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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**+ **CS(COMM) 1155/2018 & I.As.13597/2018 AND 14309/2018****SU-KAM POWER SYSTEMS LTD. Plaintiff**

Through: Mr. Amit Sibal, Senior
Advocate with Mr. Anuj Berry,
Mr. Abhey J.V., Mr. Saksham
Dhingra, Mr. Vinay Tripathi
Mr. Malak Bhatt, Ms. Apoorva
Murali and Ms. Surabhi
Bhandari, Advocates.

versus

MR. KUNWER SACHDEV & ANR. Defendants

Through: Mr. Rajeev Virmani,
Sr. Advocate with Mr. Ajay
Bhargava, Mr. Ankur Sangal,
Ms. Sucheta Roy, Ms. Richa
Bhargava,, Ms. Saugaat
Khurana and Ms. Niharika,
Advocates.

Reserved on: 11th October, 2019

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Date of Decision: 30th October, 2019**CORAM:****HON'BLE MR. JUSTICE MANMOHAN****J U D G M E N T****MANMOHAN, J:****I.A. 1411/2019**

1. Present application has been filed by the plaintiff company through its resolution professional, under Order XIII A of the Code of Civil Procedure, 1908, for summary judgment against the defendants. It is pertinent to mention that the present suit has been filed for declaration, permanent injunction, damages and incidental relief(s).



2. During the pendency of the suit, a Liquidator had been appointed who has adopted the pleadings, averments and arguments advanced by the resolution professional.

ARGUMENTS ON BEHALF OF PLAINTIFF

3. Mr. Amit Sibal, learned senior counsel for the plaintiff stated that the present suit was liable to be decreed summarily as the defendant no. 1 had no real prospect of defending its claim and the defendant no. 1's defence was an abuse of the process of law.

4. Learned senior counsel for the plaintiff submitted that the defendant No.1 had made numerous admissions that the plaintiff was the rightful owner, proprietor and user of the Su-Kam Marks in respect of goods covered under Class 9 of the Trade Marks Act, 1999 and such admissions supersede any and all issues, including those disputed by the defendants. He pointed out the following instances wherein the defendant No.1 had represented the plaintiff to be the owner of the Su-Kam Marks:-

- a. The plaintiff had secured registrations for the Su-Kam Marks in Class 9 and had been continuously and extensively using them since 1998, without any objection from defendant No.1.
- b. The defendant No.1 had represented to the public/independent third parties that the plaintiff was the owner of the Su-Kam Marks in Class 9 of the Trade Marks Act, 1999. The defendant No.1 while entering into a Share Purchase-cum-Share Subscription Agreement with Reliance



India Power Fund on 31st March, 2006, had identified the plaintiff as the registered owner of the Su-Kam Marks.

- c. A suit was filed in 2015 for infringement of the Su-Kam marks by the plaintiff, claiming itself to be the owner of the mark, when the defendant No.1 was the Managing Director of the plaintiff company and held more than eighty per cent of its shares; therefore, the suit had been filed under the aegis of defendant No.1.
- d. The defendant No.1 had relied upon a brand valuation report dated 03rd March, 2015 undertaken by Ernst & Young wherein the plaintiff had been identified as the owner of the Su-Kam Marks, when he submitted his bid for the plaintiff company during the ongoing insolvency proceedings.

5. Learned senior counsel for the plaintiff stated that the defendant no.1, by his representations/acts/admissions, had intentionally caused others, including the plaintiff, to believe that the plaintiff was the rightful owner of the 'Su-Kam' marks in Class 9 of the Trade Marks Act, 1999 and was now estopped from denying the said truth or pleading to the contrary. In support of his submission, he relied on the Supreme Court judgment in ***Jai Narain Parasrampuriah (Dead) and Others Vs. Pushpa Devi Saraf and Others***, (2006) 7 SCC 756 wherein it has been held as under:-

“32. It may be true that no issue as regards title between Sarafs and the said S.N. Verma having been framed in OS No. 267 of 1980, the principle of res judicata is not applicable. In the said proceedings, however, Sarafs also



the said S.N. Verma being parties, there cannot be any doubt or dispute whatsoever that a claim was laid by the Company that it was the owner of the property which was accepted not only by Verma but also by Sarafs. Sarafs or Verma did not deny or dispute the same. In fact the Company spoke only through Sarafs. The High Court overlooked the fact that the plaint was signed by Sarafs and the Company was represented by them. It is they who had made solemn statement before a competent court of law that the Company was the owner of the property. Hence, they are bound by the said statement. The principle of estoppel and/or acquiescence would, thus, be applicable.

33. While applying the procedural law like the principle of estoppel or acquiescence, the court would be concerned with the conduct of a party for determination as to whether he can be permitted to take a different stand in a subsequent proceeding, unless there exists a statutory interdict. If the principle of estoppel applies, Sarafs will not be permitted by a court of law to raise the contention that the Company was not the owner of the property.

34. It is one thing to say that the property did not vest in the Company as there was a statutory embargo in that behalf; but it is another thing to say that a person is estopped from raising a question of title. The provisions of the Evidence Act are clear like Section 116, whereby in a certain situation a person may be estopped from pleading a title in himself.

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36. In the instant case, it was Sarafs who represented the Company. They had made the representation that the Company was the owner of the property. Such a representation had been made to the appellant herein not only in terms of the decree obtained in the said OS No. 267 of 1980, but by reason of execution of the other documents including creation of mortgage of the property and discharge thereof in favour of State Bank of India. If by reason of such representation, a third party alters his



position, indisputably, the principle of estoppel would apply. We may, however, hasten to add that where there exists a statutory embargo, vesting of title in a person shall be subject thereto. We have, however, in this case, no doubt whatsoever that there did not exist any statutory embargo in this behalf.”

6. Learned senior counsel for the plaintiff emphasized that defendant no.1 had not come to this Court with clean hands, had made gross misrepresentations and had taken contradictory stands on various occasions. He pointed out the following instances which according to him disentitled the defendant no.1 from seeking a trial in the suit:-

- a. Based on the undertaking given personally by the defendant no.1, on 03rd October, 2018, this Court passed an order that the defendant no.1 would not assert any rights in the trademark Su-Kam in Class 9 of the Trade Marks Act, 1999. The said undertaking was given by the defendant no. 1, without disclosing to this Court the order of attachment of the Su-Kam trademarks dated 27th September, 2018, passed by the Arbitral Tribunal in the arbitration proceedings initiated by the Reliance India Power Fund at Mumbai despite being well aware of the said order. The said order was passed by the Arbitral Tribunal on the basis of a misrepresentation made by the defendant no. 1 that the Su-Kam trademarks were under his ownership and name.
- b. Though the defendant no. 1 had claimed that the plaintiff was its licensee, yet the defendant no.1 had relied on the



Deed of Assignment dated 16th March, 2006 to claim that the Su-Kam mark stood assigned to him. The execution of the Deed of Assignment dated 16th March, 2006, itself reflected that the defendant no. 1 considered the plaintiff to be the rightful owner and proprietor of the Su-Kam trademarks.

- c. The defendant no. 1 filed the request for assignment with the Trade Marks Registry after more than 12 years, i.e., on 18th July, 2018, which showed his *mala fides*.
- d. Plaintiff filed a suit in its name in 2015, for infringement of Su-Kam trademarks and at that time defendant no. 1 was its Managing Director and eighty per cent shareholder.

ARGUMENTS ON BEHALF OF DEFENDANT NO. 1

7. Per contra, Mr. Rajeev Virmani, learned senior counsel for defendant no. 1 contended that oral evidence was required to be led in the present suit as the plaint alleged that the Deed of Assignment dated 16th March, 2006 as well as the Trade Mark Licence Agreement dated 7th July, 1995 (hereinafter referred to as ‘**TMLA**’) were questionable and sought declarations that the Deed of Assignment was fabricated and the TMLA had stood terminated respectively.

8. He also pointed out that though the plaint averred that the Business Transfer Agreement dated 16th September, 1999 (for short “**BT Agreement**”) and the Minutes of the Meeting dated 20th March, 2006 (for short “**Minutes**”) were fabricated, yet no relief had been claimed qua the said BT Agreement and Minutes.



9. He emphasised that while the plaintiff had filed an expert forensic report in support of some of its allegations, the defendant no.1 had also filed contrary forensic reports to deny any allegation of fabrication. He contended that the defendant no.1 had denied all allegations of documents being fabricated or questionable. Consequently, according to Mr. Virmani, the issue that would arise in the matter is whether the impugned documents were fabricated or questionable or authentic. He submitted that where contentious issues of fraud and fabrication arise, a suit cannot be decided summarily and without oral evidence. In support of his submission, he relied upon a judgment of the Supreme Court in ***State Bank of Saurashtra vs. Ashit Shipping Services (P) Ltd. & Anr., (2002) 4 SCC 736***, wherein it has been held as under:-

“13. Further, this is a document given by the 2nd respondent to the 1st respondent. On this document, contrary to the normal practice, the Manager of the appellant Bank has merely affixed the stamp of the appellants and signed under a paragraph which states that they had joined in the indemnity. The appellants had also set out in their application for leave to defend that the documents submitted to the negotiating Bank were not negotiated as there were discrepancies in those documents. To this averment there was no reply or denial by the 1st respondent. The appellants have made serious allegations of fraud and collusion. They had stated that such a document did not exist in their records. This was not a defence which could be characterised, at this stage, as sham or illusory or practically moonshine. These triable issues should not have been summarily rejected by the trial court and/or the High Court.”

