistered trade mark using it through a common law licensee. At the same time. Court categorically laid down that the use of registered trade mark by a non-registered user, is not a use of registered trade mark by the registered proprietor. It is notable that the facts in the case in hand are very peculiar. Here while it is apparent that plaintiff/respondent No. 1 for want of user in India, and lack of distinctiveness of the Trade Marks in relation to the goods, may or may not succeed to claim proprietary rights in the trade mark, the appellant had not claimed to be the proprietor of trade marks earlier. The appellant even now wants to use the trade mark and wish to continue the collaboration agreement meaning thereby that they want to use the trade mark as an implied condition of the continuance of collaboration agreement. So long as the trade mark was being used as an implied condition or a gratuitous privilege granted independent of the collaboration agreement, along with obligatory quality as well as managerial control by respondent No. 2, the appellant could not claim to be the proprietors and it might not have mentioned to trafficking and leading to confusion. It might not have lost the distinctiveness also if the trade mark belonged to plaintiff/respondent No. 2 for, there was connection in the course of trade consistent with the definition of trade mark and that connec-

tion continued to exist till the date of cancellation of an agreement. But in the absence of privity of contract between the respondent No. I and the appellant, it may not be plausible to accept the proposition that there is a connection in the course of trade consistent, though remotely, between the goods imported, manufactured and sold by the appellant in India and the proprietor of the trade mark namely plaintiff/respondent No. I consequently the plaintiff/ respondent No. I could not claim any connection of trade consistent with the definition of trade mark to exist between the goods produced by the appellant and the plaintiff/ respondent No. 1. In *American Hone Products Corporation v. Mac Laboratories Pvt. Ltd.* (supra), the term permitted use and fiction/deeming provision in Section 48(2) was considered in relation to Section 46 as well as Section 48. Following observations in paras 55,58 and 71 are noteworthy : 37. "As the registration of a trade mark confers such valuable rights upon the registered proprietor thereof, a person cannot be permitted to register a trade mark when he has not used it in relation to the goods in respect of which it is sought to be registered or does not intend to use it in relation to such goods. The reason for not permitting such trade marks to be registered was thus stated by Romer, J., in *In re the Registered Trade Marks of John Bhatt & Co.* and *In re Charter's Application for a Trade Marks* (1898) 2 Ch.D. 432,436 : SC 15 RPC 262,266 : "... One cannot help seeing the evils that may result from allowing trade marks to be registered broadcast, if I may use the expression, there being no real intention of using them, or only an intention possibly of using them in respect of a few articles. The inconvenience it occasions, the cost it occasions, is very large, and beyond that I cannot help seeing that it would lead in some cases to absolute oppression, and to persons using the position they have obtained as registered owners of trade-marks (which are not really bonafide trade marks) for the purpose of trafficking in them and using them as a weapon to obtain money from subsequent persons who may want to use bonafide trade marks in respect of some classes in respect of which they find those bogus trade-marks registered." The judgment of Romer, J., in Bhatt's case was confirmed by the Court of Appeal (1898) 2 Ch.D. 432 at pages 439-442 and by the House of Lords sub-nominee *John Bhatt & Co. v. Dunnett*, (1899) AC 428, SC 16 RPC 411. 38. To get a trade mark registered without any intention to use it in relation to any goods but merely to make money out of it by selling to others the right to use it would be trafficking in that trade mark. In *Re American Greetings Corp.'s Application* (1983) 2 All ER 609, 619, Dillon, LJ said in the Court of appeal : "Trafficking in a trade mark has from the outset been one of the cardinal sins of trade mark law. But there is no statutory definition of trafficking; and one may suspect that, as with usury in the Middle Ages, though it is known to be deadly sin, it has become less and less clear, as economic circumstances have developed, what the sin actually comprehends. Trafficking must involve trading in or dealing with the trade mark for money or money's worth, but it is not all dealing with a trade mark for money that is objectionable, since it has always been accepted that it is permissible to sell a trade mark together with the goodwill of the business in the course of which the trade mark has been used." 55. "The Appellant's application for registration of the trade mark 'Dristan'

was made under the 1940 Act and its registration was also ordered under that Act. The application for registering the Indian Company as the registered user was, however, made under the 1958 Act. If the 1940 Act did not contain a legal fiction similar to that enacted in Section 48(2) of the 1958 Act, the Appellant's case would fall to the ground because then at the date of its application for registration of the said trade mark, its intention would be not to use it itself but to use it through another. The 1940 Act, however, also made provisions with respect to registered users and created a similar legal fiction in Section 39(2) of that Act. Section 39 of the 1940 Act provided as follows : "39. Registered users. (2) ... As we have seen. Clause (a) of Section 46(1) refers both to "bonafide intention on the part of the applicant for registration that it (that is, the trade mark) should be used in relation to those goods by him" as also to "bonafide use of the trade mark in relation to those goods by any proprietor thereof for the time being". It cannot possibly be that when Section 48(2) expressly provides that the permitted user of a trade mark by a registered user is to be deemed to be user by the proprietor of the trade mark for the purposes of Section 46 the fiction is intended only to apply to the use of the trade mark referred to in the second condition of Clause (a) of Section 46(1) and not to the use of that trade mark referred to in the first condition of the said Clause (a). Under Section 18(1) an application for registration of a trade mark can only be made by a person who claims to be the proprietor of that trade mark. Therefore, the words "applicant for registration" in Clause (a) of Section 46(1) would mean "the person claiming to be the proprietor of the trade mark who is the applicant for registration that trade mark". The first condition of Clause (a) would, therefore read "that the trade mark was registered without any bona fide intention on the part of the person claiming to be the proprietor of that trade mark who has made the application for registration that it should be used in relation to those goods by him". So read, there can be no difficulty in reading the words "by him" also as "by a registered user". Similarly, we see no difficulty in applying the legal fiction in Section 48(2) to Section 18(1). Section 18(1) in the light of the said legal fiction would read as "any person claiming to be the proprietor of a trade mark used or proposed to be used by him or by a registered user". By reason of the provisions of Section 39(2) of the 1940 Act, Section 14(1) of that Act should also be read in the same way." 58. "The purpose for which the said fiction has been enacted are set out in Section 48(2). These purposes are the purposes of Section 46 or for any other purpose for which such use is material under the 1958 Act or any other law. To confine the purpose only to a part of Section 46 would be to substantially cut down the operation of the legal fiction. The purpose for which the legal fiction is to be resorted to is to deem the permitted use of a trade mark, which means the user of the trade mark by a registered user thereof, to be the use by the proprietor of that trade mark. Having regard to the purposes for which the fiction in Section 48(2) was created and the persons between whom it is to be resorted to, namely, the proprietor of the trade mark and the registered user thereof, and giving to such fiction its full effect and carrying it to its logical conclusion, no other interpretation can be placed upon the relevant portions of Section 18(1) and of Clause (a) of Section 46(1)

