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SooperKanoon Citation : sooperkanoon.com/853624

Court : Kolkata

Decided On : May-19-1914

Reported in : (1915)ILR42Cal262

Judge : Jenkins, C.J. and ;Stephen, J.

Appellant : Hannah

Respondent : Juggernath and Co.

Judgement :

Jenkins, C.J.

1. The plaintiffs, Messrs. Juggernath & Co. are described in the heading of the plaint as a firm carrying on business as jute balers and shippers and merchants at No. 117, Harrison Road, in the town of Calcutta.

2. The defendants are E. C. H. Cresswell, H. A. Smyth, and Geoffrey Watson, who carry on business in co-partnership as Jute Balers, Brokers, and Merchants, under the name of Messrs. Moran & Co. at 11, Lull Bazar Street, Calcutta, and G. S. Hannah and C. L. Smallwood, who carry on business in co-partnership as Jute Balers, Brokers and Merchants under the name of Messrs. W. Ha worth & Co. at No. 1, Mission Row. It is alleged in the plaint that the plaintiff firm has been and is the proprietor of four jute trade-marks set forth in the schedule, and the plaintiff's case is that on the 8th of July 1911 the defendants Moran & Co. and on the 1st of March 1912 the defendants Ha worth & Co. acquired the right to use and permit

the use of these trade marks, and that in return the defendant firms severally covenanted to maintain the reputation of these marks and to pay an annual fixed royalty of Rs. 10,000 in cash, and Rs. 13,500 in bills. These agreements were repudiated by Ha worth & Co. on the 2nd July and by Morau & Co. on the 15th August 1912 ; and the plaintiffs, without assenting to these repudiations have instituted this suit on the 5th September 1912, churning Rs. 3,50,000 as damages on account of the alleged depreciation of the trade marks, and Rs. 10,000 in cash, and the execution of three several drafts for the aggregate sum of Rs. 13,500 for and by way of royalty for the jute season 1912-13, or in the alternative Rs. 23,500 as damages.

3. All the defendants have resisted the claim, and the suit has been heard by Iman J. who disallowed the claim for damages for depreciation, but passed a decree for Rs. 23,500 in respect of the claim for royalty.

4. Against this judgment three separate appeals have been filed one by Haworth & Co. a second by Cress-well and Smith, and a third by Watson.

5. The plaintiffs have on their side taken cross-objections. These several appeals and cross-objections have been heard together and will be determined in one judgment.

6. All the appellants advance one common ground of appeal; that the plaintiffs had no title to the alleged trade marks, that they passed no interest to the defendants, and that there is no legal consideration for the obligation attributed to them. Watson makes the further point that, having regard to the date of his becoming a partner in Mo van & Co. April 1912, he came under no liability. This plea, however, was expressly limited by Counsel before us to the claim for damages, and was not put forward as an answer to the claim for royalty.

7. We will first trace the title to the alleged trade marks asserted by the plaintiffs.

8. It is said that these marks were originated by Surjn Coomar Chatterjee, who carried on business, presumably in Calcutta, as a jute-baler until his death in 1893, under the two names of S. C. Chatterjee and of M. N. Chatterjee. Apart from

subsidiary dealings by way of mortgage and so forth, it is sought to establish the devolution of these marks to the plaintiffs as follows:

9. On the 24th September 1904 Surju Coomar Chatterjee's widow purported to assign to Landale and Morgan, a firm of jute brokers and agents, seven marks, including the four in suit, and also the goodwill of the business of jute balers formerly carried on by Surju Coomar Chatterjee, the consideration being Rs. 75,000.

10. On the 26th September 1901 Landale and Morgan in consideration of Rs. 85,000 assigned to Dooli Chaud, a baler and dealer in jute trading under the style or firm of Harsook Das Dooli Chand, these seven marks and the good-will of the firm of Landale and Morgan 'of, into, upon or concerning the said business of jute balers formerly carried on by the said S. C. Chatterjee deceased and thereafter by the firm in succession thereto and the sole and exclusive right to use the said trade-marks or brands mentioned and described in the schedule hereunder written and the name of the said S. C. Chatterjee in connection with the said business and to hale jute cuttings, jute rejections and all other kinds of jute with and under such marks or brands and name and all the estate, right, title and interest of the firm therein.'

11. On the 8th of May 1907 Doolichand purported to assign the trade-marks and the business of Surju Coomar Chatterjee to Goeui Chand Khetan for Rs. 3,50,000 and on the 3rd of April 1908 Gocul Chand Khetan purported to make a similar assignment to the plaintiffs for Rs. 1,90,000.

