

Ajanta Llp vs Casio Keisanki Kabushiki Kaisha D/B/A ... on 4 February, 2022

Author: L. Nageswara Rao

Bench: B.R. Gavai, L. Nageswara Rao

Reportable

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

Civil Appeal No. 1052 of 2022
(Arising out of SLP (Civil) No.9496 of 2020)

Ajanta LLP

.... Appellant (s)

Versus

Casio Keisanki Kabushiki
Kaisha d/b/a Casio Computer Co. Ltd.
& Another

... Respondent (s)

JUDGMENT

L. NAGESWARA RAO, J.

Leave granted.

1. Aggrieved by the judgment dated 22.11.2019 of the High Court of Delhi, dismissing the application filed by the Appellant under Sections 152 and 153 read with Section 151 of the Code of Civil Procedure, 1908 (for short “the CPC”) seeking modification of the judgment dated 03.07.2019, the Appellant is before this Court.

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2. The Respondent filed a suit against the Appellant for the following reliefs:

“A. The Defendants, their directors, agents, sellers, retailers, distributors, suppliers, franchisees, representatives, employees, affiliates and assigns be restrained by a permanent injunction from manufacturing, importing, marketing, advertising, promoting, offering for sale, selling, exporting and/ or using the impugned product ORPAT FX-991ES PLUS bearing the Plaintiff’s Registered Design bearing Nos. 214283 and 214282 dated 16/01/2008 in Class 18-01 for its scientific calculator CASIO FX-991ES PLUS by itself or in combination with any other design(s); and/ or other articles/ goods/ products bearing the impugned design or any other design which is identical to or is a fraudulent imitation of Plaintiff’s Registered Designs, so as to commit piracy of the Plaintiff’s Registered Design Nos. 21483 and 214282.

P a g e 2 | 25 B. The Defendants, their directors, agents, sellers, retailers, distributors, suppliers, franchisees, representatives, employees, affiliates and assigns be directed by a decree of mandatory injunction directing that they at their own expense:

i. Recall all the impugned products and/ or any marketing, promotional and advertising materials that bear or incorporate the impugned design or any other articles/ goods/ products which bears a design which is a fraudulent or an imitation of the Plaintiff’s Registered Designs, which has been manufactured and/ or sold, distributed, displayed or advertised or promoted in the market, including on online retail/ e-commerce websites. ii. Deliver to the Plaintiff for destruction all the materials including impugned products and/ or any marketing, promotional and advertising materials P a g e 3 | 25 that bear or incorporate the impugned design or any other articles/ goods/ products which bears a design which is a fraudulent or an imitation of the Plaintiff’s Registered Designs. iii. Make full and fair disclosure to the Plaintiff any design application or registration for the impugned design and/ or any other design which is a fraudulent or an imitation of the Plaintiff’s Registered Designs, and withdraw such applications and/ or surrender such registrations under intimation to the Plaintiff. iv. Make a full and fair disclosure to the Plaintiff of the full details such as names and addresses of the party(s) involved in the manufacturing, marketing, distributing and selling the impugned products.

P a g e 4 | 25 C. The Defendant be called upon to allow inspection of their accounts to assist in ascertaining the amount of profits made by them and/ or damages including exemplary and penal damages suffered by the Plaintiff on account of the Defendants’ offending activities and a decree is passed in favour of the Plaintiff and against the Defendant for the amount found due. D. Cost of the suit be awarded to the Plaintiff; and E. Any other relief which this Hon’ble Court thinks fit and proper in the circumstances of the case is allowed in favor of the Plaintiff and against the Defendant.”

3. According to the Plaintiff, the Defendant lifted each and every novel element of the original design, shape and configuration for its scientific/ electronic calculator ‘ORPAT FX-991ES PLUS’. The Respondent applied for a design registration for its electronic calculator namely ‘CASIO FX-

991ES PLUS' and it was introduced in India in October, 2011. Having knowledge about the sale of the scientific calculator by the Appellant under the name 'ORPAT FX-

P a g e 5 | 25 991ES PLUS', the Respondent filed a civil suit for the reliefs referred to above. The High Court of Delhi passed an ex-parte ad-interim order of stay on 28.11.2018. Thereafter, the parties were referred to mediation by the High Court of Delhi on 18.12.2018. After a detailed correspondence and exchange of e-mails between the counsel appearing for the parties, a settlement was arrived at vide a Settlement Agreement dated 16.05.2019. The High Court decreed the suit on 03.07.2019 in terms of the Settlement Agreement. Subsequently, an Application was filed by the Appellant under Sections 152 and 153 read with Section 151 of the CPC for correction/ rectification/ amendment of the judgment dated 03.07.2019. The Appellant stated in the said Application that the Settlement Agreement pertains only to trademark "FX-991ES PLUS"/ 'FX-991". However, there was an inadvertent typographical error of the trademark in the Settlement Agreement as "FX-991ES PLUS/ FX/ 991". As stated above, the High Court dismissed the Application. Hence, this Appeal.