that the one which we have given.” 71. “In our opinion, to enable the proprietor of a trade mark who has got it registered on the ground that he intends to use the trademark to avail himself of the fiction created by Section 48(2), he must have had in mind at the date of his application for registration some person to whom he intends to allow the use of the trade mark as a registered user. This would eliminate all chances of trafficking in a trade mark. If an applicant for registration did not have at the date of his application for registration a particular registered user in view, he cannot be said to have had a bona fide intention to use the trade mark and in such an event he cannot resist an application made under Clause (a) of Section 46(1) of the 1958 Act.” Lord Brightman, in *American Greetings Corp’s Application*, (1984) 1 All ER 426, 433 summed up the position in law thus : “My Lords, although as a matter of ordinary English, trafficking in trade marks might mean the buying and selling of trade marks, it seems obvious that it is to have a more specialized meaning in a trade mark context. I have no quarrel with the definitions suggested by the assistant registrar and by Sir Denys Buckley, but perhaps one further attempt on my part may not be out of place. The Courts have to grope for some means of delineating the forbidden territory, and different modes of expression may help to indicate boundaries which are not and cannot be marked out with absolute precision. To my mind, trafficking in a trade mark context conveys the notion of dealing in a trade mark primarily as a commodity in its own right and not primarily for the purpose of identifying or promoting merchandise in which the proprietor of the mark is interested. If there is no real trade connection between the proprietor of the mark and the licensee or his goods, there is room for the conclusion that the grant of the licence is a trafficking in the mark. It is a question of fact and degree in every case whether a sufficient trade connection exists. We have no hesitation in accepting the meaning given to the expression “trafficking in a trade mark” by Dillon, L.J. and Lord Brightman. 39. The intention to use a trade mark sought to be registered must be, therefore, genuine and real and as pointed out by Tomlin, J., in *In re Ducker’s Trade Mark* (1928) 1 Ch. 405, 409, the fact that the mark was thought to be something which some day might be useful would not amount to any definite and precise intention at the time of registration to use that mark. The intention to use the mark must exist at the date of the application for registration and such intention must be genuine and bona fide. In fact, Section 46(1)(a) expressly speaks of “bona fide intention on the part of the applicant for registration” which would mean “at the date when such applicant makes his application for registration.” 40. We will now address ourselves to the question whether the facts which bring into play Clause (a) of Section 46(1) exists in the present case. What is first required to be ascertained for this purpose is whether the Appellant had any intention that the trade mark “Dristan should be used in India in relation to the concerned goods. Assuming the Appellant had such an intention, the next question which will fall to be determined is whether this intention was an intention on the part of the Appellant to use the said trade mark itself or to use it through a registered user and if the intention was to use it through a registered user. whether Clause (a) of Section 46(1) would be attracted. The third question will be whether such intention on

the part of the Appellant was a bona fide one.” Before proceeding further it is required to be seen what is expected of a proprietor of a registered trade mark who allows it to be used by others to protect his own trade mark in the light of the judgment of Supreme Court in the case of Gujarat Bottling (supra). In para 13 of the judgment the Supreme Court observed that : 13. “Apart from the said provisions relating to registered users, it is permissible for the registered proprietor of a trade mark to permit a person to use his registered trade mark. Such a licensing of trade mark is governed by common law and is permissible provided : (i) the licensing does not result in causing confusion or deception among the public; (ii) it does not destroy the distinctiveness of the trade mark, that is to say, the trade mark, before the public eye, continues to distinguish the goods connected with the proprietor of the mark from those connected with others; and (iii) a connection in the course of trade consistent with the definition of trade mark continues to exist between the goods and the proprietor of the mark. (See : P. Narayanan-Law of Trade Marks and Passing-Off, 4th Edn., paragraph 20.16, p. 33). It would thus appear that use of a registered trade mark can be permitted to a registered user in accordance with provisions of the Act and for that purpose the registered proprietor has to enter into an agreement with the proposed registered user. The use of the trade mark can also be permitted dehors the provisions of the Act by grant of licence by the registered proprietor to the proposed user. Such a licence is governed by common law.” So far as the grant of licence of registered trade mark is concerned the licensing of such trade mark is permissible provided, the aforesaid conditions mentioned in para 13 of the judgment in Gujarat Bottling (supra) case are fulfilled. Learned Counsel for the respondents has contended that even though the collaboration agreement dated 15th April, 1977 related only to future trade marks and did not cover existing trade marks of respondent No. 1, respondent No. 2 granted upto the appellant a bare personal privilege to use the trade marks in question in relation to goods manufactured by it. As such, respondent No. 2 granted a gratuitous licence in favour of the appellant, but the respondents retained full control over the use of the trade mark. Respondent No. 2 maintained the validity of the trade marks by strict quality control and supervision of the goods manufactured by the appellant and the trade marks at all material times indicated a connection in the course of trade with the proprietor thereof, being respondent No. 1. In the instant case, the very relationship between the licensor and the licensee of the trade marks implies a sufficient degree of control as the licensor clearly intended that the licensee was to manufacture the goods only in accordance with the specifications and standards of quality prescribed by the licensor. Further and in any event, it is well settled that use of an unregistered trade mark under a licence granted by the proprietor bonafide under its control and supervision is use of the unregistered mark by the proprietor. Under no principle or precedent can it be held that at common law use by the licensee of an unregistered mark is not use by the licensor or that such use will invalidate a passing off action or disentitle the licensor to protection of its trade mark. In GET Trade Marks case (supra) Grahm J. reviewed the authorities from the Budweiser case and took the view that the Budweiser case establishes

