
(1991) 04 MAD CK 0028

In the Madras High Court

Case No : Original Petitions No"s. 358 of 1982 and 309 of 1983

Fatima Tile Works and another

APPELLANT

Vs

Sudarsan Trading Co. Ltd. and another

RESPONDENT

Date of Decision : 12-04-1991

Acts Referred:

Companies Act, 1956 — Section 11, 2(1), 23(1), 28, 3

Citation : (1991) 2 LW 283

Hon'ble Judges : A.R. Lakshmanan, J

Bench : Single Bench

Judgement

Lakshmanan J.

1. Original Petition No. 358 of 1982 was filed by Fatima Tile Works, Marathakkara, Trichur, Kerala, u/s 56 read with section 107 of the Trade and Merchandise Marks Act, 1958 (hereinafter called ""the Act""), for rectification of the register or removal of the registered trade mark granted in favour of one Madura Co. Ltd. and later assigned in favour of Sudarsan Trading Company (hereinafter called ""STC"").
2. Original Petition No. 309 of 1983 was filed by Standard Tile Factory (Pvt.) Ltd., Karuvannur, Trichur district, represented by its managing director, Mr. Balan against STC, Calicut, and against the Deputy Registrar of Trade Marks, Madras 6, u/s 56 read with section 107 of the Act for rectification of the register or removal of the registered trade mark.
3. The contesting respondent in both the original petitions is Sudarsan Trading Co. (STC), Calicut 1.
4. The short facts are as follows :

The trade mark in question was registered under No. 2763 in Part A of the

register as of the due July 29, 1942, in class 19 in respect of bricks and tiles, roofing tiles, ceiling tiles, ventilators, skylights, all being made from clay and/or fireclay material in the name of Madura Co. Ltd., trading as Feroke Tile Works, Calicut, South India.

Pursuant to a request in form TM-24, dated May 16, 1969, and order thereon dated June 28, 1969, STC the first respondent was registered as

subsequent proprietor of this mark, as from April 23, 1967, by virtue of the deed of assignment, dated August 23, 1968. In the certificate dated

April 23, 1976, issued by the senior examiner of trade marks, Trade Marks Registry, Bombay, it is mentioned that the registration of the aforesaid

trade mark which has been renewed from time to time will remain in force for a period of seven years from July 29, 1985, and may be renewed at

the expiration of that period and of each succeeding period of seven years. As stated above, the trade mark was registered under No. 2763 in

Part A of the register as on July 29, 1942 (clause 19), originally in the name of Madura Co. Ltd., trading as Feroke Tile Works, Calicut. The

registration was renewed for a period of 15 years from July 29, 1949. Again it was renewed from time to time. According to the petitioner, the

first respondent's registration of the trade mark under No. 2763 under clause 19 is liable to be expunged on the following grounds :

(a) The first respondent has been guilty of improper assignment or transmission of the registered trade mark in favour of Eastern Clay Works

Calicut 1;

(b) Eastern Clay Works have not applied to the Registry notifying their assignment in terms of sections 41 and 44 of the Act;

(c) The first respondent-STC has not been using the mark registered by them and on the ground of non-user, the registration is liable to be

cancelled in terms of section 46 of the Act, by parting with the trade mark rights in favour of Eastern Clay Works;

(d) Only the registered user is entitled to maintain a suit against the petitioner herein and inasmuch as Eastern Clay Works is not the registered user

of the trade mark in question, the petitioner, as the aggrieved person, is entitled to maintain the above original petition in this court for rectification in

terms of section 56 of the Act;

(e) The trade mark registered in the name of STC is liable to be removed on

account of dishonesty on the part of STC and in the public interest.

5. Therefore, the petitioner filed the above petition (O.P. No. 358 of 1982) for a decree directing cancellation or expunging the registered trade

mark with the device ""umbrella"" under No. 2763 registered in the name of the first respondent from the register of trade marks in the office of the

Deputy Registrar of Trade Marks, Shastri Bhavan, Madras 6.

6. The petitioner in Original Petition No. 309 of 1983 has also made similar allegations in his original petition and prayed for a decree directing

cancellation or expunging of the registered trade mark with the device ""umbrella"" under No. 2763 registered in the name of the first respondent

herein from the register of the trade marks in the office of the second respondent.

7. Both the original petitions were resisted by the contesting first respondent-STC. It is stated in the counter-affidavit filed in O.P. No. 358 of

1982 that the first respondent-STC has leased its tile factory under the name and style of Feroke Tile Works to Eastern Clay Works Ltd. by a

deed executed in this behalf, that Eastern Clay Works Ltd. has taken out an application before the District Court of impleading the first respondent

as the second plaintiff and that the first respondent has permitted Eastern Clay Works Ltd. to use the respondent's trade mark by a deed executed

between STC and Eastern Clay Work Ltd. From the point of time Eastern Clay Works Ltd. was permitted to use the respondent's trade mark,

the first respondent-STC has always and at all times exercised proper control and supervision with regard to the standard and quality,

specifications and the like concerning the tiles manufactured in the said Feroke Tile Works. Besides, the tiles manufactured by the said Eastern

Clay Works Ltd. have always borne the name and style of Feroke Tile Works, which is nothing but one of the manufacturing divisions of the

respondent company. In other words, the respondent states that the use of the mark by Eastern Clay Works Ltd., is in effect use of the mark by

the respondent-STC itself. So much so, that the standard and quality in respect of the tiles manufactured in the tile factory bearing the name Feroke

