(2009) 08 CAL CK 0006

Calcutta High Court

Case No: Writ Petition No. 13236 of 2008

KSB Pumps Ltd. and Another		APPELLANT
	Vs	
Union of India and Another		RESPONDENT

Date of Decision: Aug. 6, 2009

Acts Referred:

- Companies Act, 1956 - Section 22, 22(1)(ii)
- Trade Marks Act, 1999 - Section 47, 48, 48(1), 48(2), 48(2)

Hon'ble Judges: Sanjib Benerjee, J

Bench: Single Bench

Advocate: Ratananko Banerjee, Chanchal Kr. Jain, for the Appellant; Souvik Nandy for the Union of India Amitava Das, Siddhartha Lahiri, for the Respondent

Final Decision: Dismissed

Judgement

Sanjib Benerjee, J.
The petitioners challenge an order passed by the Regional Director of the Ministry of Corporate Affairs on March 10, 2008.

2. The petitioner company had applied u/s 22 of the Companies Act, 1956 for a direction on the private respondent to change its registered name. The petitioner company claims to be the registered user of the mark "KSB" of which a foreign company, KSB Aktiengesellschaft, is the registered proprietor. The petitioner company claims that the user agreement is registered in accordance with the provisions of the Trade Marks Act, 1999.

3. Of the two grounds that the Regional Director cited in dismissing the application, one was that the applicant before him had no right to apply for rectification as it was not the registered proprietor of the mark.

4. The petitioners submit that the expression "registered proprietor" appearing in section 22(1)(ii) of the Companies Act would include a registered user. The petitioners refer to sections 48 and 49 of the Trade Marks Act, 1999.

5. The relevant provisions of both the Companies Act and the Trade Marks Act may first be seen:

Companies Act, 1956:

"22. Rectification of name of company- (1) If, through inadvertence or otherwise, a company on its first registration or on its registration by a new name, is registered by a name which.-

(i) in the. opinion of the Central Government, is identical with, or too nearly resembles, the name by which a company in existence has been previously registered, whether under this Act or any previous companies law, the first-mentioned company; or

(ii) on an application by a registered proprietor of a trade mark, is in the opinion of the Central Government identical with, or too nearly resembles. a registered trade mark of such proprietor under the Trade Marks Act. 1999 such company;

(a) may, by ordinary resolution and with the previous approval of the Central Government signified in writing, change its name or new name; and

(b) shall, if the Central Government so directs within twelve months of its first registration or registration by its new name, as the case may be, or within twelve months of the commencement of this Act, whichever is later, by ordinary-resolution and with the previous approval of the Central Government signified in writing change its name or new name within a period of three months from the date of the direction or such longer period, as the Central Government may think fit to allow:

Provided that no application under clause (ii) made by a registered proprietor of a trade mark after five years of coming to notice of registration of the company shall be considered by the Central Government.

(2) If a company makes default in complying with any direction given underc1ause(b) of sub-section (1), the company, and every officer who is in default, shall be punishable with fine which may extend to one thousand rupees for everyday during which the default continues."

Trade Marks Act, 1999:

"48. Re"8tered users.-(1) Subject to the provisions of section 49, a person other than the registered proprietor of a trade mark may be registered as a registered user thereof in respect of any or all of the goods or services in respect of which the trade marks is registered.

2) The permitted, use of a trade mark shall be deemed to be used by the proprietor thereof, and shall be deemed not to be used by a person other than the proprietor, for the purposes of section 47 or for any other purpose for which such use is material under this Act or any other law.

