
(2017) 03 DEL CK 0105

In the Delhi High Court

Case No : FAO(OS) 551 of 2015 and FAO(OS) 67 of 2016

Bhagwan Dass Khanna Pvt. Ltd.

APPELLANT

Vs

Bhagwan Das Khanna

RESPONDENT

Date of Decision : 08-03-2017

Acts Referred:

Trade Marks Act, 1999 — Section 124

Citation : (2017) 238 DLT 620 : (2017) 70 PTC 56

Hon'ble Judges : Mr. Badar Durrez Ahmed and Mr. Sanjeev Sachdeva, JJ.

Bench : Division Bench

Advocate : Mr Sudhir Chandra, Sr Advocate with Mr Hemant Singh, Ms Mamta Jha, Manish K. Mishra and Mr Waseem Shuaib Ahmed, Advocates, for the Appellants in FAO(OS) 551 of 2015; Mr J. Sai Deepak, Ms Rachel Mamatha M. and Mr Avijit Sharma, Advocates, for the Respondent in FAO(OS) 551 of 2015; Mr. J. Sai Deepak, Adv. with Ms Rachel Mamatha, Mr Avijit Sharma, Advocates, for the Appellant in FAO(OS) 67 of 2016; Mr. Sudhir Chandra, Senior Advocate with Mr Manish K. Mishra, Mr Waseem Shuaib Ahmed and Mr Pranav Narai, Advocates, for the Respondents in FAO(OS) 67 of 2016

Final Decision : Allowed

Judgement

Badar Durrez Ahmed, J.—CM No. 21715/2015 (exemption) The exemption is allowed subject to all just exceptions.

FAO(OS) 551/2015 and CM No. 21714/2015

This is an appeal against an order dated 21.07.2015 passed by a learned Single Judge of this court in I.A. No. 19187/2014 which in turn was an application under Section 124 of the Trade Marks Act, 1999 (hereinafter referred to as the "said Act") seeking stay of the suit till the time the rectification proceedings initiated by the appellants / defendants before the Intellectual Property Appellate Board (IPAB) with regard to the trade marks bearing registration numbers 1166568, 1166569 and 1166570 were finally adjudicated upon.

2. The learned Single Judge has rejected the application on the ground that the

same was barred by limitation in view of the provisions of Section 124(3) of the said Act. It was held that no application had been made for rectification before the IPAB within the period of three months from the date of framing of issues and, therefore, the application was beyond time and could not be entertained.

3. The learned counsel for the appellants referred to the sequence of orders passed by the learned Single Judge in the suit. The issues were framed on 02.01.2014. Issue No. 7 specifically reads as under :-

"(vii) Whether the trade mark registrations 1166569, 1166570 and 1166568 pertaining to "BDK" and device of the plaintiff are invalid registrations and liable to be cancelled" OPD"

It is evident from the above that a triable issue has been raised regarding the validity/invalidity of registration of the respondent's/plaintiff's registered trademarks. On 02.01.2014 when the issues were framed, the learned counsel appearing for the appellants / defendants submitted that the case, being a family matter, an attempt would be made to resolve the issues amicably. The learned counsel for the respondent/plaintiff had no objection to the same and, therefore, the matter was agreed to be listed on 17.01.2014 at 4 pm when the parties were directed to remain present in court. On 17.01.2014 as also on 13.02.2014 and 02.04.2014 the matter was adjourned at the joint request of the parties. It is evident that throughout this period, attempts were being made at resolving the issues amicably. In fact on 02.04.2014, the learned Single Judge had even heard the learned counsel for the parties in chambers as requested by them to attempt at resolving the disputes. It was once again adjourned on 02.04.2014 to 26.05.2014 for this very purpose. However, on 26.05.2014 it was reported to the learned Single Judge by the learned counsel for the parties that there was no possibility of an amicable settlement. Consequently, the matter was directed to be listed before the Joint Registrar on 18.09.2014. In the meanwhile, on 16.09.2015 the appellants / defendants had filed the rectification application before the IPAB.

4. We may also point out for the sake of completeness that while the parties were trying to settle their disputes amicably, the respondent / plaintiff had filed its affidavit by way of evidence on 01.05.2014.

5. It would be necessary to examine the provisions of Section 124 of the said Act. It is set out hereunder :-

"124. Stay of proceedings where the validity of registration of the trade mark is questioned, etc. - (1) Where in any suit for infringement of a trade mark -

(a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or

(b) the defendant raises a defence under clause (e) of sub-section (2) of section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall, -

(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the Appellate Board, stay the suit pending the final disposal of such proceedings;

(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register.

