

**Neel Electro Techniques and Others Vs. Neelkanth Power Solution and Another**

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**Court :** Mumbai

**Decided On :** Jun-24-2014

**Judge :** S.C. Gupte

**Appeal No. :** Notice of Motion No. 54 of 2012 In Suit No. 55 of 2012

**Appellant :** Neel Electro Techniques and Others

**Respondent :** Neelkanth Power Solution and Another

**Judgement :**

1 This Notice of Motion, which is tagged with Notice of Motion No.294 of 2013 in Suit No.2574/2012 and Arbitration Petition Nos. 1260 of 2013 and 1347 of 2012, both under Section 9 of the Arbitration and Conciliation Act, 1996 and Arbitration Petition No.148 of 2013 under Section 11 of that Act, seeks a temporary injunction against the Defendants from in any manner using, directly or indirectly, the mark Neel or Neelkanth or any other mark, domain name, device, logo, label etc. which is similar/deceptively similar to the registered mark of the Plaintiffs, namely, Neel. Learned Counsel for the parties chose to argue this Notice of Motion separately from the other matters, and hence, the same is being disposed of separately by this order. The suit is an infringement and passing off suit. The facts of the case may be briefly stated thus:

2 Plaintiff Nos. 1 and 2 are partnership firms carrying on business of manufacturing, marketing and selling Voltage Stabilizers and Isolation Transformers. The partnerships belong to two brothers and their family members - Ravindra Gamanlal Mehta (Plaintiff No. 3) and Hemant Gamanlal Mehta. Plaintiff No. 3, and Plaintiff No. 5 (son of Plaintiff No. 3) and the said Hemant Mehta are partners of Plaintiff No. 1, Plaintiff Nos. 3 and 5 between them having 60% share in the partnership and the said Hemant Mehta holding the balance 40% share. Plaintiff Nos. 3 and 4 (wife of Plaintiff No.3) and the said Hemant Mehta are partners of Plaintiff No. 2 holding between them 60% (Plaintiff Nos. 3 and 4) and 40% shares (Hemant Mehta). Plaintiff No. 2 is the registered proprietor of the mark Neel and uses it as part of the trading name and also markets products under that trade mark. Plaintiff Nos. 7, 8 and 9 are associated firms/companies, majority shares in which are held by the group of Plaintiff No. 3, and use the trade name and mark Neel by way of a permitted user. It is the case of the Plaintiffs that from April 2011, Plaintiff Nos. 8 and 9 have stopped using the mark Neel, though it continues to be a part of their trading name. Defendant No. 1 is a partnership firm of which Defendant No. 2 (wife of Hemant Mehta) and the said Hemant Mehta are the partners.

3 It is the case of the Plaintiffs that Defendant No. 1 is infringing the Plaintiffs' mark Neel and passing off its goods as those of the Plaintiffs. The Plaintiffs rely upon the registration of the mark Neel, their list of products, their sales including exports sales, customers list, turnover, sales network, list of distributors etc. to prove the registration as well as extensive reputation acquired by the mark Neel in the market. The Plaintiffs also rely upon the Defendants' brochure to show that the Defendants are using the mark Neel as part of their trading name and also to market their goods which are similar to the Plaintiffs' goods. The Plaintiffs submit that there is not only infringement of the mark Neel thereby but that by claiming a common origin and connection with the Plaintiff firms the Defendants are actually passing off their goods as goods of the Plaintiffs and trading upon the goodwill and reputation of the Plaintiffs.

4 The Defendants resist the interim application by contending that the said Hemant Mehta, being a partner of Plaintiff No. 2 (the registered proprietor of the

mark), in entitled to use the mark Neel; that even otherwise as per the agreement between partners/family members which is inter alia reflected in a family arrangement, Defendants were entitled to use the mark Neel; that the use by the Defendants of the mark as part of the trading name and as a trade mark was with full knowledge and acquiescence of the Plaintiffs and the Plaintiffs are estopped from objecting to such use; that the application for interim reliefs suffers from delay and laches; and that the Plaintiffs have suppressed facts and have come to the court with unclean hands disentitling them to any equitable relief.

