

(2005) 08 MAD CK 0002

In the Madras High Court

Case No : O.S.A. No's. 150 to 152 of 2005 and C.M.P. No's. 12076 to 12078 of 2005

Vivekananda English Academy and Others

APPELLANT

Vs

Amoha Education Pvt. Ltd. and Another

RESPONDENT

Date of Decision : 03-08-2005

Acts Referred:

Contract Act, 1872 — Section 27

Specific Relief Act, 1963 — Section 41, 42

Citation : (2005) 5 CTC 393 : (2006) 66 SCL 309

Hon'ble Judges : P.K. Misra, J;N. Kannadasan, J

Bench : Division Bench

Advocate : T.V. Ramanujam and N.A. Padmanabha Rao, for the Appellant;
Elizabeth Seshadri, H. Karthik Seshadri and Iyer and Thomas, for the Respondent

Judgement

N. Kannadasan, J.—The appellants are the respondents in Original Application Nos. 344 to 346 of 2005 and the defendants in the suit. The

respondents herein are applicants in the said applications and plaintiffs in the suit.

2. The applicants filed the suit for a permanent injunction restraining the defendants from in any manner passing off or attempting to pass off or

causing, enabling others to pass off the services not of the plaintiffs as and for the services of the plaintiffs by use in connection therewith or in

course of trade including through the use of prospectus, name boards, signages, advertisement materials etc., under the brand name of

"Vivekananda English Academy" or any other deceptively similar name or a colourable imitation of the plaintiffs services that is likely to cause

confusion in the minds of the public which would be directly or indirectly associated with the plaintiffs VIVEKANANDA INSTITUTES and/or

VETA and for other reliefs as stated therein. In the said suit, the three applications are filed in O.A. Nos. 344 to 346 of 2005 for the relief as stated therein.

3. Original Application No. 344 of 2005 is filed seeking an order of injunction restraining the respondents jointly and/or severally or through their agents servants or otherwise howsoever from in any manner passing off or attempting to pass off or causing, enabling others to pass off the services not of the applicants as and for the services of the applicants by use in connection therewith or in course of trade including through the use of prospectus, name boards, signages, advertisement materials etc., under the brand name of "Vivekananda English Academy" or any other deceptively similar name or a colourable imitation of the applicants services that is likely to cause confusion in the minds of the public which would be directly or indirectly associated with the applicants VIVEKANANDA INSTITUTES and/or VETA.

4. The above application is filed contending that the second applicant had set up business of running an educational institution under the name and style of "Vivekananda Study Circle" during 1981 and the said proprietary business was converted into a partnership firm during 1986 under the name and style of "Vivekananda Kalvi Nilayam" which was later on converted into a Private Limited Company incorporated on 19.10.1988 under the provisions of the Companies Act as "Vivekananda Kalvi Nilayam Private Limited" and the business was carried on in the name of "Vivekananda Institute". On and from 1.3.2004, the name of the first applicant company was changed into "Amoha Education Private Limited" which is the first applicant and the first plaintiff in the suit. According to the applicants, "Vivekananda Institute" has acquired tremendous goodwill and popularity in the market for offering a well designed course with very competent faculty to help students to acquire proficiency in the English language and the turnover which was only about Rs. 1,70,212 during 1988-89 has grown upto the extent of Rs. 5,18,12,432 for the year 2003-2004 and the applicants are incurring huge amount towards expenditure in popularising its brand name as "Vivekananda Institute".

5. The first applicant Company entered into franchise agreements with several persons in the entire Southern States. Similar franchise agreements

were entered into between the first applicant and the respondents in respect of various places. As per Clause 4.1 of the said agreement, at no time after the term, or sooner determination of this agreement, for whatsoever cause, the franchisee shall make or be entitled to make any claim to the trade mark or trade names or to any part of the name or names for the time being of the franchisor or to the name of any part thereof under which the franchisor is carrying on for the time being in the field of education or training in English teaching. The franchisee also agrees not to name any of the programme courses in English teaching which gives any indication that such courses are being conducted based on the technical know-how with the franchiser except during the period of agreement. The franchise agreements were terminated during February 2005, but however, the respondents continue to carry on their business with the same trade name "Vivekananda Institute" or a similar term as "Vivekananda English Academy" only with a view to deceive the public to use the services of the applicants to teach English.

6. The respondents/defendants resisted the application on the ground that the terms and conditions of the franchise agreements are applicable only for the currency of the agreements and not after the expiry of the term. It is further contended that the applicant company having changed the name as "Amoha Education Private Limited" on and from 1.3.2004, they cannot complain that the respondents are using the word "Vivekananda Institute". It is also contended that the respondents are using only the name "Vivekananda English Academy" and not "Vivekananda Institute" and the names are not identical and as such, the respondents need not be restrained from using the word "Vivekananda English Academy".

