

## **Hardie Trading Ltd. And Anr vs Addisons Paint And Chemicals Ltd on 12 September, 2003**

**Equivalent citations: AIR 2003 SUPREME COURT 3377, 2003 (11) SCC 92, 2003 AIR SCW 4788, 2003 CLC 1203 (SC), 2003 (2) COPYTR 256, 2003 (7) SCALE 451, 2003 (8) ACE 386, 2003 (5) SLT 616, (2003) 10 INDLD 155, (2003) 7 SUPREME 206, (2003) 4 RECCIVR 691, (2004) 1 ICC 118, (2003) 7 SCALE 451**

**Author: Ruma Pal**

**Bench: Ruma Pal, B.N. Srikrishna**

CASE NO.:

Appeal (civil) 5307-11 of 1993

PETITIONER:

HARDIE TRADING LTD. AND ANR.

RESPONDENT:

ADDISONS PAINT AND CHEMICALS LTD.

DATE OF JUDGMENT: 12/09/2003

BENCH:

RUMA PAL & B.N. SRIKRISHNA

JUDGMENT:

JUDGMENT 2003 Supp(3) SCR 686 The Judgment of the Court was delivered by RUMA PAL, J. : The trademarks which are the subject matter of dispute in these appeals were invented by James Hardie and Company Private Ltd., the predecessor in interest of the first appellant (who will be referred to as Hardie). The trademarks consist of the words 'Spartan' and 'Spartan Velox' and a rear picture of the upper body of a helmeted warrior carrying a shield and spear (which will be referred to hereafter as the Hardie device). Registration which was granted in respect of the trademarks in Australia and New Zealand in 1926 and 1927 continues till today. The original trademarks as well as their modified forms, which were also subsequently registered, have been in use by Hardie or its predecessor in interest of paints and lacquers and other surface coatings since that date.

It is the case of Hardie that it also wanted to commence business in India and to this end took steps to have the words "Spartan" and "Spartan Velox"

registered in this country as far back as in 1940. The words were entered in the Register of Trade Marks at Calcutta in Hardie's name. The registration was valid for what was then undivided India and other South Asian countries.

On 6th November 1946, a collaboration agreement was entered into between Hardie and the respondent (who will be described as Addisons) for a period of 20 years under which addisons was to be Hardie's "Chief agent" in India and other named territories for selling surface coatings supplied by Hardie. The agreement also envisaged Addisons being the registered user of the trademarks during the period of the agreement and also the setting up of a factory by Addisons at Madras to manufacture the surface coatings according to Hardie's formulae. Addisons undertook that all formulae and technical information which may be supplied to it by Hardie would be treated as strictly confidential.

Pursuant to the collaboration agreement, between 1946 to 1949, Hardie's products were marketed in India through Addisons under Hardie's registered trademarks and device. By 1948 Addisons had set up its own factory at Chennai for manufacturing paints and lacquers and other surface coatings with the technical know-how supplied by Hardie to Addisons. The products were then sold by Addisons under the trade mark and device of Hardie for which Addisons paid Hardie royalty at agreed rates. The registered-user agreement between Hardie and Addisons was executed on 11th July 1963. Apart from the clauses which ensured Hardie's strict supervision over the quality of the surface coatings manufactured by Addisons, the agreement specified :

"The said trade marks shall not be used in conjunction with or in close juxtaposition to any other trade mark and shall at all times be so described as clearly to indicate that they are the trade marks of the Proprietors and that they are being used by the Users only by way of permitted use."

This agreement also contained a clause giving Addisons the option to acquire Hardie's rights in the trade marks for a consideration calculated on the basis of the royalties payable for three years as mentioned in the collaboration agreement. The registered user agreement was initially for a period of three years and was operative upto 31st August, 1968. In 1967, Hardie had agreed to assign its rights in the trademarks to Addisons for a sum payable in pound sterling. The Reserve Bank of India allegedly refused permission to Addisons to remit the amount. Whatever the reason, it is not in dispute that the consideration was not paid. One of the disputes raised in these appeals relates to the effect of this agreement. To return to the narration of facts. In anticipation of the assignment the Registered User's agreement was cancelled on 31st August, 1968. However, since the consideration was not paid and the assignment did not come through, Hardie requested Addisons to discontinue the use of Hardie's trademarks. Correspondence was exchanged between the parties. Addisons requested for permission to continue to use the trademarks and device Hardie allowed them to do so till December, 1971. During this period. Addisons continued to use Hardie's trademarks and device on the surface coatings produced by it.

On 3rd November 1971, Addisons applied for registration of a device which consisted of the frontal view of a standing helmeted warrior holding a shield and spear. On 11th November, 1971 Addisons informed Hardie that with effect from 1st December 1971, it would discontinue the use of Hardie's trade marks and that Addisons had made arrangements to market its products in its own brand

name. This was followed by several advertisements by Addisons in newspapers to the effect that Addisons' products would no longer be sold under the old trade marks but under the brand-name Addisons with the pictorial representation of the standing warrior.

On 6th December, 1971, Hardie applied for registration of the composite marks of "Spartan" and Hardie's device in respect of surface coatings. However, the application was withdrawn on 26th April, 1974.

In November 1976, Addisons obtained registration of the standing warrior device. In the same year it filed three applications before the Registrar of Trade Marks at Mumbai for registration of Hardie's trademarks. The applications were rejected on the grounds of identity and deceptive similarity with Hardie's registered trademarks.

During this period, that is between 1972 to 1977, negotiations took place between Hardie and Hansa, the second appellant before us, for appointing Hansa, the registered user of Hardie's trademarks in India. The agreement was ultimately executed on 31st March, 1977.

About two months later, on 30th May, 1977 Addisons applied in Calcutta for rectification of the Register of Trademarks by deleting Hardie's trademarks under Section 46(1) of the Act.

On 18th November, 1977, Addisons filed two applications for registration of Hardie's device. Addisons also filed three additional applications for registration in class (2) of the Hardie's device and the word 'Spartan' in class (2) for the words of 'Spartan Velox' and for class (3) for Hardie's device with the word 'Spartan'.