5 Dr. Tulzapurkar, the learned Senior Counsel for the Plaintiffs, submits that the said Hemant Mehta is not entitled to use the mark Neel otherwise than as a partner of Plaintiff Nos. 1 and 2. He relies upon Section 24 and other provisions of the Trade Marks Act, 1999, the principles and law of partnership and judgments of the Supreme Court and the Bombay and Gujarat High Courts reported in *M/s.Power Control Appliances Vs. Sumeet Machines Pvt. Ltd.* ((1994) 2 SCC 448), *Addanki Narayanappa Vs. Bhaskara Krishnappa* (AIR 1966 SCC 1300 (V 53 C 251)), *Controller of Estate Duty Vs. Mrudula Nareshchandra* (1986 (Supp) SCC 357), *M/s Shivraj Fine Art Litho Works Vs. Purushottam* (AIR 1993 BOMBAY 30), *Kishore Thakkar Vs. ADF Foods Ltd.* (Notice of Motion No.1829/2005 in Suit No.994/2005 decided on 12 July 2005), and *Rajnikant Hasmukhlal Colwala Vs. Natraj Theatre* (AIR 2000 GUJARAT 80), in this behalf. Dr. Tulzapurkar submits that the principle of 'contract to the contrary' of the law of partnership does not apply in the case of trade mark as a specie of property, which is peculiar by its very nature and governed by the law of trade marks. He submits that the family MOU cannot and does not divide the property in the mark Neel. Dr. Tulzapurkar disputes the case of acquiescence or delay and laches on the part of the Plaintiffs.

6 Mr. Kadam, the learned Senior Counsel appearing for Defendant No. 1, places strong reliance on the family arrangement recorded on 26 August 2009. He submits that it is only post this family arrangement that both Defendant No. 1 as well as Plaintiff Nos. 7, 8 and 9 started using the mark Neel. He refers to several events post family arrangement to make his point. Mr. Kadam relies on cases on family arrangement including *Kale Vs. Deputy Director of Consolidation* ((1976) 3 SCC 119), *Hari Shankar Singhania Vs. Gaur Hari Singhania* (AIR 2006 SC 2488),

and Jaininder Jain Vs. Arihant Jain (2009 (41) PTC 492 (Del.)(DB)). He submits that there is a clear case of permitted use or common law licence or at any rate, acquiescence of the Plaintiffs in respect of the Defendants' use of the mark Neel. He submits that the Plaintiffs have since long known about and stood by the Defendants' use of the mark and are not entitled to any equitable relief in the Motion. Mr. Cooper, the learned Senior Counsel for Defendant No. 2, adopts the submissions of Mr. Kadam.

7 It is a matter of fact that the Defendants are using the mark Neel which is a registered trade mark of Plaintiff No. 2, as part of the trade name and as a trade mark for the goods manufactured and marketed by the Defendants. The question is of the authority of the Defendants to do so. The source of that authority, claim the Defendants, is to be found alternatively in the right of the partner to use the trade mark of the firm or in the family arrangement or the agreement by the partners (who are registered proprietors of the mark as such partners) to allow permitted user or a common law licence or in acquiescence on the part of the Plaintiffs. These alternative cases need to be tested in the light of the facts of the case borne out by the record.

8 I shall first take up the case of the partner's right to use the registered trade mark of the partnership firm. The mark Neel is a registered trade mark of Plaintiff No. 2, of which Plaintiff No. 3 and the said Hemant Mehta are partners. In other words, Plaintiff No. 3 and Hemant Mehta can be said to be joint proprietors of the trade mark. Joint proprietorship entitles the individual proprietors to use the mark jointly for the benefit of all proprietors and not in rivalry or competition with each other. In fact such joint use is a pre-condition for registration of the mark in the name of joint proprietors. Section 24 of the Trade Marks Act, 1999 (Act) provides that nothing in the Act shall authorize registration of two or more persons who use or propose to use the trade mark independently as joint proprietors. The only exception is where two or more persons interested in a trade mark are so related that no one of them is entitled as between himself and the other or others of them to use it except -

(a) on behalf of both or all of them; or

(b) in relation to an article or service with which both or all of them are connected in the course of trade.