7. The applicants have also filed other applications viz., O.A. Nos. 345 and 346 of 2005, seeking the relief as stated therein which were resisted by the respondents, the details of which would be dealt with hereinafter separately.

8. The learned Judge, by order dated 5.7.2005, passed an order granting relief in favour of the applicants which is under challenge in the above appeals.

9. The learned senior counsel for the appellants would contend that the applicants have not made out a case for the grant of interim orders. The

learned senior counsel would further contend that inasmuch as the name of the first applicant company itself was changed as "Amoha Education

Private Limited" and the respondents having registered their partnership firm in the name of "Vivekananda English Academy", they cannot be

restrained from using the said term. It is further contended that as per the prospectus published by the respondents, it only contains the name as

"Vivekananda English Academy" and not as "Vivekananda Institute" as claimed by the applicants. The learned senior counsel would also contend

that inasmuch as the applicants have not registered their trade mark, they are not entitled for the relief as claimed in the applications. Moreover, the

prayer as sought for in the applications are worded in such a manner that minute details are incorporated while claiming the relief, which would

virtually curtail the business activities of the respondents in any form whatsoever. The learned senior counsel would further contend that as per

Clause 4.1, the prohibition as against the respondents not to make use of any claim with regard to the rights contained therein, is unenforceable

after the expiry of the agreement, more particularly in view of the fact that the first applicant company has changed the name itself. The learned

senior counsel would further contend that as per Section 27 of the Contract Act, the restrictive covenant as contained in Clause 4.1 itself is void

and as such, the same is not enforceable and in this connection, he has placed reliance upon the decision of the Apex Court in *Superintendence*

Company of India (P) Ltd. Vs. Sh. Krishan Murgai, . The learned senior counsel would further contend that in the light of Section 41(e) read with

Section 42 of the Specific Relief Act, 1963, the applicants are not entitled for the grant of an order of injunction.

10. On the other hand, the learned Counsel appearing for the respondents would contend that the learned Judge has rightly granted the relief as

prayed for in the applications considering the fact that the applicants have made out a prima facie case and also substantiated that an irreparable

injury would be caused if interim orders are not granted.

11. We have considered the rival contentions of the learned Counsels appearing on either side.

12. As regards the factual aspects are concerned viz., the commencement of the business by the second applicant as a proprietary business during

1981 and subsequently conversion as a partnership firm during 1986 and thereafter the incorporation of the same as a private limited company

during 1988 under the name and style of "Vivekananda Kalvi Nilayam Private Limited" and subsequent change of name on and from 1.3.2004 as

"Amoha Education Private Limited" and a steady raise of turnover from 1988-89 to 2003-04 are concerned, the said facts are not disputed by the

respondents. It is also not disputed by the respondents in the applications that the restrictive covenant was incorporated in the franchise agreements

in Clause 4.1 and the franchise agreements came to be terminated during February 2005. Even though the name of the first applicant is changed as

stated supra, it cannot be suggested that from the commencement of the business by the second applicant, it was named as "Vivekananda Study

Circle" and later on "Vivekananda Kalvi Nilayam" and subsequently as "Vivekananda Kalvi Nilayam Private Limited" and the business was

carried on in short in the name and style of "Vivekananda Institute". As per Clause 4.1 of the franchise agreements entered into during 2001, the

respondents were permitted to use the trade names, technical know-how and training resource materials during the period of agreements.

13. In the backdrop of the above factual aspects, the trouble started after February 2005, when the respondents/franchisees continued with their

business by using the term "Vivekananda English Academy" even after the termination of the agreements. In view of the fact that the applicants are

earring on their business and they are popularly known in the trade circle as "Vivekananda Institute" in short as "VETA", if the respondents are

also carrying on similar business by using the term "Vivekananda English Academy", one cannot suggest that it would not cause any confusion in

the minds of the general public. Considering the fact that there is a sharp raise in the turnover of the applicants company from 1988-89 to 2003-04

and specific averment is made in the affidavit filed in support of the applications by furnishing the details about the expenditure incurred for the

advertisements and other purposes, the respondents who are none-else than the franchisees in pursuance of the agreements entered into with the

applicants cannot be permitted to use the identical term viz., "Vivekananda English Academy" which would definitely effect the applicants

adversely.

