

(2013) 12 MAD CK 0068

Madras High Court

Case No: O.A. No's. 667 and 668 of 2013 in Civil Suit No. 605 of 2013

M/s. Nico Quality Products

APPELLANT

Vs

M/s. N.C. Arya Snuff and Cigar
Co. and Others

RESPONDENT

Date of Decision: Dec. 3, 2013

Citation: (2014) 1 LW 731

Hon'ble Judges: R. Subbiah, J

Bench: Single Bench

Advocate: K. Harishankar, for the Appellant; G. Rajan, for the Respondent

Final Decision: Dismissed

Judgement

@JUDGMENTTAG-ORDER

R. Subbiah, J.

Original Application No. 667 of 2013 has been filed seeking for grant of interim injunction restraining the respondent, its men, agents, servants or person acting on its behalf from infringing the applicant's registered trademarks bearing numbers 454103, 454106, 454109, 592763, 180448, 180449, 559308, 178484, 179074 and 194656 in Class 34, in any manner either by using the applicant's word mark and/or logo or otherwise in relation with the products manufactured and marketed by the respondents, pending disposal of the suit. Original Application No. 668 of 2013 has been filed seeking for grant of interim injunction restraining the respondent, its men, agents, servants or persons acting on its behalf from passing-off the products manufactured and marketed by them using the applicant's trademark or any other mark deceptively similar or closely resembling the applicant's mark, in any manner either by using the applicant's word mark and/or logo described in the Schedule to the Judge's Summons or otherwise in relation with the products manufactured and marketed by the respondents, pending disposal of the suit.

2. The applicant herein is the plaintiff and the respondents herein are the defendants in the suit.

3. The case of the applicant/plaintiff is as follows:--

3(a) The applicant/plaintiff viz., M/s. Nico quality Products is a partnership firm and they are carrying on business of marketing and supply of Snuff and Cigar products in India and abroad. The 1st respondent/1st defendant is also a partnership concern, having three partners viz., 1) S. Chandrasekaran, 2) S. Thara & 3) V. Anuradha. The 1st respondent/D1-firm was originally the owner and proprietor of Trade Marks Nos. 454103, 454106, 454109, 592763, 180448, 180449, 559308, 178484, 179074 and 194656 in Class 34 in the name of "N.C. Arya Snuff & Cigar Co. One of the partners of the 1st respondent/D1-firm viz., V. Anuradha was authorized vide., Authorization Letter dated 27.10.2011 by the other two partners, to act on behalf of the 1st respondent/D1-firm to enter into any lawful deed of assignment to assign the above said trademarks owned by the 1st respondent/D1-firm in favour of a prospective purchaser. Based on the said letter of authorization the said V. Anuradha, partner of the 1st respondent/D1-firm, had transferred and assigned the above said trademarks in favour of the applicant herein for consideration of Rs. 75 lakhs under the Assignment Deed dated 15.12.2011 on behalf of the 1st respondent/D1-firm, the receipt of which was acknowledged by the 1st respondent/D1. Further, it was agreed between the applicant/plaintiff and the 1st respondent/D1 that the 1st respondent/D1 would be allowed to market and supply the snuff and cigar stock already produced by them within 12 to 18 months from the date of execution of the said Assignment Deed and thereafter, all the rights will remain with the applicant/plaintiff, who would then be the exclusive manufacturer and seller of snuff and cigar products under the said trademarks.

3(b) Subsequent to the assignment of the aforementioned trademarks in favour of them, the applicant/plaintiff conducted a market survey and also contacted dealers/distributors for commencing manufacture and sale. The applicant/plaintiff commenced their business of manufacturing and marketing the snuff and cigar products under the trademarks assigned to them from August-2013. In compliance with the trademark law, on 19.08.2013 the applicant/plaintiff submitted Form TM-24 to the Registrar of Trademarks, Guindy, Chennai, requesting to register the applicant/plaintiff as the subsequent proprietor of the said trademarks, which were assigned to the applicant/plaintiff. At that juncture, the applicant/plaintiff came to know that the 1st respondent/D1-firm was continuing to manufacture and sell the products under the trademarks, which were already assigned to the applicant/plaintiff, even after expiry of the grace period given to them to clear the stocks manufactured prior to the assignment of the trademarks. The said act of the 1st respondent/D1 would amount to infringing the rights of the applicant/plaintiff by using the said trademarks to sell its snuff and cigar products. According to the applicant/plaintiff, the label and packaging of the 1st respondent's products are

deceptively similar to that of the applicant/plaintiff in respect of the same class of goods, thus it causes confusion among the purchasing public. The 1st respondent/D1, having assigned the trademarks to the applicant/plaintiff, has no right to use the said trademarks. Hence, the present suit.

4. Pending the suit, the above applications have been filed for interim injunctions, one for restraining the respondents/defendants from infringing the trademarks of the applicant/plaintiff and another for restraining the respondents/defendants from passing-off the products manufactured and marketed by them by using the applicant's trademarks.

5. This Court, by order dated 13.09.2013, while ordering notice to the respondents, has granted an order of interim injunction for a period of eight weeks.

6. On receipt of notice, the 1st respondent/D1 has filed a counter affidavit denying the case projected by the applicant/plaintiff in the plaint.

6(a) In the counter affidavit, it has been stated that the 1st respondent/D1 has been involved in the business of manufacturing and selling and dealing in the Snuff and Cigar for several decades. The partners of the said firm are the members of the same family. The members of the family felt it appropriate to constitute a partnership firm in order to carry out the aforesaid business under the name and style of N.C. Arya Snuff and Cigar Company. For the said purpose, a partnership deed was executed between the partners S. Chandrasekaran and S. Thara W/o. Viswanathan. The husband of S. Thara viz., Viswanathan and S. Chandrasekaran are brothers. The third partner Anuradha is the daughter of 2nd partner S. Thara and Viswanathan. The third partner Anuradha was inducted as a partner in the business by virtue of a partnership agreement deed dated 01.04.1995 & 18.06.1995. As per the partnership agreement, the profits and losses of the business has agreed to be divided and apportioned among the three partners as follows:--

Mr. S. Chandrasekaran would get 40%, Mrs. S. Thara would get 35% and Mrs. Anuradha would get 25%.

