

(2001) 08 DEL CK 0226
In the Delhi High Court
Case No : FAO (OS) 78 of 1999

Nectar (U.K.) Ltd.

APPELLANT

Vs

Herbs Shop India Ltd. and Others

RESPONDENT

Date of Decision : 08-08-2001

Acts Referred:

Civil Procedure Code, 1908 (CPC) — Order 39 Rule 1, Order 39 Rule 2, Order 39 Rule 4, 151

Trade and Merchandise Marks Act, 1958 — Section 2

Citation : (2001) 93 DLT 383

Hon'ble Judges : Sanjay Kishan Kaul, J;Devinder Gupta, J

Bench : Division Bench

Advocate : Mr. Naveen Chawla and Mr. B. Ranganathan, for the Appellant; Mr. C.M. Lal, Ms. Gayatri Jamunathan and Mr. Vikram Dhokalia, for the Respondent

Final Decision : Allowed

Judgement

Sanjay Kishan Kaul, J.—The appellant is aggrieved by the impugned order dated 23rd February, 1999 passed by the learned Single Judge restraining the appellant from using the trademark NECTAR in respect of lipsticks or other cosmetic products.

2. The suit was filed by respondent no.1 against the appellant for permanent injunction against the use of trademark NECTAR or any deceptively similar mark and for passing of the goods of the appellant as the goods of defendant no.1. Along with the suit an application under Order XXXIX Rules 1 & 2 read with section 151 CPC was also filed bearing is No. 5042/98 claiming and interim orders in the same terms. The suit was placed before the court on 29th May, 1998 when summons were directed to be issued in the suit and notice in the application. No ex-parte ad interim order was granted. The next date was fixed as 9th July, 1998. Respondent no.1, plaintiff in the suit, filed another application bearing is No. 5373/98 before the vacation bench and vice order dated 2nd July, 1998 an injunction order was granted restraining the appellant, the then sole

defendant in the suit, from using the mark NECTAR in respect of lipstick or other cosmetic products.

3. Mr. Naveen Chawla, learned counsel for the appellant addressed us on the issue of the allegation against respondent no.1 of playing a fraud on the court and attempting to overreach the court. The contention of the learned counsel for the appellant was that in view of the conduct of respondent no.1, the merits of the application were not liable to be considered by the learned Single Judge and at least the application, if not the suit, should have been dismissed on that ground alone.

4. We deem it expedient to first consider submissions on this aspect. The learned counsel for the appellant contended that when the suit was initially filed, no interim orders were granted on 29th May, 1998 and a date was fixed immediately after the summer vacation for 9th July, 1998. From the record it transpires that though respondent no.1 filed the process for issue of summons and notice by ordinary process, the registered AD covers were apparently not filed. Further, in terms of order dated 29th May, 1998, notices were directed dusty in addition to the normal process and registered AD post at the request of counsel for respondent no.1. dusty notices were not collected. Thus learned counsel for the appellant contended that no efforts were made to serve the appellant expeditiously. Even though the returnable date was 9th July, 1998 an application was filed by respondent no.1 a week before the said date which was listed before the vacation bench and an ad interim order was granted on 2nd July, 1998 in the absence of the appellant as the appellant had not been served in advance with copy of the application in terms of the rules of the High Court. This subsequent application bearing is No. 5373/98 was posted before the vacation bench. In view of the endorsement made thereon by the plaintiff's counsel that it was an application for ex-parte order and the defendant in the suit being the appellant had not entered appearance. The cause of action for this application was stated to be the conduct of the appellant in allegedly superstitiously starting the sue of trade name NECTAR on the lipsticks which they had introduced under the brand name Avon and by using their corporate name NECTAR U.K. Ltd. on the underside of the product. It was further stated in the application that as the appellant had not yet introduced their products under the brand name NECTAR prior to the filing of the suit and the miscellaneous application (IA No. 5042/98), only notice in the application had been issued. Ad-interim injunction was prayed for in the said application is No. 5373/98 both against the trademark or trade name NECTAR. The vacation Judge while granting ex-parte order of injunction directed notice in this new application to be issued for 11th August, 1998.

