

Atlas Cycles (Haryana) Ltd. vs Atlas Products Pvt. Ltd. And Anr. on 27 September, 2002

Equivalent citations: 101(2002)DLT324, [2003]47SCL304(DELHI)

Author: D.K. Jain

Bench: D.K. Jain

JUDGMENT

D.K. Jain, J.

1. The plaintiff, M/s. Atlas Cycle (Haryana) Limited, a public limited company, has filed this suit praying for a decree of permanent injunction restraining the defendants from using their trade mark 'ATLAS' or any other mark or name deceptively or confusingly similar to the said mark either as its trade mark or as part of its corporate name in respect of bicycles and bicycle parts or in any other manner infringing the registered trade mark of the plaintiff and for rendition of accounts etc. There are two defendants; the first defendant being a private limited company, namely, M/s. Atlas Products Private Limited and the second defendant, earlier an Additional Joint President (Works) of the plaintiff company and now stated to be one of the promoters of the defendant company along with his wife. Along with the suit, this application under Order 39 Rule 1 and 2 read with Section 151 of the Code of Civil Procedure has been filed, seeking ad interim injunction, restraining the defendants from using the trade mark 'House of ATLAS' or any other mark which is deceptively or confusingly similar to the trade mark 'ATLAS', during the pendency of the suit.

2. The plaintiff's case, in brief, is that it is engaged in the business of manufacture of bicycles and bicycle parts under the trade mark 'ATLAS'; they are the registered proprietor of the said trade mark since 1952; they enjoy 26% market share in the business of bicycles and bicycle parts and on account of long user and the excellent quality of the goods manufactured and marketed by them for the last 50 years, their trade mark 'ATLAS' has acquired a substantial reputation throughout the length and breadth of India and abroad and that the said trade mark signifies and connotes only the goods manufactured by them.

3. The plaintiff claims that recently they have learnt that defendant No. 1 has introduced in the market bicycles under the trade mark 'House of ATLAS' and under the said trade mark they are surreptitiously manufacturing the marketing their product with a clear and obvious intention to deceive the public: that the defendant has copied plaintiff's trade mark 'ATLAS' by depicting the word 'ATLAS' in a conspicuous fashion whereas words "House of" depicted in a smaller front are

fairly inconspicuous, thereby giving a dominant impression on the word 'ATLAS'; the adoption and use of trade mark 'House of ATLAS' is with a dishonest intention and is calculated to cause deception and confusion in the trade and public that the defendant has a direct association with the plaintiff and in the process they are attempting to earn illegal profits by passing off the goods manufactured by defendant No. 1 as the goods manufactured by the plaintiff.

4. The first defendant, in its written statement has taken preliminary objection to the maintainability of the suit, inter alia, on the grounds that the plaintiff has suppressed material facts regarding the relationship and understanding between the parties herein and that the trade mark and the corporate name of the first defendant was adopted with the complete knowledge of the plaintiff and, therefore, the plaintiff has acquiesced with the business of the defendant, disentitling them from any interim relief. It is stated that a substantial part of the shares of the plaintiff company are held by various members of the Kapur family, which comprised of three groups headed by three sons, namely, Bishambar Das Kapur, Jaidev Kapur and Jagdish Kapur all sons of late Rai Bahadur Janki Das Kapur; sometime in the year 1999, pursuant to an amicable decision, the three groups, comprising of the said three brothers, their sons and grandsons, decided to split the ownership, management and control of the companies and the assets owned by the family in three equal shares and to allot one share each to the three units of the family and in this behalf a Memorandum of Understanding was recorded on 8 January 1999; that according to the said Memorandum of Understanding, all family assets and companies were to be placed in three baskets for distribution and the methodology for division and maintenance of status quo during the process of division was also provided in the said Memorandum. It was agreed that in the event of any difference of opinion on the implementation of the Memorandum of Understanding, the matter would be referred to the arbitration of a former Chief Justice of the Supreme Court of India, named therein. It is alleged that although the said Memorandum was under

implementation but shortly after the demise of Shri Bishambar Das Kapur on 16 August 2000, the other two groups sought to take a total control of the plaintiff company and all other related companies, whereupon on the 2nd defendant moving an application under Section 17 of the Arbitration and Conciliation Act, 1996, the arbitration proceedings commenced on 28 August 2000.