6(b) After the induction of third partner Anuradha, she wanted to lead the business. The other partners viz., Mr. S. Chandrasekaran and Mrs. S. Thara, who all along built up the business by their business shrewdness, patience, acumen and experience, were marginalised by the said Anuradha. The other partners viz., Mr. S. Chandrasekaran and Mrs. S. Thara, considering the family relationship and also considering the fact that a fresh approach would jet-pack the business to new horizons, had agreed for the said Anuradha to conduct and lead the business. However, under the head of Anuradha, the business had faced heavy loss and the company had to under go a heavy financial crisis because of the rash decisions, total mismanagement on the part of the said Anuradha. At one point of time, it has become almost impossible to retrieve and rescue the business, as there were several people, who had given huge amount of loan and also supplied raw materials

on credit basis. Hence, the other two partners viz., Mr. S. Chandrasekaran and Mrs. S. Thara, who had voluntarily kept quiet and given space for the said Anuradha to lead, have intervened in the business in order to rescue the company. Thereafter, the said Anuradha and her husband viz., Znanakanabady, who is a partner in the applicant/plaintiff firm, have executed an affidavit on 10.08.2012 in the presence of Notary Public at Pondicherry, stating that she (Anuradha) is retiring from the partnership of the 1st respondent-company with effect from 30.06.2012, on the assurance given by the other partners viz., Mr. S. Chandrasekaran and Mrs. S. Thara that they will undertake the liability and absorb the same. The said Anuradha had also relinquished all her rights over the trademarks and business from 1st July, 2012. The husband of the said Anuradha, viz., Znanakanabady, who is one of the partners of the applicant/plaintiff, has also executed similar affidavit to that effect on 10.08.2012. That apart, a fresh partnership agreement was executed on 01.07.2012, on which also the said Anuradha has signed as a retiring partner. Thus, the 1st respondent/partnership firm shall comprise two partners only viz., S. Chandrasekaran and S. Thara. After the retirement of the said Anuradha from the partnership, the other two partners viz., Mr. S. Chandrasekaran and Mrs. S. Thara took all the strenuous efforts to settle the creditors in order to run the business smoothly. Now, due to the hard work of the two partners viz., Mr. S. Chandrasekaran and Mrs. S. Thara, the 1st respondent/company started to gain momentum and brand name of the company has been reactivated.

6(c) Further, in the counter affidavit filed by the respondent/D1, the case projected by the applicant/plaintiff that two of the partners of the 1st defendant/firm viz., Chandrasekaran and Thara had authorized V. Anuradha, another partner of the firm/D1, to execute the Deed of Assignment in respect of few of the trademarks of the 1st defendant/firm to any prospective purchaser, was denied. According to the 1st respondent/D1, the authorization letter dated 27.10.2011, said to have been issued in favour of one of the partners viz., Anuradha authorising her to assign certain trademarks in favour of prospective purchaser itself is a forged and fabricated document and the authorization letter is of doubtful origin. In fact, the alleged signatures of the partners namely S. Chandrasekaran and S. Thara in the alleged authorization letter dated 27.10.2011 are found on the bottom of the page, whereas the contents of the document are of four lines which are on the top of the page and there is almost an half a foot gap between the contents of the letter and the signatures of the other two partners, which would show that the said authorization letter should have been created for the purpose of this case. Since the 1st respondent/company is flourishing and started to revive now, the said Anuradha and her husband, who is a partner in the applicant/plaintiff-firm, wanted to have a share in the profit. Upon seeing their attempts did not yield any fruitful results, the said Anuradha and her husband have caused the present suit in active collusion with the other partner of the applicant-company viz., C. Vijay.

6(d) Further, u/s 45 of the Trademarks Act, 1999, any assignment of the registered trademark without the goodwill of the business will not take effect, unless the deed of assignment is presented before the Registrar of trademarks within the period of six months from the date of the execution and in any case, not exceeding the period of nine months, for the purpose of advertisement of the assignment as required u/s 42 of the Trade Marks Act. In the present case, the deed of assignment is executed on 15.12.2011 and the same has been presented for the registration only on 19.08.2013. Therefore, the alleged deed of assignment was having no effect on the date of filing of the suit. There is no cause of action for the applicant/plaintiff to file the present suit. Thus, the respondents/defendants prayed for the dismissal of the present applications.

7. The applicant/plaintiff has also filed a reply to the counter affidavit denying the averments made in the counter.

8. The learned senior counsel appearing for the applicant/plaintiff submitted that the 1st respondent/D1-firm consists of three partners viz., 1) S. Chandrasekaran, 2) S. Thara & 3) V. Anuradha. The one of the partners namely V. Anuradha is the daughter of one Viswanathan, who is the brother of another partner S. Chandrasekaran and husband of the second partner S. Thara. The said Anuradha was inducted as a partner in the business by virtue of the partnership agreement dated 01.04.1995 & 18.06.1995. As per Clause 7 of the said partnership agreement dated 18.06.1995, the general management, administration and conduct of the partnership shall vest with all the three partners and the partners shall have the power to act on behalf of the firm jointly and severally in all matters. Therefore, the said Anuradha as a partner of the firm was independently having a power to execute a deed of assignment in favour of the applicant/plaintiff. Further, irrespective of the Clause 7 of the said partnership deed, a letter of authorization dated 27.10.2011 was also given by the other two partners viz., S. Chandrasekaran and S. Thara authorizing the said Anuradha to act and enter into any lawful deed of assignment with any prospective person or firm on behalf of the 1st respondent/D1-firm. Hence, by virtue of Clause 7 of the partnership deed as well as by the strength of letter of authorization, given by the other partners, from several registered trademarks of the 1st respondent-firm, 10 trademarks mentioned in the schedule to the judges summons of the plaint, were assigned by the said Anuradha by a deed of assignment dated 15.12.2011 in favour of the applicant/plaintiff.