: “that the registered user provisions are permissible only and non-compulsory pre-requisite for retention of authority of the trade mark and that provided the conditions of control are adequate, there is no reason for holding that by using the trade mark without a registered user the parties have destroyed the mark see (GE Trade Mark, (1970) RPC 339). It was further observed in this case that the authority given by the United Status Parent Co. in respect of GE trade mark to its subsidiary to use the registered trade mark was open to no objection for it could be fairly conceded as user by the parent company itself and because license of the mark whether registered or not did not deprive it of the character of a trade mark provided that the owner of the mark retained sufficient connection in the course of the trade with a mark and goods bearing it. Quality control by itself is not a sufficient connection in the course of trade. The goods must be put on the mark as the proprietor’s goods and this is not the case here if mere quality control by the proprietor is to be seen. In this connection some confusion has arisen on account of some conflicting approach by the different Courts. In this connection, learned Counsel for the respondent referred to the following cases : (a) Bowden Wires Ltd. v. Bowden Brake Co. Ltd., (1914) 31 RPC 385. (b) BOSTITCH Trade Mark, (1963) RPC 183. (c) British Petroleum Co. Ltd., 1968 RPC 64. (d) GE Trade Mark case, 1969 RPC 418. (e) GE Trade Mark case, 1970 RPC 339. (f) Speedcranes Ltd. v. Thomson & Anr., 1978 RPC 221. (g) ZING Trade Mark, (1978) RPC 47. (h) Brupat Limited & Anr. v. Sandford Marine Products Ltd., (1983) RPC 61. (i) Pioneer Electronic Corporation & Anr. v. Registrar of Trade Marks, (1978) RPC 716 (Australia). We are afraid that these submissions could not be accepted for want of any relation whatsoever between the goods imported, manufactured and sold by the appellant in India and the owner of the trade mark plaintiff/respondent No. 1. The judgments, in all the cases referred to above by the learned Counsel, have shown concern and anxiety of the concerned Courts indicating the trafficking in a trade mark has from the outset being one of the cardinal sins of trade mark law. But there is no statutory definition of trafficking and one may suspect that as with usury in the Middle Ages, though it was known to be a deadly sin it has become less and less clear, as economic circumstances have developed, what the sin actually comprehends. (See In Re American Greetings Corp.’s Application (supra).” Trafficking in trade mark means dealing in a trade mark primarily as a commodity in its own right rather than for the purpose of identifying or promoting merchandise in which the proprietor of the mark was interested. If there is no real trade connection between the proprietor of the mark and the licensee of his goods, the Registrar shall be entitled to conclude that the grant of the licence to use the mark to promote the licensee’s goods amounted to trafficking in the mark. Whether a sufficient trade connection existed was a question of fact and degree in every case, but in any event provision for quality control by the proprietor of the mark over the goods of the licensee was not in itself sufficient to establish the required connection and the registration of the licensee’s registered user under Section 28 would tend to facilitate trafficking in the trade mark. In the present case it is not possible to accept that licensing would not cause confusion or deception among the public for numerous reasons

- (a) absence of any quality or supervisory control of plaintiff/respondent No. 1 over plaintiff/respondent No. 2 or the appellant; (b) the goods imported and manufactured by the appellant do not belong to the plaintiff/respondent No. 1; (c) there is no connection in the course of trade consistent with the definition of trade mark between the goods imported, produced, manufactured and marketed under the registered as well as unregistered trade marks of the plaintiff/respondent No. 1 by the appellant; and (d) the agreement between plaintiff/respondent No. 1 and plaintiff/respondent No. 2 has not been produced before us for the reasons best known to the plaintiffs and an adverse inference could be drawn in that connection. Consequently, the conditions laid down in Gujarat Bottling case (supra) have not been satisfied. This view expressed in American Greetings Corp.'s Application, (1984) All ER 426, was approved by the Supreme Court while dealing with the Sections 18, 46(1)(a)(b) and 48 of Trade & Merchandise Marks Act, 1958 in American Home Products Corporation, . Seeing the above approved view, it would appear as if the device mark and word "Synthes" could not be registered in India for there was no intention to use it on the part of respondent No. 1 for (i) they had allowed these trade marks to be used by three others; and (ii) they were themselves not manufacturing surgical implants and instruments nor was it disclosed that it was proposed to be used through somebody else as registered user. At least there is no plea that the respondent No. 2 or the appellant could be the registered user (s). If, following N. R. Dongre (1996 PTC 583 : 1996(6) Scale (Vol. VI No. 1) 276), we ignore the registration of the device and the word "Synthes", the infringement action may not succeed in the end for the respondent No. 1 has neither kept the distinctiveness of the goods nor even quality control. And trade mark could not be used as certification mark. It appears that the moment distinctiveness of the trade mark and goods connected with a proprietor is destroyed and there is no connection in the course of trade consistent with the definition of the trade mark and the use by a sub-licensee may not ensure to the benefit of the proprietor of the trade mark. In this light its consequences are required to be examined. The exclusive user of the registered trade mark as well as unregistered trade marks by the appellant in India for about 16 years would not ensure to the benefit of Synthes AG Chur, in terms of sub-section (2) of Section 48 in view of the views expressed in American Home Products Corpn. (supra). It reads as under :- 48. Registered users. - (1) ... (2) The permitted use of a trade mark shall be deemed to be used by the proprietor thereof, and shall be deemed not to be used by a person other than the proprietor, for the purposes of Section 46 or for any other purpose for which such use is material under this Act or any other law." There cannot be any doubt that Synthes AG Chur plaintiff/respondent 1 through the trademarks AO/ASIF as far as the trade mark "Synthes" and the trade mark device are concerned they have acquired a worldwide reputation through their licensee/respondent No. 2 and their sub-licensees as well. Despite this worldwide recognition of the trade mark and extensive use thereof plaintiff/respondent 1 may not succeed in the infringement action for the user cannot be deemed to be a user by Synthes AG Chur in terms of Section 48(2). The learned Counsel for the respondents contended that the trade marks of re-