"49. Registration as registered user.-(1) Where it is proposed that a person should be registered as a registered user of a trade mark, the registered proprietor and the proposed registered user shall jointly apply in writing to the Registrar in the prescribed manner, and every such application shall be accompanied by-

(a) the agreement in writing or a duly authenticated copy thereof. entered into between the registered proprietor and the proposed registered user with respect to the permitted use of the trade mark; and

(b) an affidavit made by the registered proprietor or by some person authorized to the satisfaction of the Registrar; to act on his behalf,

(i) giving particulars of the relationship, existing or proposed. between the registered proprietor and the proposed registered user, including particulars showing the degree of control by the proprietor over the permitted use which their relationship will confer arid whether it is a term of their relationship that the proposed registered user shall be the sole registered user or that there shall be any other restriction as to persons for whose registration as registered users application may be made;

(ii) stating the goods or services in respect of which registration is proposed;

(iii) stating the conditions or restrictions, if any, proposed with respect to the characteristics of the goods or services, to the mode or place of permitted use, or to any other matter;

(iv) stating whether the permitted use is to be for a period or without limit of period, and, if for a period, the duration thereof; and

(c) such further documents or other evidence as may be required by the Registrar or as may be prescribed.

(2) When the requirements of sub-section (1) have been complied with, the Registrar shall register the proposed registered user in respect of the goods or services as to which he is so satisfied.

(3) The Registrar shall issue notice in the prescribed manner of the registration of a person as a registered user, to other registered user of the trade mark, if any.

(4) The Registrar shall. if so requested by the applicant, take steps for securing that information given for the purposes of an application under this section (other than matters entered in the register) is not disclosed to rivals in trade:"

"52. Right of registered user to take proceedings against infringement.-(1) Subject to any agreement subsisting between the parties, a registered user may institute proceedings for infringement in his own name as if he were be registered proprietor, making the registered proprietor a defendant and the rights and obligations of such registered user in such case being concurrent with those of the registered proprietor.

(2) Notwithstanding anything contained in any other law, a registered proprietor so added as defendant shall not be liable for any costs unless he enters an appearance and takes part in the proceedings."

6. The petitioners submit that in view of the exalted status conferred on the registered user by sections 48 and 49 of the Trade Marks Act, there is hardly any difference between a registered user and a registered proprietor. The petitioners say that, in particular in a matter involving, a foreign proprietor with an exc1usive registered user in India, the expression "registered proprietor" appearing in the relevant clause of section 22(1)(ii) of the Companies Act should be read to include such registered user in India. The petitioners say that if the registered user has a right to institute a suit on account of infringement in respect of the mark in question, there would be no logic in not permitting such registered user to carry an objection before the appropriate authority u/s 22 of the Companies Act.

7. There appears to be a distinction between, a registered proprietor and a registered user, recognized even in the Trade Marks Act. For one section 52 permits a registered user to sue for infringement in respect of the mark, but the action has to be continued in the presence of the registered proprietor. This would imply that the registered user as plaintiff must ordinarily have the concurrence of the registered proprietor in pursuing the action.

8. Section 22 of the Companies Act involves serious consequences for the company whose name is required to be changed. The considerations on an application u/s 22(1)(ii) of the Companies Act are not the same as before the Civil Court receiving an action infringement. The procedure adopted u/s 22 is summary in nature. It would, in such circumstances, be wise to adopt a stricter interpretation of, the expression "registered proprietor" used in the relevant provision than the one which is canvassed on behalf of the petitioners herein, Though a registered user may have the liberty to freely use the mark, subject to the terms of the agreement, the registered user cannot be equated with the owner of the mark in the complete sense of ownership. It is such position which appears have been recognized in the specific use of the expression "registered proprietor" in section 22(1)(ii) of the Companies Act.

9. A substantial part of sub-section (1) of section 22 of the Companies Act was replaced by the Trade Marks Act 1999 and the new provision introduced. Since it was the Trade Marks Act which introduced the relevant provision in the Companies

Act, it cannot be readily that the expression "registered proprietor" was loosely used and was also intended to cover a registered user.