9. With regard to the statements made in the counter affidavit filed by the 1st respondent/D1 that the letter of authorization dated 27.10.2011 was forged and fabricated document, the learned senior counsel appearing for the applicant/plaintiff submitted that this allegation was purposely introduced in the counter affidavit only with an intention to defraud the applicant/plaintiff. It is further submission of the learned senior counsel for the applicant/plaintiff that the signatures of the two partners contained in the authorization letter dated

27.10.2011 were not disputed by the respondents/defendants. That apart, the learned senior counsel for the applicant/plaintiff submitted that irrespective of the authorization letter that was given by the other two partners, as per clause 7 of the partnership deed, the partners of the Firm can act jointly and severally and hence, the said Anuradha as one of the partners of the firm independently is having a power to execute a deed of assignment on behalf of the firm. Hence, no infirmity could be found in the deed of assignment executed by the said Anuradha in favour of the applicant/plaintiff. In this regard, the learned senior counsel for the applicant/plaintiff relied upon the judgment reported in [Velji Raghavji Patel Vs. State of Maharashtra](#), wherein it has been held that every partner has dominion over the partnership property by reason of the fact that he is a partner and this is a kind of dominion which every owner of property has over his property.

10. It is the further submission of the learned Senior counsel for the applicant/plaintiff that the deed of assignment was executed by the 1st respondent-firm only on the cash payment of Rs. 75 lakhs on the request made by the 1st respondent/D1-firm. In this regard, the learned senior counsel appearing for the applicant/plaintiff by referring to the e-mail communications exchanged between the applicant/plaintiff and Axis Bank & Barclays Bank, submitted that the 1st respondent/D1 firm was in heavy debt and huge amount was outstanding towards loan availed by them from the said bank. Hence, a request was made by the said S. Chandrasekaran, one of the partners of the 1st respondent/D1-firm, to pay the amount in cash, stating that if the amount is paid in cheque and in the event of depositing the said cheques in the bank, the amount covered under the said cheques would be appropriated towards the outstanding amount by the banks. So only in order to avoid any appropriation of the amount by the banks towards the outstanding amount, on the request made by the 1st respondent/D1-firm, the amount was paid in cash.

11. Apart from the above said submissions made by the learned senior counsel applicant/plaintiff on the factual aspects, with regard to the averment in Para 8 of the counter filed by the respondents that as per Section 45 of the Trade Mark Act, 1999, unless the deed of assignment is presented before the Registrar of Trademarks for registration within a period of 6 months from the date of execution and in any case, not exceeding the period of nine month, the assignment will not take effect, the learned senior counsel of the applicant/plaintiff submitted that absolutely there is no provision u/s 45 of the Trade Marks Act prescribing any time limit for making an application for registration of the assignment. Under Sub-Section 4 to Section 45 of Trade Marks Act, until an application under sub-section (1) has been filed, the assignment or transmission shall be ineffective against a person acquiring a conflicting interest in or under the registered trade mark without the knowledge of assignment or transmission. The provision of Section 45(4) of the Trade Marks Act does not deal with the inter-se dispute between the transferor and transferee. The purpose of filing an application under

Sub-section (1) of Section 45 of Trade Marks Act is to register the assignment in order to prevent any third party from claiming right over the trademark assigned to the applicant. So far as the transferor and transferee are concerned, the right of the transferor comes to end on the date of execution of deed of assignment itself. Therefore, non-filing of the application to register the assignment of trade marks will not prevent the transferee to initiate legal action against the transferor, if transferor violates the deed of assignment.

12. Further, the learned senior counsel appearing for the applicant/plaintiff submitted that after execution of deed of assignment by one of the partners viz., Anuradha, it was mutually agreed to between the applicant and the respondents/defendants that the respondents/defendants would market and supply the snuff and cigar stock already produced by them within 12 to 18 months from the date of execution of the deed of assignment. Hence, on expiry of the 18 months period from the date of assignment, the application was filed the applicant/plaintiff before the Registrar of Trademarks on 19.08.2013 under Form TM-24 and on filing such an application, his right against the third parties is protected.

13. The learned senior counsel appearing for the applicant further submitted that so far as the assignment is concerned, on execution of the deed of assignment by one of the partners of the 1st respondent-firm, all the rights in respect of the trademarks were assigned to the applicant and the registration of the said trademarks is only an evidence for his title and that the registration does not confer any title separately on him. Therefore, non-registration of the assignment of the trademarks within six months would not affect the right of the applicant in using the trademarks since assignee's right flows from the date of execution of the deed of assignment. In this regard, the learned senior counsel for the applicant/plaintiff relied upon the judgments reported in [T.I. Muhammad Zumoon Sahib Vs. Fathimunnissa alias Bibijan and Others](#), and AIR 1964 Mysore 173 [Hindustan Lever Ltd., a company by Shamdass Hassomal Gursahani a Principal Officer v. Bombay Soda Factory by K.K. and others].

14. The learned senior counsel for the applicant/plaintiff, by relying upon Sections 37, 38 & 39 of the Trade Marks Act, 1999, has submitted that the registration of trademark shall be assignable and transmissible with or without the goodwill of the business concerned and therefore, what is important is only the assignment of trademark by way of a deed, and the registration is only an evidence for the title. According to the learned senior counsel for the applicant/plaintiff, since the trademarks were already assigned in favour of the applicant/plaintiff by one of the partners of the 1st respondent/firm, no infirmity could be found in the interim order passed by this Court. Thus, he prayed for confirmation of the interim order.

15. Per contra, the learned senior counsel appearing for the respondents/defendants submitted that the prayer sought for by the applicant/plaintiff itself is not legally sustainable. The learned senior counsel

appearing for the respondents/defendants submitted that even according to the applicant/plaintiff, the deed of assignment is said to have been executed by one of the partners viz., Anuradha on 15.12.2011, but the said assignment was not registered so far. Only if the said assignment is registered, the applicant/plaintiff can ask for injunction restraining the respondents from infringing the trademarks. Similarly, only if the applicant/plaintiff is the prior user of the trademarks, he can ask for the injunction from passing off the goods. So far as the present case is concerned, neither the deed of assigned was registered so far nor the applicant/plaintiff is the prior user of the trademarks. These trademarks have been used by the respondents/defendants for several decades.