During the pendency of these applications for rectification and registration, Hardie and Hansa filed two suits (Suit Nos. 835 and 836 of 1978) in the Calcutta High Court in November, 1978, for inter alia an injunction restraining Addisons from dealing in paints and other surface coatings under Hardie's trademarks or device. Interlocutory applications were filed by Hardie and Hansa in these suits which were disposed of by a consent order on 22nd February, 1979. The consent order in effect allowed Hardie and Hansa to continue to use the registered trademarks and device of Hardie, and allowed Addisons to use its registered trademarks and device of the standing warrior until the disposal of the suits. The suits are still pending. The scope and effect of this consent order is also one of the issues to be determined in these appeals.

December 1979 saw Addisons file a civil suit in the Madras High Court (C.S. No. 204 of 1978) against Hansa seeking a permanent injunction restraining Hansa from selling paints in containers which were identical to or deceptively similar with Hardie's trademarks or device which Addisons claimed had been used by it since 1963. An application was filed by Addisons in the suit pending before the High Court in Madras in 1979, alleging that Hardie and Hansa had committed contempt by using Hardie's device. This was disposed of eventually by the Madras High Court with the direction that status quo was to be continued in terms of the consent Order dated 22nd February, 1979 in the Calcutta High Court proceedings. The suit is pending.

In the same month, Hardie filed an application in the Calcutta suit for stay of the rectification proceedings which were then pending before the Joint Registrar of Trade Marks at Calcutta. The application was dismissed by the learned Single Judge of the Calcutta High Court and the appeal therefrom dismissed by the Division Bench. The application for rectification filed by Addisons was allowed by the Joint Registrar of Trade Marks at Calcutta by his order dated 12th September, 1985 as a result of which Hardie's trademarks were expunged from the Register of Trade Marks. Both Hardie and Hansa appealed against this order to the Calcutta High Court before a learned Single Judge. The appeal was dismissed on 6th July, 1990. On a further appeal the Division Bench confirmed the learned Single Judge's order on 22nd August, 1997. The decision of the Division Bench is the subject matter of S.L.P. No. 206 of 1998.

Pending the rectification proceedings in Calcutta, an application was filed by Hansa for stay of the registration proceedings relating to 'Spartan' and 'Spartan Velox'. The application was rejected by the Assistant Registrar, Madras on 19th June 1989. On the, same day Addisons' application for registration of Hardie's device was allowed. Although five appeals were preferred in respect of each of the separate applications before the Madras High Court the learned Single Judge dismissed all the five appeals by a common judgment.

The matter came up before the Division Bench. There was a difference of opinion. The Third Judge agreed with the view that the appeals should be dismissed. The majority decision is the subject matter of challenge in C.A. Nos. 5307-5311 of 1993.

Till the decision of the Madras High Court Hansa's and Hardie's opposition to Addisons' applications for registration of 'Spartan' and 'Spartan Velox' were still pending. On 2nd June, 1992, the applications were allowed by the Registrar at Madras. This has been challenged in C.A. Nos. 5312 & 12A - E of 1993.

When leave was granted on the special leave petition filed by Hansa and Hardie on 8th October, 1993 impugning the order of the Madras High Court, this Court had directed the continuation of the status quo. That status quo is still operative. This in brief is the background of the appeals. We propose to deal with the issue of rectification (which is the subject matter of SLP 206 of 1988) first and then the question of registration of Hardie's device and trademarks separately (which are the subject matter of C.A. No. 5307-11/1993 and C.A. No. 5312 and 12A-E of 1993 respectively).

S.L.P. (C) No. 206 of 1998 Rectification of the Trademarks Register Leave granted.

In the rectification applications filed on 27th May, 1977 by Addisons, it was stated that Addisons had "invented and adopted" the trademark of Addison's and the device of warrior in 1971 to distinguish the goods manufactured by it from others. The collaboration agreement was referred to in passing but the details were not given, as, according to Addison's statement, they were not necessary for the determination of the application for rectification.

The application went on to say that from 1971 onwards Addisons "felt the necessity of having a second trade mark of distinguishing certain goods manufactured and sold by it. After giving the

matter serious thought, it decided to use a trade mark containing a device of a warrior and the legend Spartan". The application also says that Addisons came to know of the registration of the trademarks in Hardie's name only after Addisons' application for registration of the trademarks was rejected by the Registrar of Trade Marks at Bombay. It was also said that "extensive market research" had been done and it was discovered that the trademarks had not been used in India for over five years continuously. Addisons claimed that the trade marks registered in Hardie's name were identical or deceptively similar with the trademarks sought to be registered by Addisons giving it the locus to seek rectification of the Trademarks Register by expunging Hardie's trademarks therefrom.

Addisons' applications for the removal of the trademarks which were registered in Hardie's name since 1946 were only under Section 46(1) of the Act.

The relevant extracts of Section 46 of the Act read as follows : "Removal from register and imposition of limitations on ground of non-use. - (1) Subject to the provisions of Section 47, a registered trade mark may be taken off the register in respect of any of the goods in respect of which it is registered on application made in the prescribed manner to a High Court or to the Registrar by any person aggrieved on the ground ...

(b) that up to a date one month before the date of application, a continuous period of five years or longer had elapsed during which the trade mark was registered and during which there was no bona fide use thereof in relation to those goods by any proprietor thereof for the time being :

(3) An application shall not be entitled to rely for the purpose of clause (b) of sub-section (1).....(on any non-use of a trade mark which is shown to have been due to special circumstances in the trade and not to any intention to abandon or not to use the trade mark in relation to the goods to which the application relates."

Thus before the High Court or the Registrar direct the removal of the registered trademarks they must be satisfied in respect of the following :

(1) That the application is by a 'person aggrieved';

(2) That the trade mark has not been used by the proprietor for

continuous period of at least five years and one month prior to the date of the application;

(3) There were no special circumstances which affected the use of the trade mark during this period by the proprietor.

The onus to establish the first two conditions obviously lies with the applicant, whereas the burden of proving the existence of special circumstances is on the proprietor of the trade marks. These conditions are not to be cumulatively proved but established seriatim. There is no question of the third condition being established unless the second one has already been proved and there is no question of the second one even being considered unless the High Court or the Registrar is satisfied

as to the locus standi of the applicant.

