
(2004) 05 BOM CK 0027

In the Bombay High Court

Case No : Appeal From Order No. 171 of 2004

International Standards Certification (South Asia) Pvt. Ltd.	APPELLANT
Vs	
International Standards Certifications Pty. Ltd. and Others	RESPONDENT

Date of Decision : 06-05-2004

Acts Referred:

Citation : (2005) 1 ALLMR 718

Hon'ble Judges : S.J. Vazifdar, J

Bench : Single Bench

Advocate : V.V. Tulzapurkar, Dinesh Parekh and B.V. Bhagat, instructed by V.P. Sawant, for the Appellant; Y.H. Muchala, Hansa Advani and Sagheer Ahmed for Respondent Nos. 1 and 3 and Madhav Jamdar, for the Respondent

Final Decision : Dismissed

Judgement

S.J. Vazifdar, J.—The three Appellants are Defendant Nos. 1, 2 and 3 respectively in the suit. The Appellants are International Standards Certification (South Asia) Pvt. Ltd., Firdaus Jail Dastoor and his wife Mrs. Pervin Firdaus Dastoor. The Three Respondents are the Plaintiff and Defendant Nos. 4 and 5 i.e. International Standards Certifications Pty. Ltd., Saswad Finance Pvt. Ltd. and Mardeb Holdings Family Trust Pty. Ltd.

2. The Appeal is against the order of the IXth Additional District Judge. Pune restraining the Appellants from using the words "International Standards Certifications" as part of the first Appellant's Corporate name and/or trading style as well as the ISC logo so as pass off or enable others to pass off the services provided by Appellant No. 1 and/or the business of Appellant No. 1 as that of Respondent No. 1.

FACTS

3. Respondent No. 1 is a company incorporated under the laws of Australia. Appellant No. 1 is a company incorporated under the Companies Act, 1956. Appellant No. 2 is the Chairman of Appellant No. 1 and a Director of Saswad

Finance Pvt. Ltd. (Respondent No. 2). appellant No. 3 is a Director of Appellant No. 1. Respondent No. 2 is a Company incorporated under the Companies Act, 1956. Respondent No. 3 is a Company incorporated under the laws of Australia.

4. As I have upheld the impugned order for reasons substantially different from the ones on which the impugned judgment rests, I will set out the facts in some detail.

5. (a) Respondent No. 1 carries on business of granting certification. The certification indicated compliance by their customers with standards recognized and set by the International Standards Organisations. The first stage consists of auditing/assessing the management system to determine whether it meets with the specified requirements. This is in order to ensure that the products and services offered meet the specified requirements. If requirements, they are furnished certificates certifying the same. The second stage consists of auditing/assessing on an ongoing basis the working of the customers from time to time. This is to ensure the maintenance of the specified standards.

(b) The importance of certification is that it signifies to the ultimate consumer that the products and services certified, conform to certain standards. This, in turn, enures to the benefit of the manufacturers of goods and suppliers of services.

(c). Respondent No. 1 is authorised by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ), an international organization established under a treaty between the Governments of Australia and New Zealand, for certification of products and personnel.

(d). JAS-ANZ maintains a supervisory authority over all certification companies authorised/accredited by it including the Plaintiff. JAS-ANZ has authorised Respondent No. 1 to carry on the certification business by directing or sub-contracting the same through an agent.

(e) Respondent No. 1 is authorised by JAS-ANZ to grant certification for the following programmes, which are approved and recognized internationally viz.

a. ISO 9000 Quality Management

b. Automotive Quality Standards QS-9000

c. ISQ 14001 Environment Management

d. Occupational Health & Safety management

c. Product Certification

d. Disability Employment Services (Australian Govt. Dept FaCS)

f. Respondent No. 1 is also a Safe Quality Food Institute (SQFI) approved HACCO certification Body. Respondent No. 1 has considerable expertise in certification, conducts public training programmes for the said certifications and their auditors

and personnel are qualified across a broad spectrum of competencies including medicine, hygiene, auditing, education, construction, finance and engineering.

6. I will, for now, confine the narration of facts to the documents executed by and between the parties. They are not in dispute. The circumstances in and the reasons for which they were entered into is in dispute and will be relevant while considering the case of passing off.

7. Pursuant to negotiations between the parties, it was decided to incorporate a Joint Venture Company in India. Accordingly, the Board of Directors of Respondent No. 1 on 24.5.1996 by a resolution consented to Appellant Nos. 2 and 3 as Promoters/Directors of the proposed Joint Venture Company to use the words "International Standards Certifications" in the name of the proposed Joint Venture Company to be incorporated as "International Standards Certifications (South Asia) Pvt. Ltd." or any other name with the words "International Standards Certifications" as approved by the Registrar of Companies, Maharashtra.

8. Appellant Nos. 2 and 3 entered into identical Confidentiality Agreements dated 18.10.1996 with Respondent No. 1 which are not strictly relevant except as an indication of the Appellant's admission regarding the expertise and knowledge of the certification business of Respondent No. 1.

9. A shareholder's agreement dated 16.12.1996 was entered into between Respondent No. 1, Saswad Finance Pvt. Ltd. (Respondent No. 2) and Mardeb Holdings (Respondent No. 3). Clauses 1, 4, 4.1, 4.2, 12, 13, 14, 17 and 19.2 read under:

"1 Introduction

International Standards Certifications Pty Ltd (ISC), Mr. Firdaus Dastoor, and Mr. Martin Vlaanderen, have agreed to enter into association to form Joint Ventures in various territories, for the purpose of these Joint Venture to be called International Standards Certifications (South Asia) Pvt. Ltd, in order to provide to industry, commerce and government the following services which shall be developed and transferred progressively.

1.1 Management system certification in accordance with International standards such as ISO 9000, QS9000, ISO 14000 and other relevant specifications including HACCP

1.2 Product Certification, including CE Mark

1.3 Cargo Inspection Services

1.4 Training Services."

"4. Purpose of Joint Venture

4.1 The purpose of the Company is to carry out the objects of the joint venture as set out in the introduction of this Agreement;

4.2 In furtherance of the purpose of the Company, ISC shall provide to the Company:

? Knowledge, expertise and experience.

? expertise in the management of a company engaged in the same business as the Company; and

? the policies and procedures that it has established over time.

? Business Contacts in India and knowledge of the Certification Industry in India and Marketing Skills to enable development of the business." (emphasis supplied).

"12. Territory

12.1 ISC allocated exclusively to SASWAD Pvt. Ltd. the commercial territory of India, Sri Lanka, Bangla Desh, Bhutan, and Nepal ("Territory")."

"13. Protection of Business of the Company

13.1 So long as the joint venture continues and for 12 months after termination, Mr. F. Dastoor and Mr. M. Vlaanderen, the Shareholders other than ISC and any associate of any Shareholder other than ISC must not without the consent of the other Shareholders:

? participate assist or otherwise be concerned, directly or indirectly, in any capacity in any business, within the Territory, which is substantially similar to or competitive with ISC or the Company.

? own or control directly or indirectly more than 1% of the shares or other securities or a corporation or trust any part of whose business is substantially similar to or competitive with, the business of ISC or the company in the Territory.

13.2 ISC agrees that, so long as the Joint Venture continues, it will not compete directly or indirectly with the Company in the Territory.

13.3 ISC has awarded the Joint Venture Company the exclusive licence to operate in the Territory. The Joint Venture Company is permitted to incorporate a body corporate based in India as International Standards Certifications (South Asia) Pvt Ltd. ISC may withdraw the right to use the name "International Standards Certifications" if any company or any subsidiary using the name is placed into liquidation or in the reasonable opinion of ISC the name has been associated with undesirable publicity or activity." (emphasis supplied)

"14. Protection of Business of International Standards Certifications Pty Ltd

14.1 The company agrees not to enter any market in which ISC is already established including Australia and New Zealand without its written permission."

17. Termination of Agreement

17.1 In case any party breaches any provision of this Agreement, the other party may immediately give notice of its intention to terminate the Agreement within thirty (30) days of being aware of such breach, and, unless the breaching party notifies the other of a correction of such breach within such period, this Agreement shall automatically terminate at the expiration thereof.

17.2 Any waiver by any party of breach of any term or condition of this agreement shall not be considered a waiver of any subsequent breach of the same or any other term or condition hereof. The Agreement shall terminate at the expiration of that period.