10. He stated that the plaintiff had no reasonable prospect of succeeding in its claim as the defendant no. 1 had started using the



SU-KAM Mark as its proprietor in 1986. He stated that the defendant no.1 had coined and adopted the trademark Su-Kam in the year 1986 and was the proprietor of the trade mark Su-Kam in all classes, except for Class 9, under the Trade Marks Act, 1999.

11. He pointed out that the defendant no. 1, in partnership with his father, had started the firm Su-Kam Communication Systems on 23rd April, 1981 and licenced the trade mark SU-KAM to the partnership firm vide the aforesaid TMLA. He contended that the TMLA was a valid agreement.

12. Learned senior counsel for the defendant no.1 stated that the plaintiff Company was incorporated on 14th October, 1998. He stated that the BT Agreement was entered between the partnership firm (i.e. M/s. Su-Kam Communication Systems) and SU-KAM Power Systems Ltd.(the plaintiff herein), whereby not only did the plaintiff become the successor in interest of the said partnership firm but also the trademark licence was transferred to the plaintiff. He stated that the BT Agreement which was filed with the Registrar of Companies along with return of allotment in 2002, clearly recorded defendant no.1 to be the owner of the Su-Kam marks, *“4. The trade mark / Brand Name “SU-KAM” shall remain the property of Mr. Kunwer Deep Sachdeva, Prop M/s SU-KAM CABLE TV SYSTEMS, New Delhi. The trade mark/ Amount of Royalty for using the brand name SU-KAM shall be mutually decided between the company and Kunwer Deep Sachdeva from Year to Year basis.”* He emphasised that under the BT Agreement, the plaintiff had acknowledged that the partnership firm was engaged in the Inverter business. Thus, according to him, the



plaintiff being the licensee, could not have proprietary rights in the SU-KAM trade mark.

13. He reiterated that though defendant no. 1 had applied for SU-KAM in class 9 vide the Trade Mark Application No. 821727 on 5th October, 2008 (i.e. prior to incorporation of plaintiff-company), yet the trade mark records showed that the said mark had been registered in the name of the plaintiff, ignoring the claim of defendant no. 1. He stated that upon discovery of said mistake, the said Deed of Assignment had been executed by the plaintiff in favour of the defendant no. 1. He contended that the plaintiff had not provided any particulars as to how the said Deed of Assignment was fabricated.

14. He further submitted that an assignment takes effect from the date of assignment and an assignee acquires title in a trademark immediately upon execution of the assignment deed. He pointed out that any follow up actions required to be taken under the Trade Marks Act, 1999, following the execution of an assignment deed would not change the title already acquired. In support of his submission, he relied on ***Sun Pharmaceuticals Industries Limited vs. Cipla Limited, 2009 (108) DRJ 207***, wherein it has been held as under:-

“8. I, however, find that not only in the aforesaid two cases, recently also another Single Judge of this Court in Astrazeneca UK Ltd. and Anr. v. Orchid Chemicals and Pharmaceuticals Ltd., 2006 (32) PTC 733 [Del.] Delhi has also taken the same view and held that the rights in the trademark come on the basis of assignment deeds and the plaintiffs cannot be denied the rights in the trade mark which they have got on the basis of the assignment deeds in their favour on the ground that in the records of the



Registrar of Trade Marks, the trade mark is still shown in the name of the assignor.

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12. It follows that the assignee immediately on assignment i.e., by writing acquires title to the registered trade mark. Registration under Section 45(1) is “on proof of title”. Thus title exists in assignee even before registration under Section 45(1).”

15. Learned senior counsel for the defendant no.1 submitted that prior to the amendment of the Trade Marks Act, 1999 in 2010, in terms of Section 45(2) of the erstwhile Trade Marks Act, 1999, an assignment deed could not have been read in evidence in any Court or tribunal without express directions of the Court or Tribunal. He stated, however, that this provision stood deleted by The Trade Marks Amendment Act, 2010. He submitted that the effect of such deletion is that a non-recordal of assignment by the assignee makes the assignment ineffective only against third parties and not against the assignor itself, who is aware of the existence/execution of the document.

16. Learned senior counsel for the defendant no.1 contended that there had been no abandonment of the trademark Su-Kam by the defendant no.1. He contended that in terms of Clause 5 of the TMLA, all use of the trade mark would enure to the benefit of the Licensor, i.e. defendant no.1.

17. Learned senior counsel for the defendant no. 1 stated that the representations to Reliance India Power Fund were dated 27th February 2006, i.e. prior to execution of Deed of Assignment. In any event, he stated that at that stage defendant no. 1 and his family owned



the entire shareholding of the plaintiff company and the defendant no. 1 treated the company as its alter-ego and did not consider the company to be separate from defendant no.1.

18. Learned senior counsel for the defendant no. 1 stated that the defendant no. 1 did not sign the plaint of the infringement suit filed in 2015 by the plaintiff. He pointed out that the plaintiff did not authorise the person signing the plaint and was unaware of the said suit. He stated that, in any event, in terms of the TMLA, the plaintiff was obligated to maintain the licensed trademark, i.e. SU-KAM, including taking all actions to protect the said trademark. He emphasised that the plaintiff had instituted the suit in 2015 in discharge of its obligations under the TMLA.

19. Learned senior counsel for the defendant no. 1 stated that, the Ernst and Young Report was based on assertions made by the plaintiff and as stated in the report no independent trade mark search had been conducted. He pointed out that the plaintiff had also filed another valuation report of the trademark Su-Kam by VGrow Advisors Pvt. Ltd. which specified that the trademark being valued belonged to the defendant no. 1.

20. Learned senior counsel for the defendant no. 1 contended that the question of estoppel in the present suit did not arise as the plaintiff had acknowledged the defendant no.1 to be the proprietor of the trademark Su-Kam in the BT Agreement. He contended that the plaintiff was all along aware of the true facts regarding the defendant no.1's ownership of the Su-Kam marks and there could be no estoppel where truth is known to both parties. In support of his contention, he



relied on ***Mohori Bibee and Another vs. Dharmodas Ghose***, 7 CWN 441, wherein it has been held as under:-

“9. The Courts below seem to have decided that this section does not apply to infants ; but their Lordships do not think it necessary to deal with that question now. They consider it clear that the section does not apply to a case like the present, where the statement relied upon is made to a person who knows the real facts and is not misled by the untrue statement. There can be no estoppel where the truth of the matter is known to both parties, and their Lordships hold, in accordance with English authorities, that a false representation, made to a person who knows it to be false, is not such a fraud as to take away the privilege of infancy [Nelson v. Stocker 4 De G. and J. 458 (1859)]. The same principle is recognised in the explanation to sec. 19 of the Indian Contract Act, in which it is said that a fraud or misrepresentation which did not cause the consent to a contract of the party on whom such fraud was practised, or to whom such misrepresentation was made, does not render a contract voidable.”

REJOINDER ARGUMENTS OF THE PLAINTIFF

21. Mr.Amit Sibal, learned senior counsel for the plaintiff handed over an affidavit dated 02nd May, 2019, whereby the plaintiff gave up parts of prayer (a) and (b), which were premised on allegations of fraud and fabrication and prayer (g) pertaining to damages. The relevant portion of the affidavit dated 02nd May, 2019, is reproduced hereinbelow-

“15. I hereby state that in view of the foregoing, the Plaintiff is hereby giving up its claims based on fraud and fabrication and consequent relief(s) based thereon, for the purposes of the Application for Summary Judgment under Order XIII A of CPC, and is agreeable



to lesser prayers being granted on the basis of the categorical admissions and holding out by the Defendant No.1, inter alia, as to ownership of the SU-KAM Marks vesting in the Plaintiff. Therefore, the Plaintiff hereby states that it hereby gives up the following prayers, which are premised on the allegations of fraud and fabrication, as stated hereinafter:

- (i) Prayer (a) – The Plaintiff limits this prayer to the first part seeking that this Hon'ble Court pass and pronounce a decree of declaration that the Deed of Assignment dated March 16, 2006, is invalid and gives up the latter part of the prayer alleging invalidity on the ground that it is false and fabricated;
- (ii) First part of prayer (b), i.e. Pass and pronounce a decree of declaration that the License Agreement dated July 7, 1995 stood terminated, as on September 16, 1999, while retaining the latter part of the prayer seeking a decree of declaration that the License Agreement dated July 7, 1995 never was and is not applicable to the Plaintiff;
- (iii) Prayer (g) – Pass and pronounce a final money decree in favour of the Plaintiff and against the Defendant No.1 for payment of damages in the sum of INR 2,00,05,000/- on account of the misrepresentation made by the Defendant No.1 or in such higher sum as may be determined by this Hon'ble Court.

16. I am advised that even otherwise the reliance by the Defendant No.1 on the Deed of Assignment dated March 16, 2006 in his defence ought to be rejected in view of the fact that the said Deed is invalid and that the Defendant No.1 cannot rely upon the same on the grounds that the Deed of Assignment has been executed by him in breach of his fiduciary duty under law; the holding out by him



that the Plaintiff is the sole owner and registered proprietor of the SU-KAM Marks and the consequent estoppel under law; and his failure to act upon the Deed of Assignment for a period of 12 years from the execution thereof. I am advised that the said defence can be rejected by this Hon'ble Court on the said basis without it having to pass an order of declaration. Further, I say that insofar as the Trade Mark License Agreement dated July 7, 1995 is concerned, the Plaintiff is seeking a limited relief that the same is not and never was applicable to it. I am advised that such an Order is not based on allegations of fraud and fabrication and can be granted by this Hon'ble Court without trial. I also state that the Plaintiff is entitled to other reliefs as prayed for in prayers (c), (d), (e), (f), (h) and (i)."