(a) Person aggrieved - On this issue the Joint Registrar held that Addisons was a "person aggrieved". The principal ground of doing so was the fact that Addisons carried on the same trade and its applications for registration had been rejected on the ground of the existence of Hardies marks.

The learned Single Judge upheld the decision of the Registrar on this issue because Addisons was in the same trade as Hardie "and may be able to use the said mark in relation to own goods but for the existence of the registered marks in the name of Hardie". The Division Bench affirmed this view.

The phrase "person aggrieved" is a common enough statutory precondition for a valid complaint or appeal. The phrase has been variously construed depending on the context in which it occurs. Three sections viz. Section 46, 56 and 69 of the Act contain the phrase. Section 46 deals with the removal of a registered trademark from the register on the ground of non- use. This section presupposes that the registration which was validly made is liable to be taken off by subsequent non-user. Section 56 on the other hand deals with situations where the initial registration should not have been or was incorrectly made. The situations covered by this section include :- (a) the contravention or failure to observe a condition for registration; (b) the absence of an entry; (c) an entry made without sufficient cause; (d) a wrong entry; and (e) any error or defect in the entry. Such type of actions are commenced for the "purity of the register"

which it is in public interest to maintain. Applications under Sections 46 and 56 may be made to the Registrar who is competent to grant the relief. "Person's aggrieved" may also apply for cancellation or varying an entry in the register relating to a certification trademark to the Central Government in certain circumstances. Since we are not concerned with a certification trademark, the process for registration of which is entirely different, we may exclude the interpretation of the phrase "person aggrieved" occurring in section 69 from consideration for the purposes of this judgment.

In our opinion the phrase "person aggrieved" for the purposes of removal on the ground of non-use under section 46 has a different connotation from the phrase used in section 56 for cancelling or expunging or varying an entry wrongly made or remaining in the Register.

In the latter case the locus standi would be ascertained liberally, since it would not only be against the interest of other persons carrying on the same trade but also in the interest of the public to have such wrongful entry removed. It was in this sense that the House of Lords defined "person aggrieved" in the matter of Powell's Trade Mark, (1894) 11 RFC 4 :

"... although they were no doubt inserted to prevent officious interference by those who had no interest at all in the Register being correct, and to exclude a mere common informer, it is undoubtedly of public interest that they should not be unduly

limited, inasmuch as it is a public mischief that there should remain upon the Register a Mark which ought not to be there, and by which many persons may be affected, who, nevertheless, would not be willing to enter upon the risk and expense of litigation.

Wherever it can be shown, as here, that the Applicant is in the same trade as the person who has registered the Trade mark, and wherever the Trade Mark, if remaining on the Register, would, or might, limit the legal rights of the Applicant, so that by reason, of the existence of the entry on the Register he could not lawfully do that which, but for the existence of the mark upon the Register, he could lawfully do, it appears to me he has a locus standi to be heard as a person aggrieved."

(Emphasis added) But if the ground for rectification is merely based on non-user i.e. under Section 46 of the Act, that is not really on account of any public mischief by way of an incorrect entry. The non-user does not by itself render the entry incorrect but it gives a right to a person whose interest is affected to apply for its removal. An applicant must therefore show that "in some possible way he may be damaged or injured if the Trade Mark is allowed to stand; and by "possible" I mean possible in a practical sense, and not merely in a fantastic view..... All cases of this kind, where the original registration is not illegal or improper, ought to be considered as questions of common sense, to a certain extent, at any rate; and I think the Applicants ought to show something approaching a sufficient or proper reason for applying to have the Trade Mark expunged. It certainly is not sufficient reason that they are at loggerheads with the Respondents or desire in some way to injure them."

Addisons' application was one under Section 46 and the test to determine whether the applicant was a 'person aggrieved' within the meaning of that section should have been the one laid down by Romer, J. in Wright's case and not the one propounded by the house of Lords in the matter of Powell's Trade Mark (supra). The High Court and the Joint Registrar fell into error in not drawing this distinction. However, it is not necessary to dilate on this aspect of the matter as the appellant has really argued on the second and third aspects of section 46 viz. the alleged non-use of the trade marks by Hardie and special circumstances.

(b) Non-use of the trademarks : Under Section 46 (1)(b) of the Act an application for removal of a registered trademark will be allowed only if a continuous period of five years or longer has elapsed upto the date of one month prior to the date of the application during which there was no bona fide use by the proprietor of the trademark sought to be removed. Since Addisons' applications for rectification were filed on 30th May, 1977, the relevant period for consideration of the question of non-use is from 30th April, 1972 to 30th April, 1977.

Hardie has contended that there was no non-use of the registered trademarks during that period. It is submitted that in any event it is only such non-use as evinced an intention to abandon the trademarks which would enable an applicant to apply for removal of the trade-marks. It is said that

Addisons had failed to plead or establish this.

The word 'use' according to the respondent means 'actually putting the mark in the business and utilizing the same for selling the goods'. It is said that there had been no use of the trade mark by Hardie and no efforts taken to manufacture goods using the trade mark since 1971 and, therefore, it must be taken that Hardie had abandoned the trade mark. It is also urged in the written submissions that the 'plea of user' had not been argued either before the Single Judge or the Division Bench of the High Court.

The last submission does not appear to be correct. The Division

1. Wright, Crossley, Tm : 1898 (15) RPC 131 at p. 133 per Romer J affirmed on appeal (1898) 15 RPC 377.

Bench had addressed itself to the question and as far as the intent to use the existing trademark was concerned it was said that there was ".....an onerous duty cast onto the registered proprietor not only to show that there is no intentional abandonment or intent to use the trade mark, in relation to the goods, but there must exist a definite intent to use the mark and a continuation of the same throughout the entire period as envisaged in the statute but all his efforts were rendered fruitless by reason of the statutory ban on imports. Th affidavit of Buttress, however, negates such a situa-tion and as such the issue under Section 46(3) being answered in favour of the appellant does not and cannot arise".