Either party is entitled to terminate the JV Agreement immediately in the event the other:

? is insolvent or under any form of insolvency or external administration;

? there is greater than a 50% change in the shareholding as at the date of this agreement of the party.

17.3 The party in breach shall offer to sell its shareholding in the manner prescribed in Clause 16 above.

"19 Terms

19.1

19.2 This Agreement continues until;

? terminated by Agreement between the parties; or

? one Party holds all the issued shares."

10. On 16.12.1996 Respondent No. 1 and Saswad Finance Pvt. Ltd. also entered into a Memorandum of Agreement Clauses 2 and 8 whereof read as under:

"2. PURPOSE OF JOINT VENTURE

2.1 The purpose of the Company is to carry out the objects of the joint venture as set out in the introduction to this Agreement;

2.2 In furtherance of the purpose of the JV Company, ISC shall provide to the JV Company:

? Knowledge, expertise and experience.

? expertise in the management of a company engaged in the same business as the Company; and

? the policies and procedures that it has established over time.

? Business Contacts in India and Knowledge of the Certification Industry in India, and Marketing Skills to enable development of the business (emphasis supplied).

2.3 In furtherance of the purpose of the JV Company, SASWAD brings to the JV Company:

? business knowledge of the market stated in this Agreement, financial expertise and experience; and

? Business Contracts and Marketing Skills to enable development of the business.

2.4 All parties shall provide the services set out above promptly and with reasonable care and skill."

"8. PROTECTION OF BUSINESS OF THE JV COMPANY

8.1 ISC agrees that, so long as the Joint Venture continues, it will not compete directly or indirectly with the JV Company in the Territory.

8.2 ISC has awarded the JV Company the exclusive licence to operate in the Territory. The Joint Venture Company is permitted to incorporate a body corporate based in India as ISC (South Asia) Pvt Limited. ISC may withdraw the right to use the names if any company or any subsidiary using the name is placed into liquidation or in the reasonable opinion of ISC the name has been associated with undesirable publicity or activity." (emphasis supplied)

11. Pursuant to the Memorandum of Agreement and the shareholders/joint venture agreement dated 16.12.1996, the joint venture company i.e. Appellant No. 1 was incorporated.

12. On 3.2.1999 an agreement was executed between Appellant No. 1 and each of the Respondents. The agreement recites all that had transpired between the parties including the execution of the documents I have referred to. The last recital refers to a letter dated 19.11.1998 from the Reserve Bank of India directing the joint venture company i.e. Appellant No. 1 to execute a supplementary agreement between the Indian Company and both the foreign collaborators making all the letters issued by the Government of India by way of amendments to the original approval, a part of the Memorandum of Agreement. Clauses 1 and 6 of this agreement are important and read as under :

"1. This agreement is supplemental to the MEMORANDUM OF AGREEMENT dated 16th December 1996 entered into between ISC and SASWAD."

"6. All other terms and conditions of the MEMORANDUM OF AGREEMENT shall remain unchanged and shall be binding on all the parties." (emphasis supplied)

13. Respondent No. 1 by its letter dated 5.12.1999 granted the Appellants permission to register its trade marks, registered in Australia in their name and on their behalf. It is pertinent to note that the words "International Standards Certifications" is part of one of the first Respondent's Trade Marks.

14. It appears that disputes arose between the parties relating to non-payment of fees, failure to transfer know-how and an illegal tie-up between Appellant No. 1 and a competitor of Respondent No. 1. Respondent No. 1 filed the present suit

being Civil Suit No. 762 of 2002 on 7.9.2002 before the District Judge at Pune and on 13.9.2002 filed an application therein for interlocutory reliefs.

APPELLANT'S PROPOSITIONS

15. I will first deal with the submissions of counsel on which I base my judgment, upholding the order of the learned District Judge. Thereafter, I will deal with the counsel's submission on certain aspects of the impugned judgment. Dr. Tulzapurkar raised the following five propositions in support of the Appeal :-

I. The only cause of action pleaded in the plaint is on the basis of a passing-off action. No relief is claimed on the basis of the revocation of the licence granted by Respondent No. 1 to the Appellants to use as a part of the first Appellant's corporate name the words "International Standards Certification".

II. The words "International Standards Certifications" are generic words merely descriptive of the nature of the business. They are not fancy words.

III. Respondent No. 1 has not established its reputation in the name "International Standards Certifications".

IV. The name "International Standards Certifications" has not acquired a secondary significance entitling Respondent No. 1 to maintain successfully the action for passing off in respect thereof.

V. The suit was liable to be dismissed as Respondent No. 1 suppressed material facts.

PROPOSITION I

16. Dr. Tulzapurkar's first submission was that the only cause of action pleaded and the reliefs claimed in this suit are on the basis of a passing off action. There are no prayers for enforcement of any contractual rights. He submitted that in the absence of a prayer for the enforcement of the contractual rights, Respondent No. 1 is not entitled to raise a plea or argument on the basis that Appellant No. 1 was a mere licensee and that the licence having come to an end they, are not entitled to use in their corporate name, the words "International Standards Certification". The reference to the agreements in the plaint, it is contended, was only by way of narration of facts without any legal consequence thereof being pleaded or any relief based thereon being prayed for. The argument is unfounded.

17. It is true that the learned District Judge has observed in paragraph 84 that the Plaintiff is not enforcing the shareholder's agreement but is seeking a relief against passing off. With respect, I am unable to agree with this finding.

18. That the agreements between the parties would entitle Respondent No. 1 to sustain such a cause of action is clear. (the question whether the Appellants would be entitled to resist such a claim on any other ground is a different

matter). It is clear from the Shareholder's Agreement and the Memorandum Agreement wherein it is specifically provided that Appellant No. 1 may withdraw the licence given to Appellant No. 1 to use the name "International Standards Certification" if Appellant No. 1 in the reasonable opinion of Respondent No. 1 has been associated with any undesirable activity.

19. Thus, the fact that the licence to use the name was granted by Respondent No. 1 to Appellant No. 1 is clear. That Respondent No. 1 terminated the licence by its letter dated 24th April, 2002 is also admitted. It cannot justifiably be urged that Respondent No. 1 could not have formed a reasonable opinion that Appellant No. 1 had been associated with any undesirable publicity or activity. This contention was not even urged. Indeed, it is Respondent No. 1's case that Appellant No. 1 committed various breaches of the agreement including non-payment of its dues and was seeking to, and eventually did, tie-up with one of its competitors.

20. It is necessary therefore to analyse the plaint to determine whether the Plaintiffs have pleaded, in addition to passing off, a case for an injunction on the basis of their having terminated the licence granted to Respondent No. 1 for the use of their name "International Standards Certification".

21. Let us first examine whether in the body of the plaint this cause of action is pleaded. I think it has. In fact it requires no detailed analysis to determine that in the body of the plaint quite clearly pleaded is the grant of the permission/license by Respondent No. 1 to the Appellants to use in the corporate name of Appellant No. 1 the name "International Standards Certifications", the termination thereof, the effect of the termination and the first Respondent's grievance regarding the first Appellant's continued use of the name despite the termination of the permission to do so.

22. Paragraph 10 of the plaint refers to the shareholder's agreement. There is a specific reference to Clause 13.3 thereof which granted Appellant No. 1 the exclusive licence to operate in the territory and permitted the incorporation of Appellant No. 1 using inter-alia the name "International Standards Certifications.". It is Clause 13.3 which also entitles Respondent No. 1 to withdraw the right to use the name. Paragraph 11 of the plaint refers to the memorandum of agreement including Clause 8.2 thereof which is in terms similar to Clause 13.2 of the Shareholder's Agreement. Paragraph 12 of the plaint refers to the resolution dated 24th May, 1996 by which the Board of Respondent No. 1 granted its consent to Appellant Nos. 2 and 3 to use the words "International Standards Certifications" in the name of the company proposed to be incorporated as Appellant No. 1 or any other name with the words "International Standards Certifications" as approved by the Registrar of Companies, Maharashtra. Paragraph 15 of the plaint recites the incorporation of Appellant No. 1. Paragraph 16 (a) of the plaint refers to the supplementary agreement dated 3rd February, 1999 between the Respondents and Appellant No. 1 whereby Appellant No. 1 confirmed and accepted all the terms and conditions of the

Memorandum of Agreement dated 16th December, 1996. The averments in paragraph 16 (a) that Appellant No. 1 confirmed and accepted all the terms and conditions of the Memorandum of Agreement dated 16th December, 1996 obviously refers to Clause 6 of the supplementary agreement which I have quoted earlier. Paragraph 18 of the plaint refers to the first Respondent's letter dated 5th December, 1999 whereby it granted permission to the Appellants to register its trade marks.