Tile Works have always been maintained in accordance with the directions of the respondent-company and under the immediate supervision of the

respondent-company. As a matter of fact, all tiles manufactured in Feroke Tile Works at all times since the respondent-company became the

owner of the umbrella trade mark have always indicated origin in Feroke Tile Works, which is one of the manufacturing divisions of the respondent company. The first respondent has also denied the allegations in paragraph 7(a) of the petition and stated that there has neither been assignment nor transmission of the registered trade mark as alleged by the petitioner. The allegation made in paragraph 7(b) of the petition has also been denied as totally misleading and baseless. According to the first respondent, the provisions of sections 41 and 44 of the Act were never attracted inasmuch as there has been no assignment in respect of the trade marks of the respondent. The allegation of non-user raised by the petitioner has also been denied and the respondent prayed that the petition filed by the petitioner (O.P. No. 358 of 1982), may be dismissed, as the petitioner has no cause of action against the first respondent.

8. Similar is the counter filed by the first respondent in Original Petition No. 309 of 1983. Since the point for determination involved in both the original petitions are one and the same, documents were marked in Original Petition No. 358 of 1982. The petitioners in the respective original petitions have not examined any witness on their side. The first respondent-STC has examined its Assistant Law Officer as DW-1 in Original Petition No. 358 of 1982. On the basis of the pleadings and the evidence tendered by both parties, oral and documentary, arguments were heard by this court. On behalf of the petitioner in both the original petitions, Mr. V. S. Subramaniam was heard and on behalf of the contesting first-respondent in both the original petitions, Mr. M. K. Rao has made his submissions.

9. According to Mr. V. S. Subramaniam, learned senior counsel appearing for the petitioner in both the original petitions, the first respondent-STC in pursuance of the three agreements entered into on December 16, 1970 (exhibits D-4, D-5 and D-6) with one Eastern Clay Works Ltd. had allowed the said Eastern Clay Works Limited as the ""user"" of the trade mark ""umbrella"" brand and the name of Feroke Tile Works together with machinery, buildings, etc., and that the said arrangement admittedly continues even as on date. According to learned counsel, there is no reservation for any supervision or control by STC Limited in any form whatsoever notwithstanding the fact that oral evidence had been let in by a person stationed at Madras, that there is some sort of supervision in view of the

written agreements and the said evidence cannot be taken note of at all. Learned counsel further submits that the said evidence is exactly contrary to the written agreement and in the presence of the written agreements, exhibits D-4 to D-6, under sections 91 and 92 of the Evidence Act, no evidence could be let to vary the terms of the written agreement and, consequently, either in law or on facts any such oral evidence can be let in or considered by this court. It was further contended that the use of the trade mark as well as the name, Feroke Tile Works had been assigned in favour of Eastern Clay Works Ltd. and that the same had not been registered as per the Act. No control or supervision is proved. Either in the advertisement, exhibit D-14 or in the catalogues (exhibits D-1 and D-2) no connection of the trade mark with STC is indicated and further no connection between the very purpose and Eastern Clay Works Pvt. Ltd. is even indicated anywhere in the said exhibits. Thus, according to learned counsel, this would incidentally establish that there is neither connection nor control nor supervision by STC, the registered proprietor of the trade mark. It was further contended that the fact that Eastern Clay Work is a subsidiary of STC was not pleaded in the counter statement.

10. However, in my view, the said statement is totally incorrect. In paragraph 4 of the counter-affidavit filed by the first respondent, the first respondent has categorically stated that Eastern Clay Works Limited referred to in paragraph 5 of the original petition is a company which is a wholly owned subsidiary of the respondent herein (STC). Again, learned counsel for the petitioner contended that the question of subsidiary company and holding company had not been pleaded in the pleadings and that no amount of evidence shall be looked into in respect of the matters not pleaded and that even assuming for the purpose of argument, but without admitting that they are holding and subsidiary companies, they are individual and separate legal entities and that the subsidiary companies are independent companies and have got independent legal personalities and consequently ""user"" by one will not be ""user"" by another. In support of the said contention, learned counsel for the petitioner has cited the decisions in Turner Morrison and Co. Ltd. Vs. Hungerford Investment Trust Ltd., and Spencer and Co. Ltd., Madras Vs. The Commissioner of Wealth Tax

Madras, . In Turner Morrison and Co. Ltd. Vs. Hungerford Investment Trust Ltd., , a learned single judge of the Calcutta High Court held as

follows (headnote) :

Holding company and subsidiaries are incorporated companies and each is a separate legal entity. Each has a separate corporate veil. Because a

company is a holding company, that does not mean that holding company and the subsidiary companies within it, all constitute one company.

Except to the extent that the statute indicates the nature of holding company and the subsidiary company, the corporate veil still remains. If they did

not remain then there would be no point in calling them subsidiary companies of another holding company"".

11. In Spencer and Co. Ltd., Madras Vs. The Commissioner of Wealth Tax Madras, , a Division Bench of this court held as follows (headnote of

AIR) :

The Companies Act contains provisions which enable a company to purchase shares in another company and thus become a controlling company.

Merely because a company purchases almost the entirety of the shares in another company, it will not serve as a means of putting an end to the

corporate character of the other company or controlling company acquiring the ownership of the controlled company, so as to treat them as one

entity for purpose of rights and liabilities. The share capital of such companies is governed and controlled by the provisions of the Companies Act

and its enhancement or reduction can only be in accordance with such provisions. It is well-settled that an incorporated company is a legal person

and it cannot be equated to its shareholders. The position continues to be the same even if the number of the shareholders is reduced to one by

accident or otherwise. The act of the company cannot, therefore, be regarded as that of any of its shareholders and vice versa. It is true that

occasionally the corporate veil of a company is pierced through in order to find out the substance but that is only where it is permitted by a statute

or in exceptional cases of fraud.

