

Malhotra International Pvt. Ltd. & ... vs Vidyut Metallica Ltd. on 14 August, 1997

Equivalent citations: 1998(1)BOMCR351

Author: S.S. Nijjar

Bench: S.S. Nijjar

ORDER

S.S. Nijjar, J.

1. The facts of this case illustrate what has been so pithily observed by Justice Srikrishna in the case of Poddar Tyres Ltd. v. Bedrock Sales Corporation Ltd., 1993(1) Bom.C.R. 505. In paragraph 2 of the said judgement it has been observed as follows:

"This Notice of Motion illustrates the homely truth that greater the consanguinity between parties, more bitter is the litigation between them, fraternal feuds being the fiercest." Similar is the situation in the present suit and the Notice of Motion.

2. The plaintiffs have filed this suit claiming a declaration to the effect that the termination of the registered user agreement' between the plaintiff No. 1 and the defendant by letter dated 9th June, 1993 is legal, valid and binding on the defendants. The plaintiffs have also sought a perpetual injunction restraining the defendants, its servants, agents and assigns from in any way acting in derogation of the exclusive right of the plaintiff No. 1 to use the 15 registered trade marks mentioned in the plaint of which plaintiff No. 1 is the registered proprietor and plaintiff No. 2 is the registered user. Damages in the sum of Rs. 50 lakhs are also claimed.

3. This Notice of Motion has been taken out for an order of injunction restraining the defendants from infringing the plaintiffs' trade mark described in paragraph 1 of the plaint and passing of the defendants products and goods as the products and goods of the plaintiff. It is also prayed that pending the hearing and final disposal of the suit the defendants be directed to deliver up for destruction of their goods, products, price lists, brochures, advertisements, articles and effects bearing the plaintiffs trade mark.

4. Voluminous pleadings have been taken out by both the parties. The plaintiffs have filed an affidavit in support of the Notice of Motion. The defendants have filed their reply. Rejoinder and sur-rejoinder have been filed respectively. At this stage the plaintiffs wanted to submit a sur-sur-rejoinder. However, Counsel for the plaintiffs has stated that they are prepared to proceed on the basis of denials only, in view of the urgency of the matter and paucity of time available with

the Court.

5. The facts as they have emerged from the pleadings may be noticed.

6. According to the defendant, one Harbans Lal Malhotra has three sons viz. V.P. Malhotra, S.N. Malhotra and R.K. Malhotra. H.L. Malhotra promoted H.L.M. & Sons (plaintiff No. 2) on 4-10-1945. Malhotra Export House Pvt. Ltd. (plaintiff No. 1) was also promoted by H.L. Malhotra in 1962. H.L. Malhotra and the three sons took over Malhotra Shavings Pvt. Ltd. (earlier known as Indo Swing Pvt. Ltd.) in the year 1960. "Panama Ltd." was also incorporated on 6th October, 1953 by H.L. Malhotra and his three sons. On 20th July, 1957 the Panama Ltd. was converted into a Pvt. Ltd. Company, now the Defendant, Vidyut Metallcs Ltd. These Companies and other businesses were together known as "House of Malhotra". At all material times H.L. Malhotra and his three sons and their family members controlled the shareholding, management and the affairs of the plaintiff Nos. 1 and 2, the defendant and M. S.P. In or about 1970 H.L. Malhotra stopped taking active part in the management of the Companies forming "House of Malhotra". The entire management of the Companies was taken over by V.P. Malhotra, S.N. Malhotra and R.K. Malhotra. This then is said to be the "genesis" of the House of Malhotra.

7. On 5th May, 1951, M/s. Alfred & Eugen Korte registered the trade mark "Panama" under the Trade and Merchandise Act, 1958, hereinafter referred to as "the Act", under No. 148722 in Class 8 in respect of razor blades. The said Company had assigned the said registered trade mark and others to Panama Pvt. Ltd., now the defendant, for a consideration of Rs. 4,21,000/- w.e.f. 26th November, 1953. This assignment was made on 23rd December, 1958. On 15th July, 1954 Panama Pvt. Ltd. obtained the registration of the trade mark Panama in its own name under Registration No. 164981 and 164982 both in Class 8. On 16th August, 1968 plaintiff No. 2 obtained registration of trade mark 'Topaz'. Thereafter various other trade marks were registered which are listed in paragraph 1 of the plaint. Plaintiff No. 2 assigned the trade mark Topaz to the defendants on 17th June, 1970 for Rs. 1,000/-. Defendants applied and obtained registration of Topaz Label under the Act under No. 272807 in Class 8 on 16th June, 1971. Between 1960 to 1971 Malhotra Group of Companies applied for and obtained registration of various trade marks in respect of safety razor blades. Although the trade marks came to be registered in the names of diverse companies belonging to the House of Malhotra, they were to enure for the benefit, use and exploitation by all the Companies belonging to the House of Malhotra. Defendants for the first time introduced Topaz brand of blades in the Indian market in 1971. According to the defendants, between 1971 to 1974 they sold Topaz blades in excess of Rs. 126 lakhs in India as well as in the export market. In order to promote the sales, the defendants also got the design and artistic work in the form of display and hanging cards prepared for use upon and in connection with the trade mark Topaz. This art work was registered with the Registrar of Copyright under No. A-10165/73. This copyright continues in the name of the defendant till date. On 8th November, 1973 defendants assigned Topaz and Panama to the first plaintiffs for a sum of Rs. 32,500/-. The other trade marks were also assigned to plaintiff No. 1. According to the defendants, an oral agreement had been reached between the 3 Malhotra brothers viz. V.P. Malhotra, S.N. Malhotra and R.K. Malhotra who were in management and control of the "Malhotra House" Group of Companies to centralise the trade marks in the hands of the plaintiff No. 1. Thereafter plaintiff No. 1 was to enter into perpetual user agreements with the three concerns