The reason is simple and not far to seek. It lies in the very idea of a registered trade mark. The Supreme Court in *M/s Power Control Appliances Vs. Sumeet Machines Pvt. Ltd.* explained it thus:

41. It is a settled principle of law relating to trade mark that there can be only one mark, one source and one proprietor. It cannot have two origins. Where, therefore, the first defendant-respondent has proclaimed himself as a rival of the plaintiffs and as joint owner it is impermissible in law. Even then, the joint proprietors must use the trade mark jointly for the benefit of all. It cannot be used in rivalry and in competition with each other.

The authority to use the trade mark Neel independently of Plaintiff No. 2 or its partners by reason of being a joint proprietor is thus ruled out.

9 It is alternatively alleged that there was a permission, licence (contractual or common law) or at any rate acquiescence of the other joint proprietors for the use of the mark by Hemant Mehta. (Defendant No. 1 claims the right to use the mark through Hemant Mehta.) The Defendants place strong reliance on the family arrangement in this behalf. The family arrangement is reflected in a document signed by Plaintiff No. 3 and Hemant Mehta of behalf of themselves and their respective family members on 26 August 2009. It basically divides all family assets in the ratio of 60:40 between Plaintiff No. 3 and Hemant Mehta. This division of wealth is said to be irrespective of the names of family members holding it, or companies, firms or individuals, held in any form movable or immovable, fixed or liquid, held at present, till date. The assets are said to include shares in our family business, firms, partnership business, companies, bank deposits, investment in premises and properties, bonds, securities, share certificates, precious metals if any, liquid cash or anything of similar nature. The non-divisible assets are the places of residence where the parties are residing, assets of their parents, jewelry and some other named properties. These would continue to belong to individuals holding them. In other words, the totality of the assets held by the family in whichever names were to be shared in the stipulated ratio between the two

brothers and their respective families except the excluded items. Prima facie there is no reason, therefore, to believe that the trade mark Neel is not part of the divisible property to be shared in the 60:40 ratio. Dr. Tulzapurkar argues that the trademark is not a divisible property by its very nature and that what the sharing thereof meant was that the firm would continue to hold it but would be so organized that the brothers would have 60:40 shares in the firm. There is nothing on record to establish this. The trade mark is a property of the firm and will definitely have to figure in the valuation of the firm. Even if it is not capable of being divided in specie, the division contemplated by the family arrangement is possible in theory and there may be various ways in which this could be achieved. It may be that the firm will be reconstituted and held in the ratio or it may be that the firm or the trade mark may continue to be held by one individual and the other may be compensated for his share in some other manner in cash or kind. It may be that the trade mark may be held by a firm (held in turn in the ratio by the parties) and both brothers may have the right to make use of the trade mark by permitted user or licence. One can conceive of several devices in which the provision for division of assets with respect to the trade mark can be given effect to just as the other species of assets of the family can be actually divided by putting in place various legal arrangements. After all, the family arrangement contains a principle of sharing/division. Actual sharing/division is accomplished by devising appropriate legal methods and executing appropriate legal documents for the same.

10 It is claimed by the Defendants that there were several meetings between the parties for crystallizing the methods for giving effect to the family arrangement; that division of some of the immovable properties and firms was finalized; that It was decided that the two brothers would carry on their respective businesses as separate entities; that in order to ensure that neither of the brothers has the exclusive benefit of continuing business in the original firm of Plaintiff No. 2 and Plaintiff No. 7 company, it was agreed that Plaintiff No. 8 would be operated as the entity of Plaintiff No. 3 group and Hemant Mehta would be entitled to carry on his business in Defendant No. 1 firm; that it was clearly understood that both brothers would be equally entitled to use the trade mark Neel; and that after the brothers establishing and/or settling their respective businesses, the entities, namely,

Plaintiff No. 2 firm and Plaintiff No. 7 company, would be dissolved and wound up respectively.

11 There are many circumstances, referred to by the Defendants, post family arrangement which prima facie establish that by mutual consent (and as part of the family arrangement) the businesses and assets of the parties jointly held by them were being divided and the two brothers were entitled to carry on separate businesses, using the trade mark Neel jointly owned by them. These circumstances may now be noted.