16. The learned senior counsel appearing for the respondents/defendants has further submitted that the partners of the first respondent/first defendant viz., S. Chandrasekaran and S. Thara never authorised the said Anuradha to execute the deed of assignment in favour of the applicant/plaintiff. In this regard, the learned Senior Counsel appearing for the respondents/defendants invited the attention of this Court to the authorization letter dated 27.10.2011 annexed to the typed set of papers and submitted that the signatures of the other two partners viz., S. Chandrasekaran and S. Thara were found at the bottom of the page and the contents of the letter are only four lines, which are on the top of the page and there is almost an half a foot gap between the contents of the letter and the signatures of the other two partners, which would show that this document (authorization letter) should have been created by the said Anuradha with connivance of her husband Znanakanabady, who is one of the partners of the applicant/plaintiff firm.

17. Further, the learned senior counsel appearing for the respondents/defendants denied the case of the applicant/plaintiff that on the request made by the said S. Chandrasekaran and S. Thara, a sum of Rs. 75 lakhs was paid by the applicant/plaintiff in cash. In this regard, the learned senior counsel appearing for the respondents/defendants vehemently contended that in the absence of any document to show that the sum of Rs. 75 lakhs was paid to the 1st respondent by the applicant, the submission made the learned senior counsel for the applicant that only on the request of the two partners viz., S. Chandrasekaran and S. Thara the amount was paid in cash, cannot be accepted.

18. The learned senior counsel for the respondents/defendants has also invited the attention of this Court to Section 6 of the Trade Marks Act and submitted that under the law, the registration of the assignment is mandatory. Section 42 of Trade Marks Act is a condition precedent for registering the deed of assignment. In the instant case, the application was filed only on 19.08.2013 i.e., much later from the date of assignment executed by one of the partners of the 1st respondent-firm. Whereas, as per Section 42 of the Trade Marks Act, the assignment shall not take effect unless the assignee, not later than the expiration of six months from the date of which the assignment is made or within such extended period, if any, not exceeding three

months in the aggregate, applies to the Registrar for directions with respect to the advertisement of the assignment. Hence, as per Section 42 of the Act, assignee has to apply to the Registrar within a period of six months from the date of assignment or within such extended period, if any not exceeding three months in the aggregate with respect to the advertisement of the assignment, otherwise the assignment would be ineffective. In the instant case, though the deed of assignment was executed as early as on 15.12.2011, the applicant/plaintiff has not applied to the Registrar within the stipulated period as required u/s 42 of the Trade Marks Act with respect to the advertisement of assignment. Therefore, the alleged deed of assignment has become ineffective. Therefore, according to the learned senior counsel for the respondents, the suit itself is not maintainable.

19. The learned senior counsel appearing for the respondents/defendants has also relied upon the judgments reported in [Orchid Chemicals and Pharmaceuticals Ltd. Vs. Wockhardt Limited](#), and (2001) 2 M.L.J. 176 [Soundarapandian Match Works v. M. Jayarama Chetty and others] and submitted that though the use of the trade mark is assigned by a deed of assignment, if the assignment is not registered with the trade mark authorities, then the assignee cannot exercise any right of the assignor and the unregistered deed of assignment is inadmissible in evidence.

20. The learned senior counsel appearing for the respondents/defendants, by inviting the attention of this Court to Section 35 of the Stamp Act, submitted that in this case, the alleged deed of assignment cannot be looked into, since the said deed of assignment was prepared only on a hundred rupees stamp paper. As per Article 23(b) of Schedule 1 of Indian Stamp Act, apart from 2% service charge, six rupees has to be paid for every hundred rupees for registering the document. But, in the instant case, though it is claimed by the applicant/plaintiff that a sum of Rs. 75 lakhs has been paid towards sale consideration, the deed of assignment was prepared only on hundred rupees stamp paper. Thus, the learned senior counsel for the respondents submitted that the deed of assignment is not admissible in evidence because it is not duly stamped. When that being the legal position, the said document cannot be looked into by this Court. The learned senior counsel for the respondents submitted that the applicant has miserably failed to make out a prima facie case on facts as well as on law to grant interim injunction and therefore, the interim injunction granted by this Court has to be vacated.

21. By way of reply, the learned senior counsel appearing for the applicant/plaintiff submitted that Section 42 of the Trade Marks Act will apply to both registered and unregistered Trade Marks. The object of Section 42 of the Act is that the assignment should be advertised and made known to the general public and the effect of non-compliance of Section 42 of the Act is that if the third party uses the trade mark, which was assigned to the applicant, the applicant cannot prevent the third party from using the trademark assigned to the applicant. So far as the transferor and transferee are concerned, Section 42 of the Trade Marks Act has nothing to do with,

because the right of assignee flows from the deed of assignment itself and not from the date of applying for advertisement with the Registrar as required u/s 42 of Trade Marks Act or from the date of registration of assignment. In this regard, the learned senior counsel appearing for the applicant further submitted that Section 45 of the Act does not prescribe any time limit for making an application for registration of assignment. The only disadvantage to the assignee of the assignment, if the assignment is not registered and in the event of any third party claims conflict right on the trademark assigned to the assignee, the conflict right of the third party will remain unaffected. In the instant case, the dispute is not between the transferee and third party, but it is between the transferee and the transferor. Under such circumstances, there is no process of reasoning of which the requirements of Section 42 can be telescoped into Section 45.

22. Further the learned senior counsel of the applicant, by inviting the attention of this Court to Rule 72 of the Trade Marks Rules, submitted that if in the opinion of the Registrar of Trade Marks any instrument produced in proof of title of a person is not properly or sufficiently stamped, the Registrar can impound and deal with it in the manner provided by Chapter IV of the Indian Stamp Act, 1899. When there is a provision to impound the document by Registrar if it is not sufficiently stamped, the deed of assignment can be very well looked into by this Court to find out a prima facie case. Thus, the learned senior counsel for the applicant prays for confirmation of the interim injunction granted by this Court.