spondents being distinctive commanding a worldwide reputation both in India and abroad and have been continuously used in relation to the goods of the respondent for over 20 years the use of the registered trade marks of the device and the word “Synthes” by the appellant would amount to calculated deception. In support of this contention the learned Counsel referred to numerous authorities mentioned below : (a) Kaviraj Pandit Durga Dutta Sharma v. Navaratna Pharmaceutical Laboratories, . (b) Ruston and Hornby Ltd. v. Zamindara Engineering Co., . (c) Hoffmann La Roche and Co. Ltd. v. Geoffrey Manners and Co. Pvt. Ltd., . (d) Parte Products (P) Ltd. v. JP & Co., . (e) Khemraj Shrikrishnadass v. M/s. Garg & Co., . (f) Ellora v. Banarasi Dass, . (g) M/s. Manoj Plastic India v. Bholia Plastic Industries, AIR 1984 Del. 441 (Paras 10 and 11 at p. 444). (h) Hindustan Radiators Co. v. Hindustan Radiators Ltd., . (i) Ranbaxy Laboratories Ltd. v. Dua Pharmaceuticals Pvt. Ltd. . (j) Hiralal Parbhudas v. M/s. Ganesh Trading Company, . (k) GTC Industries Ltd. v. ITC Ltd., . (l) Rizla v. Bryant & May, (1986) RPC 389 (p. 392). Though it might not have been deception till cancelling of the agreement, now after withdrawal of implied consent, it would amount to deception for now without having even a remote connection or authority to use the said trade marks would be using them just to above connection or trading connection with A. G. Chur Plaintiff/respondent No. 1 and would pass on its own goods for the goods of at least respondent No. 2. It was also contended that applying the underlying principle of spill over reputation there is a clear case of passing off that entitled the respondent to an ad interim injunction in their favour. In respect of this second proposition following authorities were referred to : I. Supreme Court of India (a) N. R. Dongre v. Whirlpool Corporation, 1996(6) Scale (Vol. VI No. 1) 276. II. Supreme Court of Ireland (b) C&A Modes v. C&A (Waterford), 1978 Fleet Street Reports 125. III. Supreme Court of Hong Kong (c) J.C. Penny Co. Inc. v. Penny’s Ltd., 1979 Fleet Street Reports 29. IV. Delhi High Court (d) Blue Cross and Blue Shield Association v. Blue Cross Clinic, (1990) Industrial Property Law Reporter. (e) Apple Computer Inc. v. Apple Leasing & Industries, 1992 1 Arb. LR 93. (f) William Grant & Sons Ltd. v. McDowell & Co. Ltd., 1994 Fleet Street Reports 690. (g) Whirlpool Corporation v. N. R. Dongre, . V. Bombay High Court (h) Yardley & Co. v. Kamal Trading Co., Unreported Judgment dated 5-10-87. (i) Kamal Trading Co. v. Gillette UK Ltd., (1988) 1 Patent Law Reports 135. (j) The Scotch Whisky Association v. Pravara Sabakar Shakar Karkhana Ltd., . Learned Counsel for the respondent has not advanced any argument in respect of non-user of trade mark by plaintiff/respondent No. 1 for the reasons best known to him. However, another aspect which has to be kept in mind is that a person cannot be permitted to register a trade mark when he had no intention to use it in relation to the goods in respect of which it is sought to be registered or does not intend to use it in relation to such goods. Moreover the trans border reputation or spillover reputation could not be accepted in India as the sole criteria for protection of a registered or unregistered trade mark. For registered trade mark there has to be user of the trade mark also. Even in N. R. Dongre v. Whirlpool Corporation our Apex Court has not accepted it as the sole criteria. In para 16 of the

judgment findings of the learned Single Judge (R. C. Lahoti, J. one of us) has been affirmed in appeal by a Division Bench of the High Court as well as by the Supreme Court. It is apparent that a trans border reputation or spill over reputation extending to India to the use of that trade name was coupled with numerous factors including the user prior to registration of that name even in India. In para 10 of the judgment at page 561 the following observation of Lahoti, J. has been quoted with approval : "... Without expressing any opinion on the validity or otherwise of the reasons assigned by the plaintiffs for non renewal of the registration thereafter suffice it to say that in spite of non-registration of the trade mark in India, the plaintiff was trading in Whirlpool products in several parts of the world and also sending the same to India though in a limited circle. Thus, need of the user of the trade mark in India by plaintiff/respondent No. 1 cannot be given a total go by. The English authorities have consistently taken the view that goodwill means the business reputation and not generally in the wide world but locally in England acquired by actually carrying on business in England and by use of the trade name and trade mark in England. In the Budweiser case ((1984) FSR 413 CA), the Court of Appeal held that sales in England meant sales to consumers in the general market in England and that sales of even substantial quantities of the imported and well-known American brand of beer to military and diplomatic establishments in England did not in any real sense amount to carrying on of business in England by that American Company. The English authorities are founded on the premises (i) that the passing off action is essentially an action to protect the goodwill of the plaintiff and prevent its invasion by the wrongful act of the defendant and (ii) that goodwill is the business asset of the plaintiff acquired in a particular country, where its protection is sought, by actually carrying on business there and by sales of goods bearing the trade mark. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each country. If there is no goodwill of the plaintiff in England, there is nothing there to be protected by a passing off action, even if the plaintiff's business has valuable goodwill elsewhere in the world where it is carried on. Goodwill acquired in a country may, if the business is abandoned there, cease to exist in that country, although, the business may continue to be carried on in other countries."Budweiser" (supra) and the other English authorities did not find favour with Canadian, Australian and Irish Courts. Now a Single Judge of our own High Court in Apple Computer Inc. v. Apple Leasing, 1991(18) IPLR Delhi 63, has also observed in this regard as under :- "It is not necessary in the context of the present day circumstances, the free exchange of information and advertising through newspapers, magazines, video, television, movies, freedom of travel between various parts of the world, to insist that a particular plaintiff must carry on business in a jurisdiction before improper use of its name or make can be restrained by the Court ... In passing off cases, the main consideration is the likelihood of confusion and the consequential injury to the plaintiff, and the need to protect the public from deception, deliberate or otherwise. Where