(i) In or about November 2009, by a deed of retirement, the daughter of Hemant Mehta, Janhavi and Plaintiff No. 7 retired from Plaintiff No. 8 firm. The business of Plaintiff No. 8 has since been carried on by Plaintiff Nos. 3, 4 and 5;

(ii) On or about 18 February 2010, Hemant Mehta applied for registration of the mark Neelkanth under Section 23 of the Trade Mark Act;

(iii) On or about 1.12.2010, with the intervention of some relations, divisions of immovable properties held by the two brothers at various places, namely, Raja Industrial Estate, Sapphire Arcade, Lonavala property, Bhiwandi, Rushabh complex, Andheri, were settled and arrangements for the same were signed by the parties;

(iv) On or about 1.12.2010, Plaintiff No. 3, Defendant No. 2 and the father of the two brothers, late Shri Gamanlal Mehta, signed a letter/Certificate inter alia giving no objection for obtaining permission from M.C.G.M., Sales Tax Authorities, VAT, C.S.T. Authorities grant registration or license and NOC, to Defendant No. 1 to carry on business in the name of Neelkanth Power Solutions;

(v) On or about 15.12.2010, Plaintiff No. 7 made enquiry with Hemant Mehta about the supply of K-rated transformers, when Hemant Mehta requested Plaintiff No. 7 to book the order in the name of Defendant No. 1 and the same was communicated by Plaintiff No. 7 to the distributors;

(vi) In or about 27.12.2010, Hemant Mehta gave NOC on behalf of Plaintiff No. 1 for carrying out business from G 31 and 148 of Raja Industrial Estate, P. K. Road,

Mulund (West), Mumbai - 400 080, premises and/or obtaining permission from M.C.G.M., Sales Tax Authorities, VAT, C.S.T. Authorities grant registration or licence to Plaintiff No. 3 for carrying on business of, Neel Power ET, Plaintiff No. 8;

(vii) On or about 27.12.2010, Hemant Mehta on behalf Plaintiff No. 2 gave NOC for carrying out the business of Plaintiff No. 8, Neel Power ET from premises G 32, Raja Industrial Estate, P. K. Road, Mulund (West), Mumbai - 400 080, and/or obtaining permission from M.C.G.M., Sales Tax Authorities, VAT, C.S.T. Authorities grant registration or licence;

(viii) On or about 27.12.2010, Plaintiff No. 3 addressed a letter to various customers and franchisees as well as distributors inter alia asking them to book the orders in the name of Plaintiff No. 8 instead of Plaintiff No. 2;

(ix) On or about 28.01.2011, Plaintiff No. 3 addressed a letter to the Branch Manager, State Bank of India for restricting the operation of account by Hemant Mehta;

(x) On or about 01.02.2011, a list of employees was circulated to ascertain the particulars of employees who intended to join the establishment of Defendant No. 1;

(xi) On or about 02.02.2011, Plaintiff No. 4 addressed a letter to Axis Bank Ltd restricting the operation of account by Hemant Mehta;

(xii) On or about 04.02.2011, Defendant No. 1 also placed the order for labour jobs with Plaintiff No. 2 who also raised their bill dated 04.02.2011, which is signed by late Shri Gamanlal Mehta;

(xiii) On or about 15.02.2011, Hemant Mehta addressed an E-mail to Plaintiff No. 3 inter alia narrating the factual position of the companies and the control of various sister concerns as well as the family arrangement arrived between Hemant Mehta and Plaintiff No. 3, and requesting and expecting a complete separation without harming the progress and with protection of interest of each other and also confirmed the use of the mark by both Plaintiff No. 3 and Hemant Mehta. (This letter, receipt of which is not disputed by the Plaintiffs, was not replied to by

Plaintiff No. 3.)