It is claimed that the plaintiff company has also accepted the said Memorandum of Understanding as well as the terms of settlement, which is evident from the minutes of the Board of directors meeting held on 12 September 2000. The allegation of surreptitious use of the trade mark 'ATLAS' is denied on the plea that under the said Memorandum of Understanding all the three groups are entitled to use 'ATLAS' brand as well as the logo on their products with an additional name for identification, as may be permissible in law. It is also claimed that defendant No. 2 being a member of the Kapur family, is a signatory to the said Memorandum.

5. The second defendant, Arun Kapur son of Bishambar Das Kapur, in his written statement has stated that defendant No. 1 company is neither owned, managed or controlled by him; he is not in any manner engaged in the manufacture or sale of the bicycles or bicycle parts though it is asserted that he is entitled to use the trade mark 'Atlas' as well as the logo in view of the aforementioned

Memorandum of Understanding.

6. To controvert the stand of the defendants, replication has been filed on behalf of the plaintiff to the written statement filed on behalf of defendant No. 1, wherein it is stated that the plaintiff company is not a party to the said memorandum of Understanding and in any case the said Understanding is still not fructified as the disputes between the parties to the Memorandum are pending adjudication before the arbitrator. Certain allegations of siphoning of a large amount of money by defendant No. 2 have also been levelled.

7. An affidavit has also been filed on behalf of defendant No. 1 company by its Managing Director, the son of defendant No. 2, wherein it is alleged that Jagdish Kapur, son of late Janki Das Kapur and Sanjay Kapur son of Jagdish Kapur, both of whom are members of the Kapur family are Directors and shareholders of one M/s. Atlas Global Private Limited; Sanjay Kapur is a Senior Vice President (Marketing) of the plaintiff company and is using the network of the plaintiff company for marketing the products of the said 'Atlas Global Private Limited'; similarly, Salil Kapur son of Jagdish Kapur is the Director of another company, M/s. Atlas Pet Plas Industries Limited and was earlier manufacturing and selling mineral water under the name and style of 'Atlas Premium'. It is, thus, alleged that both the said companies are not only using the brand name 'ATLAS' to sell their products, they have also adopted the mark 'ATLAS' as their corporate names, but the plaintiff has never objected to such user because the companies belonged to the members of the Kapur family, like defendant No. 2.

8. The stand of the first defendant in the affidavit is refuted by the plaintiff in its rejoinder affidavit. It is stated that since the two aforementioned companies i.e. 'Atlas Global' and 'Atlas Pet Plas' are not engaged in the manufacture or marketing of bicycles or bicycle parts, user of plaintiff's trade mark by them is of no consequence.

9. I have heard Mr. P. Chidambaram, learned senior counsel for the plaintiff and Mr. C.S. Sundaram, learned senior counsel for the defendants at considerable length.

10. Learned counsel for the plaintiff submits that since it is not in dispute that the plaintiff company is a registered owner of the trade mark 'Atlas', the defendants cannot be allowed to use the same name for marketing their goods or as their corporate name, as, once the plaintiff has established a statutory right in the trade name and has shown that the defendants' trade name 'House of Atlas' infringes its mark, the plea of acquiescence on the part of the plaintiff company in the user of the trade mark by the defendants is neither relevant nor available to the defendants. He would submit that there has been no suppression of any material fact, as alleged by the defendants because plaintiff company is not a party either to the Memorandum of Understanding dated 8 January 1999 or to the arbitration proceedings, which are only between the members of the Kapur family. It is asserted that the said Memorandum of Understanding does not bind the plaintiff company in any manner and in any case it has not yet been implemented. In support of the proposition that there can be only one proprietor for the trade mark and if there is an infringement, injunction must follow, strong reliance is placed on the decision of the Supreme Court in M/s. Power Control Appliances and Ors. v. Sumeet Machines Private Limited, .

