(2007) 09 IPAB CK 0002

In the Intellectual Property Appellate Board

Case No : M.P. No. 101/2007 In ORA/48/2006/TM/CH, ORA/48/2006/TM/CH

Indo Shell Cast Private Limited, A Company Incorporated Under The Companies Act, 1956	APPELLANT
Vs	
Registrar Of Trade Marks And Indo Shell Mould Limited	RESPONDENT

Date of Decision : 14-09-2007

Acts Referred:
Companies Act, 1956 — Section 566, 575
Indian Partnership Act, 1932 — Section 14, 55
Trade And Merchandise Marks Act, 1958 — Section 2(2) (c), 18, 28, 28(1), 38
Trade Marks Act, 1999 — Section 18, 18(1), 47, 47(1), 47(1) (a), 47(1)(a), 57, 124, 125

Citation : (2007) 3 MIPR 469 : (2008) 146 CompCas 38

Hon'ble Judges : M.H.S. Ansari, J;Usha, Technical Member

Bench : Division Bench

Advocate : T.R. Rajagopalan, A.A. Mohan, R. Muthukumaraswamy, Gladys Daniel

Final Decision : Dismissed

Judgement

Applicant incorporated

on 21 July 1987","The Partnership firm

INDO SHELL

constituted by deed of

22.7.1973","Respondent-2

incorporatedon

3rd May 1995

Subscribers to the

Memorandum of

Association",Partners (Original),"Subscribers to the

Memorandum of

Association

1. K. Jagadeesan,1. K. Jagadeesan,1. K. Jagadeesan

2. S.V. Jagadeesan,2. S.V. Jagadeesan,2. S.V. Jagadeesan

3. K. Jayabal,3. K. Jayabal,3. K. Jayabal

4. D. Vyjayanthi,4. D. Dharanaipathi,4. D. Dharanipathy

5. C.N. Gopalakrishnan,5. C.N. Gopalakrishnan,5. J. Parimala

6. S. Achammal,6. S. Achammal,

FIRST DIRECTORS,"Reconstituted by deed

dated 22nd October, 1987

in the place of Smt.

Achammal her daughter

D. Susila, induced as

partner",FIRST DIRECTORS

,,

1. K. Jagadeesan,,1. K. Jagadeesan

2. S.V. Jagadeesan,,2. S.V. Jagadeesan

3. K. Jayabal,,3. K. Jayabal

4. D. Vyjayanthi,,4. D. Dharanipathi

5. C.N. Gopalakrishnan,"Reconstituted by deed

dated 27th February, 1995

Smt.J. Parimala inducted

as partner. Firm name

changed to Indo Shell

Mould.","5. C.N.

Gopalakrishnan

6. S. Achammal,,6. D. Susila

,,7. J. Parimala

,,

,,

trade mark was not assignable except along with the good will, it was submitted that the good will having vested in the incorporated company, the",,

trade mark 'INDO SHELL' passed with it. Reliance was placed upon the judgments in William Currie & Co. v. James Currie (1898) 15 RPC 339 and,,

49 RPC 128 in the matter of trade mark of John Sinclair Limited. Referring to Section 575 of the Companies Act which reads as under:,,

Section 575. Vesting of property on registration.- All property, movable and immovable (including actionable claims), belonging to or vested in a",,

company at the date of its registration in pursuance of this Part, shall on such registration pass to and vest in the company as incorporated under this",,

Act for all the estate and interest of the company therein.,,

It was contended that the assets of the firm including its good will and along with it its trade mark vested in the company (2nd respondent) as,,

incorporated under the Companies Act, no separate deed of assignment was required to be executed, the vesting was automatic. Reliance was placed",,

upon Shipwright v. Clements (1871) 19 W.R. 509 wherein it was held by Malins, V.C. that the sale of a business is a sale of goodwill. It is not",,

necessary that the word 'goodwill' should be mentioned. In the sale of a business a trade mark passes, whether specially mentioned or not.",,

13. Whatever may be the character of the property which is brought in by partners when the partnership is formed or which may be acquired in the,,

course of the business of the partnership, it becomes the property of the firm, the goodwill of business, in terms of Section 14 of the Partnership Act is",,

an asset of the firm. What a partner is entitled to is his share of profits, if any, accruing to the partnership from the realization of this property and",,

upon dissolution of the partnership to a share in the money representing the value. Since the firm has no legal existence, the partnership property will",,

vest in all partners and in that sense every partner has an interest in the property of the partnership. During the subsistence of the partnership,",,

however, no partner can deal with any part of the property as his own nor can he assign his interest in a specific item of partnership property to",,

anyone. It is upon dissolution of the firm that a partner is entitled to a share in the assets of the firm which remain after satisfying the liabilities. In the,,

instant case, the partnership firm was not dissolved. In the case on hand the firm was firstly constituted as a joint stock company having a permanent",, paid up share capital divided into shares and thereafter registered as a company limited by shares under Part IX of the Companies Act. In terms of,,

