
(1987) 10 DEL CK 0042

In the Delhi High Court

Case No : IA No. 6588 of 1986 in Suit No. 2467 of 1986

Sidharth Wheels Pvt. Ltd.

APPELLANT

Vs

Bedrock Limited and another

RESPONDENT

Date of Decision : 16-10-1987

Acts Referred:

Citation : AIR 1988 Delhi 228

Hon'ble Judges : A.B. Saharya, J

Bench : Single Bench

Advocate : Anoop Singh, with H.P. Singh, for the Appellant; Kapil Sibal with B.N. Vaishnav, R.N. Karanjwala and Kuldeep Pabley, for the Respondent

Judgement

Arun B. Saharya, J.—In this Application in a suit under sub-section (1) of S. 120 of the Trade and Merchandise Marks Act, 1958, hereinafter referred to as "the Act", a question has arisen whether the suit can be continued in spite of the Defendants commencing and prosecuting an action for declaration and injunction against the Plaintiff herein in the Bombay High Court, and, if this suit survives, the nature of interim order to be made in it.

2. The Plaintiff is a Private Limited Company (hereinafter referred to as Sidharth). Defendant No. 1 (hereinafter referred to as Bedrock) was the registered proprietor of trade mark No. 314132 Bedrock in class 12 in respect of cycle tubes (hereinafter referred to as the Trade Mark). Bedrock permitted Sidharth to use the Trade Mark by an agreement dated 19th of July 1985 (hereinafter referred to as the agreement). The agreement was made without any limit on its period, but subject to a termination clause No. 9 which provided, inter alia, for the agreement to be terminated by either party by giving three months" written notice in that behalf to the other. After execution of the agreement, Sidharth started using the Trade Mark. Sidharth and Bedrock jointly filed an application in prescribed form TM 28 to register Sidharth as "registered user" of the Trade Mark.

3. Later, Sidharth was informed that Bedrock assigned all its rights, title and interest in the Trade Mark together with goodwill to the second Defendant (hereinafter referred to as "Poddar"). Negotiations started between Sidharth and Poddar for entering into a fresh agreement for use of the Trade Mark. While negotiations were going on, Poddar sent a letter dated 15th of November 1986 to Sidharth, referring to previous correspondence between them, alleging that Sidharth had not sent the proposed agreement and other papers and therefore, Poddar took it that Sidharth was not interested in it, and stated " We withdraw our offer of registered usership to you" It was further stated : -

"It has come to our knowledge that you are selling cycle tubes under our said Trade Mark in the market directly to the dealers which in the absence of your being appointed registered User, of the said Trade Mark would amount to the infringement of the said Trade Mark for which a Suit would lie against you u/s 29(1) of the Trade and Merchandise Marks Act."

4. On the basis of letter dated 15th November 1986, Sidharth filed the present suit praying, inter alia, for : -

(a) A declarations to the effect that the threats given by the Defendants vide their letter dated 15th November 1986 are unjustified and mala fide;

(b) An injunction against the Defendants not to repeat and continue with the threats against the Plaintiffs and their dealers;

5. In the suit, Sidharth alleged that there was no valid assignment of the Trade Mark by Bedrock in favour of Poddar; that even if there was any assignment it was subject to rights of Sidharth under the agreement, which was still subsisting; and that threat by Poddar's letter dated 15th November 1986 was unjustified. Sidharth reserved its right to claim damages by filing a separate suit as the same could not be estimated at the time of filing of the present suit.

6. Bedrock and Poddar filed a common written statement. It was alleged that Bedrock informed Sidharth of Assignment of its rights, title and interest in the Trade Mark to Poddar; that in view of the said assignment, the permitted user agreement had come to an end but Poddar was willing to enter into a new agreement with Sidharth; that the parties discussed the matter and came to a conclusion that the agreement had to be formally cancelled in order to enable a fresh agreement to be entered into between Sidharth and Poddar, on the basis of altered terms of royalty; and, that a draft of a letter giving three months' notice of termination of the earlier agreement was also handed over to Sidharth. Further, it was affected that pursuant to the decisions to cancel the agreement, Sidharth and Bedrock, by their common Advocate's letter dated 26th August 1986, requested the Registrar of Trade Marks Bombay to treat the earlier application in Form TM-28 for registration of Sidharth as cancelled with effect from 1st May 1986 as Bedrock had assigned the trade mark to Poddar. It was alleged that Sidharth did not execute the fresh agreement and the statutory forms for completing the formalities for registration in pursuance of the fresh