11. Learned counsel for the defendants, on the other hand, while alleging that the present suit has been filed at the behest of some of the members of the Kapur family to settle their personal grievances against the defendants, would urge the non-disclosure of the aforementioned memorandum of Understanding and the interim arrangements pending resolution of disputes by arbitration, despite full knowledge, shows that the plaintiff has not approached this court with clean hands, disentitling it from claiming the equitable relief of interim injunction. It is submitted that since the factum of trifurcation of the plaintiff company under the memorandum of Understanding and the right to use the trade mark was known to the plaintiff company, which it never objected to and rather noticed, recognised and acted on the arbitration proceedings, in effect, agreed to the use of its trade mark 'Atlas' by the aforementioned other members of the Kapur family, and the defendant having used the name 'Atlas' on the basis of such acquiescence, its objection to the use of the mark 'Atlas' by the first defendant even for its corporate name, lacks bona fides and is merely retaliatory measure against the defendants. It is urged that in view of these understandings and the interim arrangements therein and even financing of the arbitration proceedings, the plaintiff is disentitled from seeking injunction under the doctrine of estoppel and in particular under Section 115 of the Evidence Act, 1872. In support of his stand that the plaintiff company and its Board of Directors were fully aware of the Memorandum of Understanding and the arbitration proceedings, and were in fact acting in terms of the orders passed in the arbitration proceedings, Mr. Sundaram has referred to various documents, including the terms of settlement for interim arrangement, for running the plaintiff company, dated 10 September 2000, signed by Jaidev Kapur, Jagdish Kapur and Arun Kapur before the sole arbitrator. Lastly it is submitted that the first defendant company having been incorporated as far back as on 21 August 1995, to the knowledge of the plaintiff, even an action under Section 22 of the Companies Act, 1956 for getting the corporate name of the defendant company changed is barred by limitation. The submission is that by filing the present suit for injunction, the plaintiff wants to achieve indirectly, what it can't achieve directly. Relying on *New Horizons Limited and Anr. v. Union of India and Ors.*, and *LIC of India v.*

Escorts Ltd. and Ors., , learned counsel has vehemently urged that this court must pierce the corporate veil to appreciate that the entire action of a corporate entity lacks bona fide and is merely retaliatory against one group of the family by other groups, who are in control of the company.

12. From the aforementioned rival stands, two main issues arise for consideration, namely, (1) whether the name 'Atlas', which is a registered trade mark of the plaintiff company and the name 'House of Atlas', the trade mark adopted by the first defendant are so similar that a confusion is likely to be caused in the mind of the consumer and (2) whether the user of the name 'Atlas', which also forms part of the corporate name of the plaintiff company by the first defendant in its corporate name is likely to create confusion amongst those who are dealing with the plaintiff company and the public at large and the consumers; and, the plaintiff company has a legal right to restrain the defendants from selling their products with the offending mark and also from carrying on their business under the aforementioned corporate name.

13. The principles by which the case is to be decided are well settled. The fundamental principle is that a person shall not trade under a name, so closely resembling with that of the plaintiff's, as to be mistaken for it by the public. Alternatively put, a person shall not carry on his business in such a way

as to represent that his business was a business of another person.

14. A trade mark is essentially a means to advertise one's product and make it known to the purchaser. Its function is to identify the source of manufacture of goods. Under Section 28 of the Trade and Merchandise Marks Act, 1958 (for short the Act) on the registration of a trade mark, a registered proprietor gets a statutory and an 'exclusive right' to use the trade mark in relation to the goods in respect of which the trade mark is registered. In *Power Control Appliances* (supra), their lordships of the Supreme Court said that "it is well settled principle of law relating to trade mark that there can be only one mark, one source and one proprietor. It cannot have two origins." Therefore, except for the "special circumstances" contemplated in the Act, no person, other than the registered proprietor is entitled to adopt and use a registered mark.

15. A mark is infringed by another trader if, even without using the whole of it, upon or in connection with his goods, he uses one or more of its essential features. In the event of infringement of trade mark a right is conferred on the registered proprietor of a mark to take appropriate proceedings for the vindication of his exclusive right to use the trade mark in relation to those goods. Of course, the use of the registered trade mark by another person is a sine qua non for an action for infringement, for which the proprietor has to establish that the mark used by another person so nearly resembles his trade mark that it is likely to deceive or cause confusion in relation to goods in respect of which it is registered. The representation by another person must be calculated to deceive, though deception need not actually take place.