23. Heard the submissions made on either side and perused the materials available on record.

24. With regard to the factual aspects of the case, it is the submission of the learned senior counsel for the applicant that the 1st respondent/D1-firm consists of three partners viz., 1) S. Chandrasekaran, 2) S. Thara & 3) V. Anuradha. One of the partners viz., V. Anuradha was authorized by the other two partners by authorization letter dated 27.10.2011 authorizing her to enter into any lawful deed of assignment with any prospective person or firm to assign some of the trademarks of the 1st respondent-firm, since the 1st respondent-firm is in financial difficulties. That apart, the learned senior counsel for the applicant also submitted that irrespective of the deed of assignment, as per Clause 7 of the Partnership Deed dated 18.06.1995, the administration and conduct of the business vest with all the partners and the partners have the power to act on behalf of the firm jointly and severally in all matters. Therefore, according to the applicant, even if there is no letter of authorization by other two partners, the said Anuradha, as a partner, is entitled to execute the deed of assignment independently in respect of the registered trademarks owned by the 1st respondent-firm to any other prospective purchaser. In support this contention, the learned senior counsel for the applicant/plaintiff has also relied upon the judgments reported in [Velji Raghavji Patel Vs. State of Maharashtra](#), and [Pratibha Rani Vs. Suraj Kumar and Another](#), .

25. Absolutely, there cannot be any quarrel in accepting the legal preamble that a partner of the firm has a power to act on behalf of the firm jointly and severally. In the instant case, by virtue of Clause 7 of the Partnership Deed dated 18.06.1995 the partner of the firm independently entitled to execute the deed of assignment. But it is not the case of the plaintiff that by virtue of Clause 7 of the Partnership Deed one of the partners viz. Anuradha executed a deed of assignment in favour of the plaintiff. On the other hand, it is the case of the plaintiff that two other partners viz., S. Chandrasekaran and S. Thara authorised the other partner Anuradha to execute the deed of assignment in favour of the plaintiff-firm. But, according to the respondents, the two other partners viz., S. Chandrasekaran and S. Thara never authorized the said Anuradha to execute a deed of assignment in favour of any third party. In this regard, the learned senior counsel appearing for the respondents has also invited the attention of this Court to the authorization letter dated 27.10.2011, annexed in the typed set of papers, and submitted that the signatures of the other two partners viz., S. Chandrasekaran and S. Thara are found at the bottom of the page, whereas the contents of the letter are of four lines which are on the top of the page and there is almost an half a foot gap between the contents of the letter and the signatures of the other two partners, which would show that the third partner Anuradha, with an active connivance of her husband Znanakanabady, who is a partner of the applicant/plaintiff-firm, should have created this letter of authorization for the purpose of this case.

26. But, in my considered opinion, this submission of the learned senior counsel for the respondents cannot be considered at this stage, because this Court is not conducting any trial while dealing with this injunction application. But, it is the specific case of the applicant that a sum of Rs. 75 lakhs was paid by the applicant in cash for the assignment of 10 trademarks owned by the 1st respondent-firm. According to the applicant, the amount of Rs. 75 lakhs was paid in cash by the applicant to the respondents, since the respondents made a request not to issue cheque, as there is outstanding amount in the banks in respect of the loan availed by the 1st respondent-firm and if cheque is issued and the same is deposited in the banks, the amount will be appropriated by the banks towards outstanding amount and in that event, the 1st respondent will not get any amount. This submission of the learned senior counsel for the applicant is also a matter of evidence and this submission can not be taken into consideration to decide this application.

27. To make out a prima facie case on factual aspects, the applicant ought to have produced some evidence with regard to the source for Rs. 75 lakhs said to have been paid to the first defendants-firm. Except the deed of assignment, which is under dispute, no other document has been produced before this Court to show that the sum of Rs. 75 lakhs was paid by the applicant to the respondents. When such a huge amount of Rs. 75 lakhs was paid, atleast the applicant should have shown the same in the Income Tax Returns. But, in the instant case, no document was produced before this Court to show that the payment of Rs. 75 lakhs was shown

in the Income Tax Returns. But, it is the case of the respondents that the deed of assignment as well as the receipts said to have been signed by the two partners towards the alleged payment of Rs. 75 lakhs by applicant/plaintiff were created by one of the partners Anuradha with the connivance of her husband Znanakanabady, who is a partner in the applicant-firm. Hence, when the respondents/defendants are seriously disputing the payment of Rs. 75 lakhs by the applicant/plaintiff, no significance could be given at this stage to the receipt said to have been issued by the firm/D1. Hence, in the absence of any document to show the source for Rs. 75 lakhs said to have been paid by the applicant/plaintiff to D1/firm, I am of the opinion that the document filed by the applicant is not sufficient to make out a prima facie case on the factual aspects to grant interim injunction in favour of the applicant.

28. Apart from the factual aspects of the case, with regard to the registration of deed of assignment, an elaborate argument was made by the learned senior counsel appearing on either side. According to the applicant, the purpose of filing an application u/s 45 of Trade Marks Act to register the deed of assignment is only to prevent any third party from claiming right over the trade mark assigned to the applicant. In other words, if the application is not filed by the assignee as per Section 45 of the Act, the applicant will suffer if any third party claims conflicting right over the trade marks, which was assigned to the applicant. However, non-filing of the application u/s 45 of the Act for registration of the deed of assignment will not prevent the assignee to initiate legal action against the assignor, if the assignor violates the deed of assignment after assigning the trade marks in favour of the assignee. So far as the present case is concerned, the dispute is only between the assignee and the assignor. Therefore, non-registration of the deed of assignment will not affect the right of the assignee in any way. Further, in the instant case, on 19.08.2013 the application was filed by the applicant for registration of the deed of assignment with the Registrar of Trade Marks by duly paying the fees prescribed under the Rules. Thus, the application to recognize the assignment of the trade marks is admittedly now pending with the Registrar of Trade Marks and the said application was not rejected for any reason by the Registrar of Trade Marks. Section 45 of the Trade Marks Act contemplates only the filing of the application to register the Trade Mark and it does not contemplate the Registrar to pass orders on the application to clothe the applicant with the rights under the Act. The pendency of the application itself clothe him with every conceivable right under the Trade Marks Act vis-à-vis the assignor/defendant.