agreement; that Poddar had received no reply from Sidharth to its letter dated 24th October 1986, and that Poddar could not keep its offer open indefinitely for entering into a fresh agreement with Sidharth. They pleaded justification for the threat given by the letter dated 15th November 1985 on the ground that the permitted user agreement dated 19th July 1985 had been terminated by the Advocate's letter dated 26th August 1986 sent to the Registrar of Trade Marks Bombay. Without prejudice to this plea, it was alleged that by way of abundant caution Bedrock and Poddar had, by their Advocate's letter dated 15th December 1986, given to Sidharth a notice as per cl. 9 of the agreement terminating it with effect from three months from the date of receipt of that letter by Sidharth.

7. After filing written statement in the suit, Poddar and Bedrock together filed a Suit No. 539 of 1987 on 18th February 1987 in the Bombay High Court against Sidharth praying, inter alia, as follows :

"(a) That it may be declared that the Defendants have no right, title or interest under the said agreement dated 19th July 1985 or any right to use the said Trade Mark Bedrock Product or any trade mark deceptively similar thereto on or in connection with or in respect of any goods manufactured by the Plaintiffs;

(b) That in the alternative to prayer (a) above, it may be declared that the Defendants have no right, title or interest under the said agreement dated 19-7-1985 or otherwise or any right to use the said Trade Mark Bedrock Products or any Trade Mark deceptively similar to the said Trade Mark on or in connection with or in respect of any goods manufactured by the Defendants on and from 18-3-1987; onwards;

(c) That the Defendants, their servants, agents and dealers and all persons claiming under them should be restrained by a permanent order and injunction of this Hon"ble Court from in any manner using the said Trade Mark on or in connection with or in respect of any goods manufactured by the Defendants in any manner whatsoever as from the date hereof or in any event from 18-3-1987 onwards."

8. In the meanwhile, after the Defendants entered appearance, an interim order was made on 2nd of December 1986 restraining them from giving out any threats within the meaning of Section 120 of the Act to the plaintiff. It was clarified that that order was made without prejudice to rights of the Defendants under sub-section (2); of Section 120 of the Act, and, also without prejudice to rights and contentions of the parties in the suit pending in this court. That order is still in force.

9. At the time of hearing, it was contended on behalf of the Defendants that Poddar's letter dated 15th November 1986 was addressed Sidharth only, it was not published, it was not actionable under Sec. 120 of the Act; and that, in any event, the present suit and the Plaintiffs application for interim injunction should be dismissed in view of the suit filed subsequently by Poddar and Bedrock

against Sidharth in the Bombay High Court. Learned counsel for plaintiff contended that Poddar's letter constituted a threat to Sidharth,. it was actionable under S. 120 of the Act; that the proceedings commenced by Poddar and Bedrock are not in the nature of an action for infringement envisaged in S. 120(2) which could displace the present suit or could render sub-section (1) of S. 120 inapplicable; and, that the interim order made on 2nd December, 1986 must be confirmed.

10. Sub-section (1) and sub-section (2) of S. 120 of the Act read as follows : -

"(1) Where a person, by means of circulars,

Advertisements or otherwise, threatens a person with an action or proceeding for infringement of a trade mark which is registered, or alleged by the first-mentioned person to be registered, or with some other like proceeding, a person aggrieved may, whether the person making the threats is or is not the registered proprietor or the registered user of the trade mark, bring a suit against the first-mentioned person and may obtain a declaration to the effect threats are unjustifiable, and an injunction against the continuance of the threats, and may recover such damages (if any) as he has sustained, unless the first-mentioned person satisfies the court that the trade mark is registered and that the acts in respect of which the proceedings were threatened constituted or, if done, would constitute, an infringement of the trade mark.