(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b) (ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.

(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.

(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark.

(5) The stay of a suit for the infringement of a trade mark under this section shall not preclude the court from making any interlocutory order (including any order granting an injunction directing account to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit."

(underlining added)

6. The case of the appellants / defendants is that by virtue of Section 124 (1)(a) (ii), it is incumbent upon the court, after issues have been framed, to adjourn the case for a period of three months from the date of framing of issues in order to enable the party concerned to apply to the IPAB for rectification of the register. It was contended by the learned counsel for the appellants that no such direction was given by the learned Single Judge on the date on which the issues were framed that is, on 02.01.2014. This is so because parties on both sides had expressed a hope for settling the disputes amicably. Consequently, it was submitted by the learned counsel for the appellants/defendants that as no specific direction had been issued by the learned Single Judge granting an adjournment of three months from the date of framing of issues to enable the party concerned to apply to the IPAB for rectification of the register, the appellants/defendants could not be penalised for not having filed the rectification

application within three months from the date on which the issues were framed. It was further pointed out by the learned counsel for the appellants that in any event, the court had the power to extend the time, where sufficient cause was shown, to enable the appellants/defendants to file an application for rectification. The learned Single Judge, according to the appellants/defendants, had erred in construing the starting point of limitation to be the date of the framing of issues despite the fact that no direction had been given by the court adjourning the case for the period of three months to enable the appellants/defendants to apply to the IPAB for rectification of register. Consequently, it was submitted that the application seeking stay of the suit could not have been rejected on the ground of limitation.

7. The submission of the learned counsel for the respondent, on the other hand, is that when the issues were framed by the court, it was incumbent upon the appellants / defendants to have requested the court to adjourn the case for a period of three months to enable them to move the rectification application. Since they did not do so and since they also did not seek any extension of time from the court, the right of the respondents gets crystallised in terms of Section 124(3) to the extent that the issue as to the validity of the registration of the trademarks concerned would be deemed to have been abandoned by the appellants/defendants and the court would have to proceed with the suit with regard to the other issues involved therein. Reading the provisions of Section 124(1)(a)(ii), the learned counsel for the respondent submitted that the intention that is discernible is that it is incumbent upon the defendant to bring it to the notice of the court that it wishes to file a rectification application before the IPAB.

8. The learned counsel on both sides had placed reliance on the Full Bench decision of this court in *Data Infosys Limited and Others v. Infosys Technologies Limited*: [FAO (OS) 403/2012 (decided on 05.02.2016)] [2016 SCC Online Del 677]. The learned counsel for the appellants submitted that the said Full Bench decision had no adverse impact on the submissions made on behalf of the appellants. On the other hand, the learned counsel for the respondent submitted that the Full Bench decision fully supported the arguments advanced on the part of the respondent.

Discussion

9. On an analysis of Section 124(1)(a)(ii) of the said Act, it is evident that where, in a suit for infringement of a trademark, the defendant pleads that the registration of the plaintiff's trade mark is invalid, the court trying the suit shall, if no proceedings for rectification of the register in relation to the plaintiff's trade mark are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of framing of the issue in order to enable the party concerned to apply to the Appellate Board for rectification of the register. It is, therefore, evident

that the provisions of Section 124(1)(a)(ii) in effect enjoins the court rather than the parties. In a suit for infringement of a trade mark, the court has to first examine whether the defendant has taken the plea that the registration of the plaintiff's trade mark is invalid. The next step which the court is required to take is to ascertain as to whether there are any proceedings pending with regard to rectification of the register in relation to the plaintiff's trade mark. In case no such proceedings are pending, the next stage for the court is to satisfy itself that the plea regarding the validity of the registration of the plaintiff's trade mark is *prima facie* tenable. Once this happens, the court is enjoined to raise an issue regarding the same and simultaneously adjourn the case for a period of three months from the date of framing of the issue so as to enable the party concerned to apply to the Appellate Board for rectification of the register. From this sequence of steps to be undertaken by the court, it is evident that when the court frames an issue with regard to the invalidity of the plaintiff's trade mark, it can be presumed that the court was satisfied that the plea regarding such invalidity was *prima facie* tenable.

