

(1991) 04 MAD CK 0085

In the Madras High Court

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

M/s Fatima Tile Works and etc.

APPELLANT

Vs

M/s. Sudarsan Trading Company Ltd., and another

RESPONDENT

Date of Decision : 12-04-1991

Acts Referred:

Companies Act, 1956 — Section 2(1), 23, 28, 37, 4(1)

Evidence Act, 1872 — Section 91, 92

Trade and Merchandise Marks Act, 1958 — Section 107, 11, 32, 35, 41

Citation : AIR 1992 Mad 12 : (1991) 2 LW 283 : (1991) 2 MLJ 599

Hon'ble Judges : Lakshmanan, J

Bench : Single Bench

Advocate : V.S. Suramaniam for V. Veeraraghavan and C. Rajan, for the Appellant; M.K. Rao, for N. Sridhar, for the Respondent

Judgement

1. Original Petition No. 358 of 1982 was filed by M/s. Fatima Tile Works, Marathakkara, Trichur, Kerala under S. 66 read with S. 107 of the Trade and Merchandise Marks Act, 1958 hereinafter called the Act for rectification of the register or removal of the registered trade mark granted in favour of one Madura Company Limited and later assigned in favour of Sudarsan Trading Company, hereinafter called as STC.

2. Original Petition No. 309 of 1983 was filed by M/s. Standard Tile Factory (Private) Limited, Karuvannur, Trichur District, represented by its Managing Director, Mr. Balan against STC, Calicut and against the Deputy Registrar of Trade Marks, Madras-6 under S. 56 read with S. 107 of the Act for rectification of the register or removal of the registered trade mark.

3. The contesting respondent in both the original petitions is M/s. Sudarsan Trading Company (STC), Calicut-1.

4. The short facts are as follows : The trade mark in question was registered under No. 2763 in Part A of the Register as of the date 29th July, 1942 in class 19 in respect of bricks and tiles, roofing tiles, ceiling tiles, ventilators, skylights,

all being made from clay and/or fireclay materials in the name of Madura Company Limited, trading as Feroke Tile Works, Calicut, South India.

5. Pursuant to a request on form TM-24, dated 16th May, 1969 and order thereon dated 28th June, 1969, STC, the first respondent was registered as subsequent -- proprietor of this mark, as from 23rd April, 1967 by virtue of the deed of assignment, dated 23-8-1968. In the certificate dated 3rd April, 1976 issued by the Senior Examiner of Trade Marks, Trade Marks Registry, Bombay, it is mentioned that the registration of the aforesaid trade mark which has been renewed from time to time will remain in force for a period of seven years from 29th July, 1985 and may be renewed at the expiration of that period and of each succeeding period of seven years. As stated above, the trade mark was registered under Number 2763 in Part-A of the Register as of 29th July, 1942 (class 19) originally in the name of Madura Company Limited, trading as Feroke Tile Works, Calicut. The registration was renewed for a period of 15 years from 29th July, 1949. Again it was renewed from time to time. According to the petitioner, the first respondent's registration of the Trade Mark under Number 2763 under class 19 is liable to be expunged on the following grounds:

a) The first respondent has been guilty of improper assignment or transmission of the registered Trade Mark in favour of M/s. Eastern Clay Works, Calicut-104. M/s. Eastern Clay Works have not applied to the Registry notifying their assignment in Terms of Ss. 41 and 44 of the Act. The first respondent S.T.C. has not been using the mark registered by them and on the ground of non-user, the registration is liable to be cancelled in terms of S. 46 of Act, by parting away with the Trade Mark rights in favour of M/s. Eastern Clay Works;

d) Only, the registered user is entitled to maintain a suit against the petitioner herein and inasmuch as M/s. Eastern Clay Works is not the registered user of the Trade Mark in question, the petitioner, as the aggrieved person, is entitled to maintain the above original petition in this Court for rectification in terms of S. 56 of the Act;

e) The trade mark registered in the name of STC is liable to be removed on account of dishonesty on the part of STC and in the public interest.

Therefore the petitioner filed the above petition (O. P. No. 358 of 1982) for a decree directing cancellation or expunging the registered Trade Mark with the device "Umbrella" under Number 2763 registered in the name of the first respondent from the Register of the Trade Marks in the office of the Deputy Registrar of Trade marks, Shastri Bhavan, Madras-6.

6. The petitioner in original petition No. 309 of 1983 has also made similar allegations in his original petition and prayed for a decree directing cancellation or expunging the registered Trade Mark with the device "Umbrella" under Number 2763 registered in the name of the first respondent herein from the register of the Trade Marks in the office of the second respondent.