23. The plaint therefore, upto this stage, has all the necessary averments regarding the grant of the license/permission by Respondent No. 1 to Appellant No. 1 for the use of the name "International Standards Certifications" and the right of Respondent No. 1 to withdraw such permission.

24. Thereafter the plaint contains several averments regarding the alleged breaches of the aforesaid agreements on the part of the Appellants, the merits of which I am not really concerned with at this stage. Paragraphs 28 to 30 of the plaint specifically refer to the termination of the agreements by the first Respondent's advocate's letter dated 24th April, 2002. Paragraphs 8 and 9 of the letter expressly terminated the licence granted by Respondent No. 1 to the Appellants to carry on any activities inter-alia in India and called upon them to forthwith withdraw from their name the use of the words "International Standards Certifications". the letter also stated that the shareholder's agreement stood terminated as per Clause 17.1 thereof. without prejudice thereto, the notice thereby terminated the shareholder's agreement and the memorandum of agreement.

25. This therefore takes the case and cause of action in the plaint to the second stage viz. the termination by Respondent No. 1 of the permission granted by them to the Appellants to use their name "international Standards Certifications".

26. The plaint then proceeds in several paragraphs to deal with the effect of this termination and the grievance of Respondent No. 1 regarding the conduct of the Appellants despite the same.

27. Dr. Tulzapurkar submitted with considerable emphasis that the plaint read as a whole restricts the cause of action to a passing off action, to wit the cause of action according to him is not based on the termination of the permission/license granted by Respondent No. 1 to the Appellants to use its name. I will reproduce some of the averments from the plaint which in my view militate against the submission. they reads as under :-

"32. the Plaintiff states and submits that inspite of the termination of the Joint Venture Agreements dated 16th December 1996 and inspite of the Plaintiff having called upon the Defendants Nos., 1 and 3 by its Advocate's letter dated 24th April 2002 to desist from carrying on business with the prefix name "International Standards Certifications", the Defendant Nos. 1, 2 and 3 have pursued to carry on business with the prefix name "International Standards Certifications". The Plaintiff states that inspite of the termination of the Joint

Venture Agreements dated 16th December 1996, the purpose and intent of the Defendants Nos. 1, 2 and 3 in carrying on business in the name having the prefix "International Standards certifications" is to encash on the name, fame, reputation and image and goodwill of the International Standards Certifications group of Companies which has been assiduously built up by the Plaintiff and Mr. Tony Wilde. The Plaintiff states and submits that intention of the Defendants Nos. 1, 2 and 3 is clearly evident from the memo dated 2nd September, 2002 issued by them."

"35..... The Plaintiffs state and submit that by its Advocate's letter dated 24th April, 2002 is has withdrawn the permission granted to the Defendants Nos. 1, 2 and 3 under the Agreements dated 16th December 1996 to use the name "International Standards Certifications" as a prefix to its trade name. The Plaintiff states and submits that it is therefore clear, that the Defendants Nos. 1, 2 and 3 wrongfully and fraudulently want to utilize the name and reputation attached to the words "International Standards Certifications" without having any right thereto and inspite of the above knowledge.

"37. The Plaintiff states and submits that the purpose and intent of the Defendants Nos. 1, 2 and 3 in adopting the word "International Standards Certifications" as part of the corporate name under the Joint venture Agreements dated 16th December 1996 and carrying on business inspite of the withdrawal of the licence by the Plaintiff from using the words "International Standards Certifications" is to encash on the name, fame, reputation and image and goodwill of the Plaintiff group of Companies which have been built up assiduously over the last several years, thereby deceiving the public inclusive of the consumer class by employing a name which is deceptively similar, identical with or too nearly resembles that of the Plaintiff. the Plaintiff states and submits that an innocent consumer is bound to be misled by this deceptively similar expression "International Standards Certifications" used in the corporate name of Defendant No. 1."

"38. The plaintiff states and submits that in the entirety of facts and circumstances the action of Defendant No. 1 carrying on business with the prefix "International Standards Certifications" inspite of the licence to use the same being terminated amounts to a "passing off" action on the part of the Defendants No. 1, 2 and 3 with a manifest intention to commit a fraud to mislead innocent and gullible consumers by the unfair and dishonest use of the trademark "International Standards Certifications" Even after the termination of permission to use the name "International Standards Certifications" Defendant No. 1 has continued to advertise and represent itself as the associate of the Plaintiff".

28. Nothing can be clear to establish that Respondent No. 1 has pleaded as a part of the cause of action the grant of a license/permission, the termination thereof and the rights that have accrued to Respondent No. 1 as a consequence thereof. The cause of action on the basis of passing-off is in addition to and

independent of the same. The averments regarding the purpose for which or the reason why the Appellants continue to use the name despite the termination and the effect thereof viz. passing-off must be read in the proper perspective. So read it in clear that these averments raising a grievance about the Appellants encashing on the name, fame, reputation and goodwill of Respondent No. 1 in its name despite the termination of the licence to do so is only to indicate the reason why, despite the termination of the license/permission, the Appellants continued unlawfully to use the first Respondent's name. Similarly the averments that the continued use by the Appellants of the first Respondent's name constitutes the tort of passing off is only indicative of the consequence of the first Respondent's name despite the termination of the permission to do so.

29. The fallacy in Dr. Tulzapurkar's submission lies in misconstruing the purpose for and the context in which these averments are made. It is necessary to note the distinction between passing off as a cause of action in itself and passing off as a consequence of the first Appellant's breach of a contractual obligation viz. its continued use of the first Respondent's name despite the termination of the licence to do so. Once this distinction is appreciated, the first Respondent's case becomes clear.

Indeed, the purpose of reserving to themselves the right to withdraw the permission was to ensure that upon termination the Appellants would not pass-off their services as that of Respondent No. 1. The consequence of the exercise of this right therefore is the prevention of passing-off. It does not follow thereby that Respondent No. 1 did not also seek an injunction on the ground of the exercise of this right simplicitor. Had Respondent No. 1 confined its cause of action to one of passing-off it would not have been at all necessary to plead in detail all the ingredients of the grant and termination of the said permission/license and the consequences of the Appellant's failure to cease to use the name upon termination.

30. It would be unfair to the draftsman of the plaint to suggest that merely because the plaint contains averments setting out the reason why the Appellants continue to use the first Respondent's name despite the termination of the permission/license to do so and the consequence of such conduct on the part of the Appellant, there is no cause of action pleaded regarding the first Respondent's right to the reliefs based on the termination by them of the permission granted to the Appellants to use their name.

31. In support of the submission, Dr. Tulzapurkar lastly placed considerable reliance upon the prayers. The argument, which though at the first blush is attractive, is unfounded. As the point was argued with considerable emphasis, let me set out the prayers that Dr. Tulzapurkar relied upon in this regard. They are as under:-

"a) That this Hon'ble Court be pleased to grant a permanent injunction restraining the Defendants Nos. 1, 2 and 3, by themselves, their agents, and/or

any other person claiming under them or through, between or any of the public from using the words "International Standards Certifications" as part of Defendant No. 1's corporate name and/or trading style or as a trademark or trade name or as a part thereof so as to pass off or enable others to pass the business or services provided by Defendant No. 1 and or business as that of the Plaintiffs or in some way connected with the Plaintiff. (emphasis supplied.)

a-2) That this Hon"ble Court be pleased to grant a permanent injunction restraining the Defendants Nos. 1, 2 and 3 by themselves, their agents, and/or any other person claiming under them or through, between or any of the public from using the label the Plaintiff label as depicted in paragraph 35-A hereinabove comprising of layout, get up and colour scheme of the logo "ISC" coupled with the name of the Plaintiff "International Standards Certifications Pty. Ltd." written in vertical symmetry or any other device closely similar to or which amounts to a substantial reproduction of the Plaintiff's label on Defendant No. 1's stationery comprising of letterheads, brochures, business cards, advertisements, bills, memos, vouchers, etc. or any other stationary of Defendant No. 1 so as to pass off or likely to pass off or enable others to pass off the goods and/or services provided by Defendant No. 1 as the business for those of the Plaintiff as in some way connected with the Plaintiff. (emphasis supplied.)