10. In the present case, we find that the learned single Judge, while framing issues on 02.01.2004, specifically framed issue No.7 with regard to invalidity of the registration of the plaintiff's trade mark. Clearly, it could have only happened when the court was satisfied that the plea regarding invalidity of the registration of the plaintiff's trade mark was *prima facie* tenable. At that stage itself, the learned single Judge ought to have adjourned the case specifically for a period of three months to enable the appellants / defendants to apply to the IPAB for rectification of the register. But, this direction was not given nor was the case adjourned for the said period of three months. In fact, the parties submitted that as the case was a family matter, an attempt could be made to resolve the issue amicably. The court, therefore, instead of adjourning the matter for three months, as was the requirement under Section 124(1)(a)(ii) of the said Act, directed the same to be listed on 17.01.2014 at 4.00 p.m. when the parties were directed to remain present in court. As noted above, several attempts were made at settling the matter and the case was adjourned from time to time, that is, from 17.01.2014 to 13.02.2014 and again to 02.04.2014. On the last mentioned date, the learned single Judge had even heard the counsel for the parties in Chambers as requested by them to attempt at resolving the disputes. As no resolution was possible on that date, the case was again adjourned to 26.05.2014 for further attempts at settling the matter. But, on 26.05.2014, the counsel for the parties informed the court that there was no possibility of an amicable settlement. Consequently, the learned single Judge directed that the matter be listed before the Joint Registrar on 18.09.2014. As pointed out above, the appellants / defendants filed the rectification application before the IPAB on 16.09.2014. On 17.09.2014, the application (IA No.19187/2014) for stay of further proceedings in the suit till the final disposal of the rectification was filed by the appellants / defendants. It is on this application that the impugned order dated 21.07.2015 has been delivered. As pointed out above, the application was

rejected on the ground of delay.

11. We have seen above, that it is the court which is enjoined to adjourn the case for a period of three months after an issue regarding the validity of the registration of the plaintiff's trade mark is raised / framed, to enable the defendant to apply to the IPAB for rectification of the register. This, the court did not do. Therefore, one way of looking at the present matter is that the limitation of three months actually had not started to run. The appellants /defendants were not required to make any application for stay of the trial. If the conditions precedent for the stay of the trial had been met, the court was enjoined to stay the trial of the suit till the finalization of the rectification proceedings. One of the conditions precedent was that an issue be raised regarding the invalidity of the plaintiff's trade mark. Another condition was that the court ought to have specifically adjourned the case for a period of three months from the date of framing of the issue so as to enable the appellants / defendants to apply to the IPAB for rectification of the register. This direction was not expressly given by the learned single Judge. Be that as it may, the matter was listed time and again for the purposes of arriving at a settlement. In fact, the entire period from 02.01.2014 till 26.05.2014 was consumed by the attempts at settlement. If at all, the clock would start running from 26.05.2014, the rectification application was filed on 16.09.2014 approximately 3 months and 20 days later.

12. The question then arises as to whether the rectification application could be regarded as having been filed within the "time specified" or within such extended time as the court may for sufficient cause allow. We reiterate that the court did not pass any order specifically adjourning the case for a period of three months from the date of framing of the issue to enable the appellants / defendants to apply to the IPAB for rectification of the register. Therefore, one way of looking at the matter would be that, as pointed out above, the clock had not even started to tick insofar as the said period of three months is concerned. Another way of looking at it would be that 26.05.2014 could be considered to be the date on which the court could be presumed to have adjourned the matter for a period of three months to enable the appellants / defendants to apply to the IPAB for rectification of the register. If this contention is considered, then the filing of the rectification application is only approximately 20 days beyond the period of 3 months.

13. We must, at this juncture, note the provisions of Section 124(2) of the said Act. It stipulates that if the party concerned proves to the court that he has made a rectification application within the "time specified" (meaning 3 months from the date of framing of the issue) or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings. It is evident from this provision that the period of 3 months stipulated in 124(1)(a)(ii) can certainly be extended if there is sufficient cause shown for the delay in filing of the rectification application. In our view, in the peculiar circumstances of the present case, this

provision of extension of time could very well have been invoked and the learned single Judge ought to have, therefore, stayed the trial of the suit until the final disposal of the rectification proceedings.

14. We now need to examine the impact, if any, of the Full Bench decision in the case of Data Infosys Limited (*supra*) on the aforesaid conclusion arrived at by us. The Full Bench was called upon to answer a reference as the Division Bench had noticed a judicial conflict on the question as to whether prior permission of the court was necessary under Section 124(1)(b)(ii) of the said Act for rectification of a registered trade mark, during the pendency of a suit. It was noted in the Full Bench decision that one view was that proceedings for rectification of the defendant's trade mark could not be initiated without the *prima facie* satisfaction of the plea by the court and that the suit could not be adjourned or stayed in terms of Section 124(1)(b)(ii) of the said Act to await the outcome of the rectification proceedings initiated by the plaintiff before the IPAB if the procedure outlined therein is not followed. The other view was that such proceedings for rectification before the IPAB could be initiated without the permission of the court trying the infringement suit and the consequence of not obtaining permission was only that the applicant could not seek stay of the suit.