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4. We have heard Mr. K.V. Viswanathan, learned Senior Counsel appearing for the Appellant and Dr. Abhishek Manu Singhvi and Mr. Chander Lal, learned Senior Counsel appearing for the Respondents. On behalf of the Appellant, it was contended that the High Court committed an error in dismissing the Application by considering the same to have been filed only under Section 152 of the CPC. It was submitted that the High Court ought to have considered the Application by referring to Order 23 Rule 3 read with Section 151 of the CPC. The learned Senior Counsel argued that misunderstanding between the parties is a valid ground to interfere with a consent decree by relying upon the judgment of this Court in Shankar Sitaram Sontakke & Anr. v. Balkrishna Sitaram Sontakke & Ors.¹ and Byram Pestonji Gariwala v. Union Bank of India & Ors.² The learned Senior Counsel further argued that the High Court has inherent jurisdiction to correct the terms of a consent award to bring it in conformity with the intended compromise by placing reliance on a judgment 1 AIR 1954 SC 352 2 (1992) 1 SCC 31 P a g e 7 | 25 of this Court in Compack Enterprises India Pvt. Ltd. v. Beant Singh³. He also relied upon the judgment of the Privy Council in Sourendra Nath Mitra & Ors. v. Srimati Tarubala Dasi⁴ to contend that the inherent power of a Court should be exercised not to allow its proceedings to give rise to substantial injustice. Mr. Viswanathan referred to the e-mails exchanged between the advocates of the parties and submitted that the intention of the parties throughout related to the use of scientific calculator 'FX-991ES PLUS' only. He submitted that it would be clear from the correspondence that all along 'FX' and '991' were separated by a '-' (hyphen) and for the first time a '/' (slash) was introduced in the final version of the Settlement Agreement. According to the Appellant 'FX' is a common generic name that is used to denote "function of" and it is not capable of being independently trademarked. The Appellant realized the mistake only after a legal notice was issued by the Respondent on 26.07.2019 in which it was mentioned that the Appellant had agreed not to use "FX" or "991" as per 3 (2021) 3 SCC 702 4 AIR 1930 PC 158 P a g e 8 | 25 the Settlement Agreement in spite of which the Appellant was using "FX" in violation of the Settlement Agreement.

5. The Respondents submitted that there is no allegation of fraud or misrepresentation in arriving at the Settlement Agreement and the High Court was right in dismissing the Application seeking modification of the decree. It was submitted on behalf of the Respondents that the parties agreed that the advocates would act as mediators. Several mediation sessions were held, and e-mails were exchanged between the advocates appearing for the parties whereafter a Settlement Agreement was entered into between the parties. The Final agreement was checked and signed by the mediator and finally, the Court examined the terms of the Agreement in terms of which a decree was passed. After applying its mind to the Settlement Agreement, the High Court passed a decree in terms of the Agreement. A perusal of the correspondence between the advocates for the parties would clearly demonstrate that the Respondent made it clear that the Appellant should not use “FX-991ES PLUS”/ “FX-991ES” or any deceptively or confusingly similar P a g e 9 | 25 mark. Referring to the judgments relied upon by the learned Senior Counsel for the Appellant, Dr. Singhvi argued that consent decrees create estoppel by judgment against the parties and cannot be interfered with unless the decree is vitiated by fraud, misrepresentation or a patent or obvious mistake. He submitted that Respondent No. 1 has adopted trademark ‘FX’ for scientific and electronic calculators since the year 1985. Respondent No. 1 obtained a Design registration for the mark “FX” bearing No.5010491 in Class-9 and claiming use since 29.01.1999. Countering the submissions of Mr. Viswanathan, learned Senior Counsel that “FX” is used by other manufacturers, Dr. Singhvi, learned Senior Counsel relied upon a list of 3rd party manufacturers of scientific calculators who have adopted their respective marks for their scientific calculators without using their trade mark “FX”.