16. Pointing out some similarities between an infringement and passing off, in *Ruston & Hornsby Ltd. v. The zamindar Engineering Co.*, , the Apex Court observed as follows:

"In an action for infringement where the defendant's trade mark is identical with the plaintiff's mark, the Court will not enquire whether the infringement is such as is likely to deceive or cause confusion. But where the alleged infringement consists of using not the exact mark on the register, but something similar to it, the test of infringement is the same as in an action for passing-off. In other words, the test as to likelihood of confusion or deception arising from similarity of marks is the same both in infringement and passing-off actions."

17. Dealing with the question of burden of proof in an action for infringement of trade mark, in *Kaviraj Pandit Durga Dutt Sharma v. Navratna Pharmaceutical Laboratories*, , the Supreme Court observed as follows:

"....In an action for infringement, the plaintiff must, no doubt, make out that the use of the defendant's mark is likely to deceive, but where the similarity between the plaintiff's and the defendant's mark is so close either visually, phonetically or otherwise and the court reaches the conclusion that there is an imitation, no further evidence is required to establish that the plaintiff's rights are violated. Expressed in another way, if the essential features of the trade mark of the plaintiff have been adopted by the defendant, the fact that the get-up, packing and other writing or

marks on the goods or on the packets in which he offers his goods for sale show marked differences, or indicate clearly a trade origin different from that of the registered proprietor of the mark would be immaterial."

The court further observed that:

"...In an action for infringement the onus would be on the plaintiff to establish that the trade mark used by the defendant in the course of trade in the goods in respect of which his mark is registered, identical or is deceptively similar.

xxxx xxxx xxxx xxxx The identification of the essential features of the mark is in essence a question of fact and depends on the judgment of the Court based on the evidence led before it as regards the usage of the trade. "It should, however, be borne in mind that the object of the enquiry in ultimate analysis is whether the mark used by the defendant as a whole is deceptively similar to that of the registered mark of the plaintiff." (Emphasis supplied).

18. The true test to determine the challenge to the user of a mark, as held by their lordships of the Supreme Court, in *F. Hoffmann-La Roche & Co. Ltd. v. Geoffrey Manner & Co. Pvt. Ltd.*, is whether in the totality of the facts and circumstances, the questioned mark is such that it is likely to cause deception or confusion or mistake in the minds of persons accustomed to the existing trade mark, user whereof is said to have been infringed.

19. In *S.M. Dyechem Ltd. v. Cadbury (India) Ltd.*, while considering the question whether for grant of temporary injunction the court should go by the principle of prima facie case, apart from balance of convenience or "comparative strength"

of the case of either parties or by finding out if the plaintiff has raised a friable issue, the Supreme Court concluded that in trade mark cases it is necessary to go into the question of 'comparable strength' of the case of either party, apart from balance of convenience.

20. The aforementioned conclusion in *S.M. Dyechem Ltd. Ltd.* case (supra) has been affirmed by their Lordships of the Supreme Court in *Cadila Health Care Ltd. v. Cadila Pharmaceuticals Ltd.*, , although on merits the decision has been disapproved.

21. Applying the aforementioned broad principles, governing the action for infringement of trade mark, to the facts in hand, I am of the view that comparing the two trade names as a whole, there is a deceptive resemblance between the plaintiff's mark 'Atlas' and the defendants' mark 'House of Atlas'. In my opinion the bare use of the word 'Atlas' by the first defendant qua the articles, manufactured, marketed and sold by the plaintiff, namely, bicycles and bicycle parts etc. even in conjunction with the words 'House of' is likely to cause confusion or deception in the mind of the purchaser, thus constituting infringement of plaintiff's trade mark 'Atlas'. As noticed, pre-fixation of the words 'House of' to the plaintiff's trade mark 'Atlas', in my view is of no consequence and,

therefore, it is a fit case where defendants should be restrained from using the offending trade mark 'House of Atlas'.

22. I am also of the view that in the present case, insofar as the user of the offending mark by the first defendant for marketing its products is concerned, the plea of acquiescence is not available to the defendants. Plaintiff's stand in para 25 of the plaint that it became aware of the defendants' user of the offending mark on its products sometime in the second week of April 2002 has not been specifically denied by the defendants in their respective written statements. In fact, the stand of the first defendant in its written statement is that it started selling the goods manufactured in February 2002.