In any event the contention has been expressly raised in the special leave petition and argued extensively by counsel for the appellants. Submissions have been equally extensively made both in the counter affidavit and by Addison's counsel in the course of arguments before us. In the circumstance we do not think that it would at all be proper not to decide the issue.

The Joint Registrar construed the word "use" in section 46(1 )(b) to mean use of the trademark on the goods in respect of which the trade mark is registered. He relied upon letter written by Hansa's lawyers to Addisons dated 25th December 1977 in which it was stated that Hansa had not manufactured or sold any goods under the trademarks, to hold - first, that neither Hansa nor Hardie had sold any goods during the relevant period and, second, that therefore there was no use of the registered trademarks. Both the Single Judge and the Division Bench appear to have proceeded on the same basis.

The question therefore is - is the word "use" in Section 46(1) so limited? The phrase used in Section 46 is "bona fide use thereof in relation to those goods". The phrase has been defined in Section 2(2)(b) of the Act as :

"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".



This shows that the use may be other than physical. It may be in any other relation to the goods. Given this statutory meaning, we see no reason to limit the user to use on the goods or to sale of goods bearing the trademark.

In *Hermes Trade Mark* 1872 RPC 425, the registered proprietor had inserted advertisements in which the trademark appeared in relation to the watches it manufactured in the annual trade publication. It was also in evidence that the registered proprietor placed an order for parts of the watches during the period of alleged non-use although the actual sale of the watches took place subsequently. In this factual background, the words, 'other relation' in an identical statutory provision in the United Kingdom were construed to mean "something other than actually being upon the goods or in physical relation to them - that would cover the use of the mark, ....., for example, in advertisements, in invoices, in orders and so on". It was also said, the phrase 'in the course of trade' must be wide enough to embrace the steps necessary for the production of the goods as well as the actual placing of them on the market. It was held that even though there was no use of the mark upon or in physical relation to the "goods, but it was used in "other relation", i.e. to say in non physical use.

.A more recent example of the law in England of such "non-physical use" is to be found in *Bon Matin Trade Mark* 1989 RPC 536. The trade mark was registered in the United Kingdom in 1979 in respect of a-range of cosmetics. The registered proprietor was a resident of France and manufactured and sold the goods there. In 1984, an application was made to expunge the registration on the ground that there had been no bona fide use of the mark in the United Kingdom for a continuous period of five years. The only use of the mark prior to the date of the application was by issue of price lists and promotional literature on two occasions. A distributor was appointed by the proprietor in the United Kingdom subsequent to the application for rectification and the first sale of the goods took place 3 years after that. The Court held that the intention of the registered proprietor to seek to establish a market not on any temporary basis but on the basis of continuous sales had been proved. As they had been struggling to market the goods in the United Kingdom and ultimately were successful in finding a distributor, it was held that this was sufficient use of the mark by the proprietor for the purpose of defeating the application for its removal. In Section 2(2)(b) of the Act, we have the additional words "any" and "whatsoever" qualifying the words 'other relation' giving the words a much wider meaning. Reading this definition into Section 46(1). It is clear that the word 'use' in Section 46(1) may encompass actions other than actual sale.

The error committed by the three fora below starting with the Joint Registrar was to read the intention to abandon as being limited to the special circumstances of the trade as if there could be no intention to abandon unless there were such special circumstances. Sub-section 3 to Section 46 says that the applicant can rely only on the non-use unless it is shown by the registered owner to be due to special circumstances in the trade and not to any intention either to abandon or not to use the trade mark. There is a distinction between the intention to abandon which is part of the 'no bona fide use in relation to those goods' in subsection (1) of Section 46 which gives a cause for removal of the trademark and the intention to use under sub-Section (3) of Section 46 provides a special defence to the registered proprietor and is 'inferred from the existence of special circumstances.

That the proprietor's intention to abandon the trademarks is a necessary component of their non user justifying their removal, was recognized as early as 1884 by Chitty, J. in the case of Mouson & Co. v. Boehm, 26 Ch.D.

398. In that case, the owner of the trade mark, Boehm had adopted a trade mark for a particular kind of soap. The soap was manufactured and sent to the United Kingdom in large quantities for about two years. In the next six years, the "manufacture and sale of soap thus marked fell off until it practically ceased and the existence of the particular mark was forgotten"

by Boehm. The same mark was registered in the U.K. in respect of soaps by Mouson & Co. Boehm sued Mouson & Co. inter-alia to restrain the infringement of his trade mark and for removal of the trade mark from the Register. Mouson's defence was that Boehm had abandoned the trade marks. In negating this, Chitty, J. held :

"Mr. Boehm retained that mark, he did not break up the moulds according to the practice which he stated he adopted when he intend to give up any particular mark. He did not even erase the trade-mark from his books, and there were persons in the market who got the goods from him who were endeavouring to effect sales, and he by sending over those price lists to the number of 1200 during the years spoken to was himself endeavouring to effect sales.....

Here it appears to me there was no absolute non-user for any sufficient time, taken in connection with all the circumstances, to show an intention to abandon.....

The trade-mark was not of very great value to him (and on that I will make an observation presently), still I think it was his trade-mark before, and he has not lost it by adandonment."

The same view appears to have prevailed in the United States. This was expressed by the Supreme Court of the United States in 1911 in Baglin v. Cusenier Co., 211 US 580, 596-598 :

"But the loss of the right of property in trademarks upon the ground of abandonment is not to be viewed as a penalty either for nonuser or for the creation and use of new devices. There must be found an intent to abandon, or the \*property is not lost; and while, of course, as in other cases, intent may be inferred when the facts are shown, yet the facts must be adequate to support the finding".

The law has since been changed so that at present as 'intent not to resume' use of the mark is to be proved<sup>2</sup>. Nevertheless, "since abandonment results in a forfeiture of rights, the courts are reluctant to find an abandonment". Under the majority rule, evidence of abandonment must be clear and convincing. The New York Court of Appeals stated that "Abandonment being in the nature of a forfeiture, must be strictly proved."