6. It is necessary to refer to the correspondence between the advocates of the parties for better appreciation of the contention that there was a misunderstanding between the parties while entering into P a g e 10 | 25 the Settlement Agreement which needs to be corrected. On 07.02.2019, the advocate for the Respondent communicated the proposed terms to the advocate for the Appellant. It was stated in the said e-mail that the Appellant will cease and desist using the mark “FX-991ES PLUS” / “FX-991ES” or any other similar mark as well as the impugned design or any other similar design. In response, an e-mail was sent by the Appellant on the same day that the Appellant will cease and desist using the mark “FX-991ES PLUS”/ “991ES” or any other similar mark as well as the impugned design or any other similar design. In addition, it was stated as follows: “Approved and already detailed in the affidavit (w.e.f. 30.11.2018) filed before the High Court.” The draft terms for mediation were prepared by the advocate for the Respondent and communicated to the advocate for the Appellant on 04.03.2019. It was mentioned therein as follows:

“a. The Third Party acknowledges that the First Party has the exclusive rights over the design of its scientific calculator CASIO FX-991ES PLUS and P a g e 11 | 25 the trademarks FX-991ES PLUS/ FX-991ES. The third party further undertakes never to adopt and/ or manufacture and/ or sell and/or offer of sale and/ or advertise/ promote or use in any manner the impugned design or any other design similar to that of the First party’s registered designs bearing nos. 214283 and 214282, dated 16/01/2008 in Class 18-01. The Third Party further undertakes never to adopt and/ or advertise/ promote or use in any manner, any goods or services which incorporate the First Party’s FX-991ES PLUS/ FX-991ES or any deceptively or confusing similar

mark.; b. xx xx xx c. The Third Party undertakes that it has already ceased use of the impugned design and the marks FX-991ES PLUS/ FX-991ES and refrains from any use in the future as well;

d. The Third Party undertakes to never use the packaging/ trade dress of the First Party's scientific calculator FX-991ES PLUS, annexed P a g e 12 | 25 herewith as Annexure A or any other deceptively and confusing similar packaging, which is identical and/ or deceptively and confusingly similar to the First Party's packaging/ trade dress for its scientific calculators FX-991ES PLUS;"

7. A modified Settlement Agreement was communicated by the advocate for the Appellant to the advocate for the Respondent on 07.03.2019 in which it was mentioned as follows:

"a. The third party undertakes never to adopt and/ or manufacture and/ or sell and/ or offer of sale and/ or advertise/ promote or use in any manner the impugned design, which shall mean and include the subject matter of the challenge in Suit being C.S.(COMM.) No. 1254 of 2018 before the High Court of Delhi or any other design similar to that of the First party's registered designs bearing nos. 214283 and 214282 dated 16/01/2008 in Class 18-01. The Third Party further undertakes never to adopt and/ or advertise/ P a g e 13 | 25 promote or use in any manner, any goods or services which incorporate the First Party's FX- 991ES PLUS/ FX-991ES marks, in their entirety or the numeral 991.;

b. xx xx xx c. The Third Party reiterates that since and from 30.11.2018 it has neither manufactured nor marketed nor dispatched any calculator bearing the impugned Design and that it has already ceased use of the Impugned Design and the marks FX-991ES PLUS/ FX-991ES and would refrain from any use in the future as well.;

d. The Third Party undertakes to never use the packaging/ trade dress of the First Party's scientific calculator FX-991ES PLUS, annexed herewith as Annexure A or any other packaging, which is identical and/ or deceptively and confusingly similar to the First Party's packaging/ trade dress as described in aforementioned Annexure A.;"

8. As response to mediation terms sent by the advocate for the Respondent on 27.03.2019, the advocate for the Appellant suggested some alterations in the P a g e 14 | 25 mediation terms in his e-mail dated 10.04.2019. The relevant changes that were suggested were made in track mode and are as follows:

"a. The third party undertakes never to adopt and/ or manufacture and/ or sell and/ or offer of sale and/ or advertise/ promote or use in any manner the impugned design, or any other design similar to that of the First party's Design registration No.'s/trade dress of FX-991ES PLUS bearing nos. 214283 and 214282 dated 16/01/2008 in Class 18-01. The Third Party further undertakes never to adopt and/ or manufacture and/ or sell and/ or offer of sale and/ or advertise/ promote or use in

any manner, any goods or services which incorporate the First Party's designs of FX-991ES PLUS bearing nos. 214283 and 214282 dated 16/01/2008 in Class 18-01 trade mark FX-991ES PLUS/ FX-991ES in their entirety and/ or the term FX and/ or numeral