23. Now coming to the second issue whether the first defendant should be enjoined from using the corporate name containing plaintiff's trade mark 'Atlas'. I feel that the question has to be considered from a slightly different angle. It is trite that delay or acquiescence simplicitor may not be a defense to a suit for infringement of a trade mark but where a person allows for a considerable periods his rival to build up his business name with a mark, which may be similar to his own, the plea of acquiescence and delay cannot be brushed aside. If the defendant is able to show that adoption and user of his trade name for a fairly long period was within the knowledge of the plaintiff, the court may decline an interim injunction, notwithstanding plaintiff's legal rights under the Act, particularly when the grant of interim injunction is governed by the equitable principles. Of course, what amounts to acquiescence depends upon the circumstances of each case. AT this stage it will be useful to notice the following observations from Halsbury's Laws of England (Vol. 32) quoted by the Apex Court in *Amritdhara Pharmacy v. Satya Deo Gupta*, :

"If a trader allows another person who is acting in good faith to build up a reputation under a trade name or mark to which he has rights, he may lose his right to complain, and may even be debarred from himself using such name or mark. But even long user by another, if fraudulent, does not affect the plaintiff's right to final injunction; on the other hand prompt warning or action before the defendant has built up any goodwill may materially assist the plaintiff's case."

24. In the present case it is not in dispute that the first defendant was incorporated on 21 August 1995, perhaps at a time when the members of the Kapur family had not reached the flash point. As noticed above, two companies floated by the members of the family are also carrying on their business under the corporate name using plaintiff's trade mark 'Atlas'. No one seems to have raised even a little finger in protest, be it the plaintiff company or other members of the Kapur family. I find it difficult to believe that other members of the Kapur family, managing the affairs of the plaintiff company, were not aware of the incorporation of the first defendant. In any case, no such plea has been taken in the plaint or the replication. In my opinion, therefore, the plaintiff or its functionaries having kept quiet on the issue for over seven years, the doctrine of acquiescence as also an honest and concurrent user, as envisaged in Sub-section (3) of Section 12 of the Act is attracted in the present case, insofar as the corporate name of the first defendant is concerned.

25. Further, the delay on the part of the plaintiff in initiating action for restraining the first defendant from using the corporate name is fatal to the claim of the plaintiff from another angle as well. Section 22 of the Companies Act, as amended by the Amendment Act 47 of 1999, has increased the power of the Central Government to order rectification of name of a company, where it constitutes an infringement of a registered trade mark. The amended provision provides that an action by a registered proprietor of a trade mark for requiring a company to change its corporate name has to be moved within five years of the date on which the registration of the company with offensive name comes to the notice of the registered trade mark owner (proviso to Sub-section (1) of Section

22). Apparently, in view of this limitation, introduced in the year 1999, it may not be possible for the plaintiff to seek a change in the corporate name by taking recourse to a statutory remedy under the Companies Act. If that be so, even though strictly speaking Section 22 may not be a bar to the common law remedy available to the plaintiff to seek injunction, restraining the defendants from using the corporate name with their trade mark but it is a relevant factor which may disentitle the plaintiff from a relief in equity i.e. of injunction.

26. Having regard to the facts of the instant case and bearing in mind the fact that other members of the Kapur family are also using almost identical corporate names, though for different products, it cannot be said that the plaintiff has made out a good case for grant of interim injunction restraining the first defendant from using the corporate name. I also feel that if such an ad interim injunction is granted, it is likely to cause serious prejudice to the first defendant. Restraining the first defendant from using its corporate name at this juncture, which it has nurtured for the last more than seven years, in my view, would result in suddenly bringing its business to a grinding halt, which may ultimately amount to a civil death for the first defendant. Thus, in my view, the balance of convenience lies in favor of the first defendant and not the plaintiff, insofar as this aspect is concerned.

27. Consequently, I restrain the defendant from using the trade mark 'House of Atlas' or any other mark which may be deceptively similar to the plaintiff's trade mark 'Atlas', in respect of bicycles and bicycle parts till the disposal of the suit. However, there will be no injunction in respect of its user as the corporate name of the first defendant.

28. Any observation touching the merits of the case is purely for the purpose of disposal of this application and shall not be construed as expression of final opinion in the matter.

The application stands disposed of with no order as to costs.

Suit No. 882/02.

List the suit before the appropriate court, as per roster, for directions on 07 October 2002.