known as H.L.M. and Sons Ltd. Vidyut Metalics Ltd. and Malhotra Shaving Products Pvt. Ltd., hereinafter referred to as "MSP". This Company was earlier known as Indo Swing Pvt. Ltd. According to the defendants, plaintiff No. 1 granted to the defendants a common law licence for perpetual use of the trade marks. The plaintiffs are stated to have entered into a registered user agreement with the defendants in respect of trade mark Topaz on 30th April, 1974. Similarly an agreement was entered into by the plaintiff No. 1 and other "Malhotra House" Group of Companies in respect of trade marks Topaz and Panama on 30th April, 1974, Plaintiff No. 1 and plaintiff No. 2 entered into a registered user agreement in respect of the trade mark "Prince" and others for a period of 5 years also on 30th April, 1974. The said three agreements were renewed for a further period of 5 years in 1979. The defendants used the trade mark Topaz and others without any registered user agreement from November 1973 till 30th April, 1974 and from April, 1984 till August, 1985. Disputes arose between the various Companies of the Malhotras in 1984/1985. These disputes' pertain to utilisation of assets including the trade marks of the Companies. These disputes were resolved some time in the year 1985 and it was agreed between the three sons of H.L. Malhotra, as well as the plaintiffs, the defendant and M.S.P. that the period of Registered User Agreement in respect of trade made "Topaz" and others should be perpetual so as to be in conformity with the 1973 agreement and so that on expiry of the Register User Agreement the same need not require formal renewal. On 1st August, 1985 plaintiff No. 1 entered into fresh identical registered user agreements with the defendants, plaintiff No. 2 and M.S.P. This oral agreement and the overall agreement which had been reached between the Malhotra brothers relating to the ownership and management of the various Companies forming House of Malhotra was recorded in a Memorandum of Under-standing dated 19th August, 1985. Till 1990 the perpetual user agreement had not been executed between the plaintiff No. 1 on the one hand and plaintiff No. 2, defendants and M.S.R on the other. In 1987-88 plaintiff No. 2 and M.S.R started using the word "Malhotra" along with the trade mark Topaz. Defendant started using the word "Vidyut" along with the trade mark Topaz. This was done to distinguish the product of the defendant from that of plaintiff No. 2 and M.S.R Plaintiff No. 1 at the instance of V.P. Malhotra and S.N. Malhotra started raising objections to the defendant using the word "Vidyut" along with the Trade Mark Topaz. The whole market in the Middle East was flooded with spurious topaz blades allegedly made in China and Sri Lanka etc. In order to protect itself, defendant got a cautionary notice issued. This was objected to by the plaintiff No. 1 at the instance of V.P. Malhotra and S.N. Malhotra. The whole controversy was resolved by issuing a cautionary notice on 5th July, 1989. The dispute was resolved on 19-2-1990 as recorded in the letter of the plaintiff No. 1. But at the very time the defendant learnt that although the registered user agreement dated 1st August, 1985 was without limitation of period, the Registrar of Trade Marks as per the practice of the office was likely to limit the registration of the agreement to a period of 7 years at a time, 7 years being the period of registration of the trade mark. The defendant also felt that upon expiry of the said period, plaintiff No. 1 again at the behest of V.P. Malhotra and S.N. Malhotra may not co-operate with the defendant and R.K. Malhotra to formally renew or extend the registration of the agreement. The defendant, therefore, took up the matter with the plaintiff through V. P. Malhotra and S.N. Malhotra. Thus an Understanding was reached between the parties that all the three manufacturing Companies namely with the plaintiff No. 2, defendant and M.S.R would have perpetual uninterrupted and irrevocable right to use the trade mark including Topaz. It was in these circumstances the plaintiff No. 1 sent a telex message on 7th March, 1990 in-forming the Common Trade Mark Attorney that it was the desire of the parties that

the registered user agreement should be made perpetual in whichever manner to be worked out and requested the Trade Mark Attorney to send the necessary documents. The Trade Marks Attorney, however, opined that registered user rights cannot be given for a period other than upto the date when the registration of the trade mark expires and is due for renewal. In other words, every time fresh registered user agreement will have to be filed. It was also stated that according to the provisions of the Act assignment cannot be made to more than one part. Thus a fresh registered user agreement will have to be filed for a period upto the date of expiry of renewal of the registered mark. It was suggested that mutual agreement can be made by the proprietor of the trade mark Topaz giving an undertaking that the licensed agreement is perpetual but the proprietor undertakes to file the fresh registered user agreement for a maximum period of 7 years till the renewal of the registration becomes due. Plaintiff No. 1 not being satisfied sought further clarification by their telex message dated 14th March, 1990. This was answered by the Trade Mark Attorney by their letter dated 21st March, 1990. In this letter it is stated that the agreement is normally valid for the life of the trade mark i.e. period of 7 years. In view of this, they had recommended to delete the three months termination notice from paragraph 9 of the agreement. The original paragraph 9 of the Registered User Agreement dated 1-8-95 was as under.

"The proposed permitted use shall remain in force unless specifically brought to an end by either party by giving three months notice in writing in this behalf to the other party PROVIDED that if the control by the Proprietors ceases for any reason whatsoever the permitted use can be brought to an end by giving one month's notice only instead of three months notice provided above."

Paragraph 9 was suggested to be recast as follows.

"9. The proposed permitted use shall remain in force for a period of 7 years in the first instance and will be automatically renewed by executing fresh registered user agreement."

It is then stated that the Agreement will nevertheless have to be made every 7 years. They also apprehended that the Registrar of Trade Marks will raise objection to such a clause as extracted above. Ultimately they advised that where licence has been given for the common trade marks to parties other than the manufacturing Companies, the applicants for recordal of the registered user agreement should be dropped, in view of the family Memorandum of Understanding between the Malhotra brothers on 19th August, 1985. Nothing happened in pursuance of the aforesaid advice. In August, 1992, the defendant came to learn that Centron industrial Alliance Limited is manufacturing and selling safety razor blades under the trade mark Topaz as permitted user by plaintiff No. 1. By their letter dated 12th August, 1992 the defendant protested against the user being granted to Centron Industrial Alliance Ltd. The plaintiffs by their letter dated 2nd September, 1992 refused to comply with the requisition of the defendants. Apprehending mismanagement at the hands of plaintiff No. 1, R.K. Malhotra and his family members filed Company Petition No. 57 of 1992 under sections 397 and 398 of the Companies Act for oppression and mismanagement with regard to plaintiff No. 2. As a counter blast, plaintiff No. 1 terminated the registered user agreement dated 1st August, 1985 by their letter dated 9th June, 1993. Defendants filed Suit No. 5 of 1993 in the Court of

District Judge, Thane on 1st September, 1993. Therein interim relief was applied for. That was rejected by the order of the District Judge on 4-1-1996. An appeal has been filed against the said order which is admitted and pending. However, interim relief was refused in the said appeal. Suit No. 693 of 1993 was filed in Thane Court by Kamgar Sabha of defendant against the plaintiff and defendant. Ex parte order of status quo was granted. This was vacated. Appeal filed against this order has been withdrawn. In the meantime the plaintiffs filed Suit No. 24 of 1994 under section 10 of C.P.C. in the Calcutta High Court. Their application for ex parte ad-interim relief was refused. On an application made by the defendants the proceedings in the suit as also the proceedings in the application were stayed by an order dated 1st March, 1994. Two appeals were filed by the plaintiff, one against the order refusing interim relief and the other against the order staying the suit as well as the proceedings. The Division Bench of Calcutta High Court dismissed the said appeals. The matter was taken to the Supreme Court which in turn has transferred both the suits pending in Calcutta High Court and Thane Dist Court to be decided by this Court. Hence the Notice of Motion has been taken up for hearing in the suit initially filed by the plaintiffs at Calcutta High Court. On 5th May, 1997 ad-interim injunction in terms of prayer Clause (a) was granted to the plaintiff. The matter was carried in appeal. The appeal was allowed and Notice of Motion was directed to be heard on merits on a fixed date.

8. The plaintiffs have denied and disputed the facts pleaded by the defendant. They have stated that the Companies have never been known as House of Malhotras. These are independent private Limited Companies which are managed by the Board of Directors. The three Malhotra brothers are not on the Board of Directors of the Companies. The trade marks were not for the common use of the three Companies. All oral and mutual agreements are denied. It is stated that there is no oral agreement in 1973 as pleaded by the defendants. There was no other agreement also to give perpetual use of trade marks to the defendants. The plaintiffs and defendants are stated to be independent Companies. They are distinct from the three sons of Harbans Lal Malhotra. All the alleged agreements have been arrived at between the three brothers. They were not acting on behalf of the Companies. Therefore, these alleged agreements between the brothers cannot bind the Companies. It is further stated that the Memorandum of Understanding dated 19-8-1985 is not binding on the Companies. The defendants had tried to misappropriate the trade mark Topaz belonging to plaintiff No. 1 by claiming to be its sole owner in the Middle East. Upon objections having been taken by the plaintiffs, the defendants were compelled to cease the use of the word "Vidyut" along with the trade mark "Topaz". They were also compelled to state that they are only the agents of the sole owner of the trade mark, plaintiff No. 1. The plaintiffs denied having sent the telex messages. According to the plaintiffs, they have asserted their right of proprietorship each time it was threatened. The agreement having been terminated the plaintiffs had brought the action for infringement of their trade mark by the defendants.