d) That this Hon"ble Court be pleased to grant a temporary injunction restraining the Defendants Nos. 1, 2 and 3, by themselves, their agents, and/or any other person claiming under them or through, between or any of the public from using the words "International Standards Certifications" as part of Defendant No. 1's corporate name and/or trading style so as to pass off or enable others to pass off the services provided by Defendant No. 1 and or business as that of the Plaintiff's or in some way connected with the Plaintiff pending disposal of the suit. (emphasis supplied.)

d-2) That this Hon"ble Court be pleased to grant a temporary injunction restraining the Defendants Nos. 1, 2 and 3, by themselves, their agents, and/or any other person claiming under them or through, between or any of the public from using the label the plaintiff label as depicted in paragraph 35-A hereinabove comprising of layout, get-up and colour scheme of the logo "ISC" coupled with the name of the plaintiff "International Standards Certifications Pty. Ltd." written in vertical symmetry or any other device closely similar to or which amounts to a substantial reproduction of the plaintiff's label on Defendant No. 1's stationery comprising of letterheads, brochures, business cards, advertisements, bills, memos, vouchers, etc. or any other stationary of Defendant No. 1 so as to pass off or likely to pass off or enable others to pass off the goods and/or services provided by Defendant No. 1 as the business for those of the Plaintiff as in some way connected with the Plaintiff pending the hearing and final disposal of the suit." (emphasis supplied.)

32. The portions in the prayers emphasised by me were relied upon by Dr. Tulzapurkar in support of his contention that the suit is filed only as a passing of

action. I do not agree. This may be a standard prayer in a passing off action. The plaint however must be considered as a whole. I have already held that the plaint contains averments of fact and submissions of law not merely related to a passing off action but also to (sic) wrongful continued user of the first Respondent's name despite the termination of the permission granted by Respondent No. 1 to the Appellants to do so. Does the use of the words emphasised in the prayers in any way disentitle the Plaintiffs to relief on such a cause of action also. I think not. The portion emphasised in the prayers by me is a consequence of the wrongful act on the part of the Appellants in the continued user of the First Respondent's name despite the termination of the permission to do so.

33. Indeed if I am correct in the view that I have taken of the averments and the submissions in the body of the plaint, to get over Dr. Tulzapurkar's submission qua the prayers, even assuming it to be well founded, all the plaintiffs had to do was to add prayers identical to those above in all respects except the emphasised words. This technical objection could therefore be met by the simple expedient of an amendment.

34. The Appeal must therefore be dismissed in this view of the matter alone.

35. This is not a suit for specific performance of any of the agreements. Quite the contrary. The agreements have been terminated. The licence to use the first Respondent's trade name granted under the agreement has also been terminated. The relief to restrain the Appellant from continuing to use the first Respondent's trade name despite the termination of the licence to do so is not founded upon a cause of action for specific performance. Indeed, to hold that the right to the injunction is or can be based only in an action for specific performance would lead to an absurdity. Specific performance of the agreement is precisely what the Plaintiffs does not seek in view of the breaches they allege against the Appellants.

PASSING OFF

36. Dr. Tulzapurkar submitted that Respondent No. 1 had failed to establish its reputation and is therefore, not entitled to succeed in a claim for passing off. He submitted that in order to succeed in a passing off action, it is necessary for the Plaintiffs to establish reputation. Such reputation can be established inter-alia by showing the extent of user. There was no material, it was contended, produced by the Plaintiffs showing the extent of business carried on by Respondent No. 1 in India. No sales figures or advertisement expenses incurred to show that the Plaintiffs had acquired a reputation in India were produced. In the absence of such material, the Plaintiffs cannot be said to have established any reputation. Having failed to produce such material, Respondent No. 1 was not entitled to get any interim reliefs in a passing off action.

37. Dr. Tulzapurkar further submitted that the words "International Standards Certifications" are generic words which describe the nature of the business rather

than their source, that they are not fancy words and the use of the name, therefore, will not establish any passing off, as Respondent No. 1 cannot claim any monopoly in descriptive words.

38. Dr. Tulzapurkar while fairly conceding that even in such a case if a party has acquired in respect of the trade name a secondary signification, it would be entitled to maintain successfully an action for passing off, contended that the Plaintiffs had failed to establish the same.

39. The second, third and fourth proposition now fall for consideration.

PROPOSITION II

40. There can be little hesitation in coming to the conclusion that the words taken individually are generic terms. There is nothing fancy about any of them.

41.(A) Mr. Muchala, however, relied upon the judgment of the Delhi High Court in the case of Time Warner Entertainment Coy. L.P.USA v. Shri A.K. Das and Ors., 1997 IPLR 331 in support of his submission that the words taken together constitute a fancy name. The rival names/words therein were the Plaintiff's name "HBO"/"HOME BOX OFFICE" and the Defendant's name "CBO"/"CABLE BOX OFFICE". Mr. Muchala relied upon paragraph 28 of the judgment which reads as under:

"28. The defendants were carrying on their business under the trade names "In Network" and "Cable Video India Limited". It is not understood why immediately after failure of the joint venture project negotiated between the plaintiff and the defendants, the defendants desired to start a cable network under the name CBO/CABLE BOX OFFICE. The suffix "BOX OFFICE" being the same with the mark of the plaintiff the intention appears to be to capitalize on the goodwill and reputation of the plaintiff in the matter of television channel, for the defendants desired to enter into joint venture project with the plaintiffs and having failed to enter into such a negotiation immediately turned around and made the announcement of starting a TV channel of its own under the trade name CBO/CABLE BOX OFFICE. Although the words "BOX OFFICE" and "HOME BOX OFFICE" individually could be said to be descriptive but by long user by the plaintiff of the words "BOX OFFICE" under the trade name "HOME BOX OFFICE" or HBO the same could be said to be fancy words with secondary meaning coming to be associated with the plaintiffs. Copying of the said words by the defendants is apparent on the face of the records of the case as has been indicated by me herein above. Therefore, dishonesty is writ large and in view of these circumstances the decision in Office Cleaning (supra) is not applicable. In this connection I can also appropriately refer to the observations of this court in William Grants and sons case (supra). In cases of transborder reputation the question of likelihood of deception loses its significance in passing off action and what becomes more important is whether the use of something by the defendant, out of the whole used by the plaintiff, would lead to erosion of the reputation of the plaintiff, erosion of what is distinctive. In the light of the

aforesaid discussion and finding, the ratio of the decision in Cellular Clothing (supra) is not applicable to the facts of the present case."

(B) The decision did not consider Dr. Tulzapurkar's present submission as a question of law. The decision of the Delhi High Court turned on the facts of the case. Indeed, there cannot be a broad proposition of law in absolute terms to the effect that generic words taken together must always constitute a fancy name. This must depend on the facts of each case.

42. In the present case, the relevant parts of the names of Appellant No. 1 and Respondent No. 1 are identical. There can be no dispute that the words even if taken together directly point to and indicate the nature of the business viz. "standards certifications". They mean and most certainly suggest, precisely what they say. The business undertaken by Respondent No. 1 is precisely what the words suggest. It would have been different had the nature of the business been something other than "standards certification". The point is best dealt with by a reference to the following commentary in the third edition of the Law of Passing-off by Christopher Wadlow:

"Descriptive and "fancy" words compared

A distinction is sometimes drawn in which "fancy" words are contrasted with those which are prima facie descriptive. A fancy word is one which has no obvious relevance to the character or quality of the goods or business in relation to which it is used, such as Eureka for shirts, June for toiletries, and Puffin or Penguin (names of unpalatable seabirds both) for chocolate-coated sandwich biscuits. It is "of an arbitrary and fanciful nature" in that context.

Whether a word is fancy or descriptive may depend on how it is used. Health may plausibly be called a fancy word in respect of fishing gear but not for cocoa. The significance of the difference is that distinctiveness is very much more easily acquired for fancy words, and it is inappropriate to speak of secondary meaning when the word has no primary meaning to displace."