Section 575 of the Companies Act, which deals with vesting of property on registration, it is to be held and we accordingly so hold that statutory",,

vesting of all the estate and interest in the incorporated company took effect by operation of law. Thus, all the estate and interest of the firm stood",,

vested in the incorporated company, including the goodwill alongwith the unregistered trade mark 'INDO-SHELL'. under Section 18 of the Act, an",,

applicant for registration must be a person claiming to be the proprietor of a trade mark used or proposed to be used by him. In view of our,,

conclusions, as above, this claim to proprietorship of 2nd respondents contended by Shri Muthukumaraswamy, learned senior counsel stands",,

established.,,

14. under Section 28(1) of the Act, subject to other provisions of the Act, the registration of a Trade Mark gives to the registered proprietor exclusive",,

rights to use the trade mark in relation to the goods in respect of which the trade mark is registered. We, therefore, uphold the contention of Shri",,

Muthukumaraswamy learned senior counsel that exclusive right to the trade mark 'INDO SHELL' has been conferred upon the 2nd respondent by,,

virtue of Section 28 of the Act. The right to exclusive use of the trade mark in relation to the goods or services in respect of which the trade mark is,,

registered is granted to the registered proprietor. It is therefore not very material as to whether the MOU or the follow up agreement are silent on this,,

aspect of the matter or as contended do not confer exclusive rights upon the second respondent with respect to the trade mark.,,

15. In reply, the Ld. Senior Counsel Shri T.R. Rajagopalan sought to contend that ""INDOSHELL"" was not used as a trade mark and further",,

contended that even today neither the applicant herein nor the respondent 2 has used the mark as a trade mark, respective parties have only traded in",,

the name of their trading names. With respect to the use of the trading name comprising of the word ""INDOSHELL', the parties have entered into an",,

agreement (the MOU). Therefore, the registration based on which 2nd respondent now claims exclusivity is not bonafide, being in breach of or in",,

contravention of the MOU. This submission is the modification to the sole contention on behalf of the applicant. This modified submission is sought to,, be based on the first limb of Section 47(1)(a) of the Act. According to Shri T.R. Rajagopalan, Ld. Senior Counsel, the registration of the trade mark",,

'INDOSHELL' is not bonafide and, therefore, the same should be removed under Section 47(1)(a) of the Act from the Register. There is no product,",,

it was urged, on which the said trade mark is affixed. There is no material placed on record in the instant proceeding to show that the trade mark",,

'INDOSHELL' was or is used upon any product or that it was ever used in the trade mark sense, it was contended.",,

16. Further contention urged by Shri T.R. Rajagopalan, Ld. Senior Counsel is that various provisions of the MOU show that it was executed out of",,

mutual confidence and in good faith that the respective parties shall be entitled to use their trading names and that neither party would interfere with,,

the business of the other party but to co-operate in every manner with the other party. Declaration cum agreement, it was urged, would show that",,

they have treated 'INDO-SHELL' as a group and not as an individual. The totality of the MOU and the agreement would show that the parties have,,

agreed to continue as before and trade under their respective trading names. Implication of registration of the trade mark by 2nd respondent, it was",,

contended, is that the trading name of the applicant should be changed thereby restraining the applicant from legally carrying on the business under its",,

trading name. Such prevention being contrary to the MOU and the agreement is malafide and therefore, cannot be stated to be bonafide within the",,

meaning of Section 47(1)(a) of the Act. In short, it was contended that there was at no time the use of the words ""INDOSHELL"" in the trade mark",,

sense and that registration of the same is without any bonafide intention on the part of respondent No. 2 to use it as trade mark in relation to its goods,,

but is intended only to prevent the applicant from using its trade name which it has been using since its incorporation in 1987.,,

17. Shri Muthukumaraswamy, learned senior counsel for the 2nd respondent responding to the new contentions, in reply, submitted that the contentions",,

now advanced are contrary to the pleadings and also contrary to the materials on record. It was urged that a party may raise inconsistent pleas but,,

law does not countenance a plea contrary to the pleadings. Referring to the pleadings on record it was contended that there is no plea to the effect,,

that ""INDOSHELL"" was not used as a trade mark by the firm or that neither party has used a trade mark in the course of its trade. We are inclined to",, accept the said submissions of Shri Muthukumaraswamy that this contention is contrary to the very pleadings of the applicant and must, therefore, be",,

rejected. We shall refer to the pleadings and materials on record, reference to which has been made by the Ld. Senior Counsel.",,