991.;

P a g e 15 | 25 b. The Third Party agrees to never challenges in any way, or create any hindrance to, either by themselves or with any other party or supporting any party in any such action, the rights of First Party in the Design registration No's. 214283 and 214282 dated 16/01/2008 in Class 18-01 for its scientific calculator during the term of their registration.

c. The Third Party reiterates that since and from 30.11.2018, as undertaken in the Affidavit dated December 7, 2018 of Mr. Nevil P. Patel, it has neither manufactured nor marked nor dispatched any calculator bearing the Impugned Design and the marks FX-991ES PLUS/ FX-991ES that it has already ceased use of the First Party's registered designs of FX-991ES PLUS bearing nos. 214283 and 214282 dated 16/01/2008 in Class 18-01 and would refrain from any use in the future as well.;

d. The Third Party undertakes to never use the packaging/ trade dress of the First Party's scientific calculator FX-991ES PLUS First Party's P a g e 16 | 25 registered designs of FX-991ES PLUS bearing nos. 214283 and 214282 dated 16/01/2008 in Class 18-01, annexed herewith as Annexure A or any other packaging, which is identical and/ or deceptively and confusingly similar to the First Party's packaging/ trade dress above as described in aforementioned Annexure A.' e. The Third Party has already recalled all the products bearing the impugned design and/ or any marketing, promotional and advertising materials that bear or incorporate the impugned design or any other articles/ goods/ products which bears the impugned design, which have been manufactured or promoted in the market, including but not limited on online retail/ e- commerce websites.;

f. In view of the aforesaid recall, the Third Party undertakes that it has already sent e-mails/ notice to all its distributors and retailers who have having direct business relation with the Third party to recall the impugned products from P a g e 17 | 25 the market. Copy ies of one such e-mails/ notices dated sent by the Third Party are collectively annexed herewith as Annexure B[Colly]. However, the Third Party is not in a position to recall unsold products bearing the impugned design in the open market and therefore would not be held responsible for such products bearing the impugned design.

g. The Third Party undertakes that the quantum of stocks mentioned in their affidavit dated December 07, 2018 are true and correct and the Third Party has not manufactured and/or distributed the impugned products since November 30, 2018. The Third Party further undertakes that as mentioned in the affidavit dated December 7, 2018, the Defendants has removed the external body of the remaining 2560 products bearing the impugned design and destroyed the said pieces, which were lying in its factory.

P a g e 18 | 25 h. The Third Party undertakes that there is no pending design application or registration for the impugned design and/ or any other design which is identical to or an obvious imitation of the First Party's registered Design No.'s 214283 and 214282.;

i. The Third Party undertakes that there is no pending trade mark application or registration for the marks FX-991ES Plus/ FX- 99ES and/ or any other mark comprising of the term FX and/ or numeral 991.;

9. Thereafter, on 14.05.2019 a final draft of the Settlement Agreement from the Respondents' side was communicated to the advocate for the Appellant in which it was categorically stated that the Appellant undertakes not to adopt/ manufacture/ sell/ offer/ advertise/ promote/ use in any manner, any goods incorporating the Design of the Respondent of 'FX-991ES PLUS' bearing Nos. 214283 and 214282 dated 16.01.2008 in Class 18-01 and/ or the trade mark 'FX-991ES PLUS'/ 'FX'/ '991' and/ or its packaging or any other identically, deceptively and/ or confusingly similar packaging to that of the Respondents' P a g e 19 | 25 packaging. In response, an e-mail was sent by the advocate of the Appellant enclosing the mediations terms in the same terms as proposed by the advocate for the Respondents in his e-mail dated 14.05.2019. Finally, the Settlement Agreement was executed between the parties on 16.05.2019.

10. Though, there were alterations that were proposed by the advocate for the Appellant during the course of correspondence, no objection was raised to the proposed terms of the Settlement Agreement communicated by the Advocate for the Respondent on 14.05.2019 which ultimately was the final Settlement Agreement signed by the parties.