7. Both the original petitions were resisted by the contesting first respondent STC. It is stated in the counter-affidavit filed in O. P. No. 358 of 1982 that the first respondent --STC that the first respondent has leased its tile factory under the name and style of Feroke Tile Works to Eastern Clay Works Limited, by a deed executed in this behalf, that Eastern Clay Works Limited has taken out an application before the District Court for impleading the first respondent as the second plaintiff and that the first respondent has permitted Eastern Clay Works Limited to use the respondent's trade mark by a deed executed between STC and Eastern Clay Works Limited. From the point of time Eastern Clay Works Limited was permitted to use the respondent's trade mark, the first respondent-STC has always and at all times exercised proper control and supervision with regard to the standards and quality, specifications and the like concerning the tiles manufactured in the said Feroke Tile Works. Besides, the tiles manufactured by the said Eastern Clay Works Limited have always borne the name and style of Feroke Tile Works, which is nothing but one of the manufacturing divisions of the respondent company. In other words, the respondent states that the use of the mark by Eastern Clay Works Limited is in effect use of the mark by the respondent STC itself. So much so, that the standards and quality in respect of the tiles manufactured in the tile factory bearing the name Feroke Tile Works have always been maintained in accordance with the directions of the respondent company and under the immediate supervision of the respondent company. As a matter of fact, all tiles manufactured in Feroke Tile Works at all times since the respondent company became the owner of the Umbrella trade mark have always indicated origin in Feroke Tile Works, which is one of the manufacturing divisions of the respondent company. The first respondent has also denied the allegations in paragraph 7(a) of the petition and stated that there has neither been assignment nor transmission of the registered trade mark as alleged by the petitioner. The allegation made in 7(b) of the petition has also been denied as totally misleading and baseless. According to the first respondent, the provisions of Ss. 41 and 44 of the Act were never attracted inasmuch as there has been no assignment in respect of the Trade Marks of the respondent. The allegation of non-user raised by the petitioner has also been denied and the respondent prayed that the petition filed by the petitioner, (O. P. No. 358 of 1982) may be dismissed, as the petitioner has no cause of action against the first respondent.

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

9. According to Mr. V. S. Subramaniam, learned senior counsel appearing for the petitioner in both the original petitions, the first respondent-STC in pursuance of the three agreements enforced into on 16-12-1970 (Exs. D4, D5 and D6) with one Eastern Clay Works Limited had allowed the said Eastern Clay Works Limited as the "user" of the trade mark "Umbrella" brand and the name of Feroke Tile Works together with machinery, buildings, etc., and that the said arrangement admittedly continues even as on date. According to the learned counsel, there is no reservation for any supervision or control by STC Limited in any form whatsoever notwithstanding the fact that oral evidence had been let in by a person stationed at Madras that there is some sort of supervision in view of the written agreements the said evidence cannot be taken note of at all. Learned counsel further submits that the said evidence is exactly contrary to the written agreement and in the presence of the written agreements, Exs. D4 to D6 under Ss. 91 and 92 of the Evidence Act, no evidence could be let in to vary the terms of the written agreement and consequently either in law or on facts any such oral evidence can be let in or considered by this Court. It was further contended that the use of the trade mark as well as the name Feroke Tile Works had been assigned in favour of Eastern Clay Works Limited and that the same had not been registered as per the Act. No control or supervision is proved. Either in the advertisements Ex. D-13 or in the catalogues (Exs. D1 and D2) no connection of the trade mark with STC is indicated and further no connection between the very purpose and Eastern Clay Works Private Limited is even indicated anywhere in the said exhibits. Thus, according to the learned counsel this would incidentally establish that there is neither connection nor control nor supervision by STC, the registered proprietor of the trade mark. It was further contended that the Eastern Clay Works is a subsidiary of STC was not pleaded in the counter statement.

10. However, in my view the said statement is totally incorrect. In paragraph 4 of the counter-affidavit filed by the first respondent, the first respondent has categorically stated that Eastern Clay Works Limited referred to in paragraph 5 of the original petition is a company, which is a wholly owned subsidiary of the respondent herein (STC). Again, learned counsel for the petitioner contended that the question of subsidiary Company and holding Company had not been pleaded in the pleadings and that no amount of evidence shall be looked into in respect of the matters not pleaded and that even assuming for the purpose of argument, but without admitting that they are holding and subsidiary companies, they are individual and separate legal entities and that the subsidiary companies are independent companies and have got independent legal personalities and consequently "user" by one will not be "user" by another. In support of the said contention, learned counsel for the petitioner has cited the decisions reported in Turner Morrison and Co. Ltd. Vs. Hungerford Investment Trust Ltd., and Spencer and Co. Ltd., Madras Vs. The Commissioner of Wealth Tax Madras, . In T. M. & Co's case, learned single Judge of the Calcutta High Court held as follows (at p. 245, para 21) :

"Holding Company and subsidiaries are incorporated companies and each is a separate legal entity. Each has a separate corporate well. Because a company is a holding company that does not mean that holding company and the subsidiary companies within it, all constitute one company. Except to the extent that the statute indicates the nature of holding company and the subsidiary company, the corporate veil still remains. If they did not remain then there would be no point in calling them subsidiary companies of another holding company."