14. As regards the contention of the learned senior counsel for the appellants to the effect that inasmuch as the applicants have not registered their trade mark whereas the respondents have chosen to register their partnership firm as "Vivekananda English Academy" and as such, they shall not be prevented to use the said term is concerned, merely because the respondents have registered their partnership firm in the name and style of "Vivekananda English Academy", that will not give them any right to use the said name, since the respondents were permitted to use a similar term as "Vivekananda Institute" till the commencement of business of their own after February 2005 as per the franchise agreements. By taking advantage of the fact that the respondents have registered their partnership firm as such, they cannot be permitted to carry on their business by making use of the similar term, with the slight modification as "Vivekananda English Academy" in the similar nature of business.

15. Equally, when the second applicant having used the name "Vivekananda Institute" right from the inception of its business from the year 1981 onwards and even after the change of names subsequently, the applicants continue to use the said term in the trade circle as well as with the general public, if the respondents are permitted to use the term "Vivekananda English Academy", it would definitely cause confusion in the minds of the general public. In identical circumstances, in a judgment in Prakash Headline Limited v. Prakash Parcel Service (P) Limited, (PTC (Suppl) (2) 177 (Del), it is held therein that when the defendant company therein was floated by ex-directors and senior officers of the plaintiff, who are in the know of its business secrets and intended to exploit the same they were enjoined for the use of the word "Prakash". Similarly, in a decision in Bhagwan Dass Gupta v. Shiv Shankar Tirath Yatra Co. Pvt. Limited, 2001 PTC 676 (Del) , it is held therein that the person having prior, long and continuous use of such name has a preferential right to protect it and one cannot be oblivious of the fact that the defendant was under the employment of the plaintiff company, who later on adopted the similar name deceptively though not the exact name should be enjoined from using the said name. The Apex Court in identical circumstances in a decision in Mahendra and Mahendra Paper Mills Ltd. Vs. Mahindra and Mahindra Ltd., has held that in a passing off action while considering the grant of an injunction in favour of plaintiff company, which was using the name

"Mahindra" and "Mahindra and Mahindra" in its business concern, since five decades should be construed as having acquired distinctiveness and a

secondary meaning in business or trade circles and as such, the defendant company cannot be permitted to use the term "Mahendra and

Mahendra" in its corporate name which would create an impression in the trade circle that the defendant company is having connection with the

plaintiff's group of companies. The learned single Judge of this Court in a decision in S.V.S. Oil Mills Vs. S.V.S. Agro Refineries P. Ltd. and

Another, , has took the view that even though the respondent therein has adopted the trade name with slight modification, considering the fact that

there exists similarity of the names and the applicant being a prior user and acquired reputation for their goods all over the State, held that the order

of injunction is absolutely necessary otherwise the applicant/plaintiff would be put to irreparable loss and hardship.

16. In the light of the above settled principles of law and considering the fact that the applicants are having prior, long and continuous use of the

term "Vivekananda Institute" who have acquired distinctiveness in the trade circle, the respondents cannot be permitted to use a similar term which

would create an impression before the general public that the respondents are still having the services of the applicants.

17. The next contention urged by the learned senior counsel to the effect that in terms of Section 41(e) read with 42 of the Specific Relief Act, the

applicants are not entitled for the grant of an interim order. According to the learned senior counsel, if the Court is unable to compel a specific

performance of the affirmative agreement as provided under Clause 4.1 of the agreement, the applicants are not entitled for an order of injunction.

In this connection, it would be useful to refer about the observations made by the Apex Court in a decision in M/s. Gujarat Bottling Co. Ltd. and

others Vs. Coca Cola Company and others, which reads as follows:

Section 42 of the Specific Relief Act, 1963 prescribes that notwithstanding anything contained in Clause (e) of Section 41, where a contract

comprises an affirmative agreement to do a certain act, coupled with a negative agreement, express or implied, not to do a certain act, the

circumstance that the Court is unable to compel specific performance of the affirmative agreement shall not preclude it from granting an injunction

to perform the negative agreement. This is subject to the proviso that the plaintiff has not failed to perform the contract so far as it is binding on him.

Hence, the contention of the learned senior counsel in this regard cannot be countenanced.