18. The pleadings of the parties form the foundation of their case and law does not countenance any party to travel beyond his pleadings. A decision,,

of the case cannot be based on grounds outside the pleadings of the parties. It is a case pleaded that has to be found. Firstly and more importantly,,

reference is to be made to the very pleadings (application in Form-I and statement of case) of the applicant. These belie the contention raised on its,,

behalf by the Ld. Senior Counsel. They are;,,

(i) ""The extensive goodwill and reputation enjoyed by applicant's use of trade mark INDO SHELL for sale of its iron castings as OEM's to its four /",,

six wheeler Indian / international clientele would be likely to be diluted by the registration of trade mark 'INDO SHELL' in the name of the 2nd,,

respondent for a wide range of goods."" (see para 1 of application)",,

(ii) ""The applicant is using the trade mark 'INDO SHELL' since 1992 continuously, extensively and widely in respect of a wide range of Shell Moulded",,

SG Iron and Iron manufacture in India for 4/6 wheelers. The applicant has a wide and extensive customers base spread all over India and abroad. The,,

applicant has advertised extensively through various media including newspapers, magazines, trade journals its products manufactured and sold under",,

the trade mark INDO SHELL"" (see para 2 of application).",,

(iii) ""The applicant commenced business in the year 1992 and has been using the trade mark INDO SHELL continuously, extensively and widely since",,

then. ""Xxxxx"". The applicant is using the trademark INDO SHELL ever since 1992 for its products till date all over India and abroad. By virtue of",,

wide and extensive use, the trade mark INDO SHELL has become distinctive of and is exclusive identified with the products manufactured, sold and",,

marketed by the applicant."" (see para 4 of the statement of case of applicant)",,

19. The contention with respect to 'bonafides' in the registration of the trade mark by 2nd respondent allegedly in contravention of the terms of or in,,

breach of the MOU is sought to be founded upon Section in 47(1)(a) of the Act.

It is sought to be buttressed with the submission that various clauses,,

of the MOU and the agreement would establish that the arrangement between the parties is for mutual co-existence and not in derogation of the rights,,

of one another. All the legal entities, as per the terms of the MOU are treated as a 'group' and the agreement is that none shall interfere in the",,

business and affairs of other. The MOU or the follow up agreement itself has not conferred any rights upon the 2nd respondent with respect to the,,

trade mark. As per the MOU and the agreement the partnership business was divided and to facilitate the smooth continuation of the on going,,

business activities, the MOU and agreement were executed. The second Respondent was never given any right to register the trade mark ""INDO",,

SHELL"" exclusively to themselves. All the legal entities, in terms of the MOU are termed as the INDO SHELL group and hence the second",,

respondent cannot claim exclusive rights in the trade mark ""INDO SHELL""."",,

20. On the other hand, the construction sought to be placed upon the MOU and the follow up agreement by the second respondent is that the same",,

does not pertain to the rights of parties in respect of the trade mark ""INDO SHELL"". Shri Muthukumaraswamy, Ld. Senior Counsel, therefore,",,

contended that the rights of the parties to the trade mark are to be determined by the law applicable to the subject. Applying the principle namely, that",,

the prior user has superior rights to a subsequent user and the other principle that one trade mark should have one source and one proprietor. Shri,,

Muthukumaraswamy, Ld. Senior Counsel submitted that the applicant has no legal rights to the trade mark ""INDO SHELL"". The true intention of the",,

parties as per the MOU and the agreement being that the parties reached an amicable understanding of division between themselves and agreed that,,

management and administration of various entities shall vest with the persons named and that such division is justified and equitable. Having agreed,,

not to interfere with each others' business affairs, it was contended that the applicant is not justified in using the trade mark as 2nd respondent is",,

entitled to exclusive rights of the same. All titles and interest of the partnership firm having vested with the 2nd respondent company, the applicant,",,

which was having oral consent to use the mark should have discontinued the use of trade mark ever since 2001 when the relationship was severed,,

and the parties decided to divide legal entities in accordance with the MOU it was contended.,,

21. We have considered the submissions /contentions of the learned senior counsel for the respective parties. The MOU as also the declaration -cum-,,

agreement are executed inter se three partners. They have described themselves to be the ""Core working group"" of the various entities (a) to (h)",,

enumerated. Neither of those legal entities are party to the MOU or the agreement. The recitals to the MOU show that ""amicable understanding of",,

division"" has been reached between the executants and that from that date onwards the administration and management of the various entities will",,

vest with the person named and that to implement the same the parties will resign or retire as the case may be so as to put the other person in majority,,

beneficial interest of the affairs of that entity. The agreement itself recites that MOU was entered into for ""smooth division of the various companies/",,

firms forming part of the group...."" The agreement inter alia, declares that a division has been arrived at on justifiable and equitable basis and each of",,

them has received and taken the assets earmarked to each of them of their own will and pleasure. There is no dispute that the MOU has been acted,,

upon by and between the executants. It is thus evident that what business was started as a partnership firm in a small way in 1973 developed into a,,

successful working group of several entities. There was commonality between the partners and the shareholders / directors of the entities. In a way it,,

can be said that taken together, they constituted affiliated /sister concern, which in turn constitute one economic entity. It is not uncommon to work",,

with affiliate organizations (sister concern) which have been treated as one economic entity for purposes of proprietary rights. There is a general,,

tendency in international practice to ignore the separate legal entity within the group and to look instead at the economic entity of the whole group.,,