5. The learned counsel for the appellant has forcefully contended that a perusal of the plaint would show that in para 43 of the plaint which is the cause of action paragraph it has been categorically stated that the cause of action accrued in April, 1998 when respondent no.1 came to know that the appellant was

marketing and selling the offending product. It was thus contended that there was no change of circumstances for filing of the subsequent application and it was a clear case of an attempt on the part of respondent no.1 to play a fraud upon the court and overreach the court. It was also contended that respondents 2 to 4 were added as party subsequently even though respondent no.1 had full knowledge that the rights of the appellant flowed from their Principal which was respondent no.3. Respondent no.1 had knowledge of this in view of exchange of legal notices between respondent no.3 and respondent no.1. Despite this knowledge respondent no.3 was not initially impleaded as a party to the suit and in fact the interim application is 5042/98 did not claim any relief against the other defendant and filed at the stage when only the appellant was a party to the suit and were pressed only against the appellant.

6. A reading of the impugned order shows that this aspect has been duly considered by the learned Single Judge in paragraph 9 of the judgment. Learned Judge has taken note of the fact that the cause of action paragraph was amended subsequently after serious objections on behalf of appellant. The learned Single Judge came to the conclusion that respondent no.1 definitely made an effort to anyhow obtain an ex-parte order during the vacation and with that frame of mind the subsequent application for interim injunction being is No. 5373/98 was so framed to give an impression to the Learned Judge dealing with the application that when the suit was filed defendant was not selling its offending goods and that during the pendency of the suit he started using the name NECTAR on lipsticks which they had introduced under the brand name Avon and who were using the corporate name NECTAR U.K. Ltd. on the underside of the product. The learned Single Judge concluded that there was concealment, false statement and improper conduct on the part of the plaintiff which may amount to fraud on the court but concluded that since the ex-parte order dated 2nd July, 1998 was soon modified the learned Single Judge was not taking a serious view of this Conduct.

7. Mr. Naveen Chawla, learned counsel for the appellant contended that in view of the aforesaid categorical findings of the learned Single Judge there should have been no question of taking a lenient view of the matter and respondent no.1 should have been non-suited for its conduct or at least the application for interim relief should have been dismissed.

8. It may be stated at this stage that respondent no.1 filed cross-objections before this court impugning the aforesaid findings of the learned Single Judge. However, these objections have apparently been filed on 10th May, 1999 while the appeal was admitted on 11th March, 1999 in the presence of learned counsel for respondent no.1. Thus the cross-objections have not been filed within the prescribed period of limitation. Admittedly, there is no application for condensation of delay in filing the cross-objections, Therefore, the cross-objections cannot be entertained and are rejected as being filed beyond time.

9. Learned counsel for the appellant sought to rely on the Division Bench

judgment of this Court in the case of Satish Khosla Vs. M/s Eli Lilly Ranbaxy Ltd. and another, to support the contention that in view of the conduct of respondent no.1, it was not entitled to any relief.

10. On the other hand, Mr. C M Lal, learned counsel for respondent no.1, contended that reference to the sale of the product by the appellant in the cause of actio paragraph was a mistake. Mr. Lal took us through the plaint and submitted that complete reading of the plaint would show that respondent no.1 had set out in the plaint that the appellant was in the process of introducing the product. Thus Mr. Lal contended that the plaint had to be read as a whole and since there was a mistake in the cause of action paragraph, the same was subsequently amended. Thus the contention of the learned counsel for respondent no.1 was that there was no deliberate attempt to deceive the court at any stage or to overreach the court since there were clear averments in the plaint about the appellant being in the process of introducing the product. Learned counsel for respondent no.1 also referred to the averments made by the appellant in the application is No. 6026/98 under Order XXXIX Rule 4 read with section 151 CPC for vacation of the order dated 2nd July, 1998 and contended that the appellant itself had stated in the application that they were "in the process of launching the NECTAR products and making them available to the Indian trade and public". This averment has been made by the appellant in para 19(ix). The learned counsel for respondent No. 1 further referred to para 20 of the said application where the appellant has stated that the products manufactured by them were being traded or sold under the name and style of Avon and only the name of the appellant which is a corporate name was being printed in order to comply with the statutory obligation under the Drugs Control Act. Learned counsel for respondent no.1 contended that they were constrained to file the subsequent application is No. 5373/98 as they came to know that the appellant had introduced their products in the market and this came to the knowledge of respondent no.1 only on 30th June, 1998.