(2) The last preceding sub-section does not apply if the registered proprietor of the trade mark, or a registered user acting in pursuance of sub-section (i) of S. 51, with due diligence commences and prosecutes an action against the person threatened for infringement of the trade mark."

11. Mr. Sibal, learned counsel for Defendants argued that the words "or otherwise" must be construed ejusdem generis with "circulars, advertisements", and that the threats made must be published to be actionable u/s 120 of the Act. According to him, the intention of S. 120 is to guard against libel. He relied on Dolphin Laboratories Pvt. Ltd. Vs. Kaptab Pharmaceuticals, where Dipak Kumar Sen, J. observed : -

"It appeared to me that S. 120 of the Act is intended to give relief in cases where irresponsible and unjustified threats are made and publicized in order to injure another person's trade."

This argument runs contrary to and ignores the well established position of law on the subject in England as well as in India. Provision for action, similar to S. 120 of the Act, exists in other cognate statutes in India, namely, the Designs Act 1911. The Copyright Act 1957, and the Patents Act of 1970. all statutes prior to Patents Act 1970 used identical words "circulars, advertisements or otherwise" found in S. 120 of the Act. These words were used in Acts in England since 1883. Skinner & Co. v. Perry, (1893) 10 RPC 1 is the basic case which dealt with this point in relation to threats for action for infringement of a patent. Bowen LJ,

while dealing with the argument that the threat was addressed to the particular person who was supposed to infringe the patent, stated :

"But using language in its ordinary sense, it is difficult to see that an intimation ceases to be a threat because it is addressed to a third person in answer to an enquiry or because it is addressed to the person himself. We are not dealing with libel or questions of publication - we are dealing with threats. If I threaten a man that I will bring an action against him. I threaten him none the less because I address that intimation to himself, and I threaten him none the less because I address the intimation to a third person."

In the same case, the argument that the word "otherwise" ought to be considered as used in ejusdem generis "circular or advertisement" was rejected as it would not serve the purpose or give effect to the intention of Legislature as gathered from the English section. Bowen LJ observed :

"There is no doubt of the existence of the rule of ejusdem generis, it cannot be denied that general words ought to be construed with reference to the words which immediately are around them. But there is an exception to that rule, if it be a rule, and not a maxim of common sense, which is, that although the words immediately around and before the general words are words which are prima facie confined, if you can see from a wider inspection of the scope of the legislation that the general words, notwithstanding that they follow particular words, are nevertheless to be construed generally, you must give effect to the intention of the legislature as gathered from the entire section, and here the question is whether the entire section, when you have regard to the special subject-matter to which it is applied, does not lead you to the view that the larger meaning must be put upon the words "or otherwise", and that they do rather extend the words which precede them than are themselves confined by them."

These words were also considered in the case *Benmax v. Austin Motor Co. Ltd*, (1953) 70 RPC 284 by the Court of Appeal. Evershed M. R. observed at page 295 as under :

"It seems, however, to be established, that the words "or otherwise" must not be construed ejusdem generis so that the letter written, for example, by a patentee's solicitors before action brought and threatening to bring an action for infringement of the patent, must be regarded as within the formula "where any person otherwise threatens any other person..."

In *Speed cranes Ltd. v. Thomson*, (1978) RPC 221 Lord Emslie relied on *Skinner & Co.* (supra) and observed :

"It appears to have been for long accepted in England that the word "otherwise" is not to be construed ejusdem generis with the words "circulars" and "advertisements".

On the basis of the aforesaid decisions, it is well established that in England the

cause of action given by S. 65 of the Patent Act of 1949 for preventing threats, was not similar to libel, there was no question of publication, and the manner in which the threat was made was, therefore, not material, and that the words "or otherwise" used in that section were not to be construed ejusdem generis with the preceding words "circulars, advertisements .(Terrell on Law of Patents 13th edition, page 350 para 13.06). In India, law relating to protection of Inventions and Designs was enacted in the Indian Patents and Designs Act 1911. S. 36 of that Act used the same words "circulars, advertisements or otherwise". Law relating Inventions was separated from Designs, and, on the basis of Justice Gopala Ayyangar's Report on Patents, the Patents Act No. 39 of 1970 was enacted to amend and consolidate the law relating to patents. S. 106 of Patents Act 1970 enacted the redraft recommended in that Report. In para 751 of the Report, the words presently under discussion and the law in England construing them in the case of *Skinner & Co. v. Perry* (1893-10 RPC 1) and *Banmax v. Austin Motor Co. Ltd.* (1953-70 RPC 284) (*supra*) were specifically referred and it was stated:

"In my redraft which I have appended I have substituted for the ambiguous word "otherwise" a detailed reference to communications which that word might signify."