22. The amended prayer clause handed over by learned senior counsel for plaintiff on 03rd May, 2019 is reproduced hereinbelow:-

- “(a) Pass and pronounce a decree of declaration that the Deed of Assignment dated March 16, 2006, is invalid;*
- (b) Pass and pronounce a decree of declaration that the License Agreement dated July 7, 1995 never was and is not applicable to the Plaintiff;*
- (c) Pass appropriate directions to the Defendant No.2 not to proceed with/reject/deny the request for recordal of assignment filed by the Defendant No.1 in respect of the Plaintiff's registration for the mark  under No.821727 in Class 9;*
- (d) Pass and pronounce a decree of permanent injunction restraining the Defendant No.1 from holding himself to be the owner of the SU-KAM Marks to third parties, including the resolution processional, governmental authorities, banks, financial institutions, and public at large;*
- (e) Pass and pronounce a decree declaring that the Defendant No.1 has misused his position as the*



*Managing Director of the Plaintiff and with consequential relief of permanent injunction restraining him from proceeding further with his request for recordal of assignment filed with the Trade Marks Registry in respect of the Plaintiff's registration for the mark **Su-Kam** under No.821727 in Class 9 and/or any other similar request filed by the Defendant No.1;*

- (f) Pass and pronounce a decree of permanent injunction restraining the Defendant No.1 from applying for and/or obtaining registration from any competent body or Government authority for SU-KAM Marks singularly or in conjunction with any other words or monogram/logo in respect of any trade mark, trade/corporate name, domain name or copyright registration or any other manner whatsoever and/or for the purposes of using the same as a trade mark, service mark, trading style, corporate name, name of a business entity such as a firm or a partnership, website/domain and/or email address and the like;*
- (h) Pass and pronounce an order for costs of the proceedings; and*
- (i) Pass and pronounce any further or other order or directions, as this Hon'ble Court may deem fit or appropriate in the facts and circumstances of the case in favour of the Plaintiff and against the Defendant No.1."*

23. Learned senior counsel for the plaintiff contended that if the plaintiff is able to show that the defendant has no real prospect of successfully defending the claim, then unless the defendant shows that there is a compelling reason to lead oral evidence, summary judgment must be granted in favour of the plaintiff. He submitted that the onus on the defendant for summary judgment is lower than the judgment on



admission. He further submitted that judgment on admission is discretionary, whereas summary judgment must be granted where the Court finds that either plaintiff or defendant has no real prospect of succeeding or there is no compelling reason to lead oral evidence. He stated that discretion in grant of summary judgment lies in moulding the relief only.

24. Learned senior counsel for the plaintiff further submitted that the test for summary judgment is not whether the defence is a sham or moonshine—which is the test for leave to defend in a summary suit. He submitted that the standard in a summary judgment should be lower than that of a summary suit because there the Court has to decide whether to allow a defence at all; whereas, in a summary judgment the defence is on record as both the parties are duty bound to state on oath that they have disclosed all documentary evidence in their possession.

25. Learned senior counsel for plaintiff stated that Rule 24 of the Civil Procedure Rules in England is *pari materia* to Order XIII-A. Learned senior counsel for plaintiff relied upon the test for summary judgment laid down by Courts in England and Wales in ***Easyair Limited v. Opal Telecom Limited* [2009] EWHC 339 (Ch.)** which was reiterated in ***Ruanne Dellal v. Guy Dellal*, [2015] EWHC 907 (Fam)** and is reproduced hereinbelow-

“i) The court must consider whether the claimant has a "realistic" as opposed to a "fanciful" prospect of success: *Swain v Hillman* [2001] 1 All ER 91;

ii) A "realistic" claim is one that carries some degree of conviction. This means a claim that is more than merely arguable: *ED & F Man Liquid Products v Patel* [2003] EWCA Civ 472 at [8];



iii) *In reaching its conclusion the court must not conduct a "mini-trial": Swain v Hillman;*

iv) *This does not mean that the court must take at face value and without analysis everything that a claimant says in his statements before the court. In some cases it may be clear that there is no real substance in factual assertions made, particularly if contradicted by contemporaneous documents: ED & F Man Liquid Products v Patel at [10];*

v) *However, in reaching its conclusion the court must take into account not only the evidence actually placed before it on the application for summary judgment, but also the evidence that can reasonably be expected to be available at trial: Royal Brompton Hospital NHS Trust v Hammond (No 5) [2001] EWCA Civ 550;*

vi) *Although a case may turn out at trial not to be really complicated, it does not follow that it should be decided without the fuller investigation into the facts at trial than is possible or permissible on summary judgment. Thus the court should hesitate about making a final decision without a trial, even where there is no obvious conflict of fact at the time of the application, where reasonable grounds exist for believing that a fuller investigation into the facts of the case would add to or alter the evidence available to a trial judge and so affect the outcome of the case: Doncaster Pharmaceuticals Group Ltd v Bolton Pharmaceutical Co 100 Ltd [2007] FSR 63;*

vii) *On the other hand it is not uncommon for an application under Part 24 to give rise to a short point of law or construction and, if the court is satisfied that it has before it all the evidence necessary for the proper determination of the question and that the parties have had an adequate opportunity to address it in argument, it should grasp the nettle and decide it. The reason is quite simple: if the respondent's case is bad in law, he will in truth have no real prospect of succeeding on his claim or successfully defending the claim against him, as the case may be. Similarly, if the*



applicant's case is bad in law, the sooner that is determined, the better. If it is possible to show by evidence that although material in the form of documents or oral evidence that would put the documents in another light is not currently before the court, such material is likely to exist and can be expected to be available at trial, it would be wrong to give summary judgment because there would be a real, as opposed to a fanciful, prospect of success. However, it is not enough simply to argue that the case should be allowed to go to trial because something may turn up which would have a bearing on the question of construction: ICI Chemicals & Polymers Ltd v TTE Training Ltd [2007] EWCA Civ 725."

26. Learned senior counsel for plaintiff submitted that summary judgment could be refused if there was a compelling reason to conduct a trial. The learned senior counsel referred to *Blackstone's Civil Practice: The Commentary* and stated that compelling reasons for going to trial include –

“(a) The respondent is unable to contact a material witness who may provide material for a defence.

(b) The case is highly complicated such that judgment should only be given after mature consideration at trial.

(c) The facts are wholly within the applicant's hands. In such a case it may be unjust to enter judgment without giving the respondent an opportunity of establishing a defence in the light of disclosure or after serving a request for further information. However, summary judgment will not necessarily be refused in cases where the evidence for any possible defence could only lie with the applicant if there is nothing devious or artificial in the claim.

(d) The applicant has acted harshly or unconscionably, or the facts disclose a suspicion of dishonesty or deviousness on the part of the applicant such that



judgment should only be obtained in the light of publicity at trial.”

27. Learned senior counsel for plaintiff stated that the only reason for going to trial, in the present case, as set out by the defendant no.1 was that the plaintiff had made allegations of fraud and fabrication and certain prayers were sought based on these allegations. He pointed out that this reason no longer survived inasmuch as the plaintiff had given up those prayers by filing an affidavit dated 02nd May, 2019.

28. Learned senior counsel for plaintiff contended that defendant no.1 had made no averment in his pleadings with respect to actual use of the marks for inverters and in absence of such pleading, he could not lead evidence for the same. He emphasised that reliance on trade mark registrations which were not in respect of inverters were in any case liable for cancellation on account of non-use. In support of his submission, he relied upon a judgment of the Supreme Court in ***American Home Products Corporation Vs. Mac Laboratories Pvt. Ltd. & Anr., (1986) 1 SCC 465***, wherein it has been held as under:-

“36. The object underlying Section 46(1) is to prevent trafficking in trade marks. This is, in fact, the object underlying all trade mark laws. A trade mark is meant to distinguish the goods made by one person from those made by another. A trade mark, therefore, cannot exist in vacuo. It can only exist in connection with the goods in relation to which it is used or intended to be used. Its object is to indicate a connection in the course of trade between the goods and some person having the right to use the mark either with or without any indication of the identity of that person. Clause (v) of Section 2(1) which defines the expression “trade mark” makes this abundantly clear. Trade marks became important after the Industrial Revolution as distinguishing goods made by one



person from those made by another; and soon the need was felt to protect traders against those who were unauthorisedly using their marks and accordingly registration of trade marks was introduced in England by the Trade Marks Registration Act, 1875, which was soon replaced by more detailed and advanced legislation. When a person gets his trade mark registered, he acquires valuable rights by reason of such registration. Registration of his trade mark gives him the exclusive right to the use of the trade mark in connection with the goods in respect of which it is registered and if there is any invasion of this right by any other person using a mark which is the same or deceptively similar to his trade mark, he can protect his trade mark by an action for infringement in which he can obtain injunction, damages or an account of profits made by the other person. In such an action, the registration of a trade mark is *prima facie* evidence of its validity. After the expiry of seven years from the date of the registration a trade mark is to be valid in all respects except in the three cases set out in Section 32. The proprietor of an unregistered trade mark whose mark is unauthorisedly used by another cannot, however, sue for the infringement of such trade mark. His only remedy lies in bringing a passing-off action, an inconvenient remedy as compared to an infringement action. In a passing-off action the plaintiff will have to prove that his mark has by user acquired such reputation as to become distinctive of the plaintiff's goods so that if it is used in relation to any goods of the kind dealt with by the plaintiff, it will be understood by the trade and public as meaning that the goods are the plaintiff's goods. In an infringement action, the plaintiff is not required to prove the reputation of his mark. Further, under Section 37 a registered mark is assignable and transmissible either with or without goodwill of the business concerned while under Section 38, an unregistered trade mark is not assignable or transmissible except in the three cases set out in Section 38(2).