15. While examining the two views, the Full Bench, *inter alia*, observed as under:-

"? According to this court, the structure of Section 124(1) firstly contemplates the parties who might claim invalidity in the infringement suit and secondly deals with the stage when such plea is urged, leading to different contingencies. For instance, the two situations that arise are (1) if the rectification application was filed before the plea is urged (Section 124(1)(b)(i)- in which event, its disclosure compels the court ("the court trying the suit") to adjourn the suit) and (2) where the suit is filed before a rectification proceeding/application is preferred (Section 124(b)(ii)- in which event the court has to first decide whether the invalidity plea is tenable, and then only adjourn the suit to enable the party to approach the IPAB). These, in the opinion of the Court are broad lines demarcated by Parliament in regard to the different contingencies based on when a party approaches the court with a trademark invalidity plea. This conclusion is fortified by the fact that in the first eventuality, i.e where the rectification proceedings are pending i.e where they chronologically precede the infringement suit-the court has no choice in the matter; it cannot determine the *prima facie* tenability of the invalidity plea. Such duty is cast only and only where the plea is urged in the suit for the first time when there is no rectification proceeding at the time the suit was filed.

32. *Prima facie* evaluation of tenability of the plea of invalidity under Section 124 is only for the purpose of determining whether, or not, the proceedings in the suit for infringement should be adjourned (not stayed) for a period of 3 months from the date when the said issue is considered and framed. However, in case rectification proceedings are not filed within the period of three months from the date of raising the issue of invalidity and the *prima facie* consideration of the

validity of the said plea, the plea of invalidity of the registered trademark is deemed to have been abandoned, and the Court shall proceed with the suit as regards the other issues. By virtue of Section 124(3), the issue of invalidity of the registered trademark would not survive to be decided in the suit, as the plea of invalidity would be deemed to have been abandoned in the suit. Even if the plaintiff, or the defendant - as the case may be (i.e the party concerned setting up the invalidity plea), files a rectification application under Section 47/57 of the Act after the expiry of the period of three months, or such extended time as the Court may grant, though the rectification application would be maintainable and would be decided on its own merits by the IPAB, the final decision of the IPAB on the said application would have no bearing on the suit, in view of the deemed abandonment of the plea of invalidity. Thus, belated filing of the rectification proceedings (i.e. beyond the period of three months, or such extended time as may be granted by the Court) would not result on the stay of the suit. ?"

Thereafter, the majority opinion of the Full Bench summed up the conclusions as under:-

"41. This court, for the foregoing reasons, sums up the conclusions as follows:

(1) IPAB has exclusive jurisdiction to consider and decide upon the merits of a plea of trademark registration invalidity - applying Section 47 and 57 of the Act- in the context of an infringement suit based on such registered trademark.

(2) The two situations whereby the infringement action is stayed, are when the rectification proceedings are instituted before the filing of the suit (Section 124(1) (i)) and after the plea of invalidity is held to be prima facie tenable under Section 124(1)(ii)) to enable the party urging invalidity to approach IPAB.

(3) Where the civil court based on its prima facie assessment states the the invalidity plea is not tenable or where the litigant does not approach the IPAB within the time granted (i.e when the court holds the plea to be prima facie tenable) the only consequence is deemed abandonment of the invalidity defense in the infringement suit. However, access to IPAB to invoke its exclusive jurisdiction to test the invalidity of a trademark registration is not precluded or barred in any manner whatsoever."

The order of the court was as under:

"This Full Bench therefore, in its unanimous opinion, holds that:

1. (a) IPAB has exclusive jurisdiction to consider and decide upon the merits of a plea of trademark registration invalidity - applying Section 47 and 57 of the Act- in the context of an infringement suit based on such registered trademark. Access to IPAB is not dependent on the civil court's prima facie assessment of tenability of a plea of invalidity of trademark registration. In other words, Section 124 of the Trademarks Act does not control the choice of a litigant to seek rectification of a registered trademark.

(b) The decision in *Astrazeneca UK Ltd. v. Orchid Chemicals and Pharmaceuticals Ltd.* 2007 (34) PTC 469 (DB) (Del) and all other judgments which hold that the plea of rectification can be raised by a party to an infringement suit, only if the court trying the suit, rules it to be prima facie tenable and that if such finding is not recorded, the party cannot avail the remedy of rectification of a registered trademark, is accordingly overruled.