With this explanation it is pertinent to read S. 106 of the Patent Act 1970 which substituted, the ambiguous word "otherwise" by the words "by communications, oral or in writing addressed to that or any other person". Thus, a detailed reference to these substituted words, the Legislature expressed its intention to avoid any controversy on the word "otherwise" in the earlier statutes in India. S. 120 of the Act has to be construed in this background of the law which is now well settled. The argument advanced by Mr. Sibbal completely ignores all this historical background of this provision, and is merely based on the earlier quoted observation in *Dolphin Laboratories Pvt. Ltd. Vs. Kaptab Pharmaceuticals*, . The well established position of law was not placed before the Calcutta High Court in that case. In these circumstances I feel constrained to dissent from the view expressed in *Dolphins Laboratories* that S. 120 of the Act is intended to give relief in cases where threats are made and published. Threats made need not be "published" to be actionable u/s 120 of the Act, and, the cause of action envisaged by that section is not similar to libel. The argument of Mr. Sibbal is, therefore, rejected.

12. There can be no doubt that Poddar's letter dated 15th November 1986 constituted a threat envisaged under S. 120 of the Act. It stated : -

"It has come to our knowledge that you are selling cycle tubes under our said Trade Mark in the market directly to the dealers which in the absence of your being appointed Registered User, of the said Trade Mark would amount to the infringement of the said Trade Mark for which a suit would lie against you u/s 29(1) of the Trade and Merchandise Marks Act."

A threat may be made orally : *Mechanical Services (Trailer Engineers) Ltd. v. Avon Rubber Co. Ltd.*, 1977 RPC 66; an inference to that effect can be drawn from conversation; *Luna Advertising Company Ltd. v. Burnham & Co.*, (1928) 45 RPC 258. No words may have been used directly suggesting an action for infringement in any particular letter but it could yet constitute a threat on correspondence read together: *Willis and Bates Ltd. v. Tilley Lamp Co.*, (1943) 61 RPC 8, *C & P Development Co. (London) Ltd. v. Sisabro Novelty Co. Ltd.*, (1953) 70 RPC 277. Indeed any relevant threat, however, made is actionable : *Speed cranes Ltd. v. Thomson*, (1978) RPC 221. Poddar's threat is clear and was expressed in unmistakable words. It threatened the plaintiff with a suit under S. 29(1) of the Act. it was certainly actionable under S. 120 of the Act.

13. Next is the question of the nature and scope of the Bombay suit and of its effect on the present proceedings. In that suit Poddar and Bedrock sought a declaration that Sidharth has no right to use the Trade Mark under the Agreement; in the alternative, that Sidharth has no right to use the Trade Mark on and from 18th March 1987 onwards, presumably, on the basis of three months notice of termination given by them to Sidharth in December 1987. For enforcement of these declarations, they also sought an injunction to restrain Sidharth from using the Trade Mark from the date of the suit, that is, 18th February 1987 or in any event from 18th March 1987 onwards. It is pertinent to point out that Poddar made the threat on 15th November 1986, at a time prior to the period in respect of which the Bombay suit seeks relief against Sidharth. Poddar and Bedrock seem to be proceeding on the assumption of valid assignment of rights to the former by the latter. It is not even alleged in the plaint in that suit (or in pleadings in the present suit) that the assignment was registered under the Act. Further, in the Bombay suit it has been alleged, irrespective of whatever it may be worth, that 26th August 1986 joint request to the Registrar, to treat TM 28 as cancelled with effect from 26th May 1986, amounted to termination of the Agreement with Sidharth. Even if that letter be taken as notice of termination of the agreement, yet it cannot justify Poddar's threat, on 15th November 1986, prior to the expiry of the stipulated period of three months for that purpose. The basic question in the present suit is about justiciability of Poddar's threat on 15th November 1986 and whether the acts in respect of which the proceedings were threatened constitute, or, if done, would constitute an infringement of the trade mark.