11. We have considered the submissions of learned counsel for the parties on this aspect. There can be no doubt about the propositions of law laid down in Satish Khosla's case (Supra). It is an obligation on both the parties approaching the court and the counsel to come with clean hands before the court and make full disclosures. Any attempt to seek reliefs in a surreptitious manner has to be put down with a heavy hand. A party who seeks to base its claim on falsehood is not entitled to any relief from the court. If the court comes to the finding that there is a fraudulent litigation, the same must be thrown out summarily. The Supreme Court considered the conduct of both the litigant and lawyer in the case of T. Arivandandam Vs. T.V. Satyapal and Another, which has been referred to in Satish Khosla's case (supra). The Advocate, as an officer of the court, owes a duty to ensure that complete disclosure of all facts are made.

12. We have to examine this aspect in view of the observations of the learned Single Judge, who has come to a finding that there was concealment and false

statement and improper conduct on the part of respondent no.1. We are of the considered view that if this finding is to be sustained then it was not a case where a lenient view could be taken and the applications were liable to be dismissed on that account alone. Thus the question is whether the conduct of respondent no.1 is such as would amount to concealing material facts and making false statements before the court which would amount to improper conduct.

13. We have given careful thought to the aforesaid aspect. There is no doubt that in the plaint in the case of action paragraph there is a reference to the appellant carrying on business but what cannot be ignored is that the total reading of the plaint gives a clear indication that the case of respondent no.1 was that the appellant was in the process of introducing the product. In para 26 of the plaint a categorical averment has been made that the use of the trademark NECTAR has not commenced. In para 33 of the plaint respondent no.1 has averred that the product of the appellant had not been launched in India and that respondent no.1 was advised to keep a watch on the activities of the appellant. Respondent no.1 has referred in the plaint to the two advertisements issued on 17th May, 1998 and 18th May, 1998 which are stated to have given information to respondent no.1 about appellant's intention to introduce the product into the market. Thus from the entire reading of the aforesaid plaint the only interference which can be drawn is that reference in para 43 in respect of cause of action to the effect that appellant was marketing and selling its products seems to be a mistake which has been subsequently rectified after amendment. Thus it cannot be said to be a case of fraud on the court or such misrepresentation as would disentitle respondent no.1 to any relief in the suit or to be non-suited on that account.

14. We may, however, add that something needs to be said about the attempt by the plaintiff to seek interim relief. Undoubtedly the summons in the suit and notice in the application had been issued for a short date immediately after vacation returnable on 9th July, 1998. Respondent no.1 did not take out dusty summons and notices to serve the appellant which ought to have been done so that the appellant was aware of the litigation. The second application is No. 5373/98 was filed immediately prior to the next returnable date which was 9th July, 1998 and was placed before the vacation bench on 2nd July, 1998 when the interim orders were granted. The inaction of respondent no. 1 in complying with the directions passed on 29th May, precluded the appellant from coming to know of the pendency of the litigation. There is another aspect i.e. if the appellant had been served with the summons and the notices, respondent no.1 was obliged to serve an advance copy of the subsequent application is No. 5373/98 on the appellant and the appellant would have been represented on 2nd July, 1998. In this background we would observe that parties and Advocates owe a duty to the court to see that the directions of the court are duly complied with and there should not be any attempt to obtain orders at the back of the opposite party. Thus the conduct of respondent no.1 left something to be desired though we are

of the view that it is not a case of a fraud or an attempt to overreach the court which would disqualify respondent no.1 from adjudication on merits in the controversy.