37. As the registration of a trade mark confers such valuable rights upon the registered proprietor thereof, a person cannot be permitted to register a trade mark when he has not used it in relation to the goods in respect of which it is sought to be



registered or does not intend to use it in relation to such goods. The reason for not permitting such trade marks to be registered was thus stated by Romer, J., in *Registered Trade Marks of John Batt & Co., In re and Carter's Application for a Trade Mark, In re* [(1898) 2 Ch D 432, 436 : 15 RPC 262, 266] :

“ . . . one cannot help seeing the evils that may result from allowing trade marks to be registered broadcast, if I may use the expression, there being no real intention of using them, or only an intention possibly of using them in respect of a few articles. The inconvenience it occasions, the cost it occasions, is very large, and beyond that I cannot help seeing that it would lead in some cases to absolute oppression, and to persons using the position they have obtained as registered owners of trade marks (which are not really bona fide trade marks) for the purpose of trafficking in them and using them as a weapon to obtain money from subsequent persons who may want to use bona fide trade marks in respect of some classes in respect of which they find those bogus trade marks registered.”

(emphasis supplied)

The judgment of Romer, J., in Batt case [(1898) 2 Ch D 432, 436 : 15 RPC 262, 266] was confirmed by the Court of Appeal [(1898) 2 Ch D 432, 439 and 442] and by the House of Lords sub nomine John Batt & Co. v. Dunnett .

38. To get a trade mark registered without any intention to use it in relation to any goods but merely to make money out of it by selling to others the right to use it would be trafficking in that trade mark. In *American Greetings Corp's Application, Re* [(1983) 2 All ER 609, 619] Dillon, L.J., said in the Court of Appeal:

“Trafficking in a trade mark has from the outset been one of the cardinal sins of trade mark law. But there is no statutory definition of trafficking, and one may suspect that, as with usury in the Middle Ages, though it is known to be a deadly sin, it has become less and less clear, as



economic circumstances have developed, what the sin actually comprehends.

Trafficking must involve trading in or dealing with the trade mark for money or money's worth, but it is not all dealing with a trade mark for money that is objectionable, since it has always been accepted that it is permissible to sell a trade mark together with the goodwill of the business in the course of which the trade mark has been used."

(emphasis supplied)

In the same case, Lord Brightman in the House of Lords [(1984) 1 All ER 426, 433] summed up the position in law thus:

"My Lords, although as a matter of ordinary English, trafficking in trade marks might mean the buying and selling of trade marks, it seems obvious that it is to have a more specialised meaning in a trade mark context. I have no quarrel with the definitions suggested by the assistant registrar and by Sir Denys Buckley, but perhaps one further attempt on my part may not be out of place. The courts have to grope for some means of delineating the forbidden territory, and different modes of expression may help to indicate boundaries which are not and cannot be marked out with absolute precision. To my mind, trafficking in a trade mark context conveys the notion of dealing in a trade mark primarily as a commodity in its own right and not primarily for the purpose of identifying or promoting merchandise in which the proprietor of the mark is interested. If there is no real trade connection between the proprietor of the mark and the licensee or his goods, there is room for the conclusion that the grant of the licence is a trafficking in the mark. It is a question of fact and degree in every case whether a sufficient trade connection exists."

We have no hesitation in accepting the meaning given to the expression "trafficking in a trade mark" by Dillon, L.J., and Lord Brightman."



29. Learned senior counsel for the plaintiff emphasised that the plaintiff's use of the SU-KAM mark for the inverter business was not pursuant to any licence from the defendant no.1, but in its own right as a proprietor of the mark. He pointed out that at the time of execution of the alleged TMLA, the licence was not for use of the SU-KAM trademark for the inverter business but in respect of Cable TVs and related goods and services.

30. Learned senior counsel for plaintiff contended, in any event, that when the BT Agreement was executed, the mark Su-Kam was unregistered and only ownership of the goodwill in the existing business of defendant no.1 or goods which used the Su-Kam mark, under licence from defendant no.1, could have been transferred under the BT Agreement. He emphasised that the only business which the erstwhile partnership was engaged in, at that time, was the business of Cable TV and that the defendant no.1 did not own any goodwill in the trade mark Su-Kam in relation to the inverter business. He therefore contended that the statement in the BT Agreement could, at the most, refer to ownership of the trade mark Su-Kam in relation to the Cable TV business.

31. Learned senior counsel for plaintiff stated that the terms of BT Agreement stipulated that the Su-Kam would remain the property of defendant no.1 and royalty in respect of the same would be decided between the plaintiff and defendant no.1. He stated that admittedly no royalty for the use of the brand Su-Kam had ever been paid by the plaintiff.



32. Learned senior counsel for the plaintiff further stated that the Deed of Assignment dated 16th March, 2006, was invalid as it had been executed by the defendant no.1 on behalf of both, the assignor and the assignee and such act of the defendant no.1 was contrary to the duties placed on the Director of a company under Section 166 of the Companies Act, 2013. He reiterated that the Deed of Assignment had never been acted upon by the defendant no.1 and a request for recordal of assignment was filed belatedly by the defendant no.1 on 18th July, 2018, only i.e. after a gap of twelve years, which showed his *mala fides*.

33. Learned senior counsel for the plaintiff submitted that the execution of Deed of Assignment was not authorised by the Board of Directors on account of lack of proper quorum for the Board Meeting. He stated that three members were present for the Board meeting on 20th March, 2006, i.e. defendant no.1, Mrs. Geeta Sachdeva (wife of defendant no.1) and Mr. Nagender Bajaj. He contended that as defendant no.1 and Mrs. Geeta Sachdeva were interested Directors, they could not “*take part in the discussions of or vote on*” in accordance with the mandate of Section 300 of the Companies Act, 1956. He submitted that due to defendant no.1 and his wife’s participation in the Board Meeting on 20th March, 2006 any resolution passed in the said meeting cannot be relied or acted upon.

SUR-REJOINDER AND REPLY

34. At the fag end of the rejoinder arguments, learned counsel for defendant no.1 filed an application under Order VI Rule 17 CPC for



amendment of the written statement incorporating the plea that the present suit was barred by limitation. Learned counsel for defendant no.1 submitted that the present application for amendment was necessitated in view of the amendment of the prayer clause by the plaintiff. The said amendment application was allowed vide order dated 23rd August, 2019 without prejudice to the rights and contentions of either of the parties.

35. In sur-rejoinder, learned senior counsel for defendant no.1 submitted that the prayer regarding invalidity of the Deed of Assignment dated 16th March, 2006 was barred by limitation as the same could not be raised thirteen years after its execution because Entry 58 of the Schedule to the Limitation Act, 1963 stipulated that the limitation for obtaining a declaration stating that the document is invalid is limited to *“three years from when the right to sue accrued”*.

36. According to learned senior counsel for defendant no.1, in the present case the right to sue would accrue from the date the Deed of Assignment was entered i.e. 16th March, 2006. Hence, he submitted that the relief claimed by the plaintiff with regard to the declaration of invalidity of the Deed of Assignment was barred by limitation.

37. He lastly submitted that plaintiff's arguments with regard to lack of quorum and interested directors were irrelevant and should not be examined by this Court as it was not mandatory for the Board of Directors to approve/sanction the Deed of Assignment.

38. In reply, Mr. Amit Sibal, learned senior counsel for the plaintiff submitted that the right to sue accrued in favour of plaintiff only in 2018 when defendant no.1 denied plaintiff's title to the SU-KAM



marks in Class 9 of the Trade Marks Act, 1999 and claimed ownership before the Interim Resolution Professional. This according to him resulted in the general public being deterred from submitting resolution plans for plaintiff and consequently, only one resolution plan had been received and that too from defendant no.1. Plaintiff also placed reliance on Sections 31 and 34 of the Specific Relief Act, 1963.

COURT'S REASONING

UNDER RULE 3 OF ORDER XIII-A CPC THERE WILL BE 'NO REAL PROSPECT OF SUCCESSFULLY DEFENDING THE CLAIM' WHEN THE COURT IS ABLE TO MAKE THE NECESSARY FINDING OF FACT, APPLY THE LAW TO THE FACTS, AND THE SAME IS A PROPORTIONATE, MORE EXPEDITIOUS AND LESS EXPENSIVE MEANS TO ACHIEVE A FAIR AND JUST RESULT.

39. The Commercial Courts Act, 2015 has been enacted with the intent to improve efficiency and reduce delay in disposal of commercial cases. The relevant portion of the Statement of Objects and Reasons of the Commercial Courts Act, 2015 is reproduced hereinbelow:-

“to have a streamlined procedure which is to be adopted for the conduct of cases in the Commercial Courts and in the Commercial Divisions by amending the Code of Civil Procedure 1908, so as to improve the efficiency and reduce delays in disposal of commercial cases. The proposed case management system and provisions for summary judgment will enable disposal of commercial disputes in a time bound manner.”