The Bombay suit does not relate any pleadings or prayer to matters which pertain to a period prior to institution of that suit. Sub-section (2) provides for exclusion from applicability of sub-section (1) of section 120 if the registered proprietor of the Trade Mark with the due diligence commences and prosecutes an action against the person threatened for infringement of the Trade Mark. According to learned counsel for the Defendants, the words "for infringement of the trade mark" used in this sub-section relate them to "the person threatened", and that they do not qualify the "action". In other words, according to him, any "action" in respect of the Trade Mark commenced by the registered proprietor

could knock off applicability of sub-section (1) of S. 120. This contention cannot stand scrutiny of the nature and the purpose of the provision made by the Legislature in statutes like S. 120 of the Act. To give effect to both sub-sections (1) and (2) of S. 120 and to harmoniously construe them, it has to be appreciated, the subject matter of both the sub-sections must be the same. Sub-section (1) provides the cause of action for the person threatened and requires the Defendants to satisfy the Court that the acts in respect of which proceedings were threatened constitute, or if done, would, constitute an infringement of the Trade Mark. Sub-section (1) provides for relief by a declaration to the effect that threats are unjustifiable, and, if it is so established, it also provides for protection to the person threatened, by an injunction against the continuance of groundless threats, as well as for recovery of such damages, if any, as he has sustained. Loosely speaking, sub-section (1) can be described as a provision for action against groundless threats. sub section (2) preserves the predominating effect of an action for infringement of trade mark under S. 29 of the Act. It would be in that suit where it could be shown as to whether there was any infringement of the trade mark of the Defendants or not; Madura Coats Limited and Others Vs. Chetan Dev, . To avoid possible conflict of decision on the same issues in respect of the same subject matter in a threat action and in another action for infringement of trade mark, the Legislature provided in sub-section (2) of S. 120 of the Act that sub-section (1) thereof does not apply if an action for infringement of Trade Mark is commenced and is prosecuted with due diligence against the person threatened. While dealing with a similar provision in S.136 of (U.K.) Patents and Designs Act, Morton J. observed in *Lewis Falk Ltd. v. Henry Jacobwitz*, (1944) 61 RPC 116 at page 118:

".....it is for a Plaintiff in a "threats" action first to prove the threat or threats, and once that has been done, the onus shifts to the Defendant and the burden is on him to prove that the acts, in respect of which proceedings are threatened, constitute, or if done would constitute, an infringement of a patent or a registered design. If the Defendant succeeds in proving this, the burden then shifts again to the Plaintiff to prove, if he can, that the patent or registered design is invalid."

On the analogy of these observations, Dr. S. Venkateshwar in *The Law of Trade & Merchandise Marks* (1963 Edition at page 823) aptly described the nature of proceedings envisaged by sub-section (2) of S. 120 of the Act as "counter-claim for infringement". The author observed under that heading : "..... that the Defendant in a threats action may counter claim suing the plaintiff for infringement of the mark. It would also seem that the plaintiff may then deliver a counter claim to the counterclaim claiming for variation or cancellation of the registration." These observations describe the true nature of action intended by sub-section (2) to exclude applicability of sub-section (1) of S. 120 of the Act. Although, it may not be possible to restrict the action in sub-section (2) in the strict legal sense of a "counterclaim" which must, necessarily, be in the same proceedings and in the same Court where the person threatened may have