12. Thus, it is contended that the registered proprietor of the trade mark is STC which had assigned the same to the other company, viz., Eastern

Clay Works Ltd. and, consequently, the STC had ceased to use the trade mark for over five years and that, therefore, the petitioners are entitled

to the relief of cancellation as prayed for.

13. Before dealing with the submissions made by Mr. M. K. Rao, learned counsel appearing on behalf of the first respondent in both the original

petitions, it is useful to refer to certain provisions of the Act. In the instant case, the trade mark is registered under No. 2763 in Part A of the

Register on July 29, 1942 and the registration of the mark completed seven years on July 29, 1949. The petitioners have neither pleaded nor

substantiated the exceptions to section 32 of the Act found in clauses (a) to (c) of the said section. In fact, petitioners have not even let in any

evidence on this aspect. Section 32 of the Act reads as follows :

32. Registration to be conclusive as to validity after seven years-subject to the provisions of section 35 and section 46, in all legal proceedings

relating to a trade mark registered in Part A of the register (including applications u/s 56), the original registration of the trade mark shall, after the

expiration of seven years from the date of such registration, be taken to be valid in all respects unless it is proved -

(a) that the original registration was obtained by fraud; or

(b) that the trade mark was registered in contravention of the provisions of section 11 or offends against the provisions of that section on the date

of commencement of the proceedings; or

(c) that the trade mark was not, at the commencement of the proceedings, distinctive of the goods of the registered proprietor.

14. As stated above, the petitioners have either substantiated nor pleaded the exceptions to section 32 of the Act found in clauses (a) to (c) of the

said section. Thus, the grounds raised by the petitioners in paragraphs 7(a), 7(b), 7(d), 7(e) and 7(f) of the petition cannot be invoked. However,

section 32 is subject to section 46 of the Act. Section 46(1)(a) of the Act deals with a case of registration of a trade mark without any bona fide

intention on the part of the applicant for registration and that there has been no bona fide use of the trade mark. Section 46(1)(a) of the Act is not

applicable to this case because this is neither pleaded nor substantiated. Section 46(1)(b) of the Act is applicable in this case as pleaded by the

petitioners in paragraph 7(c) of the petition. The petitioner has stated that the first respondent has not been using the mark registered by them and

on the ground of non-user the registration is liable to be cancelled in terms of

section 46 of the Act. Accordingly, the issues narrow down to

section 46(1)(b) of the Act. The five-year non-user period under the provisions of section 46(1)(b) of the Act is required to be continuous. A

break in continuity of non-user would defeat the provisions. In this context, it is useful to refer to paragraph 932 of Narayanan's Trade Marks and

Passing-Off, third edition, which reads thus :

15. Isolated instances of use :

The non-use required to be proved to bring the case u/s 46(1)(b) must be continuous non-use during the relevant period. Thus, it would appear

that even isolated instances of use of the mark would be sufficient to defeat the application. Although the words ""continuous period"" do not appear

in clause (a) of section 46(1), the same principle would appear to apply. In any case, isolated instances of use may be taken as evidence of bona

fide intention to use and thus defeat the application for rectification even where a case rests on clause (a). Where acts of user are few they must be

established by very convincing evidence"".

16. The above period should be renewed up to a date one month before the filing of the concerned original petition. Original Petition No. 358 of

1982 was filed on November 12, 1982, and Original Petition No. 309 of 1983 was filed on November 22, 1983.

17. Mr. M. K. Rao, learned counsel appearing for the first respondent, has submitted that STC is the holding of Eastern Clay Works Pvt. Ltd.

subsequently known as Eastern Clay and ceramics Ltd. because of the following two reasons :

(i) STC is the holding company of one Sudarsan Clay Products Ltd., (SCP) (vide clause 62(a) of the memorandum and articles of association of

SCP, exhibit D-14, whereunder STC nominates the director of SCP - vide also section 4(1)(a) of the Companies Act); and

(ii) SCP is the holding company of Eastern Clay Works Pvt. Ltd. (ECW) by virtue of major shareholding by the former of the latter's shares (vide

for instance Annual Report 1981-82 exhibit D-12 series para F-5 and annual report 1982-83 exhibit D-12 series page F. 5) vide also section 4(1)

(b) of the Companies Act. Since STC is the holding company of SCP which itself is the holding company of ECW, STC becomes the holding

company of ECW (vide section 4(1)(c) of the Companies Act, 1956).

18. The illustration to section 4(1)(a) of the Companies Act, 1956, can also be usefully referred to here. The said illustration to the said section is

extracted hereunder :

Company B is a subsidiary of company A and company C is a subsidiary of company B. Company C is a subsidiary of company A, by virtue of

clause (c) above. If company D is a subsidiary of company C, company D will be a subsidiary of company B and, consequently, also of company

A, by virtue of clause (c) above, and so on"".

19. Exhibit D-14 is the memorandum and articles of association of Sudarsan Clay and Ceramics Ltd. The company, Sudarsan Clay Products Ltd.

has been changed to Sudarsan Clay and Ceramics Limited and a certificate was issued by the Registrar of Companies, Kerala, pursuant to section

23, sub-clause (1) of the Companies Act, 1956. The Registrar of Companies, Kerala State, has also issued a certificate of incorporation No.