(emphasis supplied)



40. Amended Order XIII A of CPC, as applicable to commercial disputes, enables the Court to decide a claim or part thereof without recording oral evidence. Order XIII A of CPC seeks to avoid the long drawn process of leading oral evidence in certain eventualities. Consequently, the said provision enables disposal of commercial disputes in a time bound manner and promotes the object of the Commercial Courts Act, 2015.

41. Rule 3 of Order XIII-A of CPC empowers the Court to grant a summary judgment against a defendant where on an application filed in that regard, the Court considers that the defendant has no real prospect of successfully defending a claim, and there is no other compelling reason why the claim should not be disposed of before recording of oral evidence. Order XIII A (3) of CPC, as applicable to commercial disputes, is reproduced hereinbelow:-

“3. Grounds for summary judgment.—The Court may give a summary judgment against a plaintiff or defendant on a claim if it considers that—

(a) the plaintiff has no real prospect of succeeding on the claim or the defendant has no real prospect of successfully defending the claim, as the case may be; and

(b) there is no other compelling reason why the claim should not be disposed of before recording of oral evidence.”

(emphasis supplied)

42. Consequently, the new Rule, applicable to commercial disputes, demonstrates that trial is no longer the default procedure/norm.

43. Rule 24.2 of Civil Procedure Rules in England is identical to Rule 3 of Order XIII A of CPC. It refers to the words ‘no real



prospect’ of being successful or succeeding. Rule 24.2 of Civil Procedure Rules in England is reproduced hereinbelow:-

“24.2 The court may give summary judgment against a claimant or defendant on the whole of a claim or on a particular issue if–

(a) it considers that–

(i) that claimant has no real prospect of succeeding on the claim or issue; or

(ii) that defendant has no real prospect of successfully defending the claim or issue;’ and

(b) there is no other reason why the case or issue should be disposed of at a trial.”

(emphasis supplied)

44. While deciding the test for summary judgment under Rule 24.2, House of Lords in ***Three Rivers District Council and Others vs. Governor and Company of the Bank of England*** [2003] 2 A.C. 1, reiterated the observation in ***Swain v Hillman*** [2001] 1 All ER 91 that the word ‘*real*’ distinguishes ‘*fanciful*’ prospects of success and it directs the Court to examine whether there is a ‘*realistic*’ as opposed to a ‘*fanciful*’ prospect of success. The House of Lords in ***Three Rivers District Council*** (supra) also held that the Court while considering the words ‘*no real prospect*’ should look to see what will happen at the trial and that if the case is so weak that it has no reasonable prospect of success, it should be stopped before great expenses are incurred. The relevant portion of the ***Three Rivers District Council*** (supra) judgment is reproduced hereinbelow:-



“[90] The test which Clarke J applied, when he was considering whether the claim should be struck out under RSC Ord 18, r 19, was whether it was bound to fail: see p 171 of the third judgment. Mr Stadlen submitted that the court had a wider power to dispose summarily of issues under CPR Part 24 than it did under RSC Ord 18, r 19, and that critical issue was now whether, in terms of CPR rule 24.2(a)(i), the claimants had a real prospect of succeeding on the claim. As to what these words mean, in Swain v Hillman [2001] 1 All ER 91, 92, Lord Woolf MR said:

“Under r 24.2, the court now has a very salutary power, both to be exercised in a claimant's favour or, where appropriate, in a defendant's favour. It enables the court to dispose summarily of both claims or defences which have no real prospect of being successful. The words ‘no real prospect of being successful or succeeding’ do not need any amplification, they speak for themselves. The word ‘real’ distinguishes fanciful prospects of success or, as Mr Bidder QC submits, they direct the court to the need to see whether there is a ‘realistic’ as opposed to a ‘fanciful’ prospect of success.”

[91] The difference between a test which asks the question “is the claim bound to fail?” and one which asks “does the claim have a real prospect of success?” is not easy to determine. In Swain v Hillman, at p 4, Lord Woolf explained that the reason for the contrast in language between rule 3.4 and rule 24.2 is that under rule 3.4, unlike rule 24.2, the court generally is only concerned with the statement of case which it is alleged discloses no reasonable grounds for bringing or defending the claim. In Monsanto plc v Tilly The Times, 30 November 1999; Court of Appeal (Civil Division) Transcript No 1924 of 1999; Stuart Smith LJ said that rule 24.2 gives somewhat wider scope for dismissing an action or defence. In Taylor v Midland Bank Trust Co Ltd 21 July 1999 he said that, particularly in the light of the CPR, the court should look to see what will happen at the trial and that, if the case is so weak that it had no reasonable prospect



of success, it should be stopped before great expense is incurred.

[92] The overriding objective of the CPR is to enable the court to deal with cases justly: rule 1.1. To adopt the language of article 6(1) of the European Convention for the Protection of Human Rights and Fundamental Freedoms with which this aim is consistent, the court must ensure that there is a fair trial. It must seek to give effect to the overriding objective when it exercises any power given to it by the Rules or interprets any rule: rule 1.2. While the difference between the two tests is elusive, in many cases the practical effect will be the same. In more difficult and complex cases such as this one, attention to the overriding objective of dealing with the case justly is likely to be more important than a search for the precise meaning of the rule. As May LJ said in *Purdy v Cambran* (unreported) 17 December 1999: Court of Appeal (Civil Division) Transcript No 2290 of 1999:

“The court has to seek to give effect to the overriding objective when it exercises any powers given to it by the rules. This applies to applications to strike out a claim. When the court is considering, in a case to be decided under the Civil Procedure Rules, whether or not it is just in accordance with the overriding objective to strike out a claim, it is not necessary to analyse that question by reference to the rigid and overloaded structure which a large body of decisions under the former rules had constructed.”

[93] In *Swain v Hillman* Lord Woolf MR gave this further guidance:

“It is important that a judge in appropriate cases should make use of the powers contained in Part 24. In doing so he or she gives effect to the overriding objectives contained in Part 1. It saves expense; it achieves expedition; it avoids the court's resources being used up



on cases where this serves no purpose, and, I would add, generally, that it is in the interests of justice. If a claimant has a case which is bound to fail, then it is in the claimant's interests to know as soon as possible that that is the position. Likewise, if a claim is bound to succeed, a claimant should know this as soon as possible ... Useful though the power is under Part 24, it is important that it is kept to its proper role. It is not meant to dispense with the need for a trial where there are issues which should be investigated at the trial. As Mr Bidder put it in his submissions, the proper disposal of an issue under Part 24 does not involve the judge conducting a mini trial, that is not the object of the provisions; it is to enable cases, where there is no real prospect of success either way, to be disposed of summarily.” (See [2001] 1 All ER 91 AT 94-95.)

(emphasis supplied)

45. The Supreme Court of Canada in **Robert Hryniak v. Fred Mauldin and Ors**, 2014 SCC OnLine Can SC 53 has also held that trial should not be the default procedure. In the said case, which was an action for civil fraud against the appellant and a corporate lawyer, who acted for the appellant, the allegation was that the appellant, through that company, had transferred more than US \$10 million to an offshore bank following which he claimed that the money had been stolen. That money had initially been transferred to the appellant's company, by the respondents therein, in respect of an investment opportunity.

46. The Trial Court as well as the Court of Appeal considered Rule 20 of the Ontario Rules of Civil Procedure (RCP) and the appropriate standard of review in granting a summary judgment. Rule 20 of RCP reads as: “....(1) The court shall grant a summary judgment if, (a) the



court is satisfied that there is no genuine issue requiring a trial with respect to a claim or defence; or (b) the parties agree to have all or part of the claim determined by a summary judgment and the court is satisfied that it is appropriate to grant summary judgment. (2.1) In determining under clause (2)(a) whether there is a genuine issue requiring a trial, the court shall consider the evidence submitted by the parties.....”. It is pertinent to mention that the amendments to the RCP in December 2008 changed the test from “*a genuine issue for trial*” to whether “*there is a genuine issue requiring trial*”. The case was thereafter referred to the Supreme Court of Canada by way of an appeal from the Court of Appeal.

47. The Supreme Court of Canada, despite allegation of fraud, did not exercise the power to record oral evidence. Instead, the Court granted summary judgment in favour of the respondents/plaintiff on the basis of the material/pleadings already available with it. The Court held that there is no genuine issue requiring a trial when the judge is able to reach a fair and just determination on the merits on a motion for summary judgment. The Court further held that that is the case when the process allows the judge to make necessary findings of fact, allows the judge to apply the law to such facts and when such a process is proportionate, more expeditious and a less expensive means of achieving a just result. Consequently, when a summary judgment motion allows the judge to find the necessary facts and resolve the dispute, it would not be necessary to proceed to trial. In this regard the standard for fairness is whether or not the procedure involved in a summary judgment would give the judge the confidence to find



necessary facts and apply the relevant legal principles to resolve the dispute. The relevant portion of the said judgment is reproduced hereinbelow:-

“[8] More than a decade ago, a group of American investors, led by Fred Mauldin (the Mauldin Group), placed their money in the hands of Canadian “traders”. Robert Hryniak was the principal of the company Tropos Capital Inc., which traded in bonds and debt instruments; Gregory Peebles, is a corporate-commercial lawyer (formerly of Cassels Brock & Blackwell) who acted for Hryniak, Tropos and Robert Cranston, formerly a principal of a Panamanian company, Frontline Investments Inc.

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[11] Beyond a small payment of US\$9,600 in February 2002, the Mauldin Group lost its investment.