15. The learned Single Judge has considered the case of the parties on merits. The learned Single Judge has passed the impugned order on consideration of terms and conditions of the agreement dated 20th February, 1996 entered into between the appellant and its Principal-respondent no.3. The suit of respondent no.1 is based on the claim that trademark NECTAR has been used by respondent no.1 for a considerable period of time in diverse range of Homoeopathic and Ayurvedic based herbal treatment. Initially the business is stated to have been carried on under the sole proprietorship concern by the name of Herb Shop which concern applied for registration of the trademark in Class III on 5th December, 1995. This application is stated to have been filed on the basis of the user since 22nd April, 1993. Subsequently, respondent no.1 company, on being incorporated, took over the assets of the proprietorship concern of Herb Shop. It may, however, be added that peculiarly the proprietorship concern Herb Shop applied for registration of the trademark NECTAR after about 5 months of the incorporations of respondent no.1. Not only this Herb Shop also assigned, transferred and set over to respondent no. on 26th August, 1998 for consideration of Rs. 800/- the entire right, title and interest in the trademark NECTAR together with the goodwill associated for its use.

16. The record shows that its is sometime in October, 1996 that some advertisements appeared in respect of the trademark NECTAR by respondent no.1 and the sale figures of respondent no.1 were given from February, 1997 onwards.

17. The appellants company was incorporated in October, 1995 and had collaboration/tie up with a British Company respondent no.3 which is stated to be internationally renowned company with its presence in various countries since 1979 and marketing cosmetics and beauty care products. In India respondent no.3 is stated to have applied for the registration of the trademark on 20th September, 1995 and is stated to have authorised the appellant the use of NECTAR as trademark. Respondent no.3 is stated to be the true and honest adaptor of the trademark since 1983 and keeping in mind the last turn-over of respondent no.3 it is dishonest attempt on the part of respondent no.1 to use the trademark NECTAR. These contentions on behalf of the appellant are contained in the written statement. Defendants 2 and 4 are selling products under the name of Avon. It may, however, be added that respondent no.3 has not filed any written statement though they were represented by the same counsel before the learned Single Judge as the appellant herein and submissions were made on their behalf.

18. The learned Single Judge has come to the conclusion that prima facie respondent no.1 started selling its products under the trade name NECTAR somewhere around February, 1997 while the appellant has been using the name

from somewhere around October, 1997.

19. One aspect which is material is that though there was exchange of legal notices between respondent no.3 and respondent no.1 in view of respondent no.3 claiming exclusive right to use the trademark and trading style of NECTAR, no subsequent proceedings were initiated by respondent no.3. However, despite having knowledge of the aforesaid facts respondent no.1 never claimed any relief in the interim applications against respondent no.3 and confined the relief against the appellant.

20. We have heard learned counsel for the parties and the submissions have been more or less based on the interpretation of the agreement dated 20th February, 1996. Mr. Lal, learned counsel for respondent no.1 supported the conclusion arrived at by the learned Single Judge that there was no such assignment or license in favor of the appellant to use the trademark NECTAR. Learned counsel for respondent no.1 had no objection to the use of word "NECTAR" as the corporate name./ The contention on behalf of respondent no.1, which has been accepted by learned Single Judge, is that in clause 3.8 of the said agreement dated 20th February, 1996, intellectual property has been defined and the name NECTAR appears only against the column of trade name while the column against the trademark has been left blank. Our attention was invited to clause 4 under the heading Grant and Reservation to contend that in terms of clause 4.1 the license has been granted only in respect of rights defined in clause 3.13. Clause 3.13 defines rights to carry on the business in the name of NECTAR. Thus it was contended on behalf of respondent no.1 that license was not in respect of the trademark. Reliance is further placed on clause 6.10.7 which refers to the termination of the agreement and is to the effect that intellectual property and in particular trade name shall cease on such termination. It was further contended that clause 6.10.10 puts restriction not to use the intellectual property otherwise than permitted by the agreement.