such confusion or deception is prima facie shown to exist, protection should be given by Courts to the name or mark or goodwill of the plaintiff.” In this regard, learned Counsel referred to a judgment of this Court in *Blue Cross & Blue Shield Association v. Blue Cross Health Clinic & Ors.* ((1990) IPLR 92), amongst others. In that case, the plaintiffs had acquired ownership of trade marks Blue Cross and Blue Shields as a result of business done in India and also as a result of large scale advertisement that was made by them in foreign periodical circulated in India. Plaintiffs had also entertained claims lodged by the subscribers in India and as a result, their marks had become well known in India. It was not a case based on purely spill over reputation or a transporter reputation alone. In *William Grant & Sons Ltd. v. McDowell & Co. Ltd.* (1994 III AD (Delhi) 65), also, learned Single Judge has taken note of the fact that the petitioners had developed a firm association and business in India. They signed agreements with several firms in India including DP Eduljee & Co., Pheeroze-shah & Co., Jamsetjee & Co. and Bala Prashad & Sons as well as by Indian Tourist Development Corporation, Taj Services Co., Hind Traders, Air India, Mohan Lall & Co., Mohan Brothers, Cawasji Behramji & Co., East India Hotels Ltd. and Embassy Stores, etc. and therefore again that was not a case of purely transporter reputation. In *WWF International v. Mahavir Spinning Mills Ltd.* (Suit No. 822/94, decided on 7-10-1994), by P. K. Bahri, J. referring to the law laid down as under : “Mere fact that the plaintiff has never manufactured any products in this country does not prevent it from acquiring the goodwill here in its trade mark. It is no doubt true that an action for passing off relates to the business and it must be established that the plaintiff has a reputation or goodwill of his business in this country. The foundation for the action for passing off is the protection of goodwill and so, one must prove the existence of goodwill in this country before obtaining a relief of passing off. The principle of law of passing off has been also made applicable to non trading business or non-profit making bodies as well”. From the above, while it is apparent that transporter reputation is taken into consideration, but not without there being any evidence of use in this very country. One of us (R. C. Lahoti, J.) in *Whirlpool Corporation & Anr. v. N. R. Dongre & Ors.* (supra) referred to American Jurisprudence and Halsbury’s Laws of England as well. We reproduce. “15. On behalf of the defendants reliance is placed on the law stated in the American Jurisprudence (74 American Jurisprudence 2nd, para 17 at pp 714-715) which reads as under :”17. Territorial extent of rights; Although there is some authority to the effect that the right of property in a trademark is not limited in its enjoyment by territorial bounds, the general rule, in the absence of any statutory provision to the contrary, is that the right of markets wherein it has become established as such by actual use. It follows, under the general rule stated, that where the same mark or name has been lawfully adopted and used by different persons in different localities, neither may use the mark or name in competition with the other in territory which is already occupied by such other. A foreign trade mark depends for its protection in a particular country, upon the law prevailing there, and will confer no rights except by consent of that law. While an alien owner of a trade mark will ordinarily be protected

against infringement or unfair competition, the prior use of a trade mark in a foreign country does not entitle the owner thereof to claim exclusive trade mark rights in the United States as against one who, in good faith, had adopted a like trade mark for the same character of goods prior to the entry of the foreigner into the domestic market. 16. It will be useful also to notice the law summed up and stated in Halsbury's Laws of England (Vol. 48, Paras 156 and 180) : "156. Whether actual trade need have been commenced. A passing-off action can be sustained prior to the actual commencement of trading by the plaintiff. A plaintiff may acquire a substantial reputation prior to making sales of a product or service because of advance advertising and press publicity and, in such a case, may sue others who seek to trade on the reputation which he has acquired. A company may in some circumstances acquire a reputation and goodwill that is able to be protected even before its formal incorporation and within hours of the announcement of its intended formation. Where a plaintiff has incurred considerable expense making preparations for the launch of a product which will rapidly acquire a reputation once launched, a defendant who commences advertising before the plaintiff with the intention of defeating the plaintiff's acquisition of an exclusive right to the mark concerned may be restrained by a *quia time injunctio*." 180. Actions by foreign traders. A number of considerations arise when a plaintiff seeks to restrain the use in the United Kingdom of a name, mark or other indicia under which he has carried on business abroad. First, a plaintiff in any case of passing off must prove a reputation extending to the geographical area in which the defendant's use of the name, mark or other indicia complained of is taking place, whether this is another part of the country in which the plaintiff trades or in a different country, for if he has no reputation in the United Kingdom then the defendant's use of a similar name or mark cannot involve any misrepresentation. If the plaintiff can establish that a substantial number of persons with whom the defendant intends to trade in the United Kingdom know of the plaintiff and will believe that the defendant's business is a branch of or connected with the plaintiff's business, so that the element of misrepresentation is established, the plaintiff must further show, as in any passing-off, the misrepresentation poses a real and tangible risk of injury to his business or goodwill. However, it is unclear whether there is an additional requirement that the plaintiff must carry on business in, or at least have a trade extending to, the country in which he seeks to restrain the defendant from using the mark or name, or whether the geographical separation of the plaintiff's business, but not impossible in all circumstances, for a plaintiff to show that the defendant's activities are likely to cause him substantial injury. When it is clear that a plaintiff who has no place of business in the United Kingdom and does not directly trade there but whose goods are imported by others can acquire reputation and goodwill that is able to be protected. A business carried on abroad but which corresponds with customers in the United Kingdom can likewise acquire a reputation and goodwill able to be protected. It is more doubtful whether passing off can be established where the plaintiff's goods or services are not marketed in the United Kingdom but his customers who have come across his goods or services abroad reside in or come to the United Kingdom,