2497 of 1973, certifying that Sudarsan Clay Products Ltd. has been incorporated under the Companies Act, 1956, and that the company is a

limited company. The certificate was issued on April 5, 1973. Clause 62(a) of the memorandum and articles of association provides for the

appointment of the board of directors. It says that the number of directors shall not be less than three nor exceed fifteen and only the nominees of

the board of directors of Sudarsan Trading Co. Ltd. shall be eligible to be the directors of the company so long as this company is a subsidiary of

that company. Clause 62(b) of the memorandum and articles of association relates to the first directors of the company, who have been nominated

by the board of directors of Sudarsan Trading Co. Ltd. They are :

1. Mr. V. P. Balaram,
2. Mr. P. Shanmugam,
3. Mr. T. P. Ravindran
4. Mr. K. P. Balan,
5. Mr. C. T. Varkey.

20. In my opinion, this satisfied the provisions of section 4(1)(a) of the Companies Act.

21. As already state, Sudarsan Clay Products Ltd. is the holding company of Eastern Clay Works Pvt. Ltd., by virtue of major shareholding by the

former in the latter. In this connection, it is also useful to refer to the use by associated companies discussed in paragraph 41 of Trade Marks and

Passing-Off, by Narayanan, third edition, which reads thus :

Sometimes, a trade mark of one company is used by what is called an associated company. The expression "associated companies" is widely

used to indicate that different firms are connected in some way in a commercial enterprise. Two companies may be distinct legal entities, but the

persons in control of both may be the same. The question whether the use of mark by one of a group of associated companies amounts to use by

another company of the group will depend upon the facts of the case, particularly the degree of control exercised by the one over the other"".

22. While associated companies is the genus, a special species thereof is the holding and subsidiary company relationship. Since a holding and

subsidiary company relationship necessarily implies great control by the former over the latter, courts have held that use of a trade mark by a

subsidiary can fairly be treated as the use by the holding company. In this context, Mr. N. K. Rao, learned counsel appearing for the first

respondent, drew my attention to the following cases :

23. Radiation case [1930] 47 RPC 37 which reads as follows :

(The Comptroller-General at page 42)

There remains the question whether the word "Radiation " has been used as a trade mark by the applicants themselves within the meaning of the

definition in section 3. It appears that the applicants held practically all the shares in a group of associated companies by whom the gas stores and

other articles are manufactured and marketed and that apart from such manufacture and sale by the associated companies the applicants do not

themselves manufacture or sell. The applicants however control the policy of the associated companies, they decided whether or not a particular

article shall be produced and sold by the companies and they maintain their own testing establishment and staff of experts who inspect the works of

the associated companies to ensure that the methods of manufacture approved by the applicants and a certain standard of manufacture are

maintained ...

(page 43) ... If the associated companies here concerned, although trading separately had been branches of a single company or firm the head

office of which controlled the branches in the same way as the applicants control their associated companies there is, I think, no doubt that a trade mark could properly be held by the company or firm as a whole and I think that treating the question as a practical one I ought not to say that the form or constitution of the Radiation group of companies is such as to prevent the applicants from holding a trade mark which indicates the connection of the whole group of companies with the goods to which it is applied. The mark "Radiation" in this case becomes in effect the house mark of the whole group, in addition to which each associated company (or branch) may properly use its own individual mark".

24. (1970) RPC 339 GE Trade Mark - Salmon, L.J. at page 372 :

The American company retained quality control over its products and I think that there was, therefore, a sufficient connection in the course of trade between these products and the American company to satisfy section 68 of the Act of 1938 ... I agree with Graham J. and Cross L.J.'s dictum in British Petroleum Co. Ltd. v. European Petroleum Distributors Ltd. [1968] RPC 54 that the views expressed by Lloyd Jacob J. in Bostitch Trade Mark [1963] RPC 103 are correct ... I have little doubt that there was also a sufficient connection in the course of trade between the American company and the products of its wholly owned subsidiary Housewares satisfy section 68. To hold that there was not and that the American company vitiated its mark by allowing Housewares to use it would, I think, be contrary alike to common sense and to the law, even before the definition of a trade mark was extended by the Act of 1938 :

25. Cross L.J. (page 394) :

I would have little hesitation in agreeing with the view of the effect of the 1938 Act on the licensing of marks expressed by Lloyd Jacob J. in Bostitch Trade Mark [1963] RPC 183. This was in substance, that provided that "quality control" was maintained licensing of a mark-whether registered or unregistered - did not deprive it of protection in a court of law or, if it was registered, afford a ground of its removal, that it was not necessary for the proprietor of a registered mark to avail himself of section 28 in order to grant a valid licence of it . . .

26. Page 395 :

Applying this conclusion to the facts of this case, I am of opinion, first that the

authority given by GE to the Housewares company to use the GE

rondel was open to no objection (a) because as Housewares is a wholly owned subsidiary of GE, the user might fairly be considered as user by

GE itself as in the Radiation trade mark, and (b) because the licensing of a mark, whether registered or unregistered, does not deprive it of the

character of a trade mark provided that the owner of the mark retains a sufficient connection in the course of trade with the relevant goods, which

connection can be maintained.