21. Mr. Naveen Chawla, learned counsel for the appellant, however, sought to derive strength from clause 6 of the said agreement which referred to the licensee's obligations where it is stated that the amount has been paid in lieu of grant of rights and the right to use the name NECTAR, patent, trade name, trademarks and for research for which Pounds 75,000.00 has been paid. Thus it is the contention that the agreement has to be read as a whole and there is right conferred in the trademark NECTAR. Mr. Chawla also sought to draw strength from the approval granted by the Government of India on 6th February, 1996 where the lumpsum payment of pounds 75,000/- is stated to be for brand names and trademarks. The submission on behalf of the appellant thus is that it is evident on reading the agreement as a whole that there is license to use the word NECTAR as trademark and that is how it is understood both by the appellant and respondent no.3-Principal and also by the Government of India while granting approval in February, 1996. Though respondent no.3 has not filed the written statement respondent no.3 was represented before the learned

Single Judge by the same counsel who appeared for the appellant and who has also appeared before us in the present matter. Thus both appellant and respondent.3 are ad idem on their interpretation of the agreement that respondent no.3 had in fact given the license for the trademark NECTAR to the appellant.

22. Mr. Naveen Chawla, learned counsel for the appellant referred to the judgment of M/s. Indian Shaving Products Ltd. & Anr vs. Gift Pack & Anr. 77(1999) DLT 137 to advance his submission that in view of the assignment by respondent no.3 in favor of the appellant in the trademark, the appellant had every right to use the same. The learned counsel for the appellant also relied on the judgment of the Supreme Court in N.R. Dongre and Others Vs. Whirlpool Corpn. and Another, to contend that in view of the trans-border reputation of the mark NECTAR, coupled with the assignment/license in favor of the appellant by respondent no.3, the appellant had every right to sue the trademark.

23. The learned counsel for the appellant further submitted that there was in fact no difference between the two applications for interim relief being is No. 5042/98 and 5373/98 except that in the first application it is stated that the trademark is not known while in the second application the trade name is mentioned as Avon;. It is the contention of the learned counsel for the appellant that various documents and invoices have been filed to substantiate trans-border reputation of the appellant and the sale made all over the world. The learned counsel also referred to the definition of mark in section 2(j) of the Trade and Merchandise Act, 1958. The said section is reproduced as under:-

"2(j) "mark" includes a device, brand, heading, label, ticket, name, signature, word, letter or numeral or any combination thereof;"

24. It was thus the submission of learned counsel for the appellant that the definition of mark includes the brand name and thus while construing the agreement dated 20th February, 1996, the only conclusion which can be drawn is that all rights in respect of that mark had been licensed to the appellant. The learned counsel for the appellant further submitted that these rights of the appellants have to be appreciated keeping in mind the rights sought to be established by respondent no.1. The learned counsel referred to the deed of assignment dated 2nd September, 1988 by EACO Labs Limited in favor of respondent no.1 assigning the trademark NECTAR. Thus it was contended on behalf of the appellant that the story of respondent no.1 of long user of the trademark is not correct.

25. Mr. Lal, learned counsel for respondent no.1, on the other hand, sought to draw our attention to the facts and figures in respect of the trans-border reputation to establish that the sales were not of such a quantity as would entitle the appellant to any protection in terms of the judgment in Whirlpool Corporations"s case (supra). It was thus contended that the appellant cannot have a better right than respondent no.3 and in view of the failure of

establishment of any such rights on the basis of trans-border reputation in favor of respondent no.3, the appellant could not get any such rights. Learned counsel referred to the documents filed including legal notice dated 22nd April, 1997 of respondent no.3 to contend that there was no reference to the licensing of the rights in favor of the appellant in the said documents. Learned counsel contended that the reference in the legal notice of respondent no.3 dated 10th June, 1997 to a Pound Sterling 50 million worldwide sales for a period of three years was not correct in view of the material on record which would show that the sales of respondent no.3 were only about Pound Sterling 10 million for the period from 1994 to 1996. Lastly it was contended on behalf of respondent no.1 that people in the trade had not heard of the trademark of Appellant and the product had not been launched in India.