12. On the 8th July 1911 the plaintiffs in their turn executed an exclusive license for the period between the date of the instrument and the Both June 1914 in favour of Moran & Co., of these four trade-marks, and it was thereby agreed that the licensees should and might at all times during the term peaceably and quietly use or employ or permit or authorise others to use or employ, exclusively, the trade-marks, and to hold the goodwill of the business of Surju Coomar Chatterjee, the original baler of the marks as far as any of the marks were concerned without any lawful interruption or interference by the proprietors. On the 1st of March 1912 the licensee's rights were assigned to Ha worth & Co.

13. In India the law of trade marks is not governed by statute : there is no statutory system of registration, and the rights and liabilities in connection with trade-marks are determined by reference to the principles of the Common Law of England : British American Tobacco Co. v. Mahboob Buksh (1910) I. L. R. 38 Calc. 110, 117.

14. It is thus established that a trade-mark cannot be assigned or descend in gross ; and this rests on no arbitrary rule, but is a necessary consequence of the inherent nature of a trade-mark, for it is a mode of representing the origin of the goods to which it is attached, or their trade association, and the truth of the representation is essential.

15. In its strictest meaning the representation of a trade-mark may perhaps only be true of its originator, but usage has sanctioned a more liberal treatment based on the principle of identification by succession.

16. And so successors in business have been allowed to use their predecessor's trade-marks where the representation still continues to be substantially true.

17. Can it then be said within the permitted limits of deviation from strict accuracy, that the plaintiffs are entitled to the trade mark in suit

18. It must, we think, be taken that Snrju Coomar Chatterjee was entitled to those trade-marks, and it is no obstacle in the way of that view that the subject of the marks was a natural product, and lie was merely their selector, who certified to their good quality: Major Brothers v. Franklin & Son [1908] I.K.B. 712. Nor do we think that it has been shown that the marks were so personal to the originator as to be inalienable.

19. Surju Coomar Chatterjee carried on the business of a baler. He died in September 1893, and the books of the Calcutta Baled Jute Association indicate that his marks continued to be used from the time of his death. This doubtless was with the authority of his successors, but whether there was such a disposition of the goodwill of the business as would be necessary to support this authority, does not appear till 1904.

20. In that year we have the assignment by the widow in favour of Landale and Morgan, to which we have already referred.

21. This and each succeeding assignment is expressed to be a transfer not only of the trade-marks, but, also of the business of jute balers formerly carried on by Surju Coomar Chatterjee. In form, therefore, there has been compliance with the rule that a trade-mark can only be assigned together with the good will of the business to which it relates.

22. But is this merely a formal compliance without any reality, a mere device which ought not to be recognised as satisfying the conditions on which a successor is entitled to use a trade-mark he did not originate? For the appellants it is contended that it is, and in support of this, much and persistent reliance has been placed on an argumentative but unhappily worded paragraph in the plaint (paragraph 4).

23. Any one who attempts to express his meaning in a single sentence twenty-seven lines in length runs the risk of being misunderstood, and the author of this paragraph has not escaped the common fate. It is possible that the paragraph was an attempt to escape from the result of the decision in *British American Tobacco Co., Ltd. v. Mahboob Buksh* (1910) I. L. R. 38 Cal. 110., and was composed more in reference to that decision than to the actual terms of the several assignments. But whether that be so or not, there is no force in the argument that the actual terms of those assignments are affected by the argumentative statement in the plaint.

24. They in fact purport to transfer the goodwill of Surju Coomar Chatterjee & Co. 'Goodwill,' Lord Macnaghten has said, 'is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old established business from a new business at its first start': *Inland Revenue Commissioners v. Mirlor and Co. s Margarine, Ltd.* [1901] A. C. 217, 223. Manifestly that which goes to form the goodwill would vary with the nature and conditions of the business. Certainly a transferee would be entitled to use the name in which the business was carried on and to represent himself as carrying on that business. This right passed under the several assignments, for, under their terms, each assignee

became legally entitled to exercise these rights, and each assignor lost these advantages.

25. But then it is said that there is no evidence that any use was made of these rights, or that any assignee carried on the business in the name of Surju Coomar Chatterjee, and in particular that it is not shewn that Dooli Chand, who had a baling business of his own, kept this assigned business separate.

26. In dealing with these objections the character of this suit has to be borne in mind and the relations of the parties; it is not brought by one who claims to be the owner of a mark against a stranger for infringement : it is brought against two firms who are at any rate expressed to be licensees and purported to take in that capacity. And a licensee shall not be permitted to deny that his licensor had, at the time when the license commenced, authority to grant such license (Evidence Act Section 117).

27. The authority of the plaintiffs to grant the license under consideration depends upon whether they acquired a title to the trade-marks, and this they could not acquire in the circumstances of the case without an effective assignment of the business of Surju Coomar Chatterjee & Co.