In the circumstances, I am in agreement with Dr. Tulzapurkar that each of the words individually is a generic term and the words collectively are merely descriptive of the nature of the business.

PROPOSITIONS III AND IV

43. Before dealing with the other two questions it is necessary to remind ourselves of the nature of the right the invasion of which is the subject of a passing off action. In A.G. Spalding and Bros. v. A.W. Gamage Ltd. XXXII Reports of Patent, Design And Trade Mark Cases, 273 this right was described as under:

"There appears to be considerable diversity of opinion as to the nature of the right the invasion of which is the subject matter of what are known as passing-off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question - property in

what ? Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say, property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v. Banham* L.R. (1906) A.C. 139 expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view. In the first place, cases of misrepresentation by the use of a mark, name, or get-up do not exhaust all possible cases of misrepresentation. If A says falsely, "These goods I am selling are B's goods," there is no mark, name or get-up infringed unless it be B's name, and if he falsely say, "These are B's "goods of a particular quality," where the goods are in fact B's goods, there is no name that is infringed at all. Further, it is extremely difficult to see how a man can be said to have property in descriptive words, such as "Camel Hair" in the case of *Reddaway v. Banham* L.R. 1906 A.C. 199 where every trader is entitled to use the words, provided only he uses them in such a way as not to be calculated to deceive. Even in the case of what are sometimes referred to as Common Law Trade Marks the property, if any, of the so-called owner is in its nature transitory, and only exists so long as the mark is distinctive of his goods in the eyes of the public or a class of the public. Indeed, the necessity of proving this distinctiveness in each case as a step in the proof of the false representation relied on was one of the evils sought to be remedied by the Trade Marks Act, 1875 which conferred a real right of property on the owner of a registered mark. I had to consider the matter in the case of *Burberrys v. Cording* 26 R.P.C. 693 and I came to the same conclusion."

44 (A). That it is essential for a Plaintiff to establish reputation in order to succeed in a passing-off action is well settled. In the following commentary from *Passing Off Law and Practice*, Second edition, the learned authors John Drysdale and Michael Silverleaf have observed as under:

"3.02 Reputation is the first essential characteristic which the plaintiff must prove in order to bring a passing off claim. It can be summarised in these words: that the mark, name or other indicia on which the plaintiff relies is well known in connection with a business in which he has goodwill, or with goods connected with that business and is distinctive of those goods or that business."

(B). The words that follow indicate the questions that arise while establishing reputation:

"3.02.....This aspect of a passing off claim raises a number of issues. In what kind of marks, names and other indicia may the plaintiff claim a reputation and goodwill? What is the nature of the reputation and goodwill which will support a claim of passing off? What must the plaintiff do to acquire the required reputation? For how long and over what area does the reputation subsist? What kinds of activities and organizations are considered by the courts to constitute a business which is entitled to make a claim of passing off? The purpose of this chapter is to examine these issues in detail."

45. Dr. Tulzapurkar then relied upon judgments to establish the nature of the facts necessary to be established by a Plaintiff to succeed in a passing-off action. In *Coleman and Co. v. Stephen Smith and Co.*, XXIX Reports of Patent, Design And Trade Mark Cases, 81 (at page 88) the Court of Appeal held as under:

"Although I dislike quoting my own language on a point of this kind, I think I shall save time if I read just a few lines from my own judgment in *Williams v. Bronnley*, a judgment which, so far as I remember, was entirely assented to by all my colleagues:- "What is it necessary for a trader who is plaintiff in a passing-off action to establish? It seems to me that in the first place he must, in order to succeed, establish that he has selected a peculiar-a novel-design as a distinguishing feature of his goods, and that his goods are known in the market, and have acquired a reputation in the market, by reason of that distinguishing feature, and that, unless he establishes that, the very foundation of his case fails. If he takes a colour and shape which are common to the trade, the only distinctive feature is that which he has added to the common colour and the common shape, and unless he can establish that there is in the added matter such a similarity as is calculated to deceive, I think he must fail."

46. This would have been the stage to consider whether or not the Plaintiffs have established reputation. But I will differ this till I deal with the law cited by Dr. Tulzapurkar on the third question viz. whether the words have acquired a secondary signification, for many of the facts to be considered are common to both questions.

47. Founding himself on the basis that the words "International Standards Certifications" taken either individually or collectively are mere generic words, descriptive of the nature of the business, Dr. Tulzapurkar submitted that Respondent No. 1 was not entitled to sustain a claim of passing-off in respect thereof. The submission though well founded as a general proposition of law is however subject to certain exceptions applicable to this case which I shall come to after dealing with the following authorities relied upon by him:

A) John Drysdale and Michael Silverleaf in their work, *passing off Law and Practice*, Second edition.

"WORD MARKS

Fancy and invented words

3.17 If a word mark is a "fancy" word (that is one having no reference to the character or quality of the goods) or an invented word (that is one devised for the express purpose of distinguishing the Plaintiff's goods from those of other traders) it is relatively easy to prove a reputation in the mark. The same is true of surnames. There can be little or no purpose in another trader adopting such mark save to obtain the benefit of the plaintiff's reputation. The position is of course different in relation to marks which refer either to the geographical origin of the goods or to some aspect of their character or quality. The acquisition of a

reputation in such marks is discussed in detail below but it is self evident that, prima facie, the effect of such terms in relation to particular goods will be to identify their qualities or geographical origin rather than to designate a particular trade origin for them. This inherent ability of fancy or invented words to distinguish the goods of one trader from those of others has often been remarked upon by the courts. In *Cellular Clothing Co. v. Maxton and Murray*, Lord Shand put it in this way:

"There is a vital distinction in cases of this class between invented or fancy words or names, or the names of individuals such as "Crowley" or "Crowley Millington" attached by a manufacturer to his goods and stamped on the articles manufactured, and words or names which are simply descriptive of the article manufactured or sold. The idea of an invented or fancy word used as a name is that it has no relation, and at least no direct relation, to the character or quality of the goods that are to be sold under the name. There is no room whatever for what may be called a secondary meaning in regard to such words.... The word used and attached to the manufactured being an invented or fancy name, and not descriptive, it follows that if any other person proceeds to use that name in the sale of his goods it is almost, if not altogether, impossible to avoid the inference that he is seeking to pass off his goods as the goods of the other manufacturer."

B) To further buttress the argument regarding the nature and level of proof required to sustain an action of passing off where mere descriptive words are used, Dr. Tulzapurkar relied upon the judgment in *Burberrys v. J.C. Coring and Co. Ltd.*, 26 RPC 693. In addition to extracting the part relied upon by Dr. Tulzapurkar, it is essential to extract two sentences that precede it for it is only then that the ratio can be appreciated in its proper perspective.

"If the use of a word or name be restrained, it can only be on the ground that such use involves a misrepresentation, and that such misrepresentation has injured, or is calculated to injure another in his trade or business. If no case of deception by means of such misrepresentation can be proved, it is sufficient to prove the probability of such deception, and the Court will readily infer such probability if it be shown that the word or name has been adopted with any intention to deceive. In the absence of such intention, the degree of readiness with which the Court will infer the probability of deception must depend on the circumstances of each particular case, including the nature of the word or name, the use of which is sought to be restrained. It is important for this purpose to consider whether the word or name is prima facie in the nature of a fancy word or name, or whether it is prima facie descriptive of the article in respect of which it is used. It is also important for the same purpose to consider its history, the nature of its use by the person who seeks the injunction, and the extent to which it is or has been used by others. If the word or name is prima facie descriptive or be in general use, the difficulty of establishing the probability of deception is greatly increased. Again, if the person who seeks the injunction has not used the

word or name simply for the purpose of distinguishing his own goods from the goods of others, but primarily for the purpose of denoting or describing the particular kind of article to which he has applied it, and only secondarily, if at all, for the purposes of distinguishing his own goods, it will be more difficult for him to establish the probability of deception. But whatever be the nature of history of the word or name in whatever way it has been used, either by the person seeking the injunction or by others, it is necessary, where there has been no actual deception, to establish at least a reasonable probability of deception. In such cases the action is, in effect, a *qui a time t* action, and unless such reasonable probability be established, the proper course is, in my opinion, to refuse an injunction, leaving the plaintiff to his remedy if cases of actual deception afterwards occur."