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[14] The motion judge concluded that a trial was not required against Hryniak. However, he dismissed the Mauldin Group's motion for summary judgment against Peebles, because that claim involved factual issues, particularly with respect to Peebles' credibility and involvement in a key meeting, which required a trial. Consequently, he also dismissed the motion for summary judgment against Cassels Brock, as those claims were based on the theory that the firm was vicariously liable for Peebles' conduct.

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[19] The Court of Appeal concluded that, given its factual complexity and voluminous record, the Mauldin Group's action was the type of action for which a trial is generally required. There were numerous witnesses, various theories of liability against multiple defendants, serious credibility



issues, and an absence of reliable documentary evidence. Moreover, since Hryniak and Peebles had cross claimed against each other and a trial would nonetheless be required against the other defendants, summary judgment would not serve the values of better access to justice, proportionality, and cost savings.

[20] Despite concluding that this case was not an appropriate candidate for summary judgment, the Court of Appeal was satisfied that the record supported the finding that Hryniak had committed the tort of civil fraud against the Mauldin Group, and therefore dismissed Hryniak's appeal.

[21] In determining the general principles to be followed with respect to summary judgment, I will begin with the values underlying timely, affordable and fair access to justice. Next, I will turn to the role of summary judgment motions generally and the interpretation of Rule 20 in particular. I will then address specific judicial tools for managing the risks of summary judgment motions.

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IV. Analysis

A. Access to Civil Justice: A Necessary Culture Shift

[23] This appeal concerns the values and choices underlying our civil justice system, and the ability of ordinary Canadians to access that justice. Our civil justice system is premised upon the value that the process of adjudication must be fair and just. This cannot be compromised.

[24] However, undue process and protracted trials, with unnecessary expense and delay, can prevent the fair and just resolution of disputes. The full trial has become largely illusory because, except where government funding is available, ordinary Canadians cannot afford to access the



adjudication of civil disputes. The cost and delay associated with the traditional process means that, as counsel for the intervener the Advocates' Society (in Bruno Appliance) stated at the hearing of this appeal, the trial process denies ordinary people the opportunity to have adjudication. And while going to trial has long been seen as a last resort, other dispute resolution mechanisms such as mediation and settlement are more likely to produce fair and just results when adjudication remains a realistic alternative.

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[34] The summary judgment motion is an important tool for enhancing access to justice because it can provide a cheaper, faster alternative to a full trial. With the exception of Quebec, all provinces feature a summary judgment mechanism in their respective rules of civil procedure. Generally, summary judgment is available where there is no genuine issue for trial.

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[42] Rule 20.04 now reads in part:

20.04 ...

(2) [General] The court shall grant summary judgment if,
 (a) the court is satisfied that there is no genuine issue requiring a trial with respect to a claim or defence; or
 (b) the parties agree to have all or part of the claim determined by a summary judgment and the court is satisfied that it is appropriate to grant summary judgment.
 (2.1) [Powers] In determining under clause (2)(a) whether there is a genuine issue requiring a trial, the court shall consider the evidence submitted by the parties and, if the determination is being made by a judge, the judge may exercise any of the following powers for the purpose, unless it is in the interest of justice for such powers to be exercised only at a trial:



1. Weighing the evidence.
2. Evaluating the credibility of a deponent.
3. Drawing any reasonable inference from the evidence.

(2.2) [Oral Evidence (Mini-Trial)] A judge may, for the purposes of exercising any of the powers set out in sub-rule (2.1), order that oral evidence be presented by one or more parties, with or without time limits on its presentation.

[43] The Ontario amendments changed the test for summary judgment from asking whether the case presents “a genuine issue for trial” to asking whether there is a “genuine issue requiring a trial”. The new rule, with its enhanced fact-finding powers, demonstrates that a trial is not the default procedure. Further, it eliminated the presumption of substantial indemnity costs against a party that brought an unsuccessful motion for summary judgment, in order to avoid deterring the use of the procedure.

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[49] There will be no genuine issue requiring a trial when the judge is able to reach a fair and just determination on the merits on a motion for summary judgment. This will be the case when the process (1) allows the judge to make the necessary findings of fact, (2) allows the judge to apply the law to the facts, and (3) is a proportionate, more expeditious and less expensive means to achieve a just result.

[50] These principles are interconnected and all speak to whether summary judgment will provide a fair and just adjudication. When a summary judgment motion allows the judge to find the necessary facts and resolve the dispute, proceeding to trial would generally not be proportionate, timely or cost effective. Similarly, a process that does not give a judge confidence in her conclusions can never be the proportionate way to resolve a dispute. It bears reiterating that the standard for fairness is not whether the procedure is as exhaustive as a trial, but whether it gives the judge



confidence that she can find the necessary facts and apply the relevant legal principles so as to resolve the dispute.”

(emphasis supplied)

48. In fact, the Federal Court Ottawa, Ontario in ***Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.***, 2011 FC 776 and High Court of Ireland in ***Abbey International Finance Ltd. v. Point Ireland Helicopters Ltd. Anr***, [2012] IEHC 374, have held that even damages as well as unliquidated compensation can be awarded by way of summary judgment. The relevant portion of the said judgments are reproduced hereinbelow:-

A. ***Louis Vuitton Malletier S.A. v. Singga Enterprises (Canada) Inc.*** (supra):-

“[96] Further, the British Columbia Court of Appeal has confirmed that if the judge on a Rule 18A application can find the facts as he or she would upon a trial, the judge should give judgment, unless to do so would be unjust, regardless of complexity or conflicting evidence. In determining whether summary trial is appropriate, the court should consider factors such as the amount involved, the complexity of the matter, its urgency, any prejudice likely to arise by reason of delay, the cost of taking the case forward to a conventional trial in relation to the amount involved, the course of the proceedings and any other matters that arise for consideration. See *Inspiration Management Ltd. V McDeermind St. Lawrenc Ltd.* (1989), 36 B.C.L.R. (2d) 202, [1989] B.C.J. No.1003 at paragraphs 48 and 53-57 (C.A.).

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[98] In this case, it is my view that summary trial judgment is appropriate, having regard to all of the evidence and jurisprudence. The British Columbia Supreme Court has



itself granted judgment on summary trial in cases of the manufacture, importation, distribution, sale and offer for sale of counterfeit goods, even in cases with multiple defendants, a complex fact pattern, numerous investigations and affidavits, and relatively large damage awards, thereby confirming the appropriateness of doing so. See Louis Vuitton Malletier S.A. et al. v 486353 B.C. Ltd. et al., 2008 BCSC 799, [2008] B.C.W.L.D. 5075 at paragraphs 42-48.”

(emphasis supplied)

B. *Abbey International Finance Ltd. V. Point Ireland Helicopters Ltd. Anr.* (supra):-

“15. But is it open to a plaintiff to seek summary judgment in respect of the un-liquidated claims?”

16. I am satisfied that the answer to that question is in affirmative. I come to that conclusion by reference to both the inherent jurisdiction of the court and the specific rules which apply to cases transferred to the Commercial List.

17. I can see no reason in either law or logic why a defendant who has no defence to a liquidated claim may be subject to an application for summary judgment, but, not be so in the case of an action seeking unliquidated damages or other substantive reliefs.

18. In proceedings seeking liquidated sums, a defendant has to put his defence on affidavit within a short period of time and have it judicially tested by reference to the – admittedly low-standard of proof which has to be achieved in order to avoid summary judgment. In the absence of an ability to seek summary judgment in a non-liquidated claim an unmeritorious defendant can procrastinate for months or perhaps years. That would be an obvious injustice to a plaintiff in such a case.

19. I believe there to be an inherent jurisdiction in the court to enable a plaintiff to seek summary judgment in such circumstances. It is true that there is no specific provision in the Rules of the superior Courts to enable such an



application to be brought, save in respect of cases in the Commercial List to which I will turn in due course. But the absence of a specific rule should not deny a meritorious plaintiff from speedy relief against an unmeritorious defendant in an appropriate case.”

(emphasis supplied)

49. Consequently, this Court is of the view that when a summary judgment application allows the Court to find the necessary facts and resolve the dispute, proceeding to trial would generally not be proportionate, timely or cost effective. It bears reiteration that the standard for fairness is not whether the procedure is as exhaustive as a trial, but whether it gives the Court the confidence that it can find the necessary facts and apply the relevant legal principles so as to resolve the dispute as held in **Robert Hryniak** (supra).

50. In fact, the legislative intent behind introducing summary judgment under Order XIII A of CPC is to provide a remedy independent, separate and distinct from judgment on admissions and summary judgment under Order XXXVII of CPC.

51. This Court clarifies that in its earlier judgment in **Venezia Mobili (India) Pvt. Ltd. vs. Ramprastha Promoters & Developers Pvt. Ltd. & Ors., 2019 SCC OnLine Del 7761** while deciding two applications, both filed by the plaintiff in the said case (one under Order XII Rule 6 and other under Order XIII A) it had applied the lowest common denominator test under both the provisions of the Code of Civil Procedure and held that the suit could be decreed by way of a summary judgment.



52. Consequently, this Court is of the opinion that there will be ‘*no real prospect of successfully defending the claim*’ when the Court is able to reach a fair and just determination on the merits of the application for summary judgment. This will be the case when the process allows the court to make the necessary finding of fact, apply the law to the facts, and the same is a proportionate, more expeditious and less expensive means to achieve a fair and just result.

AS THE PLAINTIFF HAS GIVEN UP ITS PRAYERS BASED ON FRAUD, THE SUBMISSION THAT SUCH RELIEFS CANNOT BE GRANTED WITHOUT A TRIAL IS OTIOSE.