In *Spencer and Co. Ltd., Madras Vs. The Commissioner of Wealth Tax Madras*, , a Division Bench of this Court held as follows (paras 6 and 7) :

"The Companies Act contains provisions which enable a company to purchase shares in another company and thus become a controlling company. Merely because a company purchases almost the entirety of the shares in another company, it will not serve as a means of putting an end to the corporate character of the other company or the controlling company acquiring the ownership of the controlled company, so as to treat them as one entity for purposes of rights and liabilities. The share capital of such of the companies is governed and controlled by the provisions of the Companies Act and its enhancement or reduction can only be in accordance with such provisions. It is well settled that an incorporated company is a legal person and it cannot be equated to its shareholders. The position continues to be the same even if the number of the share-holders is reduced to one by accident or otherwise. The act of the company cannot, therefore, be regarded as that of any of the shareholders and vice versa. It is true that occasionally the corporate veil of a company is pierced through in order to find out the substance but that is only where it is permitted by a statute or in exceptional cases of fraud".

Thus, it is contended that the registered proprietor of the trade mark is STC which had assigned the same to the other company viz., Eastern Clay Works Limited and consequently, the STC had ceased to use the trade mark for over five years and that therefore, the petitioners are entitled to the relief of cancellation as prayed for.

11. Before dealing with the submissions made by Mr. M. K. Rao, learned counsel appearing on behalf of the first respondent in both the original petitions, it is useful to refer certain provisions of the Act. In the instant case, the trade mark is registered under No. 2763 in part A of the Register on 29th July, 1942 and the registration of the mark completed seven years on 29-7-1949. The petitioners have neither pleaded nor substantiated the exceptions to S. 32 of the Act found in clauses (a) to (c) of the said Section. In fact, the petitioners have not even let any evidence on this aspect. Section 32 of the Act reads as follows :

32. Registration to be conclusive as to validity after seven years-

Subject to the provisions of S. 35 and S. 46, in all legal proceedings relating to a trade mark registered in Part A of the register (including applications under S. 56), the original registration of the trade mark shall, after the expiration of seven

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

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

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

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

As stated above, the petitioners have neither substantiated nor pleaded the exceptions to S. 32 of the Act found in clauses (a) to (c) of the said Section. Thus, the grounds raised by the petitioners in paragraphs 7(a), 7(b), 7(d), 7(e) and 7(f) of the petition cannot be invoked. However, Section 32 is subject to S. 46 of the Act. Section 46(1)(a) of the Act deals with a case of registration of a trade mark without any bona fide intention on the part of the applicant for registration and that there has been no bona fide use of the trade mark. Section 46(1)(a) of the Act is not applicable to this case because this is neither pleaded nor substantiated. Section 46(1)(b) of the Act is applicable in this case as pleaded by the petitioners in paragraph 7(c) of the petition. The petitioner has stated that the first respondent has not been using the mark registered by them and on the ground of non-user the registration is liable to be cancelled in terms of S. 46 of the Act. Accordingly, the issues narrow down to S. 46(1)(b) of the Act. The five year non-user period under the provisions of S. 46(1)(b) of the Act is required to be continuous. A break in continuity of non-user would defeat the provision. In this context, it is useful to refer paragraph 932 of Narayanan's Trade Marks and Passing-off-Third Edition which reads thus :

Isolated Instances of use:

The non-use required to be proved to bring the case under S. 46(1)(b) must be continuous non-use during the relevant period. Thus, it would appear that even isolated instances of use of the mark would be sufficient to defeat the application. Although the words "continuous period" do not appear in clause (a) of S. 46(1), the same principle would appear to apply. In any case, isolated instances of use may be taken as evidence of bona fide intention to use and thus defeat the application for rectification even where a case rests on clause (a). Where acts of user are few they must be established by very convincing evidence".

The above period should be renewed up to a date one month before the filing of the concerned original petition. Original Petition No. 358 of 1982 was filed on 12th November, 1982 and Original Petition No. 309 of 1983 was filed on 22nd November, 1983.