10. Section 48(1) of the Trade Marks Act makes it possible for there to be a registered user with limited right of use of the mark Section 54 of the Trade Marks Act recognizes the sole right of the registered proprietor in the matter of the ownership of the mark as registered user has no right to assign or transmit the right to the use thereof. Even otherwise, there is a distinction generally between an owner and a user. The fact that a registered user is permitted to substantially exercise the benefits conferred on a registered proprietor does not imply that the ownership in the mark vests in the registered user during the currency of the agreement with the proprietor. The registered proprietor has absolute title to the mark and may permit the use of the mark by a registered user without compromising the ownership in the mark.

11. In a suit for infringement that a registered user subject to the agreement with the registered proprietor may bring, the action is founded on the registered user''s exclusive right to use the mark being affected by the defendant''s conduct. Even in such action, the presence of the registered proprietor is mandated by section 52 of the Trade Marks Act. The registered user''s claim in such action is not founded on the ownership to the mark, but only on the right to exclusively use the mark to the extent permitted by the agreement with the registered proprietor.

12. The deeming provision in section 48 (2) of the Trade Marks Act is for the benefit of the proprietor and not of the user. Since section 47 of the Act provides for a registered trade mark being liable to be taken off the register on the ground of non-use, the use of the registered mark by a registered user may be cited by the proprietor as use by the proprietor by dint of the legal fiction in section 48(2) of the Trade Marks Act. Such legal fiction also operates in favour of the proprietor for any other purpose for which use of the registered mark is material under that Act or any other law.

13. Section 48(1) of the Trade Marks Act conceives of a situation where there may be more than one registered user in respect of the same mark, exclusively using some of the goods or services in respect of which the trade mark is registered. If each of such registered users were permitted to be seen as a registered proprietor within the meaning of the expression in section 22(1)(ii) of the Companies Act, it would lead to a piquant situation and may result in conflict. Say, that one of the two registered users in respect of a mark uses the mark as part of its company name. If the expression "registered proprietor" in section 22(1)(ii) of the Companies Act is seen to include a registered user, the several registered users with limited exclusivity of the same mark would be in conflict.

14. In most cases there would be no difficulty as, ordinarily, there may be one registered user of a registered mark and the us.er and the owner have no conflict of

interest. But it would be wise to be alive to what may happen if, instead of only the registered proprietor, a registered user were also conferred the right to apply u/s 22(1)(ii) of the Companies Act. It is possible that in a given case there are disputes between the registered proprietor and the registered user and even an application pending before the Registrar of Trade Marks for the cancellation of the registration of the person as registered user. It would bring untold misery on the Central Government''s delegatee under the Companies Act to decide the rival rights of the registered user and the registered proprietor if a registered user were deemed to be a registered proprietor for the purpose of section 22 (1)(ii) of the Companies Act. Visualise a situation where the registered proprietor has allowed the registration of the use of the registered mark by a person, but has also caused a company to be incorporated in India with the mark as part of such company''s registered name. If the registered user is permitted to exercise the right to apply as registered proprietor u/s 22(1)(ii) of the Companies Act, there would be a challenge by the user to, effectively, the proprietor''s right to use or allow the use of the mark. And finally, section 22(1)(ii) of the Companies Act also conceives of a situation where a registered proprietor may apply for the rectification of the name of even the registered user company.

15. The right to bring a complaint u/s 22(1)(ii) of the Companies I Act will, thus, not be available to a temporary or partial user of a registered mark, but be in the exclusive domain of the absolute owner of the mark the registered proprietor.

16. Since the principal limb of the petitioners'' contention does not appear to be sound and since the order of the Regional Director can be sustained on such basis alone, it is not necessary to look into the other challenges launched on such order.

17. W.P. No. 13236 (W) of 2008 is dismissed. This order, however, will not preclude the registered proprietor of the mark to challenge the continued use of the mark by the private respondent if such registered proprietor is otherwise so entitled.

18. There will be no order as to costs.

19. Urgent certified photostat copies of this order be given to the parties upon compliance with all requisite formalities.