initiated proceedings under sub-section (1) for want of an express provision to that effect in sub section (2) of S. 120 of the Act, yet that may be said to be a fair, reasonable and desirable course to be followed by parties wanting a bona fide determination of all their disputes in respect of a trade mark. That apart, there can be no doubt that the subject matter of the action under sub-section (2) must be the same as that of the proceedings threatened and forming part of the cause of action under sub-section (1) of S. 120 of the Act. Otherwise, the very purpose and object sought to be achieved by the Legislature by enacting the two sub-sections together in S. 120 of the Act would be frustrated. The interpretation of sub-section (2) of S. 120 suggested on behalf of the Defendants, would even otherwise render the provision vague and senseless. If the group of words "for infringement of the trade mark" were to be construed merely to describe "the person threatened" and not to qualify "the action", then, sub-section (2) will not answer the question : "action" - for what. Legislative provision must be construed to make sense and to make it meaningful rather than to render it vague and ambiguous the only way to achieve that object is to reasonably construe sub-section (2) as requiring an action for infringement of trade mark to be commenced and prosecuted for an effective and complete adjudication of all matters in controversy between the parties in respect of use of the trade mark. For all these reasons, particularly as the Bombay suit does not relate to the impugned threat on 15th November 1986, or, to the acts in respect of which proceedings were threatened, it is found that the Bombay suit is not such an action as envisaged by sub-section (2), it cannot exclude applicability of sub-section (1) of S. 120 of the Act to the present suit for a declaration that the impugned threat was unjustifiable. The present suit must, therefore, proceed to trial in accordance with law notwithstanding the Bombay suit.

14. Then, arises the question about the nature of interim order to be made on the present application in this suit. Prima facie, the impugned threat when made on 15th. November 1986 and even at the time of the institution of the present suit, was unjustifiable and, the Defendants have been unable to show that the acts in respect of which proceedings under S. 29(1) of the Act were threatened constitute, or, if done, would constitute, an infringement of the Trade Mark by Sidharth. Admittedly, Sidharth was permitted use of the Trade Mark by virtue of the Agreement. It was subsisting and was in force when the impugned threat was made and even at the time when the present suit was instituted by Sidharth. So, an interim order was made on the 2nd of December 1986 restraining the Defendants from giving out any threats to the Plaintiff without prejudice to their rights to bring an action under sub-section (2) of S. 120 of the Act. But for the subsequent events, particularly the alleged termination of the Agreement, which are subject matter of the Bombay suit, Sidharth would have been entitled to confirmation of that interim order. This Court cannot, however, ignore the suit filed by Poddar and Bedrock against Sidharth which is pending in the Bombay High Court. As discussed earlier, Poddar and Bedrock have claimed in that suit, inter alia, a declaration that permitted use of the Trade Mark by Sidharth under

the Agreement stands terminated with effect from the date of institution of that suit. Therefore, the rights : and remedies of parties in respect of the Trade Mark must be governed and regulated by orders and directions of the Bombay High Court, and, during pendency of that suit, it will be proper to leave parties to seek protection of their respective rights and remedies from that court. In these peculiar circumstances, it is considered unnecessary to continue the interim order made by this Court on 2nd December 1986. It is hereby vacated.

15. It is, therefore, held :(1) that the word "otherwise" is not to be construed ejusdem generis with the words "circulars, advertisements" in sub-section (1) of S. 120 of the Act, (2) that cause for action envisaged by it is not similar to libel; (3) that threats need not be published to be actionable under that provision; (4) that Poddar's threat of suit for infringement of the Trade Mark by the letter dated 15th November, 1986, addressed to Sidharth, was actionable under sub-section (1) of S. 120; (5) that Suit No. 539 of 1987 in the Bombay High Court commenced on 18th February, 1987 by Poddar and Bedrock against Sidharth, is not an action for infringement of the Trade Mark, (relating to the acts in respect of which proceedings were threatened by Poddar's letter dated 15th November, 1987) as envisaged by sub-section (2) of S. 120, and it does not exclude applicability of sub-section (1) of Section 120 of the Act to the present suit for a declaration that the impugned threat was unjustifiable; (6) that the present suit will continue notwithstanding the Bombay suit; (7) that, in view of the subsequent events, particularly the alleged termination of the Agreement affecting permitted use of the Trade Mark by Sidharth, which are subject matter of the suit for- Declaration and injunction presently pending in the Bombay High Court, interim order made by this Court on 2nd December, "1986 need not be continued further, and, it is hereby vacated; and (8) it will be proper to leave the parties to seek suitable orders or j directions for protection or enforcement of their respective rights and remedies regarding the Trade Mark, during pendency of Suit No. 539 of 1987 from the Bombay High Court.

16. Accordingly, the application is disposed of. Parties are left to bear respective costs.