12. Mr. M. K. Rao, learned counsel appearing for the first respondent has submitted that STC is a holding company of Eastern Clay Works Private Limited

subsequently known as Eastern Clay and Ceramics Limited because of the following two reasons :

(i) STC is the holding company of one Sudarshan Clay Products Ltd. (SCP) (vide clause 62(a) of the Memorandum and Articles of Association of SCP Ex. D-14 whereunder STC nominates the Directors of SCP-vide also S. 4(1)(a) of the Companies Act;

and

(ii) SCP is the holding company of Eastern Clay Works Private Limited (ECW) by virtue of major share holding by the former of the latter's shares (vide for instance Annual Report 1981-82 Ex. D-12 series para F. 5 and Annual Report 1982-"83 Ex. D-12 series page F.5) vide also Section 4(1)(b) of the Companies Act. Since STC is the holding company of SCP which itself is the holding company of ECW, STC becomes the holding company of ECW (vide Section 4(1)(c) of the Companies Act 1956).

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

"Company B is a subsidiary of Company A and Company C is a subsidiary of Company B. Company C is a subsidiary of Company A, by virtue of clause (c) above. If Company D is a subsidiary of Company C, Company D will be a subsidiary of Company B and consequently also of Company A, by virtue of clause (c) above, and so on."

13. Ex. D 14 is the Memorandum and Articles of Association of Sudarsan Clay and Ceramics Limited. The Company, Sudarsan Clay Products Limited has been changed to Sudarsan Clay and Ceramics Limited and a certificate was issued by the Registrar of Companies, Kerala pursuant to Section 23 sub-clause (1) of the Companies Act, 1956. The Registrar of Companies, Kerala State has also issued a certificate of incorporation No. 2497 of 1973, certifying that Sudarsan Clay Products Limited has been incorporated under the Companies Act, 1956 and that the Company is a Limited. The certificate was issued on 5th April, 1973. Clause 62(a) of the Memorandum of Articles of Association provides for the appointment of Board of Directors. It says that the number of Directors shall not be less than three nor exceed fifteen and only the nominees of the Board of Directors of Sudarsan Trading Company Ltd., shall be eligible to be the Directors of the Company so long as this company is a subsidiary of that company. Clause 62(b) of the Memorandum of Articles of Association relates to the first Directors of the Company, who have been nominated by the Board of Directors of Sudarsan Trading Company. They are:

1. Mr. V. P. Balaram,
2. Mr. P. Shanmugam,

3. Mr. P. P. Ravindran,
4. Mr. K. P. Balan,
5. Mr. C. T. Varkey.

In my opinion, this satisfies the provisions of Section 4(1)(a) of the Companies Act.

14. As already stated, Sudarsan Clay Products Limited is the holding company of Eastern Clay Works Private Limited by virtue of major share holding by the former of the latter. In this connection, it is also useful to refer to the use by associated companies discussed in paragraph 41 of Trade Marks and Passing off -- Narayanan -- Third Edition which reads thus :--

"Sometimes, a trade mark of one company is used by what is called an associated company. The expression "Associated Companies" is widely used to indicate that different firms are connected in some way in a commercial-interprise. Two companies may be distinct legal entities, but the persons in control of both may be the same. The question whether the use of a mark by one of a group of associated companies amounts to use by another company of the group will depend upon the facts of the case, particularly the degree of control exercised by the one over the other."

While associated companies is the genus, a special species thereof is the holding and subsidiary company relationship. Since a holding and subsidiary company relationship necessarily implies great control by the former over the latter, Courts have held that use of a trade mark by a subsidiary can fairly be treated as the use by the holding company. In this context, Mr. N. K. Rao, learned counsel appearing for the first respondent drew my attention to the following cases :

(1930) 47 RPC 37 which reads as follows :

(The Comptroller-General at page 42)

"There remains the question whether the word Radiation has been used as a trade mark by the applicants themselves within the meaning of the definition in Section 3. It appears that the applicants hold practically all the shares in a group of associated companies by whom the gas stores and other articles are manufactured and marketed and that apart from such manufacture and sale by the associated companies the applicants do not themselves manufacture or sell. The applicants however control the policy of the associated companies they decide whether or not a particular article shall be produced and sold by the companies and they maintain their own testing establishment and staff of experts who inspect the works of the associated companies to ensure that the methods of manufacture approved by the applicants and a certain standard of manufacture are maintained.....