I will discuss the ratio of this judgment while analyzing the facts of the present case. Suffice it to say at this stage that the Plaintiffs have made out at least a case of reasonable probability of deception if not actual deception. The caveats entered in the judgment will therefore apply entitling the Plaintiffs to the injunction.

C) In *Carew Phipson Limited Vs. DeeJay Distilleries Pvt. Limited*, , a learned Single Judge of this Court held as under:

"It is well established that purely descriptive terms are totally unregistrable. The reason for that is they, by definition, do not distinguish goods of one manufacturer from those of another. It has been observed in (*Electrix Limited's Application*), (1959) R.P.C. 283 as follows:

"... paradoxically perhaps, the more apt a word is to describe the goods of a manufacturer the less apt it is to distinguish them; for a word that is apt to describe the goods of A, is likely to be apt to describe the goods of A, is likely to be apt to describe the similar goods of B."

D) In *J.R. Kapoor Vs. Micronix India*, , it was held as under:

"Further, the word "micro" being descriptive of the micro technology used for production of many electronic goods which daily come to the market, no one can claim monopoly over the use of the said word. Anyone producing any product with the use of micro-chip technology would be justified in using the said word as a prefix to his trade name. what is further, those who are familiar with the use of electronic goods know fully well and are not likely to be misguided or confused merely by, the prefix "micro" in the trade name. Once, therefore, it is held that the word "micro" is a common or general name descriptive of the products which are sold or of the technology by which the products are manufactured, and the users of such products are, therefore, not likely to be misguided or confused by the said word, the only question which has to be *prima facie* decided at this stage is whether the words "tel" and "nix" in the trade names of the appellant and the respondent are deceptive for the buyers and users and are likely to misguide or confuse them in purchasing one for the order. According to us,

phonetically the words being totally dissimilar are not going to create any such confusion in the mind of the users. Secondly, even the visual impression of the said two trade names is different".

E) In *British Vacuum Cleaner Company Ltd. v. New Vacuum Cleaner Company Ltd.* (1907) 2 Ch D 312 it was held:

"Now here again I think that the principles which are laid down in the reported cases have some application. I do not consider myself that if a company chooses to incorporate into its own name words descriptive of the article in which it deals it can fairly claim a monopoly of the use of those words in trade names. It seems to me that it runs the risk of having the articles similarly described in the trade names of rival traders. If any such monopoly can be gained by such means it appears to me that, from the point of view of the public, the sooner the provisions of the Companies Act in that respect are altered, the better. But I think it is precisely because a company cannot secure any such monopoly by such registration that it may register such a name. For instance, if the inventor of a smokeless powder registered himself as "The smokeless Powder Company, Limited," it seems to me that he could not fairly object to somebody who subsequently invented a new smokeless powder on a different principle registering himself under a title which also involved the description of the article, namely, smokeless powder. In the same way, in this case it appears to me that there is nothing in principle to prevent the defendant company from using the words "Vacuum cleaner" as part of its name. Having a new species of Vacuum cleaner which it proposes to bring before the public, it desires, in order to bring itself before the public as dealing with that article, to use a name involving a description of that article distinguishing it from all other articles of the same genus by using the term "new".

It seems to me that the intention and desire of the defendant company to adopt the words "Vacuum cleaner" are amply accounted for by the fact that the words are descriptive and that it is an advantage to a trader to shew in his trade name the nature of the article in which he deals; and, therefore, I cannot draw any inference against the bona fides of the defendant company from the fact of its having used the words "Vacuum cleaner." I agree that in using the words "Vacuum cleaner" the defendant company ought to distinguish their cleaner from other cleaners on the market, but it seems to me to have been a reasonable supposition on the part of the person who is responsible for the choice of the defendant company's name that, inasmuch as the object was to distinguish what was new from what had been on the market for several years, it would be enough to call their cleaner the "new Vacuum cleaner."

F) This leaves the judgment of the Court of Appeal in *Appeal in Office Cleaning Services Ltd. v. Westminster Window and General Cleaners Ltd.* 174 Law Times, 229 and the judgment of the House of Lords in appeal therefrom - 174 Law Times, 229. I find it both convenient and appropriate to deal with them later while dealing with the case on merits.

48. The legal principles in respect of generic or descriptive words are clear. I am in respectful agreement with the law cited by Dr. Tulzapurkar. I am also bound by the judgment of this Court and of the Supreme Court in the above cases. This brings me to a consideration of the questions on merits keeping the aforesaid legal principles in mind.

49. Dr. Tulzapurkar stated that the Plaintiffs did not produce any evidence to indicate the extent of their business activities either abroad or in India. Nor did they produce any evidence of the expenses incurred by them for advertising and promotion activities. The evidence that Dr. Tulzapurkar referred to here was of actual sales figures and accounts for the expenditure. But, the nature of evidence to establish reputation is not confined to only certain types. It may take any form that indicates or establishes reputation.

50. It is important to note the privity between the parties to the suit. This is not a case where the Plaintiff sought an injunction for passing off against a stranger or a third party with whom it had no connection. This, to my mind makes all the difference while considering whether Respondent No. 1 has established its reputation in the trade name and whether the corporate name "International Standards Certifications" has acquired a secondary signification.

51. In the present case, there is hardly any dispute about the first Respondent's expertise. I should think it is established from the nature of the agreement entered into between the parties. Dr. Tulzapurkar fairly did not question the first Respondent's expertise either.

52. To my mind, the documents executed between the parties establishes the first Respondent's reputation in India. The shareholder's agreement dated 10.12.1996 recorded that the parties had agreed to enter into an association to form joint ventures in various territories. Clause 12 includes India as one of the territories. Clause 4.1 states that the purpose of the company is to carry out the objects of the joint venture as set out in the introduction which includes various types of certification businesses and work incidental thereto. Clause 4.2 states that in furtherance of the said purpose, the first Respondent shall provide to the company inter-alia "business contacts in India and knowledge of the certification Industry in India and marketing skills to enable development of the business" (emphasis supplied). Thus, the parties entered into the shareholder's agreement acknowledging that the first Respondent had business contacts in India and also possessed knowledge of the certification industry in India.

53. The memorandum of agreement dated 16th December, 1996 also provides in Clause 2.2 that in furtherance of the purpose of the joint venture company the first Respondent shall provide to the joint venture company "business contacts in India and knowledge of the certification industry in India and marketing skills to enable development of the business".

54. It is not the Appellant's case that the clauses were inserted mechanically, without regard to the facts. It is not the Appellant's case that they signed the

agreements containing these clauses through inadvertence. It is not the Appellant's case that what is stated in the agreements is false or even inaccurate. It is true, as contended by Dr. Tulzapurkar that the Appellants have denied the first Respondent's assertion of its reputation. However, having admitted in such formal and obviously carefully prepared documentation that the first Respondent has business contacts in India and knowledge of the certification industry in India, a mere denial is not sufficient. The admissions are not mechanical. The denials are and therefore inspire little, if any, confidence.

55. Indeed, the agreement dated 3.2.1999 executed between Appellant No. 1 and the Respondents expressly stated that the agreement was supplemental to the memorandum of agreement dated 16th December, 1996 and that all other terms and condition of the memorandum of agreement shall remain unchanged and shall be binding on all the parties. It is not open therefore for the Appellants to contend that Appellant No. 1 is not bound by the said agreements.

56. Thus, the fact that the first Respondent has business contacts in India and possesses knowledge of the certification industry in India is established by the Appellant's admissions. The question then is the extent of the first Respondent's business contacts in India.

There again, the agreements entered into by the parties and the Appellant's conduct establish that it was sufficient to maintain an action for passing off. In any event, they are sufficient to sustain an application for an injunction at an interlocutory stage.

57. It would be convenient while dealing with the extent of the first Respondent's reputation in its trade name to consider whether it has acquired a secondary significance.

58. Pursuant to negotiations between the parties it was decided to incorporate the first Appellant. Accordingly, the Board of Directors of the first Respondent by a resolution dated 24.5.1996 consented to Appellant Nos. 2 and 3 as promoters of the first Appellant to use the words "International Standards Certifications" in the name of the first Appellant which was then proposed to be incorporated as joint venture company. Indeed, the shareholder's agreement and the memorandum of agreement both dated 16.12.1996 expressly record that the Appellants were permitted to incorporate the first Appellant using the first Respondent's name and that the first Respondent may withdraw the right to do so in the circumstances mentioned therein. After the first Appellant was incorporated, the supplementary agreement dated 3.2.1999 was executed between the first Appellant and the foreign collaborators in which it was expressly agreed that all the terms and conditions of the memorandum of agreement shall be binding on all parties i.e. including the first Appellant. It is not open therefore now for the Appellants to contend that the first Appellant is not bound by what is stated in the shareholder's agreement and the memorandum of agreement.

