
(2006) 03 IPAB CK 0007

In the Intellectual Property Appellate Board

Case No : TA No. 173/2003/TM/DEL (CM (M) 793/2000)

Subhash Gupta

APPELLANT

Vs

Registrar Of Trade Marks And Anr.

RESPONDENT

Date of Decision : 09-03-2006

Acts Referred:

Trade And Merchandise Marks Act, 1958 — Section 9, 11(a), 11(e), 32, 32(a), 46, 46(1)(b), 46(2), 47(4), 48, 48(2), 49, 56, 56(2)
Trade Marks Act, 1999 — Section 100

Citation : (2006) 32 PTC 723 (IPAB)

Hon'ble Judges : S. Jagadeesan, J; Syed Obaidur Rahaman, Technical Member

Bench : Division Bench

Advocate : Neeraj Graver, Shailen Bhatia

Final Decision : Allowed

Judgement

S. Jagadeesan, J

1. The appellant filed Appeal No. CM(M) 793 of 2000 on the file of High Court of Delhi at Delhi against the order of the Assistant Registrar of Trade

Marks, New Delhi dated 1.9.2000 directing the removal of the registered Trade Mark No. 348290 in class 12 in the name of the appellant. The said

appeal was transferred to this Board in terms of Section 100 of the Trade Marks Act, 1999 and was numbered as TA/173/2003/TM/DEL.

2. The second respondent herein M/s Safari International filed an application for rectification of the appellant's trade mark 'SAFARI' under Sections

46, 47(4) and 56 of the Trade and Merchandise Marks Act, 1958 (hereinafter referred to as the said Act). The grounds for rectification as seen from

the petition and the statement of the case are:

(a) The registration of the impugned mark was obtained without any bona fide

intention to use the mark as registered.

(b) The registered proprietor is not the proprietor of the mark.

(c) The registration was obtained contrary to Sections 9, 11(a) and 11(e) of the said Act.

(d) The mark was not in use up to a date one month before the date of application, a continuous period of five years or longer.

(e) The impugned registration was obtained by playing fraud on the Registrar of Trade Marks as well as on the honest members of the trade and

business and as such retaining entry relating to the said mark on the Register will amount to perpetuating fraud.

3. The appellant filed reply and also evidence disputing the claim of the second respondent. His case is that he invented the word 'SAFARI' and used

as the trade Mark for his tricycles, bicycles and baby cycles manufactured under his sole proprietorship concern M/s Shagun Udyog since 1974. In

April, 1979 he filed an application for registration of the impugned mark in class 12 of Form TM-1 and the same was registered under No. 348290 in

class 12 in July 1988 and the certificate was issued therefor. Subsequently in the year 1981 the appellant incorporated a private limited company under

the name and style Safari Cycles Private Limited in which the appellant and his brother Shri Suresh Chand Gupta were shareholders, 50% each. But

the company did not carry on any business. The appellant continued the business in his individual capacity. In the year 1984 the appellant's brother

resigned from the company and his shareholdings were transferred in the name of the appellant and his wife, consequently the appellant owned 70%

of the shares and his wife 30%. From January, 1985 the business activities of manufacture and sale of goods under the trade mark SAFARI were

taken over and continued by the company Safari Cycles Private Limited. In February, 1995 the second respondent filed an application for registration

of a similar trade mark and simultaneously initiated rectification proceedings on the ground of non-user by appellant, before the Trade Marks Registry,

New Delhi. In 1999 the appellant assigned the registered trade mark in favour of the company Safari Cycles Private Limited and filed a joint request

on Form TM-23 for recordal of the subsequent proprietor. Both the parties led in evidence in support of their plea and in the impugned order the

Assistant Registrar allowed the application filed by the second respondent for

rectification and directed the removal of the appellant's registered mark

'SAFARI' on the ground that the appellant obtained the registration by playing a fraud and also on the ground of non-user by the appellant as the registered proprietor.

4. The case was taken up for hearing in the sitting of the Board held at Delhi on 15.2.2006. We heard the arguments of Shri Neeraj Grover learned

Counsel for the appellant and Shri Shailen Bhatia learned Counsel for the second respondent.