(page 43)..... If the associated companies here concerned, although trading

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

(1970) RPC 339 Ge Trade Mark -- Sal-mon, L. J. at page 372 :

The American company retained quality control over its products and I think that there was therefore a sufficient connection in the course of trade between these products and the American company to satisfy S. 68 of the Act of 1938..... I agree with Graham, J. and Cross, L.J.'s dictum in *British Petroleum Company Ltd. v. European Petroleum Distributors Ltd.*, (1968) RPC 54 that the views expressed by Lloyd Jacob, J. in the *Bostitch Trade Mark* (1963) RPC 183 are correct..... I have little doubt that there was also a sufficient connection in the course of trade between the American Company and the products of its wholly owned subsidiary Housewares satisfy S. 68. To hold that there was not and that the American Company vitiated its mark by allowing Housewares to use it would, I think, be contrary alike to common sense and to the law, even before the definition of a trade mark was extended by the Act of 1938 :

Cross L. J. page 394 :

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

Page 395 :

Applying this conclusion to the facts of this case, I am of opinion, first that the authority given by GE to the Housewares Company to use the GE Rondel was open to no objection (a) because as Housewives is a wholly owned subsidiary of GE, the user might fairly be considered as user by GE itself as in *Radiation Trade Mark* (supra) and (b) because the licensing of a mark, whether registered or unregistered, does not deprive it of the character of a trade mark providing that the owner of the mark retains a sufficient connection in the course of trade with the relevant goods, which connection can be maintained.

Pioneer Electric Corporation v. Registration of Trade Marks (1978) RPC 716,

learned single Judge of High Court, Australia held as under :

"These cases demonstrate that the essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connection in the course of trade with the registered proprietor, even though the connection may be slight, such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary. Use by either the registered proprietor or a licensee (whether registered or otherwise) will protect the mark from attack on the ground of non-user but it is essential both that the user maintains the connection of the registered proprietor with the goods and that the use of the mark does not become otherwise deceptive. Conversely, registration of a registered user will not save the mark if there ceases to be the relevant connection in the course of the trade with the proprietor or the mark otherwise becomes deceptive."

I had an occasion to deal with a similar case reported in *K.R. Jadayappa Mudaliar Trading as Sarasu Match Works and Another Vs. K.B. Venkatachalam Trading as Golden Match Industries*, (O. P. No. 182 of 1988), citing *Graham, J. in G.E. Trade Mark*, (1969) RPC 418. I hold as under:

The development of the sciences and the application of technology in industry, the growth of great manufacturing and holding companies with large numbers of subsidiaries, the exchange of technical knowhow not only between companies in this country but on an international scale and not the least important, the very great changes which have been and are still being made in the presentation, packaging and methods of marketing goods, have all had their effects on the use and significance of trade marks. These changes have been reflected in our statutory trade mark law in, for example, the broadening of the definition of a trade mark, in the recent provisions of assignment without goodwill and in the recognition in the registered user provisions that a trade mark can be licensed without causing deception or confusion provided the owner of the trade mark retains control over the character and quality of the goods sold under the mark.

.....Cross L.J. after examining the cases concluded that the authority given by the United States parent company in respect of the GE trade mark to its United Kingdom subsidiary to use the registered mark was not open to objection because the use by the subsidiary might fairly be considered as user by the parent itself and because the licensing of the mark, whether registered or not did not deprive it of the character of a trade mark provided that the owner of the mark retained a sufficient connection in the course of trade with the mark and the goods bearing it".

15. The definition of Trade Mark has undergone changes and is very wide and flexible today. Under S. 2(1)(v)(ii) of the Act, the trade mark is defined as :

"A "trade mark" shall mean mark used or proposed to be used upon or in connection with goods for the purpose of indicating that they are the goods of the proprietor of such trade mark by value of manufacture, selection,

certification, dealing with or offering for sale".

According to S. 3 of the U.K. Act, 1905, the use of a trade mark was confined to manufacture, selection, certification, dealing with or offering for sale.

16. The U. K. Act 1938 which was wider in its phrase indicates a connection in the course of trade between the goods and the proprietor of the trade mark. S. 68 (1) of the U. K. Act, 1938 reads as follows :

"Trade mark means except in relation to a certification trade mark a mark used or proposed to be used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark whether with or without any indication of the identity of that person and means in relation to a certification trade mark, a mark registered or deemed to have been registered u/S. 37 of this Act."

17. The first legislation in India on Trade Marks was Act 5 of 1940, which adopted in S. 2(1)(i) of the Act, the wording of the U. K. Act, 1938 reads as follows :

"trade mark means a mark used or proposed to be used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some person having the right, either as proprietor or as registered under, to use the mark whether with or without any indication of the identity of that person."

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

"Trade mark" means in relation to the other provisions of this Act a mark used or proposed to be used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some person having the right either as proprietor or as registered user to use the mark whether with or without any indication of the identity of that person and includes a certification trade mark registered as such under the provisions of Chapter VIII.