18. Even though a further contention is urged by the learned senior counsel to the effect that the said clause is in violation of Section 27 of the

Contract Act, in the light of the decision of the Apex Court in *Superintendence Company of India (P) Ltd. Vs. Sh. Krishan Murgai*, . In the above

decision, the Apex Court held that unless a particular contract can be distinctly brought within exception one, there is no escape from the

prohibition envisaged u/s 27 of the Contract Act. The very same decision was considered by the Apex Court in its decision in *Gujarat Bottling Co.*

case (cited supra) and held that there is a growing trend to regulate distribution of goods and services through franchise agreements providing for

grant of franchisee by the franchiser on certain terms and conditions to the franchisee and such agreements often incorporate a condition that the

franchisee shall not deal with competing goods, and such a condition restricting the right of the franchisee to deal with competing goods is for

facilitating the distribution of the goods of the franchiser and it cannot be regarded as in restraint of trade. In the light of the above principles, we do

not agree that Clause 4.1 of the agreement is in violation of Section 27 of the Contract Act and as such, the same is unenforceable.

19. While considering the grant of an interim order, we have to bear in mind the principles laid down by the Apex Court in *Wander Ltd. and*

Another Vs. Antox India P. Ltd., wherein it is held that an interlocutory remedy is intended to preserve in status-quo and if such an order is not

granted, the plaintiff could not be adequately compensated in terms of damages recoverable in the action if the uncertainty were resolved in his

favour at the trial. The need for such protection must be weighed against the corresponding need of the defendant to be protected against the injury

resulting from his having been prevented from exercising his own legal rights for which he could not be adequately compensated.

20. Similarly, while considering the grant of an interlocutory injunction during pendency of legal proceedings is a matter requiring the exercise of

discretion of the Court. While exercising the discretion, the Court applies the following tests:

- (a) whether the plaintiff has a prima facie case:
- (b) whether the balance of convenience is in favour of the plaintiff; and
- (c) whether the plaintiff would suffer an irreparable injury if his prayer for interlocutory injunction is disallowed.

Relief by way of interlocutory injunction is granted to mitigate the risk of injustice to the plaintiff during the period before that uncertainty could be resolved. The object of the interlocutory injunction is to protect the plaintiff against injury by violation of his right for which he could not be adequately compensated in damages recoverable in the action if the uncertainty were resolved in his favour at the trial.

21. In the light of the above principles, if we consider the grievances of the applicants, we have no hesitation to hold that the applicants have established a prima facie case and the balance of convenience is in favour of the applicants. If the prayer for an interlocutory injunction is disallowed in the instant case, the applicants would necessarily suffer an irreparable injury, considering the fact that there is a phenomenal increase in the turnover of the business of the applicants from the year 1988-89 to 2003-2004. If such an order of injunction is not granted and thereby if the respondents are allowed to carry on the trade by permitting them deceptively to make use of the term "Vivekananda English Academy" which is more or less similar to the trade name of the applicants "Vivekananda Institute", there is every possibility for the general public to avail the services of the respondents by assuming that the said services are rendered by the applicants. If ultimately the suit is decreed in favour of the applicants, they cannot be adequately compensated in terms of damages. Under the said circumstances, we are of the considered opinion that the applicants have made out a case for the grant of an injunction and as such, the order of the learned Judge granting injunction in O.A. No. 344 of 2005 does not call for interference.

22. As regards the prayer sought for by the applicants in O.A. Nos. 345 and 346 of 2005 are concerned, as rightly contended by the learned senior counsel for the appellant, an omnibus Relief is sought for in the said applications. Learned Judge has not rendered by reasons for the grant of

interim orders, even though reasons were adduced while granting an order of unjunction in O.A. No. 344 of 2005. Even before us, the learned

Counsel for respondents/applicants is not in a position to substantiate with sufficient materials that the applicants are entitled for the grant of an

interim order as prayed for in the said applications. Though the learned Counsel has made a feeble attempt to substantiate the claim of the

applicants to the effect that an irreparable damage would be caused to the applicants, if the respondents are permitted to use the same colour in the

prospectus etc., we do not agree with the said contention. Merely because the respondents are using the same colour in their prospectus and other

materials, it cannot be suggested that it would cause confusion in the minds of the public about the course offered by the respondents.

23. Similarly, the applicants have not substantiated their case with regard to the infringement of the copyright of the applicants over the course

materials, promotional materials and other materials in the course of the trade and the colour scheme in the name board and promotional material

and other materials, prospectus and other advertisements. In the absence of any sufficient materials made available by the applicants, we are not in

agreement with the learned single Judge in granting the relief in O.A. Nos. 345 and 346 of 2005.

24. Accordingly, OSA No. 150 of 2005 is dismissed and the application filed by the applicants in O.A. No. 344 of 2005 is allowed.

Consequently, OSA Nos. 151 and 152 of 2005 are allowed and as such, the applications in O.A. Nos. 345 and 346 of 2005 are dismissed. No

costs. Consequently, connected CMPs are closed.