59. If the first Respondent's trade name did not have any reputation in India, if the trade name had not acquired any secondary significance, one wonders why the Appellants accepted the inclusion of the aforesaid clauses in not one but several documents referred to above. These were not isolated clauses. Nor were they isolated incidents. The Appellants were fully aware of and conscious of the same. The Appellants have not contended that they were not aware of these clauses. They have not contended that the clauses were unimportant or without significance. They have not contended that they were inserted merely mechanically. They have not contended that they did not seriously apply their minds while signing the agreements. In fact, the Appellants have furnished no explanation whatsoever for the existence of the terms or for the grant of the licence. There is not a whisper as to the circumstances in which or the reason why the licence was specifically granted by the first Respondent and accepted by the Appellants.

60. What is even more important is the fact that Respondent No. 1 by its letter dated 5th December, 1999 granted the Appellants permission to register their trade marks registered in Australia in their names and on their behalf in India. For the words being merely descriptive, had they also no secondary significance the Appellants would not have agreed to register the name containing them on behalf of Respondent No. 1. The Appellants have not sought to explain this. They have not stated that they did so in ignorance of the law or the rights or entitlement of the first Respondent in this regard. I am not prepared to make any speculation in their favour.

61. Had the inference I have drawn in favour of the first Respondent not been correct, surely the Appellants ought to have stated so themselves. They have stated nothing of the sort. In the absence of any explanation from the appellants themselves, it would be neither fair nor permissible for the Court to speculate upon the reasons for the documents executed between the parties and their conduct qua the trade name of the first Respondent. In the absence of any explanation, I am not inclined to give any weightage or any value to the bare denials contained in the affidavit in reply filed on behalf of the Appellant.

62. In paragraphs 8 to 12 the affidavit in support of the interim application the first Respondent has set out in detail the expertise of its founder Tony Wilde in the certification business and his role in the development thereof and his business contacts in the Indian market including with the members of the Confederation of Indian industry (CII) since 1987. The affidavit further refers to the first product certification by him in 1987 for Crompton Greaves (Fans division) and states that since then Tony Wilde has continued to conduct certification in India. Paragraphs 41 to 44 of the Appellant's affidavit in reply deal with the above paragraphs of the Plaintiff's application. They contain mere denials.

63. It is true that it would have been desirable for the first Respondent to have produced the relevant documentation in this regard. It is true that had this action

been against a third party/a stranger to the Plaintiffs, mere averments without proof may not have been sufficient to sustain an application for injunction in a passing off action. But here again I come back to the relationship between the parties, the documents executed by them and their admissions therein. Keeping all this in mind, I am inclined to accept the Plaintiff's case on facts. There is nothing on record that militates against it. Indeed, the record only supports it. There is no explanation why the Appellants chose to associate themselves with the Plaintiffs if indeed they did not have these qualifications and this experience. Surely something about the Plaintiffs encouraged the Appellants to associate themselves in a business venture with them. It could not possibly have been nothing. the Appellants have chosen to remain silent on this aspect. Why then must I be persuaded to disbelieve the Plaintiffs case ?

64. I think it is a legitimate inference that by entering into the said agreements, by accepting the benefit of the licence to use the words "International Standards Certifications" and by agreeing to register the first Respondent's trade mark which included the words "International Standards Certifications" the Appellants accepted and admitted the fact of the first Respondent's reputation in the said words.

65. It is necessary now therefore to consider Dr. Tulzapurkar's submission regarding the nature and quantum of proof required to establish a case of secondary significance. It is a point on which much stress was laid by Dr. Tulzapurkar. He placed strong reliance upon the judgment of the Court of Appeal in *Office Cleaning Services, LD. v. Westminster Window And General Cleaners, LD.*, 61 RPC 133 wherein it was held as under :

"The foundation of the right to restrain the user of a similar name is the principle that no one is entitled to represent his business or goods as being the business or goods of another by whatever means that result may be achieved, and it makes no difference whether the representation be intentional or otherwise; but a distinction has been, and must always be, drawn between cases in which the trade name or the part of it in question consists of a word or words of ordinary use descriptive of the business carried on or the article dealt in, and cases in which the word or words complained of is or are of the character of a fancy word or words and primarily have no relation to such business or article but only to the person carrying on the business of dealing in the article (see per Parkar J. in the *British Vacuum Cleaner Coy. Ltd. v. New Vacuum Cleaner Coy Ltd.* at p. 321). Of course, if it can be established that the descriptive word or words has or have acquired among the public, or that class of the public likely to deal with the business or goods in question, a subsidiary or secondary meaning denoting or connoting the business or the origin of the article, the person claiming to restrain the user of that word or those words can obtain the relief he seeks. This, we think, is plainly established by the decisions in such cases as *Reddaway v. Benham*: [1896] A.C. 199 and *Cellular Clothing Coy. v. Maxton* [1899] A.C. 326, but the burden of establishing such fact is exceedingly difficult to discharge as

was pointed out by Lord Shand in the last mentioned case at page 340 where he said, in referring to *Reddaway v. Benham*: "Of that case I shall only say that it no doubt shews it is possible where a descriptive name has been used to prove that so general, I should rather say so universal, has been the use of it as to give it a secondary meaning and so to confer on the person who has so used it a right to its exclusive use or, at all events, to such a use by some distinguishing characteristic. But I confess I have always thought, and I still think, that it should be made almost impossible for anyone to obtain the exclusive right to the use of a word or term which is in ordinary use in our language and which is descriptive only-and, indeed, were it not for the decision in "*Reddaway*"s" case, I should say this should be made altogether impossible".

It is further held, "In the absence of any fraudulent intention, the cases appear to establish beyond controversy that a small differentiation is sufficient to defeat a plaintiff's claim". The judgment was upheld by the House of Lords, 174 Law Times, 229.

66. I do not think however that the judgment is of as much assistance to the Appellants in the facts of this case as Dr. Tulzapurkar contended it was. Indeed, as will be presently seen, the decision of the House of Lords turned to a large extent on the finding of fact that in the Defendant's choice of name there was no improper or sinister motive. Had this finding of fact been the other way, the judgment itself indicates that the order would have been otherwise. Indeed, this is clear when, at the outset, Lord Simonds, speaking for the House, said, "My lords, the question in this case is one of fact. The principles of law applicable to it are well settled and clear." After narrating the facts, the learned Judge summarised the law in the first instance and proceeded immediately to apply it to the facts of the case thus :

"Foremost I put the fact that the plaintiffs chose to adopt as part of their title the words "Office Cleaning" which are English words in common use, apt and more apt than any other words to describe the service that they render. This is a trade name, not a trade mark case, but I would remind your lordships of the close analogy between the two classes of case found by Farwell, J., in *Aerators Limited v. Tollit* 86 L.T. Rep. 651; (1902) 2 Ch. 319), and by Parker, J., in the *Vacuum Cleaner* case (sup.). So it is that, just as in the case of a trade mark the use of descriptive words is jealously safeguarded, so in the case of trade names the courts will not readily assume that the use by a trader as part of his trade name of descriptive words, already used by another trader as part of his trade name, is likely to cause confusion, and will easily accept small differences as adequate to avoid it. It is otherwise where a fancy word has been chosen as part of the name. then it is that fancy word which is discriminatory and upon which the attention is fixed, and if another trader takes that word as part of his trade name with only a slight variation or addition, he may well be said to invite confusion. For why else did he adopt it ?