5. Learned Counsel for the appellant contended that the Assistant Registrar of Trade Marks has totally misconstrued the plea of fraud and there is no

fraud played by the appellant much less to the detriment of others. Further in the grounds of rectification, the second respondent did not raise any plea

with regard to fraud and in the statement of facts the plea of fraud was vague and no details with regard to the fraud committed by the appellant had

been given or mentioned. Consequently the entertainment of plea of fraud and the finding thereon by the Assistant Registrar cannot be sustained. So

far as the plea of non-use is concerned the Assistant Registrar has come to the conclusion that the appellant being the registered proprietor did not use

the trade mark and as admitted by him, the company Safari Cycles Private Limited, alone is using the trade mark. It is the further contention of the

learned Counsel for the appellant that the Assistant Registrar has come to the conclusion on a technical interpretation without considering the plea of

the appellant that Safari Cycles Private Limited company was formed consisting of the appellant and his wife as shareholders, the appellant was

managing the business as well as the company and as such the use of the registered trade mark by the company is with the implied consent of the

appellant himself and as such the use of the trade mark by the company is by way of implied licence or permission granted. In that case the use of

registered mark by the company is to be construed that the use is on behalf of the appellant. Hence, on both the grounds the impugned order of the

Assistant Registrar suffers infirmity.

6. Learned Counsel for the second respondent contended that the Assistant Registrar has taken into consideration all the relevant materials available

on record along with the representations made by the learned Counsel and finally ordered the rectification petition filed by the second respondent. He

also contended that the appellant has admitted conversion of the proprietary concern into a private limited company and when once the proprietary concern was converted into a private limited company, the ownership totally changes. When the private limited company was formed, the company becomes the owner of the trade mark. The appellant no longer used the registered mark as he was not manufacturing any goods for which the impugned mark was registered. Only the private limited company is manufacturing the products and using the registered trade mark of the appellant. There is absolutely no record evidencing permission or licence or the assignment in favour of the private limited company and consequently the use of the said mark by the private limited company wherein the appellant is a shareholder cannot be construed as the use of the appellant himself or valid use of the said mark by the said private limited company. Consequently the order of the Assistant Registrar does not suffer from any infirmity.

7. We considered the above arguments of both the counsel. Before we commence our discussion we would like to observe that both the counsel referred to a number of judgments in support of their respective contentions. We are of the view that there is absolutely no need in this matter to burden ourselves by referring all those judgments in detail. Mostly we want to confine on facts, keeping the following view expressed by the Apex

Court in *State Financial Corporation v. Jagdamba Oil Mills*.

Courts should not place reliance on decisions without discussing as to how the factual situation fits in with the fact situation of the decision on which reliance is placed. Observations of Courts are not to be read as Euclid's theorems nor as provisions of the statute. These observations must be read in the context in which they appear. Judgments of Courts are not to be construed as statutes. To interpret words, phrases and provisions of a statute, it may become necessary for judges to embark into lengthy discussions but the discussion is meant to explain and not to define. Judges interpret statutes, they do not interpret judgments. They interpret words of statutes, their words are not to be interpreted as statutes. In *London Graving Dock Co. Ltd. v.*

Horton 1951 AC 737 at p. 761, Lord Mac Dermot observed:

The matter cannot, of course, be settled merely by treating the ipssima verba of Willes, J. as though they were part of an Act of Parliament and applying the rules of interpretation appropriate thereto. This is not to detract

from the great weight to be given to the language actually used by that most distinguished Judge.

8. The finding of the Assistant Registrar of Trade Marks in respect of the plea of fraud is mainly on the basis of certain varying statement of the appellant. In the type set at page 135- order of the Assistant Registrar at inner page 16 he has stated as follows:

The comparative examination of the facts in evidence as available in the aforesaid two affidavits, dated 24th December, 1986 and 28th November,

1999, indicate that the registered proprietor Sh. Subash Gupta concealed the material fact, from the Registrar while obtaining registration of the

impugned trade mark that the business in respect of the sales of their goods under the trade mark SAFARI had been by M/s Safari Cycles Private

Limited w.e.f. in the year 1985, To the contrary the registered proprietor falsely indicated the figure of sales upto 24th December, 1986 in the name of

M/s Safari Cycles under his own individual proprietorship. The aforesaid act of the registered proprietor is definitely a misrepresentation by

concealment of the material fact.

After stating this he proceeded to consider the question of fraud and concluded that the disputed trade mark 'SAFARI' was proceeded for registration

on the basis of the affidavit filed by the appellant claiming to be the proprietor, whereas on the date of filing the affidavit he was not the proprietor of

the concern M/s Shagun Udyog and he incorporated a private limited company Safari Cycles Private Limited wherein he and his brother were

shareholders. This amounts to fraud as contemplated under Section 32(a) of the said Act and as such the mark deserves to be removed from the

Register of marks under Section 56(2) of the said Act.

9. The undisputed facts are that the appellant filed the application in 1979 as the proprietor of M/s Shagun Udyog for the registration of the trade mark

'SAFARI' in class 12. That was registered in July 1988 and the registration certificate was issued with effect from the date of application. In the

meanwhile the appellant incorporated a private limited company Safari Cycles Private Limited with himself and his brother having equal shares in 1981

and till 1984 the company did not commence business. In December, 1984 the brother of the appellant resigned from the company and his

shareholdings were transferred in the name of the appellant and his wife,

thereby the appellant was holding 70% of the shares and his wife 30%.