29. But, it is the contention of the learned Senior Counsel for the respondents that the assignment of Trademarks shall not take effect unless as per Section 42 of the Trade Marks Act advertisement is made within a period of six months or not exceeding three months thereafter. But, in the instant case, though the assignment is said to have been executed on 15.10.2011, the applicant/plaintiff has not filed any application for registration of deed of assignment within a period of six months from the date on which the assignment is made or even such an extended period

not exceeding three months in aggregate as required u/s 42 of the Trade Marks Act to advertise the assignment of Trademarks made to them. On the other hand, without applying for advertisement as required u/s 42 of the Trade Marks Act, the applicant/plaintiff has filed the application for registration of the assignment of trademarks as per Section 45 of the Trade Marks Act, only on 19.08.2013 i.e., beyond the period mentioned in Section 42 of Trade Marks Act. Hence, as per Section 42 of the Trade Marks Act, on the expiry of six months from the date on which the assignment is made, or even such an extended period, not exceeding three months in the aggregate, the deed of assignment shall automatically become ineffective, if the transferee failed to apply with the Registrar for advertisement of the assignment within a period of six months or even such an extended period not exceeding three months in aggregate.

30. It is the reply of the learned senior counsel for the applicant that Section 42 of the Act is not a condition precedent to register the deed of assignment. The object of Section 42 is that the assignment should be advertised and made known to the general public. If there is no advertisement as u/s 42, a third party using similar or deceptively using a similar Trade Mark cannot be prevented by the assignee. So far as the assignee and assignor are concerned, since the right of the assignee flows from the assignment deed, Section 42 of the Act cannot be made applicable.

31. In view of the submissions and counter submissions made on either side, I am of the opinion that it would be appropriate to extract Section 42 & 45 of the Trade Marks Act.

Section 42 of the Trade Marks Act reads as follows:--

Conditions for assignment otherwise than in connection with the goodwill of a business- Where an assignment of a trade mark, whether registered or unregistered is made otherwise than in connection with the goodwill of the business in which the mark has been or is used, the assignment shall not take effect unless the assignee, not later than the expiration of six months from the date on which the assignment is made or within such extended period, if any, not exceeding three months in the aggregate, as the Registrar may allow, applies to the Registrar for directions with respect to the advertisement of the assignment, and advertises it in such form and manner and within such period as the Registrar may direct.

Explanation-For the purposes of this section, an assignment of a trade mark of the following description shall not be deemed to be an assignment made otherwise than in connection with the goodwill of the business in which the mark is used, namely-

(a) an assignment of a trade mark in respect only of some of the goods or services for which the trade mark is registered accompanied by the transfer of the goodwill of the business concerned in those goods or services only; or

(b) an assignment of a trade mark which is used in relation to goods exported from India or in relation to services for use outside India if the assignment is accompanied by the transfer of the goodwill of the export business only.

Section 45 of the Trade Marks Act reads as follows:--

Registration of assignments and transmissions--(1) Where a person becomes entitled by assignment or transmission to a registered trade mark, he shall apply in the prescribed manner to the Registrar to register his title, and the Registrar shall, on receipt of the application, register him as the proprietor of the trade mark in respect of the goods or services in respect of which the assignment or transmission has effect, and shall cause particulars of such assignment or transmission to be entered on the register.

(2) The Registrar may require the applicant to furnish evidence or further evidence in proof of title only where there is a reasonable doubt about the veracity of any statement or any document furnished.

(3) Where the validity of an assignment or transmission is in dispute between the parties, the Registrar may refuse to register the assignment or transmission until the rights of the parties have been determined by a competent Court and in all other cases the Registrar shall dispose of the application within the prescribed period.

(4) Until an application under sub-section (1) has been filed, the assignment or transmission shall be ineffective against a person acquiring a conflicting interest in or under the registered trade mark without the knowledge of assignment or transmission.

32. A reading of the provisions to the above said Sections makes it clear that the assignment shall not take effect unless advertisement is made within a period six months or in such extended period, if any, not exceeding three months thereafter. According to the applicant, Section 42 is not a condition precedent to register the deed of assignment and therefore, the period mentioned in Section 42 will not apply with regard to the deed of assignment. But, a close reading of Section 42 would show that only if the assignment of the trade mark, whether registered or unregistered, is made otherwise than in connection with the goodwill of the business, in which the mark has been or is used, then the application has to be filed within a period of six months from the date on which the assignment is made or within such extended period, not exceeding three months thereafter, i.e., in total within a period of nine months. Hence, it is clear if the assignment of trade marks is made whether registered or unregistered without the goodwill of the business, then filing of application to the Registrar of Trademarks for the advertisement of assignment is mandatory. In the instant case, the assignment was not made with the goodwill of the business. Only 10 trade marks out of several trade marks of the 1st respondent-firm were said to have been assigned in favour of the applicant by

one of the partners of the 1st respondent-firm. In my considered opinion, in the case of assigning the trademarks with goodwill of business, the entire business of the transferor goes to the hands of the transferee. In such circumstance, as per Section 42 of the Act filing of the application for registration of the assignment within a period of six months may not be necessary. If the assignment is made in respect of few trade marks out of several trade marks owned by the transferor without the goodwill of the business, then as per Section 42 of the Act, the filing of the application for registration of the deed of assignment is mandatory within a period of six months or within such extended period, if any, not exceeding three months in the aggregate. The object of Section 42 of the Trade Marks Act is to make the assignment of trade marks to be known to the general public in order to avoid confusion in the mind of the general public, since the transferor continues his business in respect of the rest of the trade marks after assigning few trade marks in favour of the transferee. Therefore, in my considered opinion, if the assignment was made without goodwill by the transferor, Section 42 has become condition precedent for assignment to take effect. Section 42 makes it compulsory that unless the assignee makes the application for the advertisement to the Registrar of Trade Marks within the prescribed period, the said assignment shall not take effect. Then only comes Section 45, which provides the procedure for registration of assignment and transmissions. Hence, I am of the opinion, if the assignment is made without goodwill of the business, filing of application with the Registrar of Trade Marks to advertise the trade marks within a period of six months from the date of assignment or not exceeding three months thereafter is mandatory. If the application is not made as required u/s 42 of the Trade Marks Act, the assignment shall become ineffective. Thereafter, the question of applying for registration of assignment of trademarks does not arise since already the assignment has become ineffective. Therefore, Section 42 of the Trademarks Act is a condition precedent to apply for the registration of trade Marks in the cases wherein the assignment of trade marks was made without the goodwill of the business.

33. At this juncture, it may also be not out of context to refer to the forms provided under the Trade Marks Rules namely Form TM-20 and Form TM-24, co-relative to Sections 42 and 45 of the Trade Marks Act respectively. Under Form TM-24 it is specifically provided that in respect of assignment of trade mark otherwise than in connection of goodwill of business, the copy of the Registrar's directions to advertise the assignment as provided under TM-20 and its compliance should be enclosed. The application for the direction of the advertisement is to be made under Form TM-20 u/s 42 r/w Rule 74(1) of the Trade Marks Rules.