53. In view of the plaintiff having given up its claims and prayers based on fraud and fabrication by filing an affidavit dated 02nd May, 2019, the submission of defendant no.1 that such reliefs cannot be granted without a trial does not survive.

SINCE THE PLAINTIFF IS THE EXCLUSIVE REGISTERED PROPRIETOR OF THE MARKS SU-KAM IN CLASS 9, THE DEFENDANT NO. 1'S SUBMISSIONS WITH REGARD TO EARLIER TMLA OR BT AGREEMENT AND/OR SUBSEQUENT DEED OF ASSIGNMENT ARE BASELESS AND INCONSEQUENTIAL.

54. In the present case, plaintiff is the registered proprietor of the mark SU-KAM with respect to inverters which falls within the scope of Class 9—in which class admittedly defendant no.1 has no registration. Registration certificates for the marks SU-KAM in favour of the plaintiff in Class 9 of the Trade Marks Act, 1999 along with status pages from Trade Marks Registry's E-Register are reproduced hereinbelow:-



FORM O-2



Intellectual Property India

GOVERNMENT OF INDIA

No. 392606

TRADE MARKS REGISTRY

Trade Marks Act, 1999

Certificate of Registration of Trade Mark, Section 23(2) Rule 62(1)

Trade Mark No. 821727Date 05/10/1998

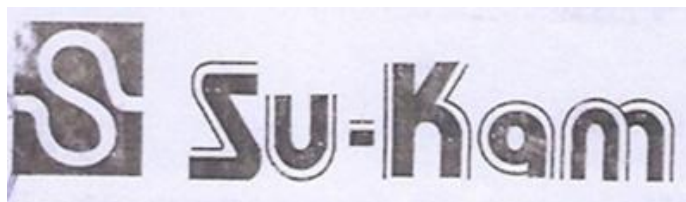
J. No.MEGA(SPL.

Certified that the Trade mark/a representation is annexed hereto has been registered in the name(s) of

SUKAM COMMUNICATION SYSTEMS LTD WZ-1401/2 NANGAL RAYA NEW DELHI-110046 MANUFACTURERS, TRADERS, SUPPLIERS, EXPORTERS

In Class 9 Under No. 821727 as of the Date 05 Oct 1998 in respect of

ELECTRICAL APPARATUS & INSTRUMENTS INVERTERS, CVR-CONSTANT VOLTAGE RECEIVER A UPS

Sealed at my direction this June 22day of 2005

Sd/-

Trade Marks Registry DELHI

Registrar of Trade Marks



(NOT FOR LEGAL USE)

As on Date : 24/09/2018

Status : Registered

[View TM Application](#)

<u>TM Application No.</u>	<u>821727</u>
Class	9
<u>Date of Application</u>	<u>05/10/1998</u>
Appropriate Office	DELHI
State	CHANDIGARH
Country	India
Filing Mode	Branch Office
<u>TM Applied For</u>	<u>SU-KAM (LABEL)</u>
<u>TM Category</u>	<u>TRADE MARK</u>
Trade Mark Type	DEVICE
User Detail	01/10/1986
Certificate Detail	Certificate No. 392606 Dated : 22/06/2005
<u>Valid upto/ Renewed upto</u>	<u>05/10/2028</u>
<u>Proprietor name</u>	<u>(1) SUKAM COMMUNICATION SYSTEMS LTD.</u> <u>Trading As : SUKAM COMMUNICATION SYSTEMS LTD.</u> <u>Body Incorporate</u>
Proprietor Address	WZ-1401/2, NANGAL RAYA, NEW DELHI - 110 046.
Email Id	
Agent name	MARK MOTIVATORS.[249]
Agent Address	A-2/ 259, PASCHIM VIHAR, NEW DELHI - 110 063.
Goods & Service Details	[CLASS : 9] ELECTRICAL APPARATUS & INSTRUMENTS- INVERTORS, CVR-CONSTANT VOLTAGE RECEIVER A UPS - UNINTERRUPTED POWER SUPPLY.
Conditions	REGISTRATION OF THIS TRADE MARK SHALL GIVE NO RIGHT TO THE EXCLUSIVE USE OF THE LETTER S
Publication Details	Published in Journal No. : 9998-1 Dated : 14/06/2003



<u>History/PR Details</u>	<u>REGISTRATION RENEWED FOR A PERIOD OF 10 YEARS FROM 5TH OCTOBER, 2008 ADVERTISED IN JOURNAL NO. 1414</u>						
	<u>REGISTRATION RENEWED FOR A PERIOD OF 10 YEARS FROM 05/10/2018 ADVERTISED IN JOURNAL NO. 1866</u>						
Correspondence & Notices	S.No	Corres. No	Corres. Date	Subject	Despatch No	Despatch Date	
	1	6673588	16/07/2018	O3 NOTICE			View
	2	6928296	01/09/2018	RENEWAL INTIMATION LETTER		01/09/2018	View
Uploaded Documents	S.No	Document description				Document Date	
	1	TM-1				05/10/1998	View
	2	Note Sheet				01/03/2006	View
	3	TM-33				01/03/2006	View
	4	Authorization Document (POA)				01/03/2006	View
	5	Grounds of Opposition				20/11/2014	View
	6	Authorization Document (POA)				20/11/2014	View
	7	Correspondence				11/12/2017	View
	8	TM-P(SUBSEQUENT PROPRIETOR BY WAY OF ASSIGNMENT OR TRANSFER OF A SINGLE MARK)				18/07/2018	View
	9	TM-P(CHANGE NAME OF REGISTERED PROP/USER)				20/07/2018	View
	10	TM-P(ALTER OR SUBSTITUTE OF ADDRESS FOR SERVICE IN INDIA)				20/07/2018	View
	11	Return post				31/07/2018	View
	12	TM-P(ALTER ADDRESS OF REGISTERED PROP/USER)				31/07/2018	View
	13	TM-P(ALTER OR SUBSTITUTE OF ADDRESS FOR SERVICE IN INDIA)				07/08/2018	View
	14	TM-M(REQUEST FOR THE INSPECTION OF THE DOCUMENT UNDER RULE 121)				08/08/2018	View
	15	Letters related to POST REGISTRATION				09/08/2018	View
	16	TM-R(RENEWAL OF TRADE MARK)				17/08/2018	View
	17	Letters related to POST REGISTRATION				28/08/2018	View
	18	TM-M(REQUEST FOR THE INSPECTION OF THE DOCUMENT UNDER RULE 121)				05/09/2018	View



Intellectual Property India

**GOVERNMENT OF INDIA
TRADE MARKS REGISTRY**

Trade Marks Act, 1999

Certificate of Registration of Trade Mark, Section 23(2) Rule 62(1)

Trade Mark No. **1430351** Date **09/03/2006** No.1441

Certified that the Trade mark/a representation is annexed hereto has been registered in the name(s) of

SU-KAM POWER SYSTEMS LTD; A COMPANY INCORPORATED UNDER THE INDIAN COMPANIES ACT 1956, Trading as WZ-1401/2 NANGAL RAYA NEW DELHI-110046 MANUFACTURER, DISTRIBUTOR & MERCHANTS (Body Incorporate)

In Class **9** Under No. **1430351** as of the Date **09 March 2006**

BATTERIES OF DIFFERENT TYPES AND SIZES; CHARGERS FOR BATTERIES OF DIFFERENT TYPES AND ZIES BATTERY WATER, **SOLAR INVERTERS**, CHARGE CONTROLLERS AND POWER CONDITIONING PCB AND OTHER SOLAR ENERGY RELATED PRODUCTS;

As annexed



Sealed at my direction this

05th

day of **February, 2011**

Sd/-

Trade Marks Registry DELHI

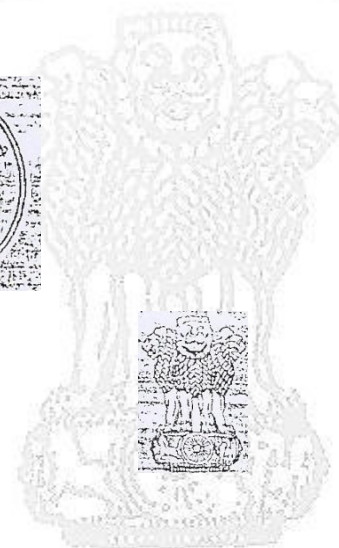
Registrar of Trade Marks



Annexure of Certificate No.925845

Trade Mark No.1430351

Date 09/03/2006



(NOT FOR LEGAL USE)

As on Date: 24/09/2018
Status : Registered

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<u>TM Application No.</u>	<u>1430351</u>
<u>Class</u>	<u>9</u>
<u>Date of Application</u>	<u>09/03/2006</u>
Appropriate Office	DELHI
State	DELHI
Country	India
Filing Mode	Branch Office