27. In *Pioneer Electric Corporation v. Registrar of Trade Marks* [1978] RPC 716, a learned single judge of the High Court, Australia, held as

under :

These cases demonstrate that the essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connection in

the course of trade with the registered proprietor, even though the connection may be slight, such as selection or quality control or control of the

user in the sense in which a parent company controls a subsidiary. Use by either the registered proprietor or a licensee (whether registered or

otherwise) will protect the mark from attack on the ground of non-user but it is essential both that the user maintains the connection of the

registered proprietor with the goods and that the use of the mark does not become otherwise deceptive. Conversely, registration of a registered

user will not save the mark if there ceases to be the relevant connection in the course of the trade with the proprietor or the mark otherwise

becomes deceptive.

28. I had occasion to deal with a similar case in *K.R. Jadayappa Mudaliar Trading as Sarasu Match Works and Another Vs. K.B.*

Venkatachalam Trading as Golden Match Industries, . Where, citing *Graham J. in G. E. Trade Mark* [1969] RPC 418 I held as under :

The development of the sciences and the application of technology in industry, the growth of great manufacturing and holding companies with a

large number of subsidiaries, the exchange of technical know how not only between companies in this country but on an international scale and, not

the least important, the very changes which have been and are still being made in the presentation, packaging and methods of marketing goods,

have all had their effects on the use and significance of trade marks. These

changes have been reflected in our statutory trade mark law in, for example, the broadening of the definition of a trade mark, in the recent provisions of assignment without goodwill and in the recognition in the registered user provisions that a trade mark can be licensed without causing deception or confusion provided the owner of the trade mark retains control over the character and quality of the goods sold under the mark ...

Cross L.J. after examining the cases concluded that the authority given by the United States parent company in respect of the GE trade mark to its

United Kingdom subsidiary to use the registered mark was not open to objection because the use by the subsidiary might fairly be considered as

user by the parent itself and because the licensing of the mark, whether registered or not did not deprive it of the character of a trade mark

provided that the owner of the mark retained a sufficient connection in the course of trade with the mark and the goods bearing it.

29. The definition of trade mark has undergone changes and is very wide and flexible today. u/s 2(1)(v)(ii) of the Act, the trade mark is defined as :

A "trade mark" shall mean mark used or proposed to be used upon or in connection with goods for the purpose of indicating that they are the

goods of the proprietor of such trade mark by virtue of manufacture, selection, certification, dealing with or offering for sale."

30. According to section 3 of the U.K. Act, 1905, the use of a trade mark was confined to manufacture, selection, certification, dealing with or

offering for sale.

31. The U.K. Act, 1938, which was wider in its phrase indicates a connection in the course of trade between the goods and the proprietor of the

trade mark. Section 68(1) of the U.K. Act, 1938, reads as follows :

Trade marks means except in relation to a certification trade mark a mark used or proposed to be used in relation to goods for the purpose of

indicating or so as to indicate a connection in the course of trade between the goods and same person having the right either as proprietor or as

registered user to use the mark whether with or without any indication of the identify of that person and means in relation to a certification trade

mark registered or deemed to have been registered u/s 37 of this Act.

32. The first legislation in India on trade marks was Act 5 of 1940, which adopted in section 2(1)(1) of the Act, the wording of the U.K. Act,

1938, reading as follows :

trade mark" means a mark used or proposed to be used in relation to goods for the purpose of indicating or so as to indicate a connection in the

course of trade between the goods and some person having the right, either as proprietor or as registered user, to use the mark whether with or

without any indication of the identity of that person.

33. The successor Act in India of 1958 (the present Act) also adopts a similar wording in section 2(1)(v)(ii) as follows :

trade mark" means in relation to the other provisions of this Act a mark used or proposed to be used in relation to goods for the purpose of

indicating or so as to indicate a connection in the course of trade between the goods and some person having the right either as proprietor or as

registered user to use the mark whether with or without any indication of the identity of that person and includes a certification trade mark

registered as such under the provisions of Chapter VIII.

Thus, under the present definition of a trade mark under our Act of 1958, the question of -

(i) Who manufactures the goods;

(ii) Whether the proprietor of the mark owns the goods; are not relevant.

34. All that is required under the present definition of a trade mark is to show that the mark indicates a connection in the course of trade between

the proprietor of the mark and the goods. Thus, it has been said that this connection is established if the proprietor of the mark associates himself

with the goods in the course of their production and preparation for the market. In *Aristoc Ltd. v. Rysta Ltd.* [1945] 62 RPC 65; 1945 1 All ER

34 in the House of Lords, Lord Macmillan and Lord Simonds held as follows (at page 50 of All ER) :

The definition of trade mark in the Act of 1938 differs in some respects from that in the earlier Act. The substantial change - and the only one that

affects the present question - is the introduction of the words : "... a connection in the course of trade between the goods and some person having

the right ... to use the mark ... The mark no longer indicates that goods are the goods of the proprietor of the mark by virtue of one of the

enumerated facts. It indicates only "a connection in the course of trade" between the goods and the user of the mark. It is right perhaps to assume

that the new words are wider than the old ...

The test is then whether the applicant for the mark can be said to trade in the goods, and this test is clearly not satisfied by one who merely renders

some service in respect of them after they have reached the public.