34. At this juncture, it would be appropriate to extract Rule 74 of the Trade Marks Rules, which reads as follows:--

Application for Registrar's direction as to advertisement of an assignment of a trade mark without goodwill of the business--(1) An application for directions u/s 42 shall

be made in Form TM-20 and shall state the date on which the assignment was made. The application shall give particulars of the registration in the case of a registered trade mark, and in the case of an unregistered mark shall show the mark and give particulars including user of the unregistered trade mark that has been assigned therewith. The Registrar may call for any evidence or further information and if he is satisfied with regard to the various matters he shall issue directions in writing with respect to the advertisement of the assignment.

(2) The Registrar may refuse to consider such an application in a case to which section 41 applies, unless his approval has been obtained under the said section and a reference identifying the Registrar's notification of approval is included in the application.

(3) A request for an extension of the period within which the application mentioned in sub-rule (1) may be made shall be made in Form TM-21. Form TM-20 deals with the application for directions for the advertisement of an assignment of trade marks otherwise than in connection with the goodwill of the business, co-relative to Section 42 of the Trade Marks Act. Form TM-24 deals with the request to the Registrar a subsequent proprietor of a trade mark or trade marks upon the same devolution of title, co-relative to Section 45 of the Trade Marks Act.

35. In the instant case, admittedly the assignment was made without goodwill. Under such circumstances, the applicant ought to have filed the application in Form TM-20, co-relative to Section 42. Therefore, now, the pendency of the application before the Registrar of Trade Marks in Form TM-24 has no significance in this matter, apart from the fact that the application was not filed within the stipulated period of six months as required u/s 42 of the Trade Marks Act.

36. The learned counsel for the applicant has relied upon the judgment reported in AIR 1964 Mysore 173 [Hindustan Lever Ltd., a company by Shamdas Hassomal Gursahani a Principal Officer v. Bombay Soda Factory by K.K. and others] in support of his contention that registration of the name of the proprietor does not confer title on him and it is merely an evidence of his title. Therefore, the registration of the deed of assignment will not prevent the transferee from taking legal action against the transferor, if the transferor violates the deed of assignment.

37. The said judgment deals the concept of registration of a trade mark and not the issue with regard to the assignment of the trade mark without goodwill. Therefore, the said judgment cannot be made applicable to the facts of this case.

38. It is yet another submission of the learned senior counsel for the applicant that the registration of Deed of assignment is necessary only to prevent the third parties from acquiring any conflict interest in respect of the trade marks assigned to the assignee. So far as the transferor and transferee is concerned, the right flown from the deed of assignment. Hence, even if the deed of assignment is not registered, it will not prevent the assignee to initiate any legal action as against the transferor if

the transferor violates the deed of assignment. For this submission of the learned senior counsel for the applicant, the judgment relied upon by the learned counsel for the respondents reported in (2001) 2 M.L.J. 176 [Soundarapandian Match Works v. M. Jayarama Chetty and others] gives a fitting answer. In the said judgment it has been held as follows:--

19. Therefore on a reading of Sub-sec. (2) of Sec. 44 of the Act, it is clear that unless there is a direction by the Registrar or the competent Court the document or assignment which has not been registered as provided under Sub-sec. (i) shall not be admitted in evidence in proof of the title to the trade mark by assignment. The document of assignment thus becomes inadmissible to prove the title to the trade mark by assignment. In this context, the third defendant had not moved any Court of Registrar to accept the assignment with the result I am inclined to hold that the third defendant cannot claim to have stepped into the shoes of the assignor or to exercise any of the rights of the assignor/registered proprietor. This statutory bar has not been considered by the trial Court in the proper light before holding that the third defendant had validly acquired the rights of the first defendant with the result, to the said extent the plaintiff is entitled to succeed namely, reliefs claimed against the defendant.

In the judgment reported in [Orchid Chemicals and Pharmaceuticals Ltd. Vs. Wockhardt Limited](#), it has been held as follows:--

5.2. Admittedly, the Appellant has not registered the Assignment Deed required under the Act. Under the Trade Marks Act, 1999, a separate proceeding is contemplated for the above said purpose. If the Appellant was desirous of using the Trade Mark of M/s. Mano Pharmaceutical Limited, it ought to have filed an appropriate Application along with M/s. Mano Pharmaceutical Limited. Inasmuch as the said procedure is mandatory, we are of the considered view that the Appellant cannot seek an order of injunction.

A reading of the above said judgment would show that the Registration of the deed of assignment is compulsory. If the deed of assignment is not registered as required u/s 44(1) of the Trade Marks Act, it is inadmissible in evidence. Therefore, I am not inclined to accept the submission made by the learned counsel for the applicant that the registration of the assignment is not compulsory because the right of the assignee flows from the assignment itself.

39. It is further submission of the learned counsel for the applicant submitted that the delay has been caused in filing the application for registration of the deed of assignment, since it was mutually agreed between the parties that after the execution of the deed of assignment, the 1st respondent-firm would be allowed to market and sell their products already produced by them within a period 12 to 18 months from the date of execution of the deed of assignment. But, the said explanation given by the learned counsel for the applicant in not filing the

application within six months cannot be accepted because when the statute mandates that the application should be made within six months or not later than nine months, the parties cannot extend the time by making some arrangements among themselves. Therefore, the pendency of application before the Registrar of Trade Marks will not have any significance in this matter, since the deed of assignment itself has become ineffective, in view of the fact that the applicant/plaintiff has failed to apply for advertising the assignment within six months period or not later than 9 months as required u/s 42 of the Trade Marks Act.

40. With regard to the validity of the document, it is the submission of the learned counsel for the respondents that the alleged deed of assignment cannot be looked into since the said deed of assignment was prepared only in hundred rupees stamp paper. Further, as per Section 23(b) of Indian Stamp Act, apart from 2% service charge, Rs. 6/- has to be paid on every hundred rupees for registering the document. In the instant case, though it is claimed by the applicant that Rs. 75 lakhs has been paid towards consideration, the deed of assignment was prepared only on hundred rupees stamp paper. Therefore, the same is not admissible in evidence and the same cannot be looked into.