As far as this country is concerned, Section 46(3) of the Act statutorily prescribes the intention to abandon as an essential component of non-use for the purposes of Section 46(1). In *American Home Products Corporation v. Mac Laboratories Pvt. Ltd and Anr.*, [1981] 1 SCC 465, this Court

2. See *McCarthy in Trademarks and Unfair Competition* (3rd Edn.) Vol. 2 para 17.03 was called upon to decide whether there was any bona fide use of the trade mark in relation to goods by the proprietor or for the purposes of Section 46(1)(a) of the Act. Under Section 46(1)(a), the trademarks which were registered without any bona fide intention to use them in relation to the goods and which have in fact not been used by the proprietor from the date of such registration upto to the date of the application of registration, are liable to be taken off the register. The Court held that both the intention of the proprietor not to use the trade mark at the time of registration and also the actual non-use of the trade mark subsequent thereto had to be proved. The evidence in that case was that prior to registration, the proprietor had entered into a collaboration agreement with an Indian company to manufacture and, market its products. Subsequent to the registration, the Indian company obtained a licence for the purpose of imposing a machine to manufacture proprietor's goods, obtained samples from the proprietor and took other steps to manufacture the goods, but no products were in fact put on the market. After the application for rectification was filed, a registered user agreement was entered into between the proprietor and the Indian company. It was not in dispute that the goods had not been sold during the alleged period of non-use. Dismissing the application for rectification, this Court held :

"A person who intends to manufacture goods on has made preparations for the manufacture of goods but the manufacture has not commenced and, therefore, goods have not been marketed is nonetheless entitled to get the trade mark which he proposes to use in relation to those goods registered. In the present day world of commerce and industry, a manufacturing industry can neither be commenced nor established overnight. There are innumerable preparatory steps required to be taken and formalities to be complied with before the manufacture of goods can start and the manufactured goods marketed. The process must of necessity take time. If the position were that the mere non-user of a trade mark for the period mentioned in clause

(a) of Section 46(1) would make a trade mark liable to be taken off the Register, it would result in great hardship and cause a large number of trade marks to be removed from the Register, because the moment one month has elapsed after the registration of a trade mark has been ordered, a trade rival can make an application on the ground set out in clause (a) of Section 46(1) claiming that there has been no bona fide use of the trade mark up to a date one month before the date of his application."

Although the decision was given in the context of Section 46(1 )(a) nonetheless it would show that an intention to use does not necessarily mean that the proprietor must show the marketing of the goods under the trademark. This decision is also an authority for the proposition that the intention to use the trade marks required of the proprietor would include the intention to permit the user of

the trade mark by the registered user. Indeed that would be the inevitable and logical result of reading section 46(1) with Section 48(2) of the Act.

"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".

[See also "Astronaut" Trade Mark 1972 RPC 655] It is a moot point whether the onus to prove this aspect of non user is on the applicant or on the registered user. Irrespective of the onus of proof, the question is, was there any evidence of such intention on Hardies' part either not to use the trademark itself or through the registered user during the relevant period? The evidence on record certainly does not support any such intention. The correspondence exchanged between Hardie and Hansa demonstrates that at least from 6th October, 1971 i.e. prior to the period in question, Hansa and Hardie were negotiating a registered user agreement under which Hansa, in effect, would do what Addisons had done under its agreement with Hardie. The initial hurdle to the negotiations was the fact that the registered user agreement between Hardie and Addisons required Hardie to give one month's notice to Addisons to cease use of Hardie's trademarks. The notice period in this case expired only on 1st December, 1971. After Addisons' public declaration of its intention not to use Hardie's trademarks, negotiations went ahead between the officers of Hardie and Hansa. The letters record several meetings and also show that a draft registered user agreement in respect of trademarks was prepared by 6th February, 1973. The second hurdle as appearing from the correspondence disclosed, was a lack of communication between Hardies' Attorneys, Remfry & Sons at Calcutta, and Hansa. Ultimately by a letter dated 15th October, 1973 to Hansa the Attorneys said that the registered user agreement had been approved by Hardie. In terms of clause 4 of the approved draft agreement, Hansa was required to make payments of royalty in Australian dollars to Hardie for the period of the agreement, the first of such payments being made within "one month of the grant of approval of this agreement by the Government of India and other authority/authorities whose approval may be required". This approval was the third hurdle to the negotiations. Hansa and Hardie applied to the Reserve Bank of India but in 1976 the Reserve Bank of India refused to approve the payment of the royalty in foreign exchange under Section 28 of the Foreign Exchange (Regulation) Act, 1973. On 26th November, 1976, Remfry & Sons advised Hardie that getting the Reserve Bank to grant the required permission in the "atmosphere" prevailing would be futile. As such it recommended that the payment of royalty clause should be scrapped and the agreement revised to state that in consideration of the rights granted, Hansa would maintain a watch on and report cases of infringement and/or passing off of the trademarks and would bear the costs of any legal action that may have to be resorted to in such cases. It was in these circumstances that, the original draft was revised, and on 31st March, 1977 i.e. within the period in question, the registered user agreement was ultimately executed between Hardie and Hansa.

This evidence, which was not disbelieved by any of the fora below, negates Hardies' alleged intention to abandon the use of the trademarks. There was as such no "absolute non-user" of the trademarks by Hardie during the period of five years and one month prior of the applications for rectification. This is sufficient for this Court to allow the appeal.

(c) Special Circumstances : Apart from the fact that it had no intention not to use the trademarks during the statutory period Hardie also claimed that it was unable to use its trademarks directly in India because of special circumstances within the meaning of sub section 3 of Section 46. It relied upon the Import Trade Control Policy for the period April 1972 to March 1974 and April 1974 to March 1975 to contend that the import of paints and varnishes was prohibited, a prohibition which continued much beyond the date of the making of the applications by Addisons for removal of Hardie's trademarks. In fact, because of the declared import trade control policy, even Hansa's application for registration as a registered user in India of the trademarks was refused by the Assistant Registrar of Trademarks on the ground that it was against the policy of the Government to allow registration of foreign trademarks for use in India.

The Joint Registrar rejected Hardie's submission that there were any special circumstances within the meaning of sub-Section (3) of Section 46 which would protect Hardie's trademarks from removal on the ground of non- user. According to him.