although in one such case an interlocutory injunction was granted. However, it has been held that a plaintiff whose establishment in Paris had been advertised in England through travel agents and who had some customers in England who had visited Paris, could not maintain a passing off action in England against a defendant who had adopted the name of the plaintiff's establishment and used similar advertising with the intent of exploiting the plaintiff's reputation, because goodwill could not be acquired without actual user in England. This decision has been criticized as wrongly decided and tenuous user in the United Kingdom has been treated as justification for protection of a reputation primarily acquired by trade abroad but the case has been cited with approval by the Court of Appeal. The extent to which a reputation acquired by trading abroad may be protected in the United Kingdom may depend to some extent upon whether a trade is to be treated as a matter of law as having a separate goodwill in each country in which he trades or whether the confining of goodwill to a particular country or area is a question of fact depending on the trading patterns and circumstances involved. If goodwill is to be treated as a matter of law as stopping at frontiers there may still be cases where the defendant's activities are likely to cause damage to the plaintiff's business in the country or countries where he trades." In this very case, the case of *WWF International v. Mahavir Spinning Mills Ltd.* (supra) was also referred to. Relevant paragraphs of the judgment read as under : 19. There is yet another very recent decision of the Court in *WWF International v. Mahavir Spinning Mills Ltd.*, Suit No. 822/94 decided on 7-10-1994 by P. K. Bahri, J. referring to the law laid down in *Sears Roebuck & Co. v. Happy House (TV) Mfg. Co. Ltd. & Ors.* (1992 PTC 59). 19.1 Therein the plaintiff running retail stores chain in America under the trade mark SEARS had no physical presence in India nor had registration of trade marks SEARS in India had brought an action restraining the defendant from using the trade mark SEARS for marketing TVs. It was held, that unless evidence is brought before the Court showing reputation and goodwill of the plaintiff in India as a manufacturer of television and substantial evidence of the reputation and goodwill of the plaintiff as a retail store India, the injunction cannot be granted. Bahri, J. observed that judgment dealt with totally different facts. Bahri, J. has further held :- "Mere fact that the plaintiff has never manufactured any products in this country does not prevent it from acquiring the goodwill here in its trade mark. It is no doubt true that an action for passing off relates to the business and it must be established that the plaintiff has a reputation or goodwill of his business in this country. The foundation for the action for passing off is the protection of goodwill and so, one must prove the existence of goodwill in this country before obtaining a relief of passing off. The principle of law of passing off has been also made applicable to non trading business or non-profit making bodies as well" 19.2 Bahri, J. has further approved the view that trade mark law is not intended to protect a person who deliberately sets out to take benefit of somebody else's reputation with reference to goods especially so when the reputation extends worldwide. It would thus appear that there is conflict of approach between the "hard-line or national approach" of the English authorities and the "liberal international approach" of the Courts in other

Commonwealth countries. We feel that we must follow a middle course. We must readily support decisions which seek to promote commercial morality and discourage unethical trade practices of making such a situation where Indian purchaser/consumer starts presuming franchise like connection between foreign products and Indian Products which either cause confusion or which appear to be deceptively similar. Indian Courts have consistently and rightly disapproved the attempt by Indian trade and industry to bask in the warmth of, and make illicit profit from, a reputation not earned legitimately by their own effort but built by others elsewhere, by the short cut of trickery and passing off and thus protected not only private rights but commercial morality and thus expanded the scope of passing off action to meet that end. This approach is essential to protect the interest of Indian users i.e. public in general. But, this approach must be confined to some or similar products or at the most closely related products and services. This approach cannot be extended to totally different kind of products. In this later area, in order to protect national economic interest English rigidity appears to be essential. It is moreover somewhat odd and marks, not registered in India, not used in India, with reputation not established in India by carrying on business in India, would yet be protected in India on the basis that their reputation elsewhere is known in this country due to publicity in the media, whereas the statutory protection cannot be acquired for them in India for the reason that they are neither used in India nor proposed to be used in India by a registered proprietor or by a registered user. There appears to be a contradiction here between the legislative policy requiring "user" for trade mark protection against infringement and the liberal approach extending protection to trade marks irrespective of user and above said limitations in this country on the strength of reputation abroad hardly known in India excepting those who are glued to cable TV. The learned Counsel for the appellant also referred to Sections 30(1)(b) to make out a case that acts of the appellant company do not constitute infringement. In order to appreciate his argument. Section 30(1)(b) is reproduced as below : 30. Act not constituting infringement. - (1) Notwithstanding anything contained in this Act, the following acts do not constitute an infringement of the right to the use of a registered trade mark : (a) ... (b) The use by a person of a trade mark in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark if, as to those goods or a bulk of which they form part, the registered proprietor or the registered user conforming to the permitted use has applied the trade mark and has not subsequently removed or obliterated it, or has at any time expressly or impliedly consented to the use of the trade mark." It would be of help to the appellant only in case of present user after unilateral revocation of collaboration, if the appellant/company is "registered user" conforming to the permitted use and has applied the trade mark. Since the appellant/company does not claim to be "registered user", it is of no assistance to the appellant. Section 33(a) has also been referred to by Dr. K. S. Sidhu to make out a case that user of the trade mark by the appellants is saved. It does not appear to be of any help to the appellants. Section 33(a) reads as under : 33. Saving for vested rights-Nothing in this Act shall entitle the proprietor or a registered user