35. It has also been said that in accordance with current business practice an entrepreneur may do no more than organise the putting of goods

upon the market and yet may cause them to be marked with his mark. (Kerly, 12th edition, paragraph 2-15). So also that a proprietor need not

himself manufacture but may retain the power to control (Kerly, paragraph 2-16); that ownership of goods is no criterion (Kerly, paragraphs 2-17

and 2-18). The relevant portions of the abovesaid paragraphs read as follows :

2.15. Function performed by the proprietor :

In the earlier days of trade marks, the connection indicated was generally with a manufacturer; and observations may be found in which, no doubt

unintentionally, words are used which might suggest that trade marks always indicated a manufacturing source. Such a limitation has never been

recognised. There have always been instances in which the reputation behind goods was that of a merchant and not of the actual maker, and in

recent times the concept of a trade mark has had a wider scope than that. The 1905 Act listed the various forms for trade connection that it

recognised - manufacture, selection, certification, dealing and since it can hardly be supposed that the present wording is narrower in scope,

decisions under that Act admitting marks are still of value. Such a list, however, hardly accords with the flexibility of organisation that is now

customary. It has been said that :

There is nothing in the Trade Marks Act, which requires a proprietors of a registered trade mark to refrain from introducing modifications or

variations in the goods to which he applies his mark or in the manner in which they reach the market. If he should find it convenient to transfer

manufacture from one locality to another or procure his supplies from sub-contractors, or arrange for assembly of completed articles by some one

of his choice in lieu of doing it himself, these and a vast number of other possible changes in procedure are his sole concern. His mark only

becomes vulnerable in this connection if he permits its use in a manner which is calculated to deceive or cause confusion.

36. It is in accordance with current business practice that an entrepreneur may do no more than organize the putting of goods upon the market, and yet may cause them to be marked with his mark. It is submitted that the wording of the present Act is wide enough for that to be use of the mark by him as a trade mark, provided that the purpose of its use is indeed to show that the goods are his and he retains control over the use made of the mark.

37. 2-16 : Thus a proprietor of a mark who does not himself manufacture the marked goods nor apply the mark, but who retains for himself either the power to control the activities of the trader who actually applies the mark (as where that trader is a subsidiary company of the proprietor), or the power to ensure compliance with manufacturing specifications or standards of equality that he lays down, is sufficiently connected in the course of trade with the goods to which the mark is applied to be properly registered.

38. The current insistence on control by the proprietor has little logic in it. What matters is that the proprietor is willing, by authorising use of his mark, to put his reputation behind the goods. How he satisfies himself that the goods are suitable for this should no more concern the law of trade marks, than the workshop practices of a manufacturing proprietor do ...

39. 2-17 : Sale on commission :

A market salesman, even if he uses the mark on goods sold on commission, could obtain a valid registration under the old Act and could, no doubt, also do so under the present Act, notwithstanding that he never actually owns the goods. Naturally though if he buys habitually from a single source difficult questions may arise whether the mark really indicates his goods, or those of his supplier, or those connected with both, compare the cases on importers' marks.

40. 2-18 : Finishers, Converters, etc. :

Persons who execute work on goods which are never their own property, such as dyers or finishers, often have trade marks of their own applied to the goods before they reach the market. Under the present Act such parties are entitled to registration of such trade marks. Even where the owner of the mark does buy and resell the goods, the reputation the mark may belong to the operation performed on them and not to the trade

channels through which they are marked. In such cases, registration as a service mark be easier to secure; but in view of the possible objection that

such marketing of the goods is not, in relation to a service mark, use as a service mark, it could well be sound practice to insist upon a trade mark

registration too.

41. It is also beneficial to refer to certain passages in Dr. S. Venkateswaran on Trade Marks, 1963 edition, pages 37 and 309, which read as

follows :

Connection in the course of trade. - The expression "connection in the course of trade" covers a wide range, e.g., manufacturer, importer, or

vendor as wholesaler, middleman or retailer or a person who selects or handles commercially the goods in any other way. The nature of the

connection in the course of trade is left undefined in the Act so as to include all categories, except certification, and provide for raw trading

relationships as new business methods are evolved. As the goods pass on their way to the market through succession of trade marks each

indicative of the particular person's trade connection with the goods, may apply for registration of the trade mark even though the goods

themselves have never been his property. But the use of a mark merely in ephemeral or purely transitory operations such as the repair of stockings

or laundering, does not constitute trade mark use and such mark cannot, therefore, be registered under the Act. Marks which are not used in the

course of trade, e.g., those used by schools, private clubs, insurance companies and members of the learned professions, or as lottery tickets,

football coupons, telegraphic and house address. do not come within the statutory definition of a trade mark. It is immaterial that the function

performed by the owner of the mark on the goods or the name of the proprietor is not known to the public ...

42. Page 309 :

A trade mark gives an indication of the trade source from which the goods come, or the trade hands through which they pass on their way to the

market. The trade connection of the person in relation to the goods may be that of a manufacturer, or selector or vendor of goods. A salesman on

commission basis who is a selector of the goods and could reject them if they are of bad quality or are badly packed could, by virtue of dealing

with or offering for sale, claim proprietary rights in a trade mark and obtain valid registration. Again, a dyed or bleached may use a proper trade

mark on goods dyed or bleached by him provided that the process of dyeing or bleaching takes place in the course of manufacture of finishing of

the goods and before the goods reach the market.

43. As stated above, the only grievance of the petitioner against the respondent appears to be the non-user of the registered trade mark by the first

respondent and hence the registration is liable to be cancelled in terms of section 47 of the Act. The first respondent has satisfactorily explained

that it has leased out its tile factory under the name and style of Feroke Tile Works to Eastern Clay Works Ltd., by a deed executed in this behalf.