"The non-use was due to considerations of the Registered Proprietors own business interests and is not attributable to circumstances affecting the trade in general".

The learned Single Judge affirmed the finding of the Registrar and held that there was no total ban on import of paints and lacquers but the reason for non-use of the trademarks by Hardie were "economic, commercial and other factors which were applicable only to the appellants". The Division Bench while noting the submissions on the Import Trade Policy did not give any finding on whether there was a restriction on the import of paints and lacquers for domestic use during the relevant period but rested its approval of the view taken by the Registrar and the learned Single Judge on a paragraph in an affidavit affirmed by Andrew Buttress on behalf of Hardie before the Registrar. The paragraph reads :

"Assuming but not admitting that there was no import restriction at the relevant time, my company could not have the trade mark used in India by a registered user immediately after the applicants ceased using the marks in 1971 but carried on negotiations with Hansa Paints & Chemicals in 1972, but as is quite natural in such cases, it took some time to finalise such agreement. Further, having regard to the state of the market and the demand for the goods in question, and also my company's commitments in other countries, it was not possible nor was it considered economical to put more goods on the market immediately".

Construing this paragraph the Division Bench held that economic viability or existing market conditions was outside the concept of "special circumstances", and since the statute only provided for the defence of special circumstances, "any other defence apart from the existence of special circumstances does not and cannot rise."

The observation of the Division Bench that apart from special circumstances, there was no other defence available to a proprietor in proceedings to remove his trademark from the register, is as we have already indicated, incorrect. The proprietor can show, as Hardie, has done in this case, that

there was no intention to abandon the trademarks. If, that is established it is a complete defence to the action. The second erroneous finding of the Division Bench was that economic viability or existing market condition was outside the concept of special circumstances. The finding does not follow from the Section and is against the weight of authority.

Special circumstances have been defined in *Aktiebolaget Manus v. R.J. Full- wood and Bland, Ltd.*, (1949) 66 RPC 71 as "some external forces as distinct from voluntary acts of any individual".....where the impact of local condition makes impractical the ordinary usage of international trade". In that case it was held prohibitive tariffs which were practically effective to keep out of England altogether machines manufactured abroad which had, till the tariffs had been imposed, been imported to the country amounted to special circumstances. The facts in *Manus'* case are similar to the facts which we have to consider. In dispute were trademarks as applied to milking machines. The proprietor of the marks was a Swedish company. The machines had been imported into Britain through the defendant as its agent. When the import of the milking machines was stopped by the registered proprietors, the agent claimed the trademarks as its own and started manufacturing and selling milking machines bearing the same trademarks. The proprietor brought an action for infringement of its trademarks. The question before the Court was whether the actions of the defendant subsequent to the tapering off of the import of the Swedish Company's machines, were effective to appropriate to themselves what had been before the Swedish Company's property or as having been effective to destroy the distinctive character of the name as indicating the Swedish Company's business so as to put an end to its right to the name in England. The question was answered in the negative and it was held that the non-user was justified because of the special circumstances prevailing at the relevant period.

In *Mouson & Co. v. Boehm* (supra), it was said that 'A' man who has a trade mark may properly have regard to the state of the market and the demand for the goods; it would be absurd to suppose he lost his trade mark by not putting more goods in the market when it was glutted."

More recently, Justice Ungood Thomas in *BALI Trade Mark* (Rectification Ch.D.) 1966 RPC 387 said :

"It is quite clear, however, that the proprietors, the Bali Company, could not have used the token import scheme, unless an interested firm in this country made the appropriate application and no such application was made. It was thus not possible for the company to import under the token scheme, and that was not their fault. Further, what has to be considered is not merely the existence of an absolute prohibition to import, as might be thought from one passage in the Assistant Comptroller's decision, or a complete impossibility of importing, but in the words of Evershed, L.J (supra) the existence of conditions "making impracticable the ordinary usages of international trade." "A trade mark is a commercial asset intended to be used commercially by business men, and it seems to me that "special circumstances" have to be understood and applied in a business sense. In my view, this token import scheme modification to the earlier general prohibition did not convert what was before impossible into what was, in a business sense, practicable, even if a firm in this

country had made the necessary application under that scheme. The non-use of the trade mark by the Bali Company, even during the token import scheme, is thus in my view, shown to have been due to special circumstances in the trade."

(Emphasis supplied) The Court of Appeal reversed this decision on another issue. The House of Lords in turn reversed the decision of the Court of Appeal and reaffirmed the decision of Justice Ungood Thomas in *Berlei (U.K.) Ltd. v. Bali Brassiere Co. Inc.*, (1969) 2 All ER 812. This view has been accepted as good law in this country. [See *A.J. Vulcan v. V.S. Palanichamy*, AIR (1969) Cal. 43 and *Express Bottlers Services Pvt. Ltd. v. Pepsi Inc. & Ors.*, (1989) PTC 14.] The law therefore is that even an economical impracticability would amount to special circumstances.

The indisputable evidence shows and the admitted position is that from 1946 to 1971 Addisons was using the trademark first as the chief agent of Hardie under the collaborative agreement, and then under the registered users agreement. Apart from the express clauses in the two agreement by which Hardie retained its rights over the trademarks, under Sections 48(2) read with S.2(m) :

"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".

Addisons therefore never 'used' the trade marks on its own account. For the purposes of Section 46, its use of the trademarks prior to 1971 was agreement and by the fiction created under Section 48(2), Hardie's use. (See : *Cycle Corporation of India, Ltd. v. T.I. Raleigh Industries Pvt. Ltd.*, [1996] 9 SCC 430, 436.) Addisons had not even attempted to use the trademarks at any time subsequent to 1971 i.e. after it had publicly disassociated itself from the marks. In fact Addisons admitted that it did not use the trademarks from 1963 to 1977 in the written statements filed in the suits for infringement pending in Calcutta.