26. We have considered the aforesaid submissions especially keeping in mind that the rights of the appellant have to be determined in terms of the agreement dated 20th February, 1996. In our considered view the agreement has to be reads as a whole. If various clauses of agreement are read together especially keeping in mind clause 6 relating to the licensee's obligation where reference is to the name NECTAR for patent, brand names, trademarks and for research for which consideration has been paid by respondent no.3 to the appellant, the conclusion would be that there has been an assignment made by respondent no.3 in favor of the appellant. This line of interpretation of the agreement is further fortified by the approval by the Government of India dated 6th February, 1996 where also the consideration of Pound Sterling 75,000/- is mentioned for the brand name and the trademark. It is no doubt true that in clause 3.8 while defining intellectual property the column against trademark has been left blank. However, not only is there a reference to this trademark NECTAR in other clauses of the agreement but both the appellant and respondent no.3 are ad-idem on the issue of the assignment of the rights by respondent no.3 in favor of the appellant. This being the position it would not be open to respondent no.1 to question such as arrangement and its interpretation.

27. The sale figures made available on record to establish trans-border reputation and would show that though it may not be sales as large as Pound Sterling 50 million yet it is not a figure which can be ignored amounting to almost Pound Sterling 10 million for a period of three years. This factor has to be weighed against the rights of respondent no.1 where respondent no.1 itself had got on the basis of two documents executed by EACO Labs Limited and got the assignment as late as 2nd September, 1988. It is also to be appreciated that the learned Single Judge had come to the conclusion that the sale figures of respondent no.1 can only be relied upon for the period February, 1997 onwards. Respondent no.3 is adaptor of trademark since 1983 with reasonably larger turnover on an international basis. This fact coupled with the finding of the learned Single Judge that prima facie respondent no.1 started selling Judge that prima facie respondent no.1 started selling its product under the trade name NECTAR from somewhere around February, 1997 while the appellant has been

using the name from somewhere around October, 1977, leads us to the conclusion that it is not a fit case where any restraint order ought to have been passed against the appellant against the use of trade name or mark NECTAR.

28. Another aspect which has a bearing on the relief sought for by respondent no.1 in the suit is the failure of respondent no.1 to claim any reliefs in the interim applications against respondent no.3 knowing fully well that the appellant derived its rights only from respondent no.3. Once respondent no.1 gave up its rights to claim any relief against the Principal, it cannot claim any rights against the appellant who has derived its rights from respondent no.3. Thus in the facts the only question which needed to be considered was whether there was a proper license granted in favor of the appellant by respondent no.3.

29. In view of our finding that there has been a proper assignment of the rights by respondent no.3 in favor of the appellant in terms of the agreement dated 20th February, 1996 read with the FIPB approval of the Government of India dated 6th February, 1996, the relief granted in favor of respondent no.1 in terms of the impugned order cannot be sustained. It may be stated that the operation of the impugned judgment was stayed on admission of the appeal vide order dated 11th March, 1999 and the said order was confirmed on 23rd February, 2000.

30. The appeal is allowed and the impugned order dated 23rd March, 1999 is set aside. The application filed by respondent no.1 i.e. is 5042/98 and 5373/98 under order 39 rules 1 & 2, CPC are dismissed. is No. 6026/98 filed by the Appellant is allowed. As a consequence thereof it is made clear that there is no restraint order against the appellant from using the trademark NECTAR or the trade name NECTAR.

31. Taking into consideration the facts and circumstances of the case and the conduct of respondent no.1., the appellant shall be entitled to costs of Rs.10,000/- against respondent no.1.

32. Needless to add that observations made while disposing of the appeal will not come in the way of the fair trial of the suit on merits.