11. In Banwari Lal v. Chando Devi (Smt.) (through LRs.) & Anr.5 this Court was concerned with a compromise on the basis of which the Appellant delivered possession of the disputed land to the Respondent. Later, on verification and inspection of the records, the Appellant realized that his advocate colluded with the defendants in the suit and had played fraud on him by filing a fabricated petition of compromise. The Trial Court 5 (1993) 1 SCC 581 P a g e 20 | 25 recalled the order on the ground that the compromise petition was not signed by the parties as required by proviso to Rule 3 of Order 23 of the CPC. The Revision Petition filed by the Respondent was allowed by the High Court against which the Appellant filed an Appeal before this Court. It was held in the said case that an Application to exercise the power under proviso to Rule 3 of Order 23 can be labelled under Section 151 of the CPC. It was observed in the judgment that the illegality and validity of a compromise can be examined under Section 151 of the CPC. Mr. Viswanathan, learned Senior Counsel relied upon a judgment of the Privy Council in Sourendra Nath Mitra & Ors. (supra) in support of his submission that the Courts retain an inherent power not to allow their proceedings to be used to further substantial injustice. In view of the law laid down by this Court in Banwari Lal (supra), the question that arises for consideration is whether the Appellant has made out a case for modification/ alteration of the decree by his application being treated to be one under Rule 3 of Order 23 of the CPC. Resolving a dispute pertaining to a compromise P a g e 21 | 25 arrived at between the parties, this Court in Shankar Sitaram Sontakke & Anr. (supra) held as under:

“If the compromise was arrived at after due consideration by the parties and was not vitiated by fraud, misrepresentation, mistake or misunderstanding committed by the High Court – the finding which was not interfered with by the High Court – it follows that the matter which once concluded between the parties who were dealing with each other at arm's length cannot now be reopened.”

12. A judgment by consent is intended to stop litigation between the parties just as much as a judgment resulting from a decision of the Court at the end of a long drawn-

out fight. A compromise decree creates an estoppel by judgment⁶. It is relevant to note that in *Byram Peston Gariwala (supra)*, this Court held that the Appellant- therein did not raise any doubt as to the validity or genuineness of the compromise nor a case was made out by him to show that the decree was vitiated by fraud or misrepresentation. While stating so, this Court dismissed the Appeal.

13. A consent decree would not serve as an estoppel, where the compromise was vitiated by fraud, 6 (1992) 1 SCC 31 – *Byram Peston Gariwala v. Union of India* P a g e 22 | 25 misrepresentation, or mistake. The Court in exercise of its inherent power may rectify the consent decree to ensure that it is free from clerical or arithmetical errors so as to bring it in conformity with the terms of the compromise. Undoubtedly, the Court can entertain an Application under Section 151 of the CPC for alterations/ modification of the consent decree if the same is vitiated by fraud, misrepresentation, or misunderstanding. The misunderstanding as projected by the learned Senior Counsel for the Appellant between parties relates to use of “FX” or “991” as separate marks in the Settlement Agreement. The understanding between the parties was with respect to “FX-991ES PLUS” as a whole and not with reference to “FX”. A close scrutiny of the correspondence between the parties would show that the Settlement Agreement was arrived at after detailed consultation and deliberations. Thereafter, the parties were communicating with each other and they took six months to arrive at a settlement. The final Settlement Agreement was approved by the mediator. The High Court applied its mind and passed a decree in terms of the Settlement P a g e 23 | 25 Agreement dated 16.05.2019. Though, the High Court dismissed the Application by refusing to entertain the Application on the ground that it was filed under Section 152 of the CPC, we have considered the submissions of the parties to examine whether the Appellant has made out a case for modification of the decree by treating the Application as one under the proviso to Order 23 Rule 3 read with Section 151 of the CPC. There is no allegation either of fraud or misrepresentation on the part of the Respondent. We are unable to agree with the Appellant that there was a mistake committed while entering into a settlement agreement due to misunderstanding. Correspondence between the advocates for the parties who are experts in law would show that there is no ambiguity or lack of clarity giving rise to any misunderstanding. Even assuming there is a mistake, a consent decree cannot be modified/ altered unless the mistake is a patent or obvious mistake. Or else, there is a danger of every consent decree being sought to be altered on the ground of mistake/ misunderstanding by a party to the consent decree.

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14. For the foregoing reasons, we uphold the judgment of the High Court and dismiss the Appeal.

.....J. [L. NAGESWARA RAO]J. [B.R. GAVAI] New
Delhi, February 04, 2022.

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