9. It is the submission of Mr. Chagla, the learned Counsel for the plaintiff, that any person who uses a trade mark which is identical with or deceptively similar to the trade mark which is registered infringes the trade mark. In the present case, there is no question of there even being a similarity between the trade marks. The defendants are using the same trade mark viz. "Topaz." After the termination of the agreement the defendants are using the trade mark and are liable for an action for infringement of the same. With regard to the oral agreements which are said to have been

entered into between the plaintiff No. 1 and the defendants it is submitted that they are non-existent. In any event all these being oral agreements are not admissible in evidence by virtue of sections 91/92 of the Indian Evidence Act. The case put forward by the defendants would not be covered under any of the provisos to section 92. Lastly it is submitted that the matter having been substantially tried at the instance of the defendants in the Thane District Court the defendants would be precluded from the grant of any relief on the principles analogous to the issue of estoppel.

10. Mr. Shah, learned Counsel appearing for the defendants, on the other hand has submitted that the arguments put forward by the plaintiffs ignore the reality of the whole situation. The agreement of 1985 is a culmination of the earlier "umbrella" agreement which was reached between the three brothers in the year 1973. At that time it was agreed that the defendants will assign the trade mark to the plaintiff who in turn will execute the perpetual user agreement in favour of the defendants and the other two parties. It is for this reason, submits Mr. Shah, that the plaint totally ignores the history of the establishment of the House of Malhotras. They have falsely denied the very "genesis" of the Companies. Initially the whole industry was conceived and promoted by Harbans Lal Malhotra. The plaintiffs and the defendant Companies are part and parcel of the overall industry known as "House of Malhotra". The assignment of the trade marks and the user agreements were all entered into for the mutual benefit of all the three branches of the Malhotra family. Even if there is no registered user agreement the defendants have in their favour a common law licence to perpetually use the trade mark Topaz. There being a common law licence, the action brought by the plaintiffs for infringement of the trade mark is wholly baseless. Thus the suit itself is liable to be dismissed. Therefore, no interim relief could possibly be granted.

11. In order to establish their respective cases both the Counsel have made elaborate references to the voluminous pleadings in the Notice of Motion. Mr. Chagla has submitted that there are four oral agreements pleaded between the parties. All are said to be between the three brothers. None is on behalf of the three Companies. No specific dates are given of these so called agreements. All these facts show the fictitious nature of the so called agreements. First so called agreement is pleaded to be sometime in 1973. It is between the Brothers. The second oral agreement is on or about 1974 between the concerned parties. Third oral agreement is again between the three brothers sometime in 1981. By virtue of the 1973 agreement, of which no date is given, all trade marks were to be centralised in the hands of the plaintiff No. 1. In lieu of this, plaintiff No. 1 was to give perpetual and uninterrupted right to use some of the trade marks in favour of plaintiff No. 2 and some of the trade marks to the defendants and some other trade marks to M.S.P. But it is nowhere stated that Topaz was to be perpetually used by the defendants. Under the 1974 agreement registered user was limited To 5 years and the same was to be renewed from time to time. These agreements are said to have been entered into between the three parties mentioned above. He has referred to an agreement entered into between the plaintiff No. 1 and the defendant. It is pointed out that the third recital of the said agreement records the plaintiff No. 1 as the proprietors of the trade mark and the defendants as the registered user. Clause 13 provides that although the agreement is for 5 years the same can be terminated by giving three months notice by either party. This agreement was then renewed. Earlier royalty for the said user agreement was fixed at Rs. 3,000/-. Ultimately agreement dated 1st August, 1985 was entered into between the plaintiff No. 1 and the defendants. This agreement provided for the termination of the agreement by giving three months notice.

Alternatively it was also provided that if the control by Proprietor ceases for any reason whatsoever, the agreement can be terminated by giving one month's notice only. Otherwise by virtue of Clause 9 the agreement was for an indefinite period. However, when the aforesaid agreement was sent for registration to the Registrar, the said period was curtailed to 7 years i.e. till 11th September 1993. First of all there are no oral agreements between the plaintiff No. 1 and the defendants. Even if there are any oral agreements the said agreements are agreements between the three brothers viz. S.N. Malhotra, V.P. Malhotra and R.K. Malhotra. The registered trade marks are the property of plaintiff No. 1. It is a Private Limited Company. Therefore, the parties are bound by the registered trade user agreement dated 1st August, 1985. Earlier to that they were also bound by the earlier agreements. It is submitted that it is wholly fallacious to state that a common law licence has been created in view of the Memorandum of Understanding entered into between the three brothers. Mr. Chagla submits that the opening paragraph of the Memorandum of Understanding clearly states that the said Memorandum is between V.P. Malhotra, S.N. Malhotra and R.K. Malhotra. It does not state that the Memorandum of Understanding is between the three brothers as representatives of the plaintiff No. 1 and 2 and the defendant. Memorandum of Understanding further shows that it is only a tentative Understanding. The intention behind the said Memorandum of Understanding was to give one of the factories to R.K. Malhotra and the other to S.N. Malhotra and V.P. Malhotra. The assets were to be shared in the ratio of 1/3rd and 2/3rd. This Memorandum of Understanding cannot affect the rights of the plaintiff Company. As has been pleaded, this agreement has not been completely acted upon till date. If there was any strength in the case of the defendants, they would have filed a suit for specific performance of the Memorandum of Understanding. All that the defendant has done is to take out proceedings in the nature of Company petition under sections 397 and 398 of the Companies Act. The Memorandum of Understanding has no legal effect. It merely shows how the three brothers intended to proceed in the future. The fact that the plaintiff No. 1 has always been treated as a Proprietor of the trade marks is also obvious from certain other facts.