of a registered trade mark to interfere with or restrain the use by any person of a trade mark identical with or nearly resembling it in relation to goods in relation to which that person or a predecessor in title of his has continuously used that trade mark from a date prior - (a) to the use of the first mentioned trade mark in relation to those goods by the proprietor or a predecessor in title of his; or (b) to the date of registration of the first-mentioned trade mark in respect of those goods in the name of the proprietor or a predecessor-in-title of his; whichever is the earlier, and the Registrar shall not refuse (on such use being proved) to register the second-mentioned trade mark by reason only of the registration of the first-mentioned trade mark. Clause (a) of the Section cannot be read de hors the phrase “whichever is earlier”. If both are read together, in the situations obtained in this case, registration alone could be prior in time. No evidence could possibly be given; nor has been alleged or shown to the effect that either the appellant or plaintiff/ respondent No. 2 has continuously used these registered trade marks from a date prior to the date of registration of the trade mark of plaintiff/respondent No. 1 in India. We need not repeat that appellant collaborator is only licensee to use the trade marks, trade names, logos and symbols (device) of Respondent No. 1 in connection with the manufacturer, use and sale of the products of respondent No. 2 in India. Seeing the title of the Section “saving for vested rights” it appears that this section is intended to protect only right which pre-existed the registration of the registered trade mark. Moreover, a licensee under the registered trade mark has no vested right which could be saved. Therefore, this contention cannot be sustained. An interesting question arises by reference to Section 35(a) of the Act : whether registration of the word trade mark “Synthes” has now ceased to be registered on account of continuous user by the appellant. It is not in dispute that plaintiff respondent No. 1 is the registered proprietors of the trade mark while the defendant/appellant is actual user of the trade mark in India till the date of revocation of deed of collaboration, though plaintiff/respondent Nos. 1 & 2 at the most advertised the same by organizing seminars and special courses in India. Now, the impact of Section 35 may be seen : “35. Saving for words used as name or description of an article or substance - (1) The registration of a trade mark shall not be deemed to have become invalid by reason only of any use after the date of the registration of any word or words which the trademark contains or of which it consists as the name or description of an article or substance : Provided that, if it is proved either - (a) That there is a well-known and established of the said word as the name or description of the article or substance by a person or persons carrying on a trade therein, not being used in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark or (in the case of a certification trade mark) goods certified by the proprietor; or (b) that the article or substance was formerly manufactured under a patent, that a period of two years or more is the only practicable name or description of the article of substance; the provisions of sub-section (2) shall apply. (2) Where the facts mentioned in Clause (a) or Clause (b) of the proviso to sub-section (1) are proved with respect to any words, then - (a) for the purposes of any proceedings under Section 56 - (i) if the trade mark consists solely of such words,

the registration of the trade mark so far as regards registration in respect of the article or substance in question or of any goods of the same description, shall be deemed to be an entry wrongly remaining on the register; (ii) if the trade mark contains such words and other matter, the tribunal in deciding whether the trade mark shall remain on the register, so far as regards registration in respect of the article or substance in a decision in favour of its remaining of the register, require as the condition thereof that the proprietor shall disclaim any exclusive right to the use in relation to that article or substance and any goods of the same description, or such words : Provided that no disclaimer shall affect any rights of the proprietor of a trade mark except such as arise out of the registration of the trade mark in respect of which the disclaimer is made; (b) for the purposes of any other legal proceeding relating to the trade mark - (i) if the trade mark consists solely of such words, all rights of the proprietor under this Act or any other law to the use of the trade mark in relation to the article or substance in question or to any goods of the same description; (ii) if the trade mark contains such words and other matter, all such rights of the proprietor to the use of such words, in such relation as aforesaid; shall be deemed to have ceased on the date at which the use mentioned in Clause (a) of the proviso to sub-section (1) first became well-known and established, or at the expiration of the period of two years mentioned in Clause (b) of the said proviso. The goods were either manufactured by the appellant or by Respondent No. 2. Their extensive use of the trade mark in India is indicative of a "well-known established use of the word "Synthes" by a person carrying on trade therein, "not being used in relation to goods connected in the trade with the proprietor or registered user of trade mark or (in the case of a certification trade mark) goods certified by the proprietor". We may mention that simple advertisement through Seminars and special courses even by the Respondent No. 1 would not be use of the word trade mark "Synthes" in relation to trade in these goods. Consequently, the case is covered by proviso (a) to Section 35 and sub-section (2) is attracted, and for the purpose of any proceedings under Section 56, the entry of registration shall either be deemed to be wrongly remaining on the register or the proprietor shall disclaim any exclusive right. Not only this, even for the purpose of any other legal proceeding, including the present one relating to the trade mark, all rights of the proprietor under the Act or any other law "shall be deemed to have ceased on the date at which the use mentioned in Clause (a) of the proviso to sub-section (i) first become well-known and established". Learned senior Counsel for the appellant has also drawn our attention to Section 44(2) to argue that no note could be taken of licence or assignment in favour of plaintiff/respondent No. 2. Section 48 provides for registration of "Registered user" to continue trafficking in trade mark. Sub-section (3) provides that permitted use shall enure to the benefit of owner of the trade mark "Permitted use" has restricted meaning in view of the definition. Section 48 reads as under : "48. Registered users. - (1) Subject to the provisions of Section 49, a person other than the registered proprietor of a trade mark may be registered as the registered user thereof in respect of any or all the goods in respect of which the trade mark is registered otherwise than as a defensive trade mark; but the Central Government may, by

rules made in this behalf, provide that no application for registration as such shall be entertained unless the agreement between the parties complies with the conditions laid down in the rules for preventing trafficking in trade marks :

(2) The permitted use of a trade mark shall be deemed to be used by the proprietor thereof, and shall be deemed not to be used by a person other than the proprietor, for the purposes of Section 46 or for any other purpose for which such use is material under this Act or any other law. It is also desirable here in refer to Sections 37 and 38 of the Act. They read as under :

37. Assignability and transmissibility of registered trade marks-Notwithstanding anything in any other law to the contrary, a registered trade mark shall, subject to the provisions of this Chapter, be assignable and transmissible, whether with or without the goodwill of the business concerned and in respect either of all the goods in respect of which the trade mark is registered or of some only of those goods.