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

(i) Who manufactures the goods

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

All that is required under the present definition of a trade mark is to show that the mark indicates a connection in the course of trade between the proprietor of the mark and the goods. Thus, it has been said that this connection is established if the proprietor of the mark associates himself with the goods in the course of their production and preparation for the market. In *Aristoc Ltd. v. Rysta, Ltd.* (1945) 62 RPC 65, in the House of Lords, Lord Macmillan and Lord Simonds held as follows :

"The definition of trade mark in the Act of 1938 differs in some respects from that of the earlier Act. The substantial change -- and the only one that affects the present question - is the introduction of the words, "a connection in the course of trade between the goods and some person having the right..... to use the "mark". The mark no longer indicates that goods are the goods of the proprietor of the mark by virtue of one of the enumerated facts. It indicates only..... "a connection in the course of "trade" between the goods and the user of the mark. It is right perhaps to assume that the new words are wider than the old....."

The test is then whether the applicant for the mark can be said to trade in the goods, and this test is clearly not satisfied by one who merely renders some service in respect of them after they have reached the public....."

It has also been said that in accordance with current business practice that an entrepreneur may do no more than organise the putting of goods upon the market and yet may cause them to be marked with his mark. (Kerly 12th Edition para 2-15). So also that a proprietor need not himself manufacture but may retain the power to control (Kerly para 2-16); that ownership of goods is no criterion (Kerly paras 2-17 and 2-18). The relevant portions of the abovesaid paragraphs read as follows :

2-15. Function performed by the Proprietor :

In the earlier days of trade marks, the connection indicated was generally with a manufacturer; and observations may be found in which, no doubt unintentionally, words are used which might suggest that trade marks always indicated a manufacturing source. Such a limitation has never been recognised. There have always been instances in which the reputation behind goods was that of a merchant and not of the actual maker, and in recent times the concept of a trade mark has had a wider scope than that. The 1905 Act listed the various forms for trade connection that it recognised manufacture, selection, certification, dealing and since it can hardly be supposed that the present wording is narrower in scope, decisions under that Act admitting marks are still of value. Such a list, however, hardly accords with the flexibility of organization that is now customary. It has been said that:

"There is nothing in the Trade Marks Act.... which requires a proprietor of a registered trade mark to refrain from introducing modifications or variations in the goods to which he applies his mark or in the manner in which they reach the market. If he should find it convenient to transfer manufacture from one locality to another or procure his supplies from sub-contraetors, or arrange for assembly of completed articles by some one of his choice in lieu of doing it himself, these and a vast number of other possible changes in procedure are his sole concern. His mark only becomes vulnerable in this connection if he permits its use in a manner which is calculated to deceive or cause confusion,"

It is in accordance with current business practice that an entrepreneur may do no

more than organize the putting of goods upon the market, and yet may cause them to be marked with his mark. It is submitted that the wording of the present Act is wide enough for that to be used of the mark by him as a trade mark, provided that the purpose of its use is indeed to show that the goods are his and he retains control over the use made of the mark.

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

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

2-17 : Sale on commission

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

2-18 : Finishers, converters, etc.

Persons who execute work on goods which are never their own property, such as dyers or finishers, often have trade marks of their own applied to the goods before they reach the market. Under the present Act such parties are entitled to registration of such trade marks. Even where the owner of the mark does buy and resell the goods, the reputation in the mark may belong to the operation performed on them and not to the trade channels through which they are marked. In such cases, registration as a service mark may be easier to secure; but in view of the possible objection that such marketing of the goods is not, in relation to a service mark, use as a service mark, it could well be sound practice to insist upon a trade mark registration too."

18. It is also beneficial to refer to certain passages in Dr. S. Venkateswaran on Trade Marks 1963 Edition (page Nos. 37 and 309) which read as follows :

"Connection in the course of trade -- The expression "connection in the course of trade" covers a wide range, e.g. manufacturer, importer, or vendor as wholesaler, middleman or retailer or a person who selects or handles commercially the goods in any other way. The nature of the connection in the course of trade is left

undefined in the Act so as to include all categories, except certification, and provide for new trading relationships as new business methods are evolved. As the goods pass on their way to the market through successive trade hands in the course of trade they may receive a succession of trade marks each indicative of the particular person's trade connection with the goods. Thus, a dyer or finisher or bleacher of textile goods may apply for registration of the trade mark even though the goods themselves have never been his property. But the use of a mark merely in ephemeral or purely transitory operation such as the repair of stockings or laundering, does not constitute trade mark use and such mark cannot, therefore, be registered under the Act. Marks which are not used in the course of trade, e.g. those used by Schools, private clubs, insurance companies and members of the learned professions, or as lottery tickets, football coupons, telegraphic and house address do not come within the statutory definition of a trade mark. It is immaterial that the function performed by the owner of the mark on the goods or the name of the proprietor is not known to the public....."