12. Counsel has then referred to letter dated 29th April, 1989 wherein certain objections made by the defendants were responded to. In that letter it is clearly stated that the plaintiff has given the user rights to the defendants and that the plaintiff remains the registered proprietor. It is further stated that the defendants should not use their name Vidyut on the packing of the blades. Thereafter a great deal of correspondence seems to have exchanged between the plaintiff No. 1 and defendant on the controversy as to whether or not the defendant is entitled to use Vidyut along with the trade mark Topaz. This controversy was ultimately settled and the defendant ceased using the word Vidyut. Ultimately a clarification was issued and published in the newspaper in the Middle East on 5th July, 1989. In this Cautionary note it is stated that the plaintiff is the sole proprietor of the trade mark Topaz. It is also stated that licences have been given for the use of the trade mark to three Companies viz. HLM, Indo Swing and defendants. It is clearly stated in the Cautionary notice that none of the above licensee companies have any title or ownership in the said trademark and none of them are exclusive licensees or registered users of the said trade mark. On 19-2-1990 the plaintiffs acknowledged the decision of the defendants to discontinue to use Vidyut on the Topaz. Having made these admissions yet the defendants have pleaded another oral agreement. This is said to have been arrived at in view of the fact that the defendant had apprehended that the plaintiffs will curtail the indefinite period contained in Clause 9 of the 1985 agreement to 7 years. Thus it is pleaded that plaintiff No. 1 had agreed to execute an agreement giving perpetual rights to defendant. To this

effect plaintiff No. 1 is supposed to have sent telexes to the common on 5th July, 1989. In this Cautionary note it is stated that the plaintiff is the sole proprietor of the trade mark Topaz. It is also stated that licences have been given for the use of the trade mark to three Companies viz. HLM, Indo Swing and defendants. It is clearly stated in the Cautionary notice that none of the above licensee companies have any title or ownership in the said trademark and none of them are exclusive licensees or registered users of the said trade mark. On 19-2-1990 the plaintiffs acknowledged the decision of the defendants to discontinue to use Vidyut on the Topaz. Having made these admissions yet the defendants have pleaded another oral agreement. This is said to have been arrived at in view of the fact that the defendant had apprehended that the plaintiffs will curtail the indefinite period contained in Clause 9 of the 1985 agreement to 7 years. Thus it is pleaded that plaintiff No. 1 had agreed to execute an agreement giving perpetual rights to defendant. To this effect plaintiff No. 1 is supposed to have sent telexes to the common Trade Mark Attorney of the parties. The first telex is alleged to have sent on 7th March, 1990. In this telex it is stated that the plaintiff proposes that the registered user agreement between the plaintiff No. 1 on the one side and the three parties mentioned above are to be made irrevocable. Therefore, the Attorney was requested to immediately send the documents to be executed for the purpose. The telex message itself is not dated. However, according to the defendants, the date can be fixed in view of the response sent by L.S. Davar and Company, the common attorneys of the parties, in their reply dated 7th March, 1990 they have stated that the telex has been received on 7th March, 1990. The Attorney has advised that the user rights can only be given for the period upto the date when the registration of the trade mark expires. Thus every time a fresh registered user agreement will have to be filed. Therefore, it is suggested that perhaps some mutual agreement can be made by the proprietor giving an undertaking that the licence agreement is perpetual but the proprietor undertakes to file a fresh registered user agreement for a maximum period of 7 years till the renewal of the registration become due. This is said to have been followed by a letter dated 21st March, 1990. This letter refers to a telex dated 14th March, 1990. Here again the earlier proposals seems to have been reiterated by the plaintiffs. The Attorneys have stuck to their advice that the registered user agreement cannot be for a period of more than 7 years. According to Mr. Chagla, no such agreements have been entered into. Therefore, this correspondence cannot possibly be made use of by the defendants to plead that there was a subsequent written/oral agreement to create a common law licence. It is submitted that these telex messages were never sent by plaintiff No. 1. In fact the agreement of 1985 was not being registered by the Registrar as certain queries had been raised. In response to the enquiries made by the Registrar defendants have stated that the relationship between the plaintiff and the proposed registered user is contractual. This, according to Mr. Chagla, is but natural as the Private Limited Company can have only contractual relationships. Thus it is submitted that the case of the defendants for having been granted a common law licence is wholly without any basis. Counsel has then referred to another letter dated 12th August, 1992 wherein the defendant had complained that one M/s. Centron Industrial Alliance Ltd. are manufacturing razor blade under the trademark Topaz. It is stated that since the trade mark was assigned in favour of the plaintiffs only to centralise the trade marks, the same cannot be made use for the benefit of any other Company but the Companies which fall under the umbrella of Malhotras. The only three Companies which are entitled to use the trade mark are Harbans Lal Malhotra, M.S. Pvt. Ltd. and the defendant Company. In response to this letter the plaintiffs have clearly stated that the plaintiffs are the absolute proprietors of the trade mark Topaz. They are entitled to enter into any agreements with any party

entirely at their discretion. In view of the baseless allegations made by the defendant No. 1, the plaintiffs have put them a notice by saying that the Company is seriously considering such action as necessary to safeguard the reputation and goodwill of the trade mark. This very letter is relied upon by the defendants to show how the assignment of the original trade mark was made in favour of the plaintiffs. The defendants had at no stage controverted the assertions of the plaintiff that they are the registered proprietors of the trade mark Topaz. Ultimately the agreement dated 1st August, 1985 was terminated by the letter dated 9th June, 1993. Three months notice was given. Even otherwise by efflux of time the agreement was to come to an end on 9th September, 1993. Identical notices were given to MSPL and Centron. At present plaintiff No. 2 is the only registered user of the trade mark after the termination of the agreement. As stated earlier, defendants filed Suit No. 5 of 1993 in the Court of the District Judge at Thane. Ad-interim relief was refused by a detailed order passed by the District Judge. In view of the above it is submitted by Mr. Chagla that there is no oral agreement to the effect that the defendants can have the common law licence in derogation of the registered user agreement. It is submitted that the plaintiff has a statutory right to make use of the registered trade mark. No party is permitted to make use of the registered trade mark except by the expressed permission of the registered proprietor of the trade mark. Reference is made in this connection to sections 28 and 29 of the Act. Section 28 provides that the registration of a trade mark in Part A or Part B of the register shall, if valid, give to the registered proprietor of the trade mark the exclusive right to the use of the trade mark in relation to the goods in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided, by this Act. It further provides that the exclusive right to the use of a trade mark given under sub-section (1) shall be subject to any conditions and limitations in which the registration is subject. According to Counsel, defendant No. 1 was permitted to use the trade mark since 1973. The agreement having been terminated by letter dated 9th June, 1993 any further use of the trade mark by the defendants amounts to infringement of the trade mark of the plaintiff. Counsel submits that in view of section 29 of the Act a registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or a registered user thereof using by way of permitted use, uses in the course of a trade mark which is identical with, or deceptively similar to, the trade mark, in relation to any goods in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark. The trade mark used by the defendant is identical to the trade mark of the plaintiffs. Therefore, it would not be necessary even to show that the said trade mark is so deceptively similar to the trade mark of the plaintiff so as to cause confusion in the minds of the public. Counsel further submits that the conduct of the plaintiff would not fall within the circumstances stated in section 30 of the Act which would amount to an act not constituting infringement. Counsel then submitted that the defendant was a registered user of the trade mark Topaz by virtue of the registered user agreement dated 1st August, 1985. Although the said agreement has been terminated the defendant is in a position to cause tremendous damage to the trade mark of the plaintiff. It is submitted by Mr. Chagla that in view of the animosity of the defendants towards plaintiff No. 1 it would obviously be not in the interest of the plaintiff to permit them to continue as a registered user. Furthermore, it is submitted that the plaintiff only has to establish infringement of the trade mark as stipulated under the Act. It is not necessary for the plaintiff to dispel any equities which may have arisen in favour of the defendant for the long use of the trade mark. Reference in this connection is made to Kaviraj Pandit Durga Dutt Sharma v. Navaratna Pharma- ceutical Laboratories, wherein in paragraphs 28 and 29 it is observed

as follows.

"28..... The action for infringement is a statutory remedy conferred on the registered proprietor of a registered trade mark for the vindication of "the exclusive right to the use of the trade mark in relation to those goods" (Vide section 21 of the Act)".....