28. This would seem to preclude the defendants from questioning the conditions on which the plaintiffs' authority rested, that is to say, the acquisition by them of the business of S. C. Chatterjee & Co. and the trade-marks. The Section is positive in its terms and we are bound to give full effect to it. Had the plaintiffs based their case on the licenses, and resisted any attempt, to invalidate their title by a reference to its history, they would have been within the rights; and we cannot think that their case has been prejudiced by the mode in which it has been presented.

29. At any rate Section 117 would cast on the defendants the burden of proving that the good will of the business had lost its separate existence by merger or otherwise, or had not passed to the plaintiffs, to support and justify the transfer of the trade-marks, and that the plaintiffs had not the authority they professed to exercise. This the defendants have not done.

30. On the contrary it has been urged for what it was worth that the association of the names M.N. Chatterjee & Co. and S. C. Chatterjee & Co. with the trade-marks itself involved carrying on business in the old name.

31. Had the defendants proved their allegation of misrepresentation on the plaintiffs' part, that would have seriously affected the value of the estoppels on which the plaintiffs rely.

32. But no such proof has been given and not one of the defendants has gone into the witness box.

33. Then it has been contended that the license was in gross and therefore was for an illegal consideration, or at any rate for no consideration, but the agreement purports to vest in the licensees a contractual right to the business. The illegality of the consideration has not been made out, nor can it be said that there was no consideration within the mean Lug of the Contract Act. From the amounts paid or agreed to be paid at different times, it is obvious that the marks were regarded as possessing considerable commercial value. Nor must it be forgotten that for the first year of its term the license was used and paid for and that as a result of the year's working this commercial value of the marks have been seriously depreciated. Though the leasing or assigning of trade-marks without a real transfer of an existing business is a nullity from a legal point of view and in fact deprives them of the characteristics to secure which they are recognized by law, yet we cannot in the circumstances of this case hold that as against the licensees the plaintiffs have not a good claim to royalty, and we agree with the conclusion at which Imam J. arrived. We only desire to add that no objection has been urged before us to the form in which the decree in respect of royalty has been passed, and we, therefore, refrain from discussing it.

34. While Imam J. decreed the payment of royalties, he dismissed the claim for damages, and to this the plaintiffs have taken a cross objection. They rely on clauses 4 and 7 of the agreement of the 8th July 1911, and allege that the defendants, Koran & Co., permitted jute to be packed under the marks which was inferior to the quality of the standard fixed by the London Jute Association for those marks or for the corresponding marks of the same group, or otherwise

committed breaches of the rules and regulations of the London Jute Association by reason whereof the marks have been removed from the respective groups (plaint: paragraph 10).

35. This claim is now made against Moran & Co. alone, and not against Haworths, whose predicament in the litigation one cannot but feel to be unfortunate.

36. It is conceded by Moran & Co. that the marks were included in the London Jute Association groups for 1911, and not in those for 1912; but this, it is argued, is a matter with which these clauses 4 and 7 have no concern. The argument requires an explanation.

37. In the jute trade, marks have been and are largely employed as an assurance of quality. This has led to the establishment of several groups, and among them the six marks group was of especial importance. As the title suggests, there were six marks in this group, and each mark was regarded as an assurance that the jute bearing it was up to the standard of a grade called 'Firsts' in the trade. Later on the eight marks group was established, and this comprised these same six marks and two others that had acquired a reputation of merit. It would seem, however, that this eight marks group, though largely identical with the six marks group, was in fact an independent group ; and so contracts were made on the basis of one or other of these two groups, or of other groups of marks ; for there were many other groups, but with them we have no concern at present.

38. This then is how matters stood at the commencement of the jute season 1911-12 or in other words on the 1st July 1911.

39. At this time the Loudon Jute Association had determined to establish its own groups of marks, and without attempting to explore the several reasons by which they had been influenced to this, it may be reasonably surmised that the vicious practice of leasing marks and the results of that practice had in some measure caused the mischief that this new departure was intended to counteract.

40. It was an easy mode of controlling the marks in use, if only the trade as a whole lent its support; at first apparently this support was somewhat feeble and

contracts on the basis of the Association groups were few; but now they are an important, if not the principal, basis of jute dealings.

41. This policy evidently had long been under consideration, but it did not take definite and announced shape until the 1st July 1911, when a circular was issued in the terms appearing in Exhibit No. 1 in this case.

42. When the Loudon Jute Association thus established groups of their own, they adopted the marks then in use in the trade, and (among others) those of the six and eight marks groups.

43. There were rules regulating the inclusion or non-inclusion of marks in the Association groups, and some undoubtedly were more stringent than the trade conscience, which had previously regulated-so far as it can be said that there was any regulation the recognition by the trade or the Association of the marks in use. I may illustrate this by the new rule that three penalties might involve the exclusion of a mark, a rule of the Draconian order, for it operated without reference to the volume of jute that might be baled under the mark, and disregarded the average standard of quality over the whole range of dealings.