Thus so long as various entities (partnership firms / incorporated companies) constituted an affiliate group, there was one economic entity for the",,

purposes of proprietary rights. Upon division, the affiliation, legally speaking, disappears so does the economic entity for purposes of proprietary rights.",,

The MOU, it appears was basically with the intention to divide the various entities / companies forming part of the 'INDO-SHELL group' amongst the",,

three parties (partners of the firm) who claimed themselves to be the ""core working group"". The remaining partners of the firm, not signatory to or",, party to the said MOU and agreement were required to be ""settled"" by giving option either to continue or to receive cash consideration for assignment",,

of their interest in firms / companies. What amount and in what manner the sleeping partners' settlement is to be made have been set out. The,,

agreement is merely regarding implementation of the arrangements/obligations spelt out in the MOU.,,

22. In our view the MOU as also the agreement do not speak of the trade mark nor does it appear that any agreement was arrived at in respect of the,,

trade mark. There is not even a whisper or reference to the trade mark. Therefore, as contended on behalf of the 2nd respondent the issue as to the",,

trade mark would be governed by law as applicable.,,

23. under Section 47(1)(a) of the Act, the trade marks which were registered without any bonafide intention to use them in relation to the goods and",,

which have in fact not been used by the proprietor from the date of such registration upto the date of application for rectification are liable to be taken,,

off the Register. In American Home Products Corporation v. Mac Laboratories Pvt. Ltd. AIR 1981 1 SCC 465 the Supreme Court held that both (1),,

the intention of the proprietor not to use the trade mark at the time of registration and also the (2) actual non use of the trade mark subsequent there to,,

had to be proved. The burden of proving the same is on the person who seeks to have the trade mark removed from the Register. The intention to use,",,

it was held in American Home Products case does not necessarily mean that the proprietor must show the marketing of the goods under the trade,,

mark. It is by now well established, in view of Section 2(2) (c) of the Act, the user cannot be limited merely to use on the goods or to sale of goods",,

bearing the trade mark and that the use may be other than physical. We may now refer to certain averments in the counter statement of the registered,,

proprietor 2nd respondent. It is stated that ""at the time of establishment of the partnership firm the expression 'INDO-SHELL' was coined to be used",,

as the firm's trade mark in relation to goods. Further it is averred that "" the trade mark INDO SHELL and the logo have been used as trade marks",,

continuously, extensively all over India and abroad without any interruption for over 30 years."" In para 14 it is stated that ""The 2nd respondent",,

advertises and promotes its products bearing the trade mark INDO SHELL in India and abroad. The 2nd respondent has over the years spent a huge,, amount of money and effort in promoting their trade mark INDO SHELL in order to evolve a brand identity."" Approximate yearly expenses on",,

advertisements have been set out for the years 1995-96 to 2004-2005. With respect to the user by the applicant, it is stated that ""while the applicant",,

used the trade mark INDO SHELL with respect to its goods from 1990 till 2001 it had the oral consent of the partnership firm"" these averments have",,

not been denied in the reply statement filed by the rectification applicant and thus the said averments have gone unrebutted and unchallenged. In our,,

view, therefore, the pleadings on record clearly establish that the registered proprietor had used the mark 'INDO-SHELL' in the trade mark sense.",,

The onus placed upon the rectification applicant of proving the twin requirements of Section 47(1)(a) has not been discharged by him with regard to,,

the plea of non user. Therefore, this ground based on which the applicant sought rectification of register also fails. Apart from the above, the",,

contention raised with respect to the bonafide is misconceived in the sense that the expression ""bonafide"" used in Section 47(1) (a) of the Act is in the",,

context of intention to use or bonafide use in relation to goods. The expression ""bonafide"" is, however, sought to be applied on behalf of the applicant in",,

relation to the registration of the mark contrary to the MOU and the follow up agreement. That is not the intendment of Section 47(1) of Act. If, as",,

contended on behalf, of the applicant that the registration of the mark is in breach of the agreement or the MOU, then the remedy of the applicant lies",,

elsewhere and not by way of rectification. Section 47(1) cannot be invoked for the said purpose.,,

24. For the above said reasons, we hold that no case has been made out and there exists no ground for grant of the relief as prayed for. Instant",,

rectification application is accordingly dismissed. However, in the facts and circumstances of the case, there shall be no order as to costs.",,