10. Now the question for consideration is whether the statement made by the appellant in 1986 in the affidavit filed before the Registrar, claiming to be

the proprietor of the trade mark after converting his proprietary concern into a private limited company amounts to fraud. Fraud in context of Section

32 of the said Act is to be construed depending upon the facts and circumstances of each case. Fraud in the context of Section 32 of the said Act

seems to involve some elements of actual deception by the applicant for registration. The question of fraud depends upon whether a person with

knowledge has done that which he must have known was calculated to injure his neighbour. However, it can be safely said that where material facts

are suppressed which results in advantage to the applicant, which he would not have received otherwise would constitute fraud. It has been held in the

case of Bentley Motors v. Lagonda Ltd 1947 (64) RFC 33 at p.35 as follows:

I am most anxious to avoid defining 'fraud' in the context in which it appears here, because apparently it has not yet been done, and I am not anxious

to be the first to do it if it is necessary for me to do it; but when I see in conjunction the words "obtained by fraud", I feel bound to hold that it involves

some element of actual deception by the applicant for registration. I want to make it plain that in using the phrase, "actual deception" I do not

necessarily exclude all omissions, because it is quite possible, and I think it is a trite saying that a statement may be in such a form that having regard

to what is omitted it is deceptive, though on the face of it and taken quite alone it is not deceptive.

But in my judgment a claimant who sets out to say that registration was obtained by fraud must allege some actual deception by word or deed, or

some omission by word or deed, of the character which I have just indicated; and accordingly I am not prepared to hear evidence directed to the issue

that the registration was obtained by fraud.

11. A misstatement does not amount to fraud. Where an applicant for registration knowingly makes a false claim to be the proprietor of the mark, the

registration is obtained by fraud. It would be a fraud for a person to procure improperly the registration of a trade mark which, he knows, belongs to

another trader and is used by him. Although fraud has not been defined, it has been held that it involves an element of actual deception and intention to

deceive. Wherever fraud is alleged two elements are atleast essential; Deceit or intention to deceive or, in some cases a mere secrecy and

consequently either actual injury or possible injury or an intention to expose some person either to actual injury or to a risk of possible injury by means of deceit or secrecy.

12. In *Monappa v. Ramappa* AIR 1956 184 at 188 it was held that "A practically conclusive test as to the fraud practiced in trade mark cases

would be, did the author of the deceit derived any advantage from it which he could not have had if the truth had been known. If so it is hardly

possible that the advantage should not have had equivalently any loss or risk, loss to someone else and if so; there was fraud". In the case on hand, the

admitted facts disclose that the appellant might have made a representation to the effect that he was the registered proprietor of the trade mark when

he had sworn to an affidavit in 1986 after converting his proprietary concern M/s Shagun Udyog into a private limited company in 1981. The fact

remains that technically the ownership of the trade mark may suffer a change, but the limited company incorporated in 1981 taking the appellant's

brother as shareholder did not function. The appellant carried on the trade in his individual capacity. Thereafter in 1985 when the brother of the

appellant resigned and transferred the shares in favour of the appellant and his wife, the limited company vice Safari Cycles Private Limited became

the owner of the trade mark. The appellant remains to be the managing force of the company and under that impression and without knowing the

consequences of the technicalities he might have sated that he was the proprietor of the trade mark without any intention to deceive anybody. The

second respondent also did not put forth any plea to that effect. It is also not the case of the second respondent that the appellant is using the trade

mark which belongs to any other third party and played fraud in claiming the ownership of such trade mark to the detriment of the real owner. Even if

the second respondent's plea is accepted, the ownership vests with the private limited company Safari Cycles Private Limited, of which the appellant

and his wife are the shareholders. As no third parties rights were involved it cannot be said that the appellant's statement in his affidavit will amount to

fraud.

13. The second respondent has filed the application for registration of identical

mark only in 1995 and immediately on filing the application for registration he came forward with this application for rectification of the appellant's mark, which we are of the view that there is absolutely no bona fide in the conduct of the second respondent. Moreover, the second respondent must have decided to initiate the rectification proceedings and then filed the application for registration. At any rate, the appellant being a shareholder of the limited company, the use of the trade mark by the said company has to be construed that there is an implied permission or licence in favour of the company by the registered proprietor of the said mark especially when there is no allegation with regard to any trafficking by use of the impugned mark.