2. This Court holds, by its majority judgment (Vipin Sanghi, J dissenting on this point) that the two situations whereby the infringement action is stayed, are when the rectification proceedings are instituted before the filing of the suit (Section 124(1)(i)) and after the plea of invalidity is held to be prima facie tenable under Section 124(1)(ii)). In the first situation, if such plea exists, before the filing of the suit, the Court has to stay the suit to await the decision of the IPAB. In the second situation, if there is no application for rectification before the IPAB when the suit is filed and a party to the infringement suit, wishes to challenge it after the filing of the suit, it may do so, but the court has to assesses the tenability of the invalidity plea-if it finds it prima facie tenable, then and then alone, would it stay the suit to enable the party to approach the IPAB within a time period. If the party does not avail of this, or approaches the IPAB after the period given, the court would proceed with the suit; the plea of invalidity is deemed abandoned in the infringement suit."

16. We are of the view that the decision of the Full Bench does not, in any way, impact the conclusion that we have arrived at. The present case falls in the second situation where there was no application for registration before the IPAB when the suit was filed. But, the facts of the present case are somewhat different from the situation analysed by the Full Bench inasmuch as the Full Bench decision did not take into account the possibility of the framing of an issue with regard to invalidity of the plaintiff's trade mark and yet the court not specifically adjourning the case for three months to enable the defendant to file an application for rectification of the plaintiff's trade mark before the IPAB. The key point, however, is that once an issue has been framed, then in the fact situation of the present case, the appellants / defendants having filed the rectification application, they could certainly ask for stay of the suit till the disposal of the rectification application before the IPAB. And, in such an eventuality, the provisions of Section 124(3) would not get triggered. In other words, it could not be said that the issue as to the validity of the registration of the plaintiff's trade mark could be deemed to have been abandoned.

17. For all these reasons, we allow the appeal [FAO(OS) 551/2015] and set aside the impugned order dated 21.07.2015 passed by the learned single Judge. The effect of this would be that there would be a stay of the trial of the suit till the final disposal of the rectification proceedings before the IPAB. As a corollary to this, the issue as to the validity of the registration of the trade mark of the plaintiff cannot be deemed to have been abandoned.

FAO(OS) 67/2016

18. This appeal, which is styled as a cross-appeal has been filed on behalf of the plaintiff in CS(OS) 1061/2008. The challenge in this appeal is to the findings in paragraphs 6 and 7 of the judgment dated 21.07.2015 delivered by a learned single Judge of this court in IA No.19187/2014 which was the subject matter of challenge in FAO(OS) 551/2015 which we have discussed and decided above. FAO(OS) 67/2016 is also directed against the order Dated 02.01.2014 to the extent of framing of issue No.7 which deals with the plea of invalidity of the registrations of the plaintiff's trade mark. FAO(OS) 67/2016 is accompanied by an application being CM No.8354/2016 seeking condonation of delay of 720 days insofar as the challenge to the order dated 02.01.2014 is concerned and a delay of 70 days with regard to the challenge to the order dated 21.07.2015.

19. We may point out that there was vehement opposition to this application for condonation of delay as also to the appeal on merits. We also noticed that the present appeal was filed only as a counter-blast and because submissions had been made on the part of the defendants [appellants in CS (OS) 551/2015] to the effect that since the issue No.7 had been framed with regard to the invalidity of the plaintiffs trademarks, the court had taken the view that the plea of invalidity was tenable. In the course of the arguments, a point was also raised that in the order dated 21.07.2015, the learned single Judge in paras 6 and 7 had clearly held that the court had prima facie found the defendants' contentions with regard to the invalidity of the plaintiff's trade mark to be untenable and yet the plaintiffs had not filed any appeal or objected to such a finding. It is only then, as an after-thought and as a counter-blast, that FAO(OS) 67/2016 was filed after much delay as already noted above. An excuse was sought to be given for the said delay that the law was not clear inasmuch as the Full Bench was seized of the reference to which we have already alluded above. We are afraid that this would not constitute sufficient cause for condoning the delay. In any event, even on merits, we do not agree with the submissions made on behalf of the plaintiffs. We have already indicated that framing of the issue with regard to invalidity clearly meant that the court found the plea of invalidity raised by the defendants to be prima facie tenable. Otherwise, no such issue would have been framed. For these reasons, CM No.8354/2016 for condonation of delay as also the appeal [FAO(OS) 67/2016] are dismissed. The parties are left to bear their own costs.