"29. When once the use by the defendant of the mark which is claimed to infringe the plaintiff's mark is shown to be "in the course of trade", the question whether there has been an infringement is to be decided by comparison of the two marks. Where the two marks are identical no further questions arise; for then the infringement is made out....."

It is also submitted by the Counsel that there is no question of any common law licence in favour of the defendants. Common law licence cannot be granted without any conditions. If the plea of the defendants is to be accepted then they would have a perpetual licence without any conditions. It has been settled by the Supreme Court that even the common law licence has to be given on the conditions which are akin to the conditions imposed on a registered user. Reference in this connection is made to M/s. Gujarat Bottling Co. Ltd. v. Coca Cola Company and others, wherein in paragraphs 13 and 17 it is observed as follows.

"13. Apart from the said provisions relating to registered user, it is permissible for the registered proprietor of a trade mark to permit a person to use his registered trade mark. Such 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 distinctive-ness 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 Ed. para 20.16, P. 335). 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."

"17. A perusal of the provisions contained in the 1994 Agreement, more particularly paragraphs 2 and 8, indicates that the said agreement has been executed with a view to comply with the requirements of the Act and the Rules for registration of GBC as the registered user of the trade marks specified in the Schedule to the agreement which had been acquired by Coca Cola. This agreement has been executed as per the requirements of Rule 83 of the Rules read with sub-Clauses (a) to (d) of Clause (ii) of sub-section (1) of section 49. This is evident from paragraphs 1, 3, 4, 5 and 6 which contain particulars referable to sub-clauses (a) (b) and (c) and paragraph 7 which contains particulars referable to sub-clause (d) of Clause (ii) of sub-section (1) of section 49. The 1994 Agreement must, therefore be treated as an agreement for

registration of GBC as registered user as contemplated by section 49 of the Act. In other words, 1994 Agreement is a statutory agreement which is required to be executed under section 49 of the Act read with Rule 83 of the Rules for registration of GBC as a registered user of the trade marks held by Coca Cola. It is true that provisions similar to these contained in 1994 agreement are also contained in the 1993 Agreement. But that is so because a licence to use a trade mark in common law can only be granted subject to certain limitations which are akin to the requirements for an agreement for registered user under the Act".

Therefore, there can be no question of common law licence in favour of the defendants as there is no oral or written agreement in their favour. The Memorandum of Understanding cannot be treated as a written contract. The Memorandum of Understanding has been reached between the three brothers. The agreement, if any, has to be reached between the plaintiff and defendant Company. In view of the law laid down by the Supreme Court (supra) Mr. Chagta submits that the agreement for common law licence would have to be in writing. The agreement would have to satisfy the conditions prescribed in section 49 of the Act for the Registered User Agreement substantially. It is in view of this that the defendants have made the submission that the plaintiff No. 1 and the defendants are only a glorified partnership. It is submitted by the Counsel that the Court can no doubt look behind the corporate veil. The same can only be done in the circumstances which have been set out by the Supreme Court in the case of The Tata Engineering and Locomotive Co. Ltd. and another v. The State of Bihar and others, wherein in paragraph 27 it is held as follows:

"Summarising his conclusions, Gower has classified seven categories of cases where the veil of a corporate body has been lifted. But it would not be possible to evolve a rational, consistent and inflexible principle which can be invoked in determining the question as to whether the veil of the Corporation should be lifted or not. Broadly stated, where fraud is intended to be prevented, or trading with an enemy is sought to be defeated, the veil of a Corporation is lifted by judicial decisions and the shareholders are held to be the persons who actually work for the Corporation."

Counsel has thereafter referred to a judgement of this Court (supra) wherein it has been held as follows:

"17. Apart from infringement, it is contended that the trade marks being identical, there is imminent likelihood of a deception or confusion as to the nature of the first defendants business so as to falsely suggest a likely business connection or association between the business carried on by the first defendants and that carried on by the plaintiffs. The facts that the Directors of both the Companies belong to Poddar Group, that they were originally carrying on the family business together, and that the first defendants are in the same line of business, where the channel of distribution of the goods would be identical, are all put forth as factors which would add to greater probability or likelihood of deception or confusion.

18. The first defendants deny that there is any infringement or passing off by them. They also deny that the plaintiffs are entitled to any of the reliefs claimed in the notice of motion. Broadly stated, the first defendants defences are :

- (i)
- (ii)
- (iii)....

- (iv) The plaintiff-company is a glorified partnership or a mirror image of a partner

"32. The next contention of Mr. Rahimtoola is that the plaintiffs can claim no exclusive right to the registered trade mark. It is contended that the plaintiffs, though carrying on business in corporate name and style, are really a glorified partnership of the members of the Poddar Family; that both Vimal Kumar Poddar and Gantosh Kumar Poddar, who are promoters and Directors of the second defendants, are themselves members of the plaintiff-Company, that, by applying the principal of Partnership Law, no partner can appropriate to himself exclusively or claim exclusive right in partnership assets, which must enure for the benefit of all partners Ergo, both Sanlosh Kumar and Vimal Kumar have an equal proprietary interest in the registered trade mark, which the plaintiffs claim exclusively theirs. It is not possible to accept this contention for more than one reason. First, ever since the judgement in the case of Soloman v. Soloman, it has accepted principle of law that an incorporated entity is distinct from its constituent members. It is, doubtless, true that certain exceptions have been engrafted upon this principle under the doctrine of lifting the veil of incorporation. But these exceptions are confined to limited matters such as trading with enemies, tax matters, and, at least in India, in labour matters. It is neither prudent, nor pragmatic, to so widen the scope of an exception as to raise it to the status of the rule itself. Mr. Rahimtoola contends that, at least for the purpose of section 433 of the Companies Act, while entertaining a winding up petition under the "just and equitable" clause, the fact that a limited Company is really in the nature of a partnership or a glorified partnership is taken note of. This is so, but I see no reason to extend this fiction further to the illogical extent of attributing ownership of the company's assets to all its members. I see neither principle, nor precedent, to support such a proposition and, therefore, I must hold that the registered trade marks specified in Exhibit "A" to the petition are shown to belong exclusively to the plaintiffs, who are the registered proprietors thereof and the first defendants have, prima facie, at least at this stage, failed to show that they have any rights therein. Mr. Rahimtoola's reliance on the judgement of the Supreme Court in Addanki Narayanappa and another v. Bhaskara Krishnappa and thereafter his heirs and others, is of no avail, since it is not possible to treat the plaintiff-Company as a partnership for the purpose of rights with regard to its assets."