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A trade mark gives an indication of the trade source from which the goods come, or the trade hands through which they pass on their way to the market. The trade connection of the person in relation to the goods may be that of a manufacturer, or selector or vendor of goods. A salesman on commission basis who is a selector of the goods and could reject them if they are of bad quality or are badly packed, could by virtue of dealing with or offering for sale, claim proprietary rights in a trade mark, and obtain valid registration. Again a dyer or bleacher may use a proper trade mark on goods dyed or bleached by him provided that the process of dyeing or bleaching takes place in the course of manufacture or finishing of the goods and before the goods reach the market....."

19. As stated above, the only grievance of the petitioner against the respondent appears to be the non-user of the registered trade mark by the first respondent and hence the registration is liable to be cancelled in terms of S. 47 of the Act. The first respondent has satisfactorily explained that they have leased out its tile factory under the name and style of Feroke Tile Works to Eastern Clay Works Limited, by a deed executed in this behalf. The first respondent has permitted the Eastern Clay Works Limited to use the trade mark. This has been done by a deed executed between the respondent and Eastern Clay Works Limited. However, it is seen from the evidence of D.W.1 and also from other records produced in this case that the respondent has always and at all times exercised proper control and supervision with regard to the standards and quality, specifications and the like concerning the tiles manufactured in the said Feroke Tile Works. Besides, the tiles manufactured by the said Eastern Clay Works Limited have always borne the name "Feroke Tile Works", which is nothing but (admittedly) one of the manufacturing divisions of the respondent company. In other words, the respondent has clearly proved and established by inviting my attention to the provisions of the Companies Act and also the provisions of the

Trade and Merchandise Marks Act that the use of the trade mark by Eastern Clay Works Limited, is in effect use of the mark by the first respondent STC itself. The respondent further proved that the use of the mark by Eastern Clay Works Limited is the use under the direct control and supervision of the first respondent company itself. That apart, the tiles manufactured in the tile factory bearing the name, Feroke Tile Works have always been maintained in accordance with the directions of the respondent company and under the immediate supervision of the respondent company. As a matter of fact, it was demonstrated before me that all tiles manufactured in Feroke Tile Works at all times since the respondent company became the owner of "Umbrella" trade mark have always indicated origin in Feroke Tile Works, which is one of the manufacturing divisions of the respondent company.

20. Even though it is argued by the learned counsel appearing for the petitioner that the first respondent has assigned its right in favour of Eastern Clay Works private Limited and that they had ceased to use the trade mark for over five years and that therefore the petitioners are entitled to the relief of cancellation as prayed for, I am unable to accept the said contention of the learned counsel for the petitioner and can only hold that the petitioners have miserably failed to prove any assignment in favour of Eastern Clay Works Limited as alleged. A perusal of the three agreements entered into between the first respondent company STC Limited and the Eastern Clay Works Limited will only go to show and prove the case of the first respondent with its origin of power of supervision and control over the Eastern Clay Works Limited. Exhibit D-4, is an agreement regarding Trade Mark and name of the factory. While referring to the holding company, viz., STC, Ex. D4 refers to it as the proprietor and while referring to Eastern Clay Works Limited, Ex. D4 describes the said company as only the "user", Ex.D-4 also refers to the request of the user to the proprietors (STC) to allow them the use of the said trade mark, and also the name Ex. D4 also refers to the grant of such permission by the proprietors of the trade mark (STC) to the "Users" (Eastern Clay Works Limited) to use the said trade mark and the name of Feroke Tile Works. Thus, in my view it can only be construed as a licence to the user to use the trade mark and also the name of Feroke Tile Works. The users (Eastern Clay Works Limited) have assured that they shall protect the rights of the proprietors regarding the ownership of the said rights and shall take such action as may be necessary to safeguard the first respondents' interests, if they fail to do so, the user shall be liable to compensate the proprietors for any loss of any on account of the negligence of the user; and in case of any of their party infringing or attempting to infringe, the user has undertaken to take such action that may be necessary in the interest of protecting the rights of the proprietors regarding the ownership of the said rights. Likewise, Ex. D-5 is an hire purchase agreement entered into between the first respondent as owner and Eastern Clay Works Limited as manufacturer. Ex. D5 clearly refers to the carrying on the business by the first respondent with "Feroke Tile Work", Calicut. Ex. D5 also refers to the decision taken at the General Meeting of the Company held on

20th May. 1969, authorising the lease of the business (Feroke Tile Works). Clause-6 of Ex. D5 hire agreement refers to the raw materials, stores and spare parts etc., as the assets of the owner, (STC) and the manufacturer (Eastern Clay Works Limited) shall remain the custodian of the said assets. The owner (STC) has also retained its right to inspect the stock of raw materials, stores and spare parts etc., handed over to the manufacturer at any time during working hours. It also provides for taking action against the manufacturer for any loss or damage, if any noticed by the owner on the said assets and liabilities of the manufacturer to make good of such damage or loss to the owner. I should not fail to refer one of the very important clauses incorporated in Ex. D-5 hire agreement, which reads as follows:

"The owner shall be at liberty at any time, to terminate the contract during the period of hire, without assigning any reason whatsoever for the same and the manufacturer shall reupon (recoupe?) forth with return such machineries to the owner".