The first respondent has permitted the Eastern Clay Works Ltd. to use the trade mark. This has been done by a deed executed between the

respondent and Eastern Clay Works Ltd. However, it is seen from the evidence of DW-1 and also from other records produced in this case that

the respondent has always and at all times exercised proper control and supervision with regard to the standards and quality, specifications and the

like concerning the tiles manufactured in the said Feroke Tile Works. Besides, the tiles manufactured by the said Eastern Clay Works Ltd. have

always borne the name "Feroke Tile Works", which is nothing but (admittedly) one of the manufacturing divisions of the respondent-company. In

other words, the respondent has clearly proved and established by inviting my attention to the provisions of the Companies Act and also the

provisions of the Trade and Merchandise Act that the use of the trade mark by Eastern Clay Works Ltd., is in effect use of the mark by the first

respondent STC itself. The respondent further proved that the use of the mark by Eastern Clay Works Ltd. is the use under the direct control and

supervision of the first respondent company itself. That apart, the tiles manufactured in the tile factory bearing the name, Feroke Tile Works have

always been maintained in accordance with the directions of the respondent company and under the immediate supervision of the respondent

company. As a matter of fact, it was demonstrated before me that all tiles manufactured in Feroke Tile Works at all times since the respondent

company became the owner of umbrella trade mark have always indicated origin in Feroke Tile Works, which is one of the manufacturing divisions

of the respondent company.

44. Even though it is argued by learned counsel appearing for the petitioner that the first respondent has assigned its right in favour of Eastern Clay

Works Private Ltd. and that it had ceased to use the trade mark for over five years and that, therefore, the petitioners are entitled to the relief of

cancellation as prayed for, I am unable to accept the said contention of learned counsel for the petitioner and can only hold that the petitioners have

miserably failed to prove any assignment in favour of Eastern Clay Works Ltd. as alleged. A perusal of the three agreements entered into between

the first respondent company-STC Ltd. and the Eastern Clay Works Ltd. will only go to show and prove the case of the first respondent with its

origin of power of supervision and control over the Eastern Clay Works Ltd. Exhibit D-4 is an agreement regarding trade mark and name of the

factory. While referring to the holding company, viz., STC, exhibit D-4 refers it as the proprietor and while referring to Eastern Clay Works Ltd.,

exhibit D-4 describes the said company as only the "user". Exhibit D-4 also refers to the request of the users to the proprietors (STC) to allow

them the use of the said trade mark, and also the name exhibit D-4 also refers to the grant of such permission by the proprietors of the trade mark

(STC) to the "user" (Eastern Clay Works Ltd.) to use the said trade mark and the name of Feroke Tile Works. Thus, in my view, it can only be

construed as a licence to the user to use the trade mark and also the name of Feroke Tile Works. The users (Eastern Clay Works Ltd.) have

assured that they shall protect the rights of the proprietors regarding the ownership of the said rights and shall take such action as may be necessary

to safeguard the first respondents "interest", if they failed to do so, the user shall be liable to compensate the proprietors for the loss if any on

account of the negligence of user; and in case of any of their party-infringing or attempting to infringe, the user has undertaken to take such action

as may be necessary in the interest of protecting the rights of the proprietors regarding the ownership of the said rights. Likewise, exhibit D-5 is a

hire-purchase agreement entered into between the first respondent as owner and Eastern Clay Works Ltd. as manufacturer. Exhibit D-5 clearly

refers to the carrying on of the business by the first respondent with "Feroke Tile Works", Calicut. Exhibit D-5 also refers to the decision taken at

the general meeting of the company held on May 20, 1969, authorising the lease of the business (Feroke Tile Works). Clause 6 of exhibit D-5 hire

agreement refers to the raw materials, stores and spare parts, etc., as the assets of the owner, (STC) and states that the manufacturer (Eastern

Clay Works Ltd.) shall remain the custodian of the said assets. The owner (STC) has also retained its right to inspect the stock of raw materials,

stores and spare parts, etc., handed over to the manufacturer at any time during working hours. It also provided for taking action against the

manufacturer for any loss or damage, if any, noticed by the owner on the said assets and liabilities of the manufacturer to make good such damage

or loss to the owner. I should not fail to refer to one of the very important clauses incorporated in exhibit D-5 hire agreement, which reads as

follows :

The owner shall be at liberty at any time, to terminate the contract during the period of hire, without assigning any reason whatsoever for the same

and the manufacturer shall thereupon forthwith return such machineries to the owner.

45. Under the said clause, STC (owner) is always at liberty to terminate the contract at any time without assigning any reason and on such

termination, the manufacturer shall return all the machineries, etc., to the owner. This clauses 10 should be read with paragraph 3 under exhibit D-4

agreement, dated December 16, 1970, which states that the right of the user (Eastern Clay Works Ltd.) shall run concurrently with the lease of the

buildings and the hire of the machineries by the proprietor to the user, under exhibit D-5 agreement. Likewise, both the parties above named have

also entered into a lease agreement of premises exhibit D-5, whereunder Sudarsan Trading Company Ltd. has been described as ""owner"" and

Eastern Clay Works Ltd. has been described as the ""manufacturer"". The schedule to the said agreement refers to the list of machineries and the

buildings leased out to Eastern Clay Works Ltd., Calicut, by the first respondent herein. The description of risks has also been mentioned in detail

in the schedule to the said agreement. Another schedule refers to the stock of raw materials, etc., as on December 16, 1970, and another schedule

refers to the value of raw stock (unfinished stock) transferred to Eastern Clay Works Ltd. by Sudarsan Trading Co. Ltd. on December 16, 1970.