12 Of the circumstances noted above, three are quite crucial to the consideration of the issue at this prima facie stage. One is the NOC granted by Plaintiff No. 3 and late Gamanlal to Hemant Mehta to carry on business in the name and style as Defendant No. 1. The second circumstance is where Plaintiff No. 2 itself carried out job work in March 2011 by winding, assembly and testing of Neel transformers for Defendant No. 1. The invoice for the same is admittedly signed by Gamanlal on behalf of Plaintiff No. 2. The third important circumstance is the mail addressed by Hemant Mehta to Plaintiff No. 3 as far back as in February 2011 recording inter alia the decision of the family to close down the firm/company and business of NC and NIS (i.e. Plaintiff Nos. 2 and 7) and you (Plaintiff No. 3) should have NPT (i.e. Plaintiff No. 8) as your family concern and NEEL KANTH POWER SOLUTIONS (NKPS) (i.e. Defendant No. 1) as my (i.e. Hemant Mehta's) family concern and that as for the mark Neel both of us (i.e. Plaintiff No. 3 and Hemant Mehta) can and will make use of it and none of the proprietors of the mark would have any objection to the use of it. Dr. Tulzapurkar tried to explain these circumstances by submitting, firstly, that what was given NOC for was the conduct of the business of Defendant No. 1 from the premises owned by Plaintiff No. 2 and not to the use of the mark Neel. Secondly, it was submitted that the documents signed in respect of the job work done by Plaintiff No. 2 for Defendant No. 1 were never shown to the Plaintiffs. As for the invoice raised by Plaintiff No. 2, it was submitted that towards the end of March 2011, Gamanlal Mehta (the father) handed over a copy of the tax invoice of 9 March 2011 to Plaintiff No. 2 and till then none of the Plaintiffs were aware of the use of the mark by the Defendants. It was submitted that the job work activities were done by Hemant Mehta secretly and it was difficult to ascertain the true nature of the activity carried on by him. It is hard to believe, at least at this prima facie stage, that when a competing business with the use of the same mark was being carried on by Hemant Mehta in a part of the Plaintiffs' own premises (divided and handed over to Hemant Mehta) with NOC from the Plaintiffs, the Plaintiffs were not aware of the nature of the activity or use of the mark by Hemant Mehta. In any event, at least since the end of March 2011, the Plaintiffs could be said to be aware of this. The circumstance of not joining issues with Hemant Mehta when he addressed the mail of February 2011 inter alia regarding user of

the mark Neel by both brothers, is sought to be explained by Dr. Tulzapurkar by submitting that Plaintiff No. 3 was advised by the mediators (who were mediating the disputes between the two brothers) not to address any communication to Hemant Mehta in this behalf, which would have the effect of precipitating the matters. Considering the fact that both before and after the mail of February 2011, Plaintiff No. 3 had addressed communications to Hemant Mehta taking positions in the matter of their disputes, this explanation, though supported by affidavits of the mediators, hardly inspires any confidence. In any event, cumulatively with, and in the backdrop of, several other circumstances, some of which are noted above, these circumstances do lend support to the Defendants' case that steps were indeed taken to actually divide the family wealth and business in pursuance of the family arrangement; that the two brothers were to go their separate ways; and that whilst doing so, they both were entitled to make use the mark Neel by mutual consent. At any rate, there is a clear case of a common law licence or at least acquiescence on these facts.

13 Dr. Tulzapurkar, however, submitted that any case of a common law licence where there is no connection in the course of the trade between the goods and the proprietor of the trade mark, or in other words, where the licensing results in destroying the distinctiveness of the mark or causing confusion or deception among the public, cannot be countenanced by the court. No doubt there is some substance in this submission. After all it is of essence that there ought to be a connection in the course of trade, which is consistent with the definition of trade mark, between the goods and the proprietor of the mark. But this question really assumes importance from the point of view of consequences of the absence of such connection. The law of trade marks does not per se bar licensing of the mark without connection between the goods of the licensee and the registered proprietor. But it has other consequences. For example, use by a licensee without such connection may cause destruction of the distinctiveness of the mark and make it vulnerable to a challenge to the validity of its registration, use by such licensee may not be treated as use by the registered proprietor himself, and so on. We are not concerned here with any such consequences. What we are dealing with here is whether such licence or acquiescence, in the facts of the case, is a good defence at this prima facie stage to the Defendants in an action for