Under the said clause, STC (owner) is always at liberty to terminate the contract at any time without assigning any reason and on such termination, the manufacturer shall return all the machineries, etc., to the owner. This clause 10 should read with para 3 under Ex. D4 agreement, dated 16-12-1970, which states that the right of the user (Eastern Clay Works Limited) shall run concurrently with the lease of the buildings and the hire of the machineries by the proprietor to the user, under Ex. D5 agreement. Likewise both the parties above named have also entered into a lease agreement of premises Ex. D6, where-under Sudarsan Trading Company Limited has been described as "Owner" and Eastern Clay Works Limited has been described as the "Manufacturer". The schedule to the said agreement refers to the list of machineries and the buildings leased out to M/s Eastern Clay Works Limited, Calicut by the first respondent herein. The description of risks has also been mentioned in detail in the schedule to the said agreement. Another schedule refers to the stock of raw materials etc., as on 16-12-1970 and another schedule refers to the value of raw stock (unfinished stock) transferred to Eastern Clay Works Limited by Sudarsan Trading Company Limited on 16-12-1970.

21. Thus, the above facts clearly go to show that the first respondent has retained its origin of power of supervision and direct control etc., over the Eastern Clay Works Limited. Thus, unable to accept the argument of Mr. V. S. Subramaniam, learned counsel for the petitioner against the first respondent in regard to the first charge of non-user of the trade mark by the first respondent. In my opinion, the argument of the learned counsel for the petitioner is not tenable u/S. 46(1)(b) of the Act on the following grounds:

- (i) "Feroke Tile Works" is an alias for Sudarshan Trading Company Ltd., (STC);
- (ii) "Feroke Tile Works" appears on all tiles (vide M.O. 1);
- (iii) According to hire agreement (Ex. D-5) and lease agreement of premises (Ex.

D-6) the machinery and premises used for the manufacture of tiles is that of Forekc Tite Works;

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

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

22. In short, Eastern Clay Works Limited is merely performing the ministerial work of operating the machinery etc., while the trade mark is used to indicate a connection in the course of trade between Feroke Tile Works (which is an "alias" of STC) and the goods. This, in my opinion, the use of the mark can legitimately be said to be the use of STC. Therefore, in my view the charge of "non-user" of the mark by STC u/S. 46(1)(b) of the Act is not tenable and acceptable to this Court.

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

1) Eastern Clay Works Limited is a subsidiary of STC;

2) The relationship of holding and subsidiary companies brings in the inherent aspect of "control". Besides, as stated above, agreements, Exs. D-4 to D-6 spell out total control by STC. Additionally, STC have also posted an Engineer, (as deposed by D.W. 1 in his evidence) for supervising quality etc.,

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

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

Under S. 55(1) of the Act such use by STC of the mark for export is deemed to be used in India. Here again, I am unable to accept the case of the petitioner on the charge of non-user of the mark STC u/S. 46(1)(b) of the Act and, therefore, I

have no hesitation to reject the same.

24. In the instant case, the provision for rectification are unmeritorious because of the following reason:

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

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

25. D.W. 1 in his deposition has categorically stated that his company viz., Sudarsan Trading Company Limited acquired Feroke Tile Works along with the trade mark "Umbrella" in the year 1967 itself and that from 1967 onwards upto now Feroke Tile Works is still owned by STC Limited continuously. It has been brought out from the evidence that Feroke Tile Works has no separate legal entity, but a wholly owned subsidiary of Sudarsan Trading Company. Further, on facts it is seen that the inherent nature of relationship between STC and Eastern Clay Works Limited is in the position of holding and subsidiary companies. Therefore, the control by the holding company over the subsidiary company is inherent. STC has also retained its power of direct control and supervision by reason of the inherent relationship. The control by the holding company on the subsidiary company can also be seen in the agreements entered into between both parties under Exs. D4 to D6. Trademark agreement has got to be read in conjunction with the statutory relationship between the parties as holding company and subsidiary company and against these documents, control by STC-first respondent over Eastern Clay Works Limited will be seen to be absolute. STC can also terminate the agreement without assigning any reason.

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

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

28. Petitions dismissed.