41. It is the reply of the learned senior counsel appearing for the applicant that Rule 72 of the Trade Marks Rules empowers the Registrar of Trade Marks to impound the instrument. As per Rule 72 of the Trade Marks Rules, if any instrument produced in proof of title of a person is not properly or sufficiently stamped, the Registrar shall impound and deal with it in the manner provided by Chapter IV of the Indian Stamp Act, 1899. Hence, when there is a provision for impounding the document under the Trade Marks Act, it cannot be said that this Court can not look into the deed of assignment to find out a prima facie case.

42. But, the judgment reported in [A. Pathrakali Vs. R. Senthilkumaran](#), relied upon by the learned counsel for the respondents, gives a fitting answer to this issue. In the said judgment it has been held as follows:--

8. It is now well settled that there is no prohibition u/s 49 of the Registration Act to receive an unregistered document in evidence for collateral purpose. But, the document so tendered should be duly stamped or should comply with the requirements of Section 35 of the Stamp Act. Therefore, it is clear that no document shall be admitted in evidence even for collateral purpose, if it is not properly stamped and if already not stamped then stamp duty should be paid with penalty as prescribed by the Authority. In the judgment reported in [Avinash Kumar Chauhan Vs. Vijay Krishna Mishra](#), relied upon by the learned counsel for the respondents, a reference was made in the judgment of the Andhra Pradesh High Court in the case of [T. Bhaskar Rao Vs. T. Gabriel and Others](#), wherein it has been held as follows:- Section 35 of the Stamp Act mandates that an instrument chargeable with duty should be stamped so as to make it admissible in evidence. Proviso A to Section 35 of the Stamp Act enables a document to be received in evidence on payment of

stamp duty and penalty if the document is chargeable, but not stamped or on payment of deficit duty and penalty, if it is insufficiently stamped. The bar against the admissibility of an instrument which is chargeable with stamp duty and is not stamped is of course absolute whatever be the nature of the purpose, be it for main or collateral purpose, unless the requirements of proviso (A) to Section 35 are complied with. It follows that if the requirements of proviso (A) to Section 35 are satisfied, then the document which is chargeable with duty, but not stamped, can be received in evidence.

....

It is now well settled that there is no prohibition u/s 49 of the Registration Act, to receive an unregistered document in evidence for collateral purpose. But, the document so tendered should be duly stamped or should comply with the requirements of Section 35 of the Stamp Act, if not stamped, as a document cannot be received in evidence even for collateral purpose unless it is duly stamped or duty and penalty are paid u/s 35 of the Stamp Act.

In the judgment reported in AIR 1968 Madras 294 [Yasodammal and another v. Tanalei Ammal] it has been held as follows:--

A perusal of the judgment shows that where a party is placed in such a predicament of not being able to validate a document by payment of penalty, he could nevertheless be awarded relief if the unstamped document was in the possession of the other side. With respect, we are unable to agree with this view. In the first place, as observed earlier, Section 35 of the Indian Stamp Act operates as a clear bar and even the admission of the defendant cannot be relied upon by the plaintiff to award any relief to him. The attention of the learned Judge does not appear to have been drawn to an earlier decision in [Subbiah Pillai Vs. Muthathal Achi](#), in which it was held that even if the contesting party was in wrongful possession of an unstamped document, relief could not be given to the other side. Chandrasekhara Aiyar, J. who delivered the judgment took the view that the prohibition contained in Section 35 of the Stamp Act was absolute, i.e., the document could not be acted upon for any purpose whatever and the fact that the document was being wrongfully retained by the other side would not make any difference. The learned Judge observed that once it was conceded that the document in question was unstamped, the suppression by the defendant of the document would not render the position for the plaintiff any the better, as the prohibition in Section 35 would be attracted and would come into play.

From the dictum laid down in the above said judgment it is clear that if the document is not duly stamped, it is inadmissible in evidence and even the admission of the defendant cannot be relied upon by the plaintiff to award any relief to him since Section 35 of the Stamp Act operates as a clear bar to act upon the document which is insufficiently stamped.

43. So far as the present case is concerned, according to the applicant, he has paid a sum of Rs. 75 lakhs in cash as consideration for the assignment of 10 trade marks by the 1st respondent-firm. But the said deed of assignment was prepared only in hundred rupees stamp paper. As per Section 23(b) of the Indian Stamp Act, the applicant has to pay Rs. 6/- for every hundred rupee, apart from 2% service charge, for registering the document. Therefore, it is apparent that this deed of assignment is not duly stamped.

44. It is the submission of the learned senior counsel for the applicant that as per Rule 72 of the Trade Marks Rules, if in the opinion of the Registrar of Trade Marks, any instrument produce in proof of title of the person is not properly stamped or sufficiently stamped, the Registrar shall impound and deal with it in the manner provided by Chapter IV of the Indian Stamp Act. Since there is a provision for impounding the document under the Trade Marks Rules, the deed of assignment can be considered for the purpose of finding out a prima facie case.

45. Rule 72 of the Trade Marks Rules has empowered the Registrar of Trade Marks to impound the document and deal with it in the manner known to law if it is not duly stamped and it is only for the purpose of disposing the application pending before him for registration of the deed of assignment. Since the Registrar of Trade Marks has been empowered to impound the document and deal with the same, it does not mean that the said document can be looked into by this Court for collateral purpose. When there is a clear bar u/s 35 of the Stamp Act, the document, which stamped insufficiently, cannot be looked into. Hence, I am not inclined to accept the submission made by the learned counsel for the applicant in this regard. In the light of the above, I am of the opinion that the applicant has miserably failed to make out a prima facie case both on law and facts. Since the deed of assignment is not registered, the prayer for injunction restraining the respondents from infringing the trademarks is not maintainable. Similarly, since the applicant is not the prior user of the trade marks, his prayer for interim injunction restraining the respondents from passing of the goods is also not maintainable. I do not find any prima facie case both on law and facts in favour of the applicant. Therefore, interim injunction already granted by this Court is liable to be vacated and the same is accordingly vacated.

In the result, these applications failed and accordingly, the same are dismissed.