We cannot ignore the fundamental fact that what Hardie and Addisons had been engaged in together was the introduction and sale in the Indian market of the paints and lacquers prepared according to Hardie's preparation and under Hardie's trademark. In this background, where by legal fiction atleast Hardie had used the trademarks from 1946 to 1961, it would be a legally insupportable proposition if we were to hold that the names Spartan and Spartan Velox were associated with Addisons and not with Hardie. Therefore, when the applications for rectification were made, there was nothing in law to associate Addisons with the trademarks in question. This background coupled with Hardie's attempts to appoint Hansa as the registered user of the trademark in India must be kept in sight while considering the plausibility of the defence of special circumstances under the provisions of Section 46(3) of the Act.

Hardie had brought on record the Import Trade Control Policies for the relevant years. We have considered the same and it is quite clear that paints, distempers, varnishes and lacquers could be imported only for use by actual users i.e. by manufacturers or producers of the paints etc. in India. Hardie had no such factory. There was in the circumstances no question of Hardie importing any

paints and lacquers manufactured by it outside India into the country. There was a second restriction under the Import Control Policies even on actual users who imported paint for their own use. They had to use the imported goods for producing goods as specified only for export. The intention of the policy clearly was to keep the domestic market for the domestic producers of paints and lacquers. Concerns like Hardie could not, without making an enormous investment by setting up a factory, import the goods.

In the circumstance, for Buttress to have said that it was not economically possible for Hardie to itself put its manufactured goods in the market immediately, cannot be taken as being a circumstance which was peculiar to Hardie alone. It was a circumstance which was generally applicable to all foreign manufacturers of paints and lacquers. Therefore, the conclusion of the Joint Registrar and the High Court that there were no special circumstances in the trade which justified the alleged non-user for the period in question was wrong. In view of our findings, it is not necessary to go into the further question of the discretionary power of the Registrar to refuse rectification even if the application is otherwise maintainable.

For all these reasons, we set aside the decisions impugned and allow the appeal with costs.

Civil Appeal No. 5307-5311 of 1993 These arise out of five appeals of which three relate to the refusal to stay the registration of Hardie's trademarks in Addisons name and two from orders allowing Addisons' application for registration of Hardie's device. In so far as the High Court affirmed the order of the Assistant Registrar rejecting Hansa's application for stay of the registration proceedings, the appeals have really become infructuous as the application for registration of Hardie's trade marks was allowed by the Assistant Registrar subsequent to the decision of the Madras High Court. That decision is the subject matter of separate appeals before us and is dealt with subsequently. We confine our consideration only to the correctness of the decision of the High Court in so far as it affirmed the order of the Registrar granting registration of Hardie's device in Addisons's name.

The Madras High Court held that since the device was not registered, the only right which could be claimed in opposition was the right of 'bare user' of the device by Hansa subsequent to 1979. According to the High Court such user could not be countenanced as a valid ground for refusing registration of the device in Addison's name as Hansa's use of the device was only subsequent to the consent order in the Calcutta suit with full knowledge of the pendency of the Addison's application for registration of the device.

What appears to have been overlooked by the High Court is that irrespective of whether Hardie and Hansa were able to prove their right to use the device in question, the merits of the applications of Addisons for registration would have to be independently assessed by the Registrar under Section 18 of the Act. It was for Addisons to have adduced evidence in support of its applications for registration, first, that it was the proprietor of the device and second, that the device had been used by it or that it had a bona fide intention to use the device. Concentrating only on Hardie's and Hansa's claim, the Court appears to have proceeded on the basis that once the objections of Hardie and Hansa to the application for registration were overruled, Addisons' applications for registration



of the device were to be allowed automatically. Apart from the fallacious approach, we are of the view that the conclusion of the majority on the question of Hardie's and Hansa's right to use the device in question was incorrect.

There is no dispute that the device was invented by Hardie or its predecessor-in-interest prior to 1926. There is also no dispute that the device is registered in Hardie's name in Australia and New Zealand and that Hardie has been using the device all these years in the international market. The High Court has erroneously held that Hardie never used the mark and had never by itself manufactured and marketed the goods, namely paints and other allied products in India either under the word marks or under the device. In our narration of facts at the outset, we have noted that admittedly Hardie had sold the products manufactured by it through Addisons between the period 1946 to 1949 pursuant to the collaboration agreement. It is noody's case that Hardie's products when they were marketed in India through Addisons were not under the registered marks and device.

It is well established that if the manufacturer was the first to use the device as a trade mark, he alone can claim property over the name as a trade mark<sup>3</sup>. The factual findings of the High Court that Hardie had never marketed goods manufactured by it in India was, therefore, not only wrong but it had serious repercussions on the maintainability on Addison's application for registration. The High Court did not give sufficient importance to the fact that Hardie continued to be the registered proprietor of the device outside this country. This coupled with the fact that the initial entry of Hardie's goods was made under the trade marks much prior to Addisons even setting up its factory, would put Addisons' claim for registration of the device as proprietor in considerable doubt. There has been no discussion on this aspect of the matter at all by the High Court.

We then come to the question of actual use of the device by Addisons. Till 1971 the collaboration agreement was in operation. Clause 16 of the agreement provided :

"All labels used in connection with surface coatings manufactured or marketed by Addison shall bear the correct name of such surface coatings and shall prominently display the trade marks of Hardie Trading. The final design of such labels shall be mutually agreed upon by the parties hereto.

The design which was agreed to, included not only the registered trademarks but also the device.

3. See. Law of Trade Marks (Trade Marks Act 1999) and Passing Off by P. Narayanan Fifth Edition P. 34.

Addisons also stated in its application for rectification :

"It may be mentioned here that prior to December, 1971, for about 25 years, the applicants were using, under a collaboration agree-ment, a trade mark containing a device of a -warrior and the legend Spartan."

This was obviously why in Addison's advertisements issued in several newspapers in 1971 the device has been crossed out and the public introduced to the new brand name of the word Addisons with the picture of the standing warrior.