38. Assignability and transmissibility of unregistered trade marks - (1) An unregistered trade mark shall not be assignable or transmissible except alongwith the goodwill of the business concerned. (2) Notwithstanding anything contained in sub-section (1), an unregistered trade mark may be assigned or transmitted otherwise than alongwith the business concerned it - (a) at the time of assignment or transmission of the unregistered trade mark, it is used in the same business as a registered trade mark; and (b) the registered trade mark is assigned or transmitted at the same time and to the same person as the unregistered trade mark; and (c) the unregistered trade mark relates to goods in respect of which the registered trade mark is assigned or transmitted." It is notable that the term "assignment" has been defined in Section 2(1)(a) of the Act which reads as under :

2. (1) In this Act, unless the context otherwise requires - (a) "assignment" means an assignment in writing by act of the parties concerned;" No assignment in writing was incorporated in the collaboration agreement as case of both the parties was that collaboration agreement had nothing to do with the existing trade marks and the Clause 11 of the agreement related only to trade marks which might have been acquired by the parties after entering into the collaboration agreement. These trade marks were admittedly in use outside India before the collaboration agreement. Section 44(2) reads as under : "44. Registration of assignments and transmissions - (1) ... (2) Except for the purpose of an application before the Registrar under sub-section (1) or an appeal from an order thereon, or an application under Section 56 or an appeal from an order thereon, a document or instrument in respect of which no entry has been made in the register in accordance with sub-section (1), shall not be admitted in evidence by the Registrar or any Court in proof of title to the trade mark by assignment or transmission unless the Registrar or the Court, as the case may be, otherwise directs. We need not mention that unregistered Trade Mark"AO/ASIF" is not assignable and transmissible except alongwith the goodwill of the business concerned. Exceptions provided under sub-section (2) of Section 38 are not applicable. So far as registered Trade Marks device and word "Synthes" are concerned, they could have been assigned. This Section 44(2) leads to infer that no document relating to title of any of the trade marks "Synthes" Synthes device and AO/ASIS not being registered under Section 44(1) shall be admitted

in evidence by the Registrar or any Court in proof of title to the trade mark by assignment or transmission unless the Registrar or the Court, as the case may be otherwise direct“. Could we, in the aforesaid circumstances, take cognizance of licence granted by plaintiff/respondent No. 2 to plaintiff/respondent No. 1 ? Should we direct otherwise and consider the plea in view of admission by conduct of the appellant ? We think this is not the stage to decide this question either way for the present purpose. Section 46 relates to rectification/removal from Register and imposition of limitation on ground of non-use. Here, it would suffice to say that no such application is pending before this Court and the appellant have lost a case in Calcutta High Court in this connection. But appeal is said to be pending against that order. Moreover, there are six other suits pending in Jaipur Courts relating to collaboration agreement etc. Even plea of Section 10, CPC to stay these suits have been taken, but without producing copy of plaint, written statement and replication. Consequently, it is not possible to accept the plea of stay. Section 48(2) of the Act has been referred to by learned Counsel for both the parties to buttress their respective arguments. Section 48 contains a beneficial provision for the purpose of preventing trafficking in trade mark. Consequently, neither there could be an assignment of unregistered trade mark in view of Section 48(2) nor was there any assignment of registered trade mark under Section 48(1). Therefore, Section 48(2) cannot help the appellant at all. Things might have been totally different in case the registered trade mark was assigned in writing, and assignment was registered as well. For the foregoing reasons, while it is apparent that the appellants were using the registered trade marks, without there being any agreement to use the same. On the goods imported from appellant/respondent No. 2 as well as on their own products manufactured in India, however, with the knowledge and consent of at least plaintiff/respondent No. 2, there was not even resemblance or control of the proprietor of the trade marks, the imported goods as well as the goods which were being produced in India had no relation whatsoever with the proprietor of the trade mark. The appellant is using a mark which is the same as the plaintiff's registered trade mark. No distinction is even pleaded by the appellant. Conditions enumerated in Gujarat Bottling Company's case (supra) and American Home Remedies' case (supra), for the purpose of keeping the trade mark intact, so that user by the appellant in India should ensure to the benefit of the plaintiff/respondent No. 1, have not been satisfied for want of distinctiveness of the trade mark in relation to the goods. The user would neither under the Trade Marks Act under the common law, ensure to the benefit of plaintiff/respondent No. 1. This would relate to the registered trade mark of device and the word "synthes". So far as the passing off action is concerned, the defendant is selling the goods in the market so marked as to be designed and calculated to lead the purchasers to believe that they have been manufactured, if not imported, at least under the franchise agreement with plaintiff/respondent No. 2. And the High Court cannot allow such a user to protect purchasing public or the consumer. This relates to unregistered trade marks AO/ASIF. In neither of these two cases, the appellant claims to innovate these trade marks. It is evident that they used these trade marks with the implied permission of

plaintiff/respondent No. 2 without claiming to be the owner of the trade mark till the cancellation of the collaboration agreement. Now, the appellant cannot be allowed to claim these trade marks as its own on the basis of the aforesaid user. However, the High Court cannot continuance the user of these trade marks by the appellant in the aforesaid circumstances and we disapprove the attempt of the appellant to continue to bask in the warmth and make illicit profit from a reputation built by plaintiff/respondent No. 2 elsewhere, after the cancellation of the agreement. This is necessity of commercial morality and a necessary to protect the interests of Indian users, i.e. public in general for, same products originating from two difference sources cannot be allowed to be sold under the same trade name and trade mark. Public interest, national economic interest as well as commercial morality are the predominant factors which are prevailing with us while deciding these FAOs. No doubt, the appellants are likely to suffer a setback and their efforts during the last 16 years are also likely to go waste but that is the bargain of collaboration agreement entered upon by them. It is also notable that the appellants have not paid even the admitted amounts for the material, instruments and implants etc. purchased from plaintiff/respondent No. 2 Consequently, even equity does not permit the High Court to interfere with the impugned orders. Accordingly, we dismiss both the FAOs. FAOs. dismissed.