"34. Mr. Rahimtoola then contended that the balance of convenience is in favour of refusing interim relief. He relied on a judgement of the Division Bench of this Court in Express Bottlers Services Pvt. Ltd. and another v. Pepsico Inc., Appeal No. 436 of 1989 in Notice of Motion No. 1920 of 1988 in Suit No. 2903 of 1986, decided Per Bharucha (as he then was) and Srikrishna, JJ., dated 8th February, 1991. A careful perusal of this judgement would show that the Appeal Bench has not endorsed the proposition canvassed by learned Counsel. The facts of that case were that the respondents were registered proprietors of a well known trade mark "PEPSICO" which, though registered in India, in respect of bottled drinks, had not been used by them on account of Government Policy for quite some time. The appellants moved an application before the Calcutta High Court for rectification of the register and striking off the said trade mark for non-use. The Calcutta High Court issued an ad-interim injunction against the respondents from using the trade mark pending hearing of the rectification application. When the respondents, moved a notice of motion for injunction, in this Court, a learned Single Judge dismissed the motion for injunction. The Appeal Court, however, took the view that, while it may not be possible to grant the injunction during the pendency of the rectification application was decided in favour of the respondents, it might change the circumstances and confer upon them a cause of action to move again. The respondents succeeded before the Calcutta High Court and the rectification application of the appellants was dismissed. The respondents moved again by Notice of Motion in this Court for an injunction against the appellants and such injunction was granted by the learned Single Judge. An appeal carried against the judgement of the learned Single Judge was also dismissed by the Division Bench, and in the course of the said judgement, it was observed :

"Since, however, it was stated on behalf of the defendants that Kurdukar, J., was in error in declining to consider balance of convenience, we shall touch upon that aspect, though we must make it clear that, in our view. it is only in unusual circumstances that the balance of convenience should play a part in a matter where the plaintiff is the owner of a registered trade mark.' "It is obvious that, in the present case, there are no such "unusual circumstances" which would impel the Court to go into the question of balance of convenience in the teeth of the fact that the plaintiffs are the registered proprietors of the trade marks."

It is the submission of the Counsel that no unusual circumstances have been pleaded by the defendants to show that the corporate veil needs to be lifted. Even assuming that the defendants succeed and this Court is inclined to accept the plaintiffs and defendants as a glorified partnership even then the defendants can only share the profits of the partnership. The defendant cannot claim to become part owner of the assets of the partnership. Registered trade mark is the property of plaintiff No. 1. This cannot be treated as an asset of the partner.

13. It is further submitted by Counsel that Memorandum of Understanding and the correspondence relied on by the defendants cannot be permitted to be led in evidence in view of sections 91 and 92

of the Evidence Act. It is further submitted that the balance of convenience is in favour of the plaintiffs. The most important trade mark of the defendant is Super Max. The factory of the defendant is manufacturing only Super Max. Topaz is manufactured by the sub-contractors. Even if the sales of the defendant of Topaz are accepted as stated even then it is only a fraction of the total production of the defendants. Furthermore, the non-production of Topaz by the defendants is not likely to render any of their workers unemployed. In any event the plaintiff is the registered Proprietor of the trade mark and is, therefore, entitled to protect its interest.

14. Mr. Shah has, however, reiterated the arguments put forward by the plaintiffs ignore the reality of the situation. Deliberately, therefore the history of the establishment of the Malhotra House has been ignored. The plaintiffs cannot be permitted to ignore the "Genesis" of the formation of various Companies known as "House of Malhotra". H.L. Malhotra and his sons are the shareholders of these Companies. They are managing the affairs of these Companies. They have not become Directors of these Companies only for the sake of convenience The Board of Directors of the Companies are mere rubber stamps. It is for the reason that all agreements have been arrived at between the three brothers. Resolution of the Board of Director of the Companies was a mere formality. But for the "Umbrella" oral agreement of 1973, the trade marks would not have been assigned to plaintiff No. 1 for a paltry sum of Rs. 32,500/-. It was to finally resolve the disputes between the three branches of the Malhotra family that the Memorandum of Understanding dated 19-8-1995 was recorded. That Memorandum of Understanding is sufficient to prove that there is a common law licence which was granted by virtue of the oral agreement reached between the three brothers in 1973. It is submitted that the plaintiff No. 1 would not have sent the telex messages dated 7-3-90 and 14-3-90 to common Trade Mark Attorneys if there was no intention to grant a perpetual registered user agreement. This was done only after the disputes had arisen. Efforts were, therefore, made to ensure that all the three Companies are able to use the trade mark. Thus it is submitted by the Counsel that in their anxiety to build up a case the plaintiffs have even denied the existence of the House of Malhotras. This cannot be done in view of the brochure which has been produced by the defendants and annexed to the sur-rejoinder. Counsel further submits that the plaintiffs cannot possibly deny the existence of the oral agreement in 1973. The trade marks would not have been assigned to the plaintiff No. 1 for such a meagre consideration if there was no corresponding obligation on the plaintiffs to grant a common law licence in perpetuity. After all the defendants had got the Panama trade mark for Rs. 4,21,000/- way back in 1953. In 1973 Topaz was worth at least Rs. 126 lacs per year. They could not have therefore assigned the trade marks for Rs. 32,500/- in the year 1973. The conduct of the parties also goes to show that the trade marks were to be used by all the three branches of the Malhotra family. The registered trade mark agreements were only entered into so that the plaintiff No. 1 does not lose the proprietorship rights in the trade mark. It is submitted that under law if the trade mark is not used for 5 years then any third party can lay a claim to the said trade mark. Under section 46 the trade mark can be removed from the register in case of non user of the same for the past five years. The real agreement, therefore, was not the Registered User Agreement but the oral agreement of 1973. Therefore, even though the registered user agreement dated 1-8-85 has been terminated the common law licence continues. Counsel submits that the first user agreement was for five years which entered on 30th April, 1974. From November 73 till April, 1974 and from April, 1984 till August, 1985 there were no user agreements, yet the trade mark was being used. This can only have been done under the common law licence. Even otherwise the

plaintiffs cannot possibly deny the existence of the Memorandum of Understanding dated 19th August, 1985. It deals with the properties of the Company. No other person was a shareholder of this Company. The three brothers represented three branches of the family as their heads. Certain properties belonging to the three Companies were kept out of the arrangement for arranging funds. In Clause 2 the B.T. Road factory was to be given to R.K. and the Belur was to be given to V.P. Malhotra and Sd. N. Malhotra. The property was to be shared in the ratio of 2/3rd and 1/3rd. Certain arrangements were made to make sure that the factory which was to be given to R.K. Malhotra was brought up to the financial level of 1/3rd of the total. That was because 2/3rd was to go to the other group. It is stated that Clause 5 of the Memorandum of Understanding clearly shows that each Company is entitled to use the common trade mark including Topaz. Clause 6 deals with the marketing of the various goods produced by the Company. It is submitted that this agreement cannot be ignored simply on the argument of the plaintiff that there is no Resolution of the Board of Directors. The three brothers had not become Directors of the Companies only to escape personal liability as Directors. Furthermore documents like the Memorandum of Understanding could not possibly have been executed unless the three brothers were in control of all the properties. The correspondence and the telex messages sent in 1990 by the plaintiff to the Attorneys of the parties clearly show that there was an intention to create a perpetual common law licence. The existence of this telex message has not been denied. Even otherwise part of the Memorandum of Understanding has been acted upon. In these circumstances it is submitted by Mr. Shah that there is sufficient evidence to hold that there was a common law licence giving right to the defendants for the use of the trade mark in perpetuity. The Memorandum of Understanding and also the correspondence are subsequent agreements. They can, therefore, be admitted in evidence under section 92 of the Evidence Act. In any event a common law licence does not require to be reduced to writing. If it does not require to be reduced to writing then there is no bar under section 91. Section 92 only applies to contracts which have been defined in section 91. Since there is no bar under section 91, therefore, the bar under section 92 will not apply. Furthermore, according to the Counsel, subsequent written agreement can always be proved. It is, therefore, stated that the Memorandum of Understanding, correspondence and telex messages all constitute written agreements entered into subsequent to the written registered user agreement of 1985. Assuming that there is only an oral agreement even then, Counsel submits that a subsequent oral agreement can also be proved. Coming to the balance of convenience, Counsel states that plaintiff No. 1 is not a manufacturer. The manufacturing activity is only done by plaintiff No. 2. Thus if the defendant is permitted to continue using the trade mark no loss whatsoever would be caused to the plaintiff No. 1. Defendant is not claiming any ownership rights in the trade mark as has been pleaded by the Counsel for the plaintiff. In fact, plaintiff No. 2 is on the same footing as the defendant. Both plaintiff No. 2 and the defendants are entitled to continue the use of the trade mark Topaz. In the event the injunction is granted great deal of loss would be caused to the defendant as there is a sale of Rs. 45 crores of the blades under the trade mark Topaz. Further more, the plea of inferiority and undercutting raised by the plaintiff cannot be substantiated.