44. Three failures in an otherwise excellent course of dealing might involve consequences from which a consistent course of inferior dealing would be exempt.

45. We point to this in no spirit of criticism ; it is not but business or desire to criticise, but to emphasize the altered character of Moran's responsibility if the plaintiffs' reading of the clauses be accepted.

46. On the 24th September 1910, when the Association marks had not been established, the plaintiffs and Morans had entered into an agreement substantially the same as that now under consideration and containing provisions identical with the dark clauses i and 7 of the agreement of the 8th July 1911. This shews that at that time there was an apprehension of the risk of non-recognition against which the clauses were directed. But ex hypothesi the risk was not of exclusion from the Association's groups, for they did not then exist. The risk must have been the non-recognition by the Association of the marks then in use by the trade, a risk which

manifestly was not so urgent as that created by the new rules.

47. It was against this old risk, Morans contend, and not the new risk created in 1911, that the 4th and 7th clauses were aimed.

48. The plaintiffs see in this line of reasoning an attempt to construe a later by an earlier document; hut this is hardly a complete statement of the position. It is rather an endeavour to place the Court in possession of the facts which, it may reasonably be said, were within the contemplation of the parties when the agreement of the 8th July was executed, and to shew that there were conditions apart from those created in 1911, to which, in the minds of the contracting parties, clauses 4 and 7 of that agreement could aptly be applied. This seems legitimate, and it becomes of considerable force when it appears that there is strong reason to believe that these new conditions could not have been known to the contracting parties or have been within their contemplation.

49. The circular of 1st July 1911 could not have reached Calcutta by the 8th in the ordinary course of mail, nor does it clearly appear that it was otherwise communicated to the parties prior to that date. This is important in considering what were the circumstances, that is the known circumstances at the time the agreement was made.

50. The phraseology of the two clauses too seems to us to aid the view that the risk contemplated and accepted did not extend to exclusion from the Association groups. The two clauses evidently refer to the same topic and they speak of the group of trade-marks which is recognised by the Association; but while the six marks group may be said to have been recognised at the date of the agreement, the Association groups were not recognised, but created and established. Mr. H. D. Bose, who has argued the whole case admirably on behalf of the plaintiffs, points to certain passages in Mr. Macleod's Evidence as supporting his contention that the Association has ceased to recognise the six marks group, and at one point there would seem to be some verbal justification for the argument. But it seems to turn on the precise force Mr. Macleod placed on the word 'recognise,' when under enticement of cross examination he gave an affirmative answer to a question implying that recognition had ceased. The Association then had their own groups

and it would probably be correct to say that they did not recognise any other group as occupying the position it had in relation to them prior to the establishment of the Association group. But Mr. Macleod, we believe, is not so much a grammarian as a man of affairs, and passing from the abstract to the concrete, he declares that the six marks group can still be the subject of a contract under the prescribed London forms, and further that contracts on the basis of the six marks group enjoy the same facilities for arbitration, etc., as are enjoyed by contracts made under the official group. We attach more importance to the position thus disclosed by Mr. Macleod than to the terms of his reply to the question put to him in cross-examination.

51. Mr. Bose, however, has suggested that the advantage of a more favourable scale of allowances has now been lost, and that the 3 S marks are now no better than substitutes. That may be so where the contract is on the basis of the official group ; but it had to be admitted that there was nothing to shew this was the case where the contract is on the basis of the six marks group, as it still may be if the parties so desire.

52. It may be that the exclusion of the 3 S marks from the Association groups has depreciated the value of those marks in their own group, but as we read the clauses 4 and 7 this casts no responsibility on Morans' to indemnify the plaintiffs.

53. Morans' contention, therefore is, we think, well founded, and we hold that neither clause refers to exclusion from the Association groups of marks but only from the group of trade-marks recognised by the Association, as for example the six marks group. But apart from the Association groups, it is not alleged, and certainly is not proved, that there has been any omission or demission of the marks in suit, or any removal of them from the six marks group : in fact there is every reason to think that they still retain their place. So far we have dealt exclusively with the six marks group; but what we have said as to that applies equally to the other groups, for the case and the arguments have proceeded on the basis that what is true of the six marks group is, in the circumstances of this case, true of all groups in question other than the Association's groups.

54. And so we agree with the conclusion, shortly and clearly stated by Imam, J. as to the plaintiffs inability to recover damages ; and in this view it is unnecessary to deal with Watson's separate contention that Section 219 of the Contract Act protects him from any liability in connection with this claim for damages.

55. The result is that each of the several appeals, and also the cross-objections, must be dismissed.

56. By consent we make the order that each party do bear and pay his own costs of the several appeals and the cross-objections. We say nothing about the paper books. Costs may, if necessary, be taxed as between, attorney and client.

Stephen, J.

57. I agree.

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