The registered user agreement was not put an end to by the agreement for assignment as contended by Addisons. The assignment was conditional upon the payment of consideration and it is not even Addison's case that any consideration was paid to Hardie. Besides the assignments were never registered as Section 44 mandates and it is doubtful whether the documents pertaining to assignment were at all admissible as evidence under Section 44(3), which expressly excludes unregistered assignments from being accepted as evidence. Moreover, the episode regarding the aborted assignment had taken place in 1967 and the renouncement of the marks and device by Addisons was in 1971, four years subsequent thereto. Had there been any assignment of the trademarks in 1967, why did Addisons ask for Hardie's permission to use the trademarks between 1968 to 1971 and renounce such user in 1971?

As with the registered word marks 'Spartan' and 'Spartan Velox', no evidence has been brought on record by Addisons to show that it had ever taken any steps, apart from making the applications for registration, to use Hardie's device of warrior-rear subsequent to 1971 right up to the time it made its application for registration in December 1977. There is also no evidence that Addisons had attempted to use the device subsequent to 1977 to 1979 when the consent order was passed in the Calcutta suit.

The consent order was misunderstood and misinterpreted by the Madras High Court. The consent order which is dated 22nd February 1979 reads as follows :

"Upon reading an application of the plaintiffs pursuant to the notice dated the twenty second day of November, one thousand nine hundred and seventy eight and upon hearing Mr. B.N. Sen (Mr. Bhaskar Sen appearing with him) advocate for the plaintiffs and Mr. D.K. De (Mr. K. Ganguly appearing with him) advocate for the defendant and upon the defendant by its advocate under-taking to this Court that the defendant shall not use the mark Spartan and the device Warrior referred to in paragraph 5 of the statement of case annexed to the affidavit in opposition of the defendant, affirmed by Vaithinatha Ranga Krishna on the twenty first day of December, one thousand and nine hundred and seventy eight till the disposal of this suit or until further order of this Court.

It is ordered that the defendant shall be at liberty and entitled to use the warrior device which the defendant got registered in its name and it is further ordered that the plaintiffs shall not object to the defendant selling its products under the get up in which it is selling its products. And it is further ordered that similarly the defendant shall not object to the plaintiffs selling their products under any get up so long as they distinguish their goods from those of the defendant. And it is further ordered that the parties herein shall be at liberty to apply before this Court for necessary directions if so advised. And it is further ordered that the costs of and incidental to this application be costs in the suit."

Therefore, Addisons voluntarily undertook to the High Court that it would not use the mark 'Spartan' or the device of the warrior-rear until the disposal of the suit. It is not in dispute that the suit is still pending. It has never been and is not Addisons' case that the consent was obtained by any fraud or by exerting undue pressure. In fact on 30th April 1982, there is an order of the High Court of Calcutta which records Addisons' reiteration that it would not use the mark warrior-rear which was claimed by Hardie and Hansa. Irrespective of whether these orders sanctioned the use of warrior-rear by Hansa and Hardie, the question is whether they show that Addisons had ever used or showed any intention to use the device of warrior-rear in respect of which the applications for registration had been made. The consent order also records that Addisons would be entitled to use the warrior standing device which was registered in his name and Hardie and Hansa would not object to Addisons, "selling its products under the get up in which it is selling its products". Therefore, till 1979 the "get up"

under which Addisons was selling its products was not under the device of the warrior-rear.

The third part of the consent order is that Addisons would not object to Hardie and Hansa selling their products as long as they distinguish their goods from those of Addisons. Pursuant to the consent order dated 22nd February 1979 w.e.f. 3rd September 1979 Hansa started using the 'Spartan' trade mark with the warrior device of Hardie on the products manufactured by it and has continued to do so.

It has not been shown to us how a consent order differs from any other form of agreement except that it may have additional sanctity by reason of the imprimatur of the Court. And yet, the High Court came to the conclusion that Hansa's use of the device subsequent to the consent order was "by brute use in controversial circumstances". We are at a loss to understand how the High Court could have deduced that the use of the mark by Hansa during the pendency of the proceedings was not bona fide.

The High Court in wrongly casting the onus on Hardie and Hansa by saying that they had not been able to produce "any other relevant material to indicate that there was no bona fide intention on the part of Addisons to use the mark at the time when they made their applications" did not consider whether Addisons had positively proved its use and intention to use the device.

We are of the view that the dissenting judgment of Swamidurai, J. was correct. The learned Judge had correctly emphasised that Hardie had manufactured and was the first to market its goods under its registered trade mark and device in India. The learned Judge also correctly construed the consent order. No one had frog-marched Addisons into giving its consent. That is also not Addisons' case. There are other factual errors in the majority view but it is not necessary to go into those as what we have found is sufficient to set aside the decision impugned and to allow the appeals.

Even if we had held in Addisons' favour on all other points we would have thought that this was a fit case where the Assistant Registrar should have exercised his discretion under Section 18 and rejected Addisons' application for registration. Not only was no positive proof of an intention to use the device or the trade marks adduced by Addisons but the evidence shows a conscious abandonment of the device in 1971 by the issuance of the public advertisements. When did Addisons' intention to use the device form? What was the necessity to revive the use of the device mark in respect of paints after an interval of almost 7 years? The answer to these issues would be relevant on the question of the bona fide of the Addisons' applications and yet was neither raised nor considered either by the Registrar or by the High Court. On the other hand taking into consideration the continued user of the mark since 1979 by Hansa, it should have been assumed that the device had over the period of so many years become distinctive of Hansa's product and therefore to allow registration of the device in Addisons name might deceive the public.

We, therefore, allow these appeals and set aside the decision of the High Court without any order as to costs.

CIVIL APPEAL NO. 5312-A & 12A-E OF 1993 There is no dispute that the marks which were the subject matter of Addison's application for registration before the Registrar of trademarks at Madras were identical with Hardie's marks of Spartan and Spartan Velox. Although, the appellant has impugned the decision of the Registrar inter alia on the ground that the order passed by the Registrar on 2nd June, 1992 was without notice to the appellant and in violation of Section 102 of the Act, it is not necessary to express any opinion on the submissions. The appeals must be allowed on the short ground that we have held that hardie's trademarks could not have been removed from the Register and as long as the registration of the marks continue in the name of Hardie, the application for registration of the same marks in the absence of any plea of bonafide concurrent user under Section 12 would not arise.

These appeals are therefore allowed and the order of the Registrar at Madras is set aside.