15. I have very carefully considered the pleadings, documents and the submissions of the Counsel. The defendants have made certain admissions in the pleadings which may be noticed. They have admitted that there is no written confirmation of any oral agreement of 1973. Pursuant to the oral agreement ownership of all the trade marks had passed to plaintiff No.1 by deed of assignment dated

8th November, 1973. Registered user agreements have been entered into between plaintiff No. 1 on the one hand and plaintiff No. 2, defendant and MSP on the other hand since 1974. Although defendants have been allotted Topaz since 1974 plaintiff No. 2 was allotted Topaz on 1st July, 1977. Plaintiff was exclusively marketing the entire produce of the three Companies. The plaintiff No. 1 had objected to the defendant using the word Vidyut and the assertion that defendant was the sole owner of the trade mark Topaz in the cautionary notice dated 5th July, 1989. In this notice it is clearly stated "The trade and public is hereby, informed that Malhotra International Limited of P-12, New CIT Road, Calcutta-700 073, India, is the sole proprietor of the trade mark shown above/registered in India under Nos. 251113 and 272807 and is also the proprietor of the above trade mark in United Arab Emirates in respect of "shaving blades". This cautionary notice also admits that the defendant is an agent of the plaintiff along with plaintiff Nos. 2 and Indo Swing Ltd., Hyderabad. The Cautionary note goes on to state that none of the licencees have any title or ownership in the said trade mark. The defendants admit that the Memorandum of Understanding has not been fully acted upon. In the face of these admissions it prima facie appears that the plaintiff No. 1 has throughout been accepted as the sole owner of the trade marks. Not only this the plaintiff has also asserted his proprietary right whenever the occasion arose. On 12th August, 1992, the defendant had complained about the grant of user rights to M/s. Centron Industrial Alliance Limited by the plaintiff No. 1. In response to this, the plaintiff No. 1 has stated that they are the absolute proprietor of the trade mark Topaz and it was decided by them to give a non-exclusive right of user of the trade mark topaz to Centron Industrial Alliance Ltd. The letter further states that the plaintiffs are lawfully entitled and within their rights to grant a registered user agreement to any Company or any party that they may decide. It further states that the registered user agreement with the defendants, plaintiffs and MSP were also granted entirely at the discretion of the plaintiffs and can be continued and/or revoked according to the discretion of the Board of Directors of the plaintiff No. 1. The defendants did not contradict any of these statements. It appears therefore that the plaintiffs are the registered proprietors of the trade mark Topaz. The agreement has been terminated by the notice dated 9th June, 1993. The case of the plaintiff would, therefore, be squarely covered by the ratio of the Supreme Court in the case of Kaviraj Pandit (supra) wherein it has been held that in an action for infringement of trade mark where the two marks are identical no further questions arise for then the infringement is made out. In the present case plaintiff No. 1 and defendant are both using the identical trade mark Topaz. Prima facie, therefore, a case of infringement of the trade mark of the plaintiff No. 1 by the defendant is made out. The next submission of the Counsel is that the plaintiffs had granted a common law licence in Saviour of the defendants. This is evidenced by the intention shown by plaintiff No. 1 in their telex messages dated 7th March, 1990 and 14th March, 1990 to the Trade Mark Attorneys. I have already noticed the contents of the correspondence between the plaintiff No. 1 and the Trade Mark Attorneys. The plaintiffs have categorically denied that any telex message was sent by them. A perusal of the telex message dated 7th March, 1990 does not show that a perpetual licence had been granted by virtue of an oral agreement between the parties in the year 1973. The telex message dated 14th March, 1990 has not been produced by either of the parties. Even otherwise, a perusal of this correspondence shows that there was perhaps an intention to create some permanent rights. However, plaintiff No. 1 was informed that there could be no such agreement. In the letter dated 7th March, 1990 it is clearly stated that the agreement has to be for a period upto the date when the registration of the trade mark expires. Thus there can be no agreement for perpetual user of the trade mark. The letter

further states that there can be no assignment of the trade mark also in favour of more than one party. All that is suggested is that perhaps the proprietor could mutually agree to give an undertaking that the licensed agreement is perpetual. In their subsequent letter dated 21st March, 1990 the Attorneys have stated that the agreement has to be for 7 years. It is also suggested that the Registrar of Trade Marks may not allow the supplementary agreements. In view of the above no further agreement was made. In fact, the Registrar by his order dated 15th March, 1993 restricted the operation of the agreement to 7 years from the date of application. That period expired on 11th September, 1993. Thus the apprehension expressed by the Common Trade Marks Attorney has been substantiated. That there can be no perpetual user licence. Apart from bald assertions about the oral agreement of 1973 there is no other evidence available with the defendants at present. All the other oral agreements are also pleaded without any evidence. Inferences are sought to be drawn from the conduct of the parties. Even the Memorandum of Understanding is not registered anywhere. It has also not been fully acted upon. It would be difficult at this stage to hold that there was a common law licence in favour of the defendants. Even a common law licence has to be granted on the basis of carefully recognised conditions. The agreement would have to be in writing. It must contain the necessary precautionary conditions for protecting the trade mark from misuse. It cannot in normal circumstances be for a period more than the life of the trade mark, which is put at 7 years. Owner of the trade mark must keep control over the trade mark, with regard to quality and misuse. Only then can it be held that there is a valid common law licence to use the trade mark. The Supreme Court in the *Coco Co/a* case (supra) has clearly held that the licence, even common law licence, has to be granted on the conditions akin to the conditions which are necessary for making a registered user agreement. In that case the Supreme Court went into all the conditions which were contained in the 1993 agreement and 1994 agreement. 1994 agreement was registered user agreement. It was held that the said agreement had been executed with a view to comply with the requirements of the Act and the Rules for registration of the Bottling Company as the registered user of the trade mark which had been acquired by Coca Cola. That agreement was said to have been executed as per the requirements of Rule 83 of the Rules read with sub-clauses (a) to (d) of Clause (ii) of sub-section (1) of section 49. It was thereafter observed that it is true that provisions similar to this contained in 1994 agreement are also contained in the 1993 agreement. Thereafter the Supreme Court observed :

"But that is so because a licence to use a trade mark in common law can only be granted subject to certain limitations which are a kin to the requirements for an agreement for registered user under the Act."