Secondly, I observe that here there is in the defendants' choice of name no

improper or sinister motive. The learned judge found that they did not intend to cause confusion between their business and that of the plaintiffs by dropping the word "Westminster." This is not a matter of conclusive importance. Confusion innocently caused will yet be restrained. But if the intention to deceive is found, it will be readily inferred that deception will result. Who knows better than the trader the mysteries of his trade ? For myself I find the defendants' explanation of their action satisfactory. They were, I think, justified in the fear that some potential customers might think they did not operate outside the Westminster area and for that reason refrain from employing them. And it is just this sort of consideration which makes it undesirable that a first user of descriptive words should be entitled to demand that a second user should differentiate by any form of limiting words. To speak of a monopoly is inaccurate, but anything that looks like a monopoly is suspect." (emphasis supplied)

67. from what I have observed so far on facts I am willing to conclude that there is more than a just a reasonable probability of deception. The Appellant's anxiety to continue to not only use the first Respondent's name despite the termination of the licence to do so but to expressly hold Appellant No. 1 out to be affiliated to the first Respondent establishes at least prima-facie an intention to deceive permitting thereby the inference that deception will result. In Office Cleaning and in British Vacuum Cleaner Coy. Ltd. The Courts accepted the Respondent's explanation as being satisfactory. In the case before me there is virtually no explanation.

68. Both, during the subsistence of the agreements and after the termination thereof, the Appellants held themselves out as associates of the first Respondent. For instance, the invoices and other stationery contained the following words "Associate of International Standards Certifications Pty Ltd., Australia". Further, Appellant No.1 has an elaborate, interactive web-site under its corporate name. This was at least till as late as 16.11.2002. The Appellants have denied any connection with it but from the pleadings I find no cause to believe that they are not responsible for setting it up. The site expressly states that Appellant No. 1 is an affiliate of Respondent No. 1 and that the Appellant is accredited with JAS-ANZ. If the words had acquired no reputation or secondary significance, if Respondent No. 1 had no reputation in India, surely the Appellants would not have included the same in the stationery and generally held themselves out as associates of the first Respondent.

69. For the same reason, Burberry's case (supra) does not carry the Appellant's case further. This is clear from the first two sentences of the part of the judgment quoted earlier.

70. The difference in the name of Appellant No. 1 by including therein the words "(South Asia)" makes no difference in the facts of this case for two reasons. Firstly there is, I have found, evidence of at least a probability of deception. Secondly, the critical words "International Standards Certifications" prefix the name unlike in case of British Vacuum Cleaner Coy. Ltd.

71. It is further significant to note that apart from the bare denials the Appellants have done nothing to dislodge the presumptions against them. They have not called upon the Respondents to furnish any material that would have disproved their case. The Appellants are not in the same position as strangers to the above agreements and transactions. In view of their conduct and representations and the agreements executed by them, the onus was clearly upon the Appellants to prove their case. They have not discharged the same.

72. I must hasten to add here too, and it is obvious, that had the Plaintiffs directed their action against a third party, none of this would have been relevant for third parties cannot be bound by the admissions or the conduct of another. It is not open however for the Appellants to state that they are not bound by their admissions and conduct.

73. Dr. Tulzapurkar contended that the learned Judge failed to take into account the fact that JAN-ANZ with whom the Plaintiffs are associated have accredited eight companies with the words "International Standards Certifications". He submitted that the existence of such companies doing competing business, without objection from the Plaintiff clearly show that the plaintiff did not regard the words, "International Standards Certifications" in their name, as causing any confusion. He referred to the following companies :

- i) International Certifications Services (Asia) Pvt. Ltd., - ICS (Asia) Pvt. Ltd., - ICS (Asia)
- ii) International Certification Group Corporation. Ltd. - ICG South Korea,
- iii) International Certification Register Limited, ICR, 306, Korea.
- iv) International Certification Limited (ICL) New Zealand.
- v) International Standards Certification Pte Ltd. Singapore (This is a company which is accredited with the Singapore Accreditation Council, Singapore).
- vi) International Certifications Services Limited, United Kingdom (This is a company which is accredited with the United Kingdom Accreditation Service, United Kingdom)
- vii) International Industrial Certification Co. Ltd. (IIC), Korea
- viii) International Quality Systems Pty. Ltd. (IQS) Australia."

74. In this regard Dr. Tulzapurkar relied upon the judgment in British Vacuum Cleaner Company Ltd. v. New Vacuum Cleaner Company Ltd. (supra), where it was held at page 321 as under :

"Finally, I should like to make some observations with reference to the subsidiary companies. The policy of the plaintiff company and its predecessor has been to create subsidiary companies to work Booth's patents within definite areas, and many of those companies have been created in which the plaintiff company is now largely interested. The subsidiary companies so created have created local

companies to work the patents in more limited areas, and are largely interested in those local companies. Each of the subsidiary and local companies has been incorporated under a name involving the use of the words "Vacum cleaner," and, although their licences with regard to Booth's patents are limited to particular areas defined by the licences, there is no other reason, as far as the evidence shews, why they should not compete with the plaintiff company. The plaintiff company has, I think, by allowing the registration of those companies without objection, admitted the fact that another company whose name involves the words "Vacum cleaner" in conjunction will not necessarily be confused in any way with the plaintiff company. The allowance of such registration also points to the fact that in the opinion of the plaintiff company the words "Vacum cleaner" are not associated with a particular company, but with a particular class of machine and a particular process of cleaning. That being so, it is difficult to see, even apart from the conclusion to which I have come, how a company which has allowed these registrations in so many instances can now be heard to say that deception must necessarily occur because in a particular case the words "Vacum cleaner" are part of the name of a company other than the plaintiff company."

75. This is a mixed question of law and fact. Firstly, there is no evidence to indicate even remotely the extent of business conducted by any of the aforesaid companies including the one company that is registered in India. Secondly, in British Vacum Cleaner Company Ltd. , it was specifically found that the Plaintiff was itself responsible for the creation of the subsidiary companies and had thereby expressly allowed their registration as well as the registration of the local companies incorporated by each of the subsidiary companies. The judgment on the point in issue therefore turned on the facts of that case. There is, in the present case, insufficient evidence to show any such conduct on the part of the Plaintiffs, disentitling them to the injunction to which they are otherwise entitled.

76. In the circumstances, it must be held that the words "International Standards Certifications" have acquired a secondary signification entitling the Plaintiffs to maintain an application for injunction on the basis of a passing off action.

77. Mr. Muchala submitted that the reputation acquired by the joint venture company i.e. Appellant No. 1 enures to the benefit of the first Respondent. In other words, according to him, the reputation acquired by Appellant No. 1 ought to be considered as the reputation of Respondent No.1. In support of this submission, he cited several authorities. he supplemented this submission by contending that the relevant date to be considered is not the date on which the agreements were entered into but the date on which the licence was terminated. In view of the conclusion that I have reached, I do not find it necessary to deal with this submission.

SUPPRESSION

78. Dr. Tulzapurkar's contention that the Plaintiff had suppressed material fact

viz. the suit filed by the Appellant before the Court of Civil Judge, Senior Division, Pune is unfounded. The only material aspect about that suit as contended was that it contained allegations regarding various breaches on the part of the Plaintiffs. No advantages on that basis was ever sought to be taken by the Plaintiffs. No benefit on that basis was in fact taken. There is nothing that suggests that the omission to refer to the suit was intentional.

WITHOUT PREJUDICE NEGOTIATIONS:

79. The impugned proceeds on the basis of certain without prejudice negotiations between the parties. Dr. Tulzapurkar's grievance in this regard is justified. They ought never to have been referred to leave alone made the basis of any order. There was some dispute as to the circumstances in which the learned Judge made the observations which suggests that, in fact, no fault can be found with the learned Judge in this regard. Fortunately, both Mr. Muchala and Dr. Tulzapurkar did not pursue the matter further. That then must be left at that.

80. Dr. Tulzapurkar made a statement without prejudice to the rights and contentions of the parties that the Plaintiff's logo is not being and will not be used in view of the Appellant's accreditation Council. He clarified that this should not be taken to mean that the corporate name is given up thereby as it also forms a part of the first Respondent's logo. It is necessary to clarify that the statement is without prejudice to the rights and contentions of the Appellants as the Plaintiff's claim for damages may be pressed at the final hearing of the suit. The concession will therefore not come in the way of the Appellants defending the same. In view of the said statement, it is not necessary to consider the Plaintiff's case on infringement of copy right.

81. In the circumstance, the Appeal from Order is dismissed with costs. Costs shall be costs in the cause.

82. The operation of this order is stayed till 15th August, 2004.

All parties are directed to act on an ordinary copy of this order duly authenticated by the Sheristedar/Court Stenographer of this Court.