14. It has been repeatedly held by the Apex Court as well as the High Courts that when a plea of fraud is put forth, the details with regard to the fraud must be specifically pleaded. In this case the grounds on which the rectification petition has been filed do not reveal any ground of fraud. The

statement of the case in para 16 it is stated as follows:

The impugned registration was obtained by playing fraud on the Registrar of Trade Marks as well as on the honest members of the trade and as such retaining entry relating to the said mark on the register will amount to perpetuating fraud

As rightly contended by the learned Counsel for the appellant, the plea of fraud in the absence of any details has to be held as vague. The second respondent has not furnished any details as to the fraud played by the appellant herein. In the absence of such details, the Court can simply reject the plea of fraud for want of particulars or details. It may be worthwhile to refer the principles laid down in the case of Pt. Avtar Sharma and Ors. v. Pt.

Chandra Sekar Saran Sharma and Ors.

Courts do not take any notice of general allegations of fraud unless the particulars are also given in the pleadings

On this ground also the plea of fraud put forth by the second respondent is liable to be rejected. If the plea of fraud is rejected then the registration is valid on the ground of bona fide representation of the appellant and the same do not suffer the illegality contemplated under Section 32 of the said Act.

15. The next issue for consideration is the plea under Section 46(1)(b) of the Act, i.e., the non-user for a period of one month before the date of

application and a continuous period of five years or longer. The Assistant Registrar has come to the conclusion of the non-user of the said mark by the appellant on the basis that the private limited company was formed in 1981 and thereafter the appellant, the registered owner of the mark ceased to be the owner and further the use of the said mark subsequent to the incorporation of the private limited company is by the company and not by the appellant. Consequently the appellant, the registered proprietor did not use the trade mark for the statutory period prescribed under Section 46(2) of the Act and hence the mark is liable to be removed on the ground of non-user.

16. In view of our findings with regard to plea of fraud it has to be held that the use of the trade mark by the private limited company, where the appellant and his wife are the shareholders must be construed either on behalf of the appellant himself or with the implied permission or licence of the appellant. It is not the case of the second respondent that the said trade mark was not used by the incorporated private limited company consisting of the appellant and his wife as shareholders. In the case of Cycle Corporation of India v. T.I. Raleigh Industries Pvt. Ltd. the learned Judges have held as follows:

Before the trial Court as also before this Court the provisions contained in Section 48(2) as also Section 49 in the context of Section 46 of the said Act are sought to be interpreted by the appellant in this way that the expression ""by any proprietor thereof in Section 46(1)(b) must be restricted to the appellant itself or a registered user by reason of deeming provision of Section 48(2) and cannot be extended to any other user. The learned trial Judge, however, found it difficult to accept such interpretation and the learned trial Judge observed that the provisions relating to registration of registered user contained in the Act were enacted to protect both the proprietor and the user of the mark and Section 48(2) of the said Act is an instance of such protection, so far as the proprietor is concerned by the mechanism of a fiction. The fiction is that although the mark is actually being used by a registered user, the law considers to be user by the proprietor. The learned Judge also observed that it could not be said that by allowing somebody else to use the mark he had ceased to use the mark himself. The learned Judge relying on the decisions of the House of Lords in American Greetings Corporation's Application (1984) 1 All ER 426 and also Bostish Trade Marks

(1963) RFC 183 observed that there was no specific bar to be an unregistered licensee so long as there is connection in the course of trade between a licensor and licensee's goods. We agree with this observation of the learned Trial Judge in the context of the facts of the case.

This view was upheld by the Apex Court also in Cycle Corporation of India Ltd. v. T.I. Raleigh Industries Pvt. Ltd 1996 PTC (16) 537 at 544 para 12

as follows :

The benefit of Section 46 would be available during the period for which the agreement registered and user continued in furtherance thereof. It

appears that even an unregistered licensee, so long as there is unbroken connection in the course of the trade between the licensor and the passing off

licensee's goods under the trade mark, there would be sufficient connection in the course of the trade between the proprietor and bonafide use of the

trade mark by unregistered user. It must, therefore, be held that though the deemed presumption under Sub-section (2) of Section 48 is referable to the

permitted user or the registered user and it does not extend to unregistered permitted user, the connecting link of passing off the goods between the

licensor's trade mark and the licensee should bona fide be with the permission or consent which may be express or implied by long course of dealings.

It would connect the registered proprietor and the use of the trade mark by the unregistered licensee. The appellant must be presumed by course of

conduct that he is a bona fide user for the purpose of Section 46(1)(b)

In the case of hand the use of the registered mark by the private limited company wherein the appellant is also a shareholder along with his wife must

be held as the use of the appellant himself.

17. For these reasons we are unable to agree with the findings of the Assistant Registrar of Trade Marks, Delhi. Consequently the impugned order of

the Assistant Registrar of Trade Marks in the rectification petition filed by the second respondent is liable to be set aside and accordingly the same is

set aside. Appeal is allowed with a cost of Rs. 5000.