The defendants herein are claiming a perpetual licence which cannot be granted even under the Act. They have also not set out any conditions which would fulfil the conditions laid down in section 49 of the Act. Section 49 provides certain strict conditions to be complied with. None of these have been stated to be fulfilled by the defendants in any of the pleadings. If the argument of the defendant is accepted, it would amount to an indirect assignment of the trade mark. Assignment can only be permitted in consonance with the provisions of the Act. Even the Cotton Trade Mark Attorney has advised in the letter dated 7-3-1990 that assignment cannot be made in favour of more than one party. Thus accepting the argument of the defendant of a perpetual common law licence in favour of plaintiff No. 2, MSP and defendant, would amount to granting an assignment, which is not permissible under the Act. *Prima facie*, therefore, I am of the view that there is no common law

licence in favour of the defendants. The next submission of Mr. Shah is that even if there is no licence, the same is not required as the plaintiff and defendant Companies are merely a glorified partnership. Being a partnership, they are entitled to their share in the assets of the Companies. Ownership of the trade mark being a part of the asset of the partnership belongs equally to the parties. Relying on the history of the formation of the Companies, the defendant seeks to go behind the corporate veil to expose the real nature of the business. It has already been noticed that the plaintiff and defendants have always treated themselves only as shareholders of the Private Limited Companies. Throughout the pleadings defendants have stated that the plaintiff No. 1 is refusing to do certain acts at the instigation of V.P. Malhotra and S.N. Malhotra. Thus, it is not possible to accept the submission of the Counsel for the defendants that the Companies are managed by the members of the Malhotra family. The distinction between the three Companies on the one hand and the three brothers has clearly been accepted. The members of the Malhotra family cannot be held to be owners of the Companies assets merely because they are the shareholders of the Companies. All these companies are managed by the Board of Directors. None of the Malhotras is on the Board of Directors. The whole business of the Companies is conducted under the provisions of the Companies Act and the Rules made thereunder. The Companies are not governed by the Partnership Act. Therefore it would not be possible at this stage to go behind the corporate identity of the companies to discover as to who is the real owner of the assets of the companies. If that were so there was no need to distinguish the Malhotra Brothers from the three Companies. Without the clearest possible evidence it cannot be held that the Board of Directors were mere rubber stamps. If that was so, then the so called oral agreements would have been arrived at on behalf of the Companies. These agreements would have been followed by the Resolutions of the Board of Directors of the Companies, ratifying these agreements and accepting them as agreements entered into between the Companies. Even otherwise none of the so called oral agreements or the Memorandum of Understanding dated 19-8-1985 state that they are executed by the Malhotra Brothers as representatives of the Companies. That cannot be so, because none of the Malhotra Brothers are Directors of the Companies. Merely because the Malhotra Brothers hold the entire shareholding of the Companies, cannot transform them into a Glorified partnership. It would then be all too easy for any "Family" to claim that the Companies controlled by the family are only a partnership. This would seriously cut into the provisions of the Companies Act, which provides that a Company once incorporated is an independent entity. That entity is governed by the provisions of the Companies Act, 1956. In my view the Corporate veil cannot be lifted simply because it is asserted that the Board of Directors is a mere rubber stamp. No details of the constitution of the Board of Directors of the Companies have been given by either side. Thus at this stage it is not possible to hold that the management of the Companies is by "Remote Control". The Malhotra Brothers are said to hold this "Remote Control". But then the group representing 2/3rd-share of the Companies have categorically asserted that the Companies are managed by their respective Board of Directors. The Supreme Court has already held in Tata Engineering & Locomotive Company's case (supra) that the corporate veil can be lifted in circumstances such as where fraud is intended to be prevented or trading with an enemy is sought to be defeated. Similar arguments were addressed before this Court in the Poddar Tyres case (supra). It was claimed that the Company is a glorified partnership or a mirror image of a partnership since it is a closely held family company intended for promoting the interest of the family members. It was further submitted that once the veil is lifted it would be seen that the plaintiffs are really a partnership. Therefore, it was stated that the plaintiffs cannot assert any

exclusive proprietary rights in the registered trade mark which is really the asset of the plaintiffs, which is a glorified partnership. The two brothers V.K. Poddar and S.K. Poddar were the promoters and Directors of the second defendant company and we, also members of the plaintiff Company. Thus the partners were said to claim the exclusive rights in partnership assets by using the corporate veil. These submissions were rejected. It was held that no doubt that certain exceptions have been engrafted upon the principle of law that an incorporated entity is distinct from its constituent members. But these exceptions are confined to limited matters such as trading with enemies, tax matters and, at least in India, in labour matters. It was further observed that it is neither prudent, nor pragmatic to so widen the scope of an exception as to raise it to the status of the rule itself. In view of the above, the claim of the glorified partnership was rejected. I am in respectful agreement with the observations made by Srikrishna, J. The situation of the defendants in the present case is weaker than the defendants in the Poddar Tyre's case. In that case the brothers were Directors of one of the Companies and so they have claimed that the Companies are only glorified partnership. Even then this Court refused to lift the veil. In this case none of the three sons of H.L. Malhotra are Directors of any of the Companies. Therefore, prima facie I am of the view that it cannot be held that the Companies are merely glorified partnership. The alleged oral agreements as the Memorandum of Understanding in my view are not sufficient to show that the three Companies are in fact partnership.

16. Mr. Shah has then submitted that the defendants have been using the trade mark since 1973 under various agreements. It would, therefore, be very harsh at this stage to grant any relief to the plaintiffs. Similar argument was put forward in the case of Poddar Tyres. In paragraph 34 of the said judgement certain observations of the Division Bench of this Court were extracted which have been quoted above in paragraph 12. Admittedly plaintiff is the owner of a registered trade mark. Prima facie there is no user agreement in favour of the defendants in existence at present. The user agreement has been terminated w.e.f. 9th Sept. 1993. Even otherwise the agreement was to come to an end by efflux of time on 13th Sept. 1993. The defendants are continuing to infringe the trade mark of the plaintiff against the provisions of the Act. In such circumstances the equity, if any, would have to yield to the statutory provisions. No unusual circumstances have been pointed out which would persuade this Court to go into the balance of convenience. It has already been noticed that the defendants have failed to get any relief in Suit No. 5 of 1993. The application for interim relief made therein was rejected. The appeal against the said order has been admitted but no interim relief has been granted. This apart, there is no provision under the law by which the plaintiffs could be compelled to enter into any further agreements with the defendants. The defendants cannot be given any such relief in this suit. The defendants can only claim any rights on the basis of Memorandum of Understanding by taking out appropriate proceedings for specific performance of the Memorandum of Understanding. No such suit has been filed. The suit filed at Thane Dist. Court was merely for a declaration to the effect that the termination of the notice dated 9th June, 1993 is illegal. Consequently I am of the view that the plaintiffs have succeeded in making out a prima facie case. Therefore, the Notice of Motion is made absolute in terms of prayer Clause (a)(i). Prayer clause (a)(i) reads as under.

(a) That pending the hearing and final disposal of the suit the defendants by itself, its servants and agents be restrained by an order and injunction of this Hon'ble Court

from:

(i) infringing the plaintiffs trade marks more particularly described in paragraph 1 of the plaint herein."

There shall be no order as to costs.

17. At this stage Counsel for the defendants has prayed for stay of this order. Having considered all the pros and cons I do not deem it proper to stay the operation of this order. Rejected.

18. Rule made absolute.