infringement or passing off. The factum of such common law licence or at any rate, acquiescence by the registered proprietor being prima facie established, an interim injunction at the instance of the proprietor can very well be refused. That countenancing such licence or acquiescence may eventually lead to some of the consequences noted above, is no ground for granting such injunction. What granting of such licence or acquiescence in the present case means is that Plaintiff No. 2, as registered proprietor of the mark, is willing to put its reputation behind the goods marketed by both Defendant No. 1 and Plaintiff No. 8, which are separate businesses of the two partners of Plaintiff No. 2. We are not concerned here with how the control over suitability of the goods, quality control etc. is maintained by the proprietor whilst permitting such user. That is a matter for the parties to decide and they may come up with any appropriate device to ensure these aspects. It need not detain the court for the present from refusing an injunction to the registered proprietor against such licensed or acquiesced use. What the Court is concerned with in this Notice of Motion is whether the Plaintiffs are debarred from claiming the relief of injunction by their own conduct, which amounts to a licence or at any rate acquiescence. On the basis of the material on record, I have come to the conclusion that the Plaintiffs are prima facie so barred.

14 Both Dr. Tulzapurkar and Mr. Kadam made submissions on the aspect of property of the firm and its use by an individual partner and cited judgments in support of their respective submissions. Dr. Tulzapurkar submitted that the trade mark Neel being the property of the firm, no partner can acquire any interest in it till the firm is dissolved. He also submitted that allowing use of the mark is not a matter of business in usual course of the firm and there cannot be any implied authority to a partner to deal with the mark. Mr. Kadam relied on the case of a contract to the contrary in response. In view of my prima facie finding that the arrangement for the use of the mark individually by the partners for their respective businesses was a mutual decision of the partners of the firm, these submissions and authorities need not be discussed in detail. We may only note a decision of Delhi High Court in Jaininder Jain's case (supra), where a Division Bench of the Court noted the decision of the Supreme Court in Narayanappa's case (supra) in the context of an agreement concerning use of a trade mark owned by a firm. The Supreme Court in Narayanappa's case observed that during the subsistence of

partnership, no partner can deal with any portion of the property as his own nor can he assign his interest in a specific item of partnership property to anyone. The Delhi High Court in Jaininder Jain held that this principle did not prevent a partner from assigning the partnership property with the consent of the other partners. The Court held that in a given case, such consent need not be express and may be implied from inter se relationship amongst partners and attending circumstances. In any case, the Court held, there was no restriction on the right of the partners to permit concurrent user of the property of the firm (a trade mark in that case) by another person. These observations would apply to the facts of our case as well.

15 There is one more aspect of the matter which bears a mention. Dr. Tulzapurkar submitted that acquiescence, so as to prevent the proprietor of a mark from opposing the use of the trade mark in relation to the offending goods, must be of five years. If not, the proprietor is still entitled to oppose the use by the defendant. He relies on Section 33 of the Trade Mark Act in this behalf. This argument is of no avail to Dr. Tulzapurkar in the facts of the present case. In the first place, Section 33 deals with the case of two registered trade marks, registered at different points of time. If the proprietor of the earlier trade mark (registered prior in point of time) acquiesces in the use of the later trade mark (registered later in point of time) for five years, he cannot apply to have the registration of the later trade mark declared invalid or oppose the use of the later trade mark, unless the registration of the later trade mark was not applied in good faith. We are not here dealing with two registered trade marks. Secondly, what the provision of Section 33 means is that after acquiescence for a period of five years, there is a complete bar in so applying for a declaration or opposing the user. It does not mean that such application can be successfully made in all other cases. In a given case, even if the acquiescence is for a shorter period, the court may deem it fit to deny relief to the prior registered proprietor. In the present case, I have prima facie come to conclusion that the acquiescence, in the facts of the case, is sufficient to deny any interim relief to the Plaintiffs who claim as registered proprietors of the trade mark.

16 Prima facie there is adequate material to show that Defendant No. 1 was set up with the consent or, at any rate, knowledge of Plaintiff No. 3 and the late Gamanlal Mehta; and that Defendant No. 1 has been using the trade name 'Neel Kanth' and

using the mark Neel at least since December 2010 again to the knowledge of the Plaintiffs. Filing of the suit in January 2012 shows gross delay and laches. There is no ad-interim relief granted by this Court so far to the Plaintiffs. Taking an overall view of the matter, I am of the considered view that the Plaintiffs are not entitled to the interim injunction claimed.

17 Accordingly, there is no merit in the Notice of Motion. Notice of Motion is dismissed with no order as to costs.

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