46. Thus, the above facts clearly go to show that the first respondent has retained its original of power of supervision and direct control, etc., over

the Eastern Clay Works Ltd. Thus, I am unable to accept the argument of Mr. V. S. Subramaniam, learned counsel for the petitioner, against the

first respondent in regard to the first charge of non-user of the trade mark by the first respondent. In my opinion, the argument of learned counsel

for the petitioner is not tenable u/s 46(1)(b) of the Act on the following grounds :

(i) ""Feroke Tile Works"" is an alias for Sudarsan Trading Co. Ltd. (STC);

(ii) "Feroke Tile Works" appears on all tiles (vide M.O. 1);

(iii) According to the hire agreement (exhibit D-5) and the lease agreement of premises (exhibit D-6), the machinery and premises used for the

manufacture of tiles is that of Feroke Tile Works;

(iv) All invoices (exhibit D-11) and all advertisements (exhibit D-13) involve and project the name of "Feroke Tile Works".

(v) Even in the bills of lading project, it is specifically stated that the tiles were manufactured by Feroke Tile Works.

47. In short, Eastern Clay Works Ltd. is merely performing the ministerial work of operating the machinery, etc., while the trade mark is used to

indicate a connection in the course of trade between Feroke Tile Works (which is an alias of STC) and the goods. Thus, in my opinion, the use of

the mark can legitimately be said to be the use of STC, therefore, in my view the charge of ""non-user" of the mark by STC u/s 46(1)(b) of the Act

is not tenable and acceptable to this court.

48. The following alternative propositions made by learned counsel for the first respondent also merit consideration :

(1) Eastern Clay Works Ltd. is a subsidiary of STC;

(2) the relationship of holding and subsidiary companies brings in the inherent aspect of "control". Besides, as stated above agreements, exhibits D-

4 to D-6 spell out total control by STC. Additionally. STC has also posted an engineer (as deposed by DW-1 in his evidence) for supervising

quality, etc.;

(3) Courts have held that use of a mark by a subsidiary company can fairly be said to be use by the holding company.

49. Thus, even if the use of the mark by Eastern Clay Works is construed, it can

fairly be treated as use of the mark by STC. Accordingly, the charge of non-user of the mark by STC u/s 46(1)(b) of the Act cannot be countenanced. u/s 55(1) of the Act, the use of a mark for export shall be deemed to be use of the mark in India. In the instant case, STC Ltd. has been exporting tiles bearing the mark (exhibit D-10). Such tiles are purchased by STC from Eastern Clay Works Ltd. and then exported. Until the tiles reach the actual consumer they are still in the "course of trade", as observed by Lord Macmillan in *Aristoc's* case. Therefore, the export by STC of tiles bearing the mark is in the course of trade. There is also necessary connection in the course of trade between STC, the proprietor of the mark and the goods. In other words, there is an association of STC with the goods, as held by Lord Macmillan. The question of "manufacture" or who owned the goods at the time of manufacture is irrelevant as pointed out by Kerly on Trade Marks (referred to in the paragraphs mentioned above). Thus, STC has been using the trade mark for export.

50. u/s 55(1) of the Act such use by STC of the mark for export is deemed to be use in India. Here again, I am unable to accept the case of the petitioner on the charge of non-user of the mark STC u/s 46(i)(b) of the Act, therefore, I have no hesitation to reject the same.

51. In the instant case, the petitions for rectification are unmeritorious because of the following reason :

The petitioners' fraud is established by the expression "Feroke PN" and "Feroke PN" (M.Os. 2 and 3).

52. It is made clear from the deposition of DW-1 that neither of the petitioners in Original Petitions Nos. 358 of 1982 and 309 of 1983 are based at "Feroke". Both the petitioners are infringers of the first respondent's registration. Neither petitioner has given an explanation for adopting the "umbrella" mark although both the petitioners are carrying on business in Kerala just as the first respondent. The petitioners have not let any oral evidence. Evidently, the adoption of the "umbrella" mark by the petitioner is dishonest.

53. DW-1 in his deposition has categorically stated that his company, viz., Sudarsan Trading Co. Ltd., acquired Feroke Tile Works along with the trade mark "umbrella" in the year 1967 itself and that from 1967 onwards up to now Feroke Tile Works is still owned by STC Ltd. continuously.

It has been brought out from the evidence that Feroke Tile Works has no separate legal entity, but a wholly owned subsidiary of Sudarsan Trading Company. Further, on facts it is seen that the inherent nature of relationship between STC and Eastern Clay Works Ltd. is in the position of holding and subsidiary companies. Therefore, the control by the holding company over the subsidiary company is inherent. STC has also retained its power of direct control and supervision by reason of the inherent relationship. The control by the holding company on the subsidiary company can also be seen in the agreements entered into between both parties under exhibits D-4 to D-6. Trade mark agreement has got to be read in conjunction with the statutory relationship between the parties as holding company and subsidiary company and against these documents, control by STC first respondent over Eastern Clay Works Ltd. will be seen to be absolute. STC can also terminate the agreement without assigning any reason.

54. Thus considering the submissions made by learned counsel appearing for both sides and the authorities cited by them and the evidence tendered, both oral and documentary, I am of the view that the petitioners in both the petitions have not made out any case for rectification and for cancellation of the trade mark as prayed for by them. The case of the non-user alleged by the petitioners has not established. Further, it is made clear from the documents, viz., exhibits D-4 to D-6 that there is user of the trade mark by the registered proprietor, the first respondent herein. Consequently, the petitioners in both original petitions are not entitled to the reliefs prayed for.

55. In the result, both the petitions fail and are dismissed with the costs of the first respondent-company.