<u>TM Applied For</u>	<u>S SU-KAM WITH LABEL</u>					
<u>TM Category</u>	<u>TRADE MARK</u>					
Trade Mark Type	DEVICE					
User Detail	01/10/2003					
Certificate Detail	Certificate No. 925845 Dated : 05/02/2011					
Valid upto/ Renewed upto	09/03/2026					
<u>Proprietor name</u>	<u>(1) SU-KAM POWER SYSTEMS LTD;</u> <u>Body Incorporate</u>					
Proprietor Address	WZ-1401/2, NANGAL RAYA NEW DELHI-110046.					
Email Id						
Agent name	L.S. DAVAR & CO.[245]					
Agent Address	32, RADHA MADHAV DUTTA GARDEN LANE, KOLKATA - 700 010.					
Goods & Service Details	[CLASS : 9] <u>BATTERIES</u> OF DIFFERENT TYPES AND SIZES, CHARGERS FOR BATTERIES OF DIFFERENT TYPES AND SIZES, BATTERY WATER, <u>SOLAR INVERTERS</u> , CHARGE CONTROLLERS AND POWER CONDITIONING UNITS (PCU) AND OTHER SOLAR ENERGY RELATED PRODUCTS"					
Conditions	ASSOCIATION WITH TRADE MARK NO.- 821727.					
Publication Details	Published in Journal No. : 1441-0 Dated : 01/06/2010					
<u>History/PR Details</u>	<u>REGISTRATION RENEWED FOR A PERIOD OF 10 YEARS FROM 09/03/2016 ADVERTISED IN JOURNAL NO. 1735</u>					
<u>Correspondence & Notices</u>	S.No	Corresp. No	Corresp. Date	Subject	Despatch No	Despatch Date
	<u>1</u>	<u>3064311</u>	<u>28/02/2016</u>	<u>RENEWAL INTIMATION LETTER</u>		<u>28/02/2016</u> <u>View</u>
Uploaded Documents	S.No	Document description			Document Date	
	1	Correspondence			22/02/2006	<u>View</u>
	2	Note Sheet			22/02/2006	<u>View</u>
	3	TM-1			09/03/2006	<u>View</u>
	4	Certificate			08/01/2016	<u>View</u>
	5	TM-12			08/01/2016	<u>View</u>



55. From the aforesaid Certificates it is apparent that the plaintiff is the exclusive registered proprietor of the SU-KAM marks for the inverter business in Class 9 of the Trade Marks Act, 1999 and the same had been renewed on 05th October, 2008 and 09th March, 2016 when the defendant no. 1 was in exclusive control and management of the plaintiff-company.

56. Admittedly, till date no rectification application has been filed by defendant no.1 and plaintiff has spent huge amounts of money on expanding its business, advertising and defending the marks by filing suits.

57. The defendant no.1's defence that though it had initially applied for the mark in its name, yet the registration had been granted in plaintiff's favour '*cuts no ice*' as the defendant no.1 was in the management of the plaintiff company right from inception till appointment of resolution professional on 11th May, 2018 and during this period applications for renewal of the said marks had also been filed. It is pertinent to mention that even during arguments learned senior counsel for defendant no.1 repeatedly emphasised that defendant no.1 treated the plaintiff as his alter-ego. Consequently, the defendant no.1 was all throughout aware of the aforesaid two registrations as well as their renewals and as he has not challenged the said registrations till date, his right, if any, in the said marks in Class 9 of the Trade Marks Act, 1999 stands, if not extinguished, at least barred by limitation.

58. Accordingly, as the aforesaid registrations are legal, valid as well as subsisting and in any event as there is no challenge to them



either by way of a substantive suit or a counter-claim by the defendant no.1, the contentions and submissions of defendant no.1 with regard to adoption or licensing by way of TMLA or BT Agreement and/or transfer by way of Deed of Assignment are baseless, irrelevant as well as inconsequential and the plaintiff is the exclusive registered proprietor of SU-KAM marks in Class 9 of the Trade Marks Act, 1999.

AS THE LICENCE GRANTED UNDER TMLA WAS “NON TRANSFERABLE” IN NATURE AND THERE IS NO PLEADING THAT THE ERSTWHILE PARTNERSHIPS WERE ENGAGED IN INVERTER BUSINESS, ANY LICENCE UNDER THE TMLA COULD HAVE BEEN IN RESPECT OF THE GOODWILL ASSOCIATED WITH THE CABLE TV BUSINESS ONLY.

59. Dehors the aforesaid fundamental reasoning, this Court finds that Clause 1 of the TMLA, states that the licence granted was “*non transferable*” in nature. Clause 1 of the TMLA is reproduced hereinbelow:-

“1. The LICENSOR hereby grants to the LICENSEE in accordance with the terms and conditions of this agreement and for the consideration herein mentioned, a non-exclusive, non-transferable, royalty free, revocable license to use the licensed Trademark on or in association with the Licensed Products.”

(emphasis supplied)

60. It is the defendant no.1’s case that the partnership firm, to which the licence was granted, ceased to exist and the business was transferred to the plaintiff. Consequently, the use of the SU-KAM



marks by plaintiff is not derived from, or under any authority of defendant no.1.

61. Further, proceeding on the basis that TMLA is authentic, this Court is of the view that it did not apply to the plaintiff and did not create a licensor-licencee relationship between defendant no.1 and plaintiff as there is no reference to inverter business in the TMLA.

62. Learned senior counsel for defendant no.1 submitted across the bar that language in the TMLA implies inverters. However, there is no pleading in the written statement to the effect that the erstwhile partnerships or defendant no.1 was engaged in inverter business and no evidence can be led beyond or contrary to pleadings.

63. In any event, assuming that the TMLA specifically mentioned "*inverters*" it would then also not help defendant no.1 as defendant no.1 has admitted in the written statement that the two erstwhile partnerships were only conducting cable TV business. There is no plea that they were engaged in any other business, let alone inverters.

64. It is settled law that where a mark is unregistered, as it was at that stage, ownership of the proprietor is not in the trade mark, but in the goodwill associated with the business where the trade mark is used. Since the inverter business was never carried out by the partnership, no goodwill was generated in favour of defendant no.1 for the inverter business. Consequently, any licence under the TMLA could have been a licence in respect of the goodwill associated with the cable TV business only, since that was admittedly the business conducted by the partnership.



65. Accordingly, based on the admissions of defendant no.1 and applicable law, it can safely be said that the TMLA does not cover the inverter business and never was and is not applicable to the plaintiff. Consequently, no purpose will be served by leading oral evidence on whether the TMLA covers the inverter business.

66. The statement in the BT Agreement relied upon by defendant no.1 refers to his existing ownership rights in the partnership. However, this Court is of the view that since no inverter business was carried out by the partnership, there was no existing right pertaining to SU-KAM marks with respect to inverters. Accordingly, the statement in the BT Agreement could, at most, refer to ownership of the trade mark Su-Kam in relation to the Cable TV business. Moreover, as stated hereinabove, in view of the registration certificate dated 22nd June, 2005 and 05th February, 2011 in favour of the plaintiff having come into effect on 05th October, 1998 and 09th March, 2006 respectively, the contrary averment/recital in BT Agreement dated 16th September, 1999, is of no legal consequence.

THE DEED OF ASSIGNMENT IS VOID FOR BREACH OF FIDUCIARY DUTY AND ON ACCOUNT OF LACK OF QUORUM AS THE VOTES OF DEFENDANT NO.1 AND HIS WIFE WOULD HAVE TO BE DISREGARDED FOR BEING INTERESTED DIRECTORS.

67. In the opinion of this Court, the Deed of Assignment is void for breach of fiduciary duty, as it had been executed by defendant no.1, both as assignor and assignee and it purports to transfer the substratum of plaintiff's business to its Director (defendant no. 1) for nominal consideration of Rs. 5,000/- by an alleged recordal twelve years later



and that too after commencement of Corporate Insolvency Resolution Process!

68. The Deed of Assignment is further invalid because it contains statements that the plaintiff-company is the licensee of the defendant no.1, which is falsified by agreement itself, which is for assignment. If the assertion with respect to licence was true, the Deed/Agreement would be for rectification and not for assignment by an owner!

69. The Deed of Assignment is also invalid because it portrays as if the plaintiff had authorised it vide Resolution dated 20th March, 2006; but the same is neither legal nor valid on account of lack of quorum under Section 287 of the Company Act, 1956 as the votes of two out of three Directors namely, defendant no.1 and his wife would have to be disregarded for being beneficiaries/interested Directors by virtue of Section 300 of the Companies Act, 1956. Section 300(1) of the Companies Act, 1956 states as under:-

300. Interested director not to participate or vote in Board's proceedings –(1) No director of a company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.

(emphasis supplied)

70. Moreover, Deed of Assignment is ineffective against plaintiff because it had acquired a conflicting interest in the registered trade mark without the knowledge of assignment or transmission as in the



present case between 16th March, 2006 (i.e. date of execution of Deed of Assignment) and 09th July 2018 (i.e. when the defendant no.1 submitted the Deed of Assignment to the Interim Resolution Professional), there was no assertion or representation by defendant no.1 that plaintiff is not the owner of the SU-KAM mark in Class 9. Consequently, defendant no.1 had always held out plaintiff to be the owner of the SU-KAM marks which the plaintiff believed to be true. In view of this, defendant no.1 is estopped from contending to the contrary and ***Mohori Bibee & Anr. Vs. Dharmodas Ghose, 7 CWN 441*** is not applicable to the present case.

71. It is settled law that defendant no.1 cannot be permitted to take advantage of his own breach of fiduciary duty to divest the company of its substratal asset as held in ***Globe Motors Ltd. Vs. Mehta Teja Singh & Co., 1983 SCC OnLine Del 193***. The relevant portion of the said judgment is reproduced hereinbelow:-

“2. The respondent's case was that an agreement had been entered into with the appellant company which is now under liquidation by means of an agreement dated 1-6-1967 on the terms mentioned therein. In the said agreement it was also stated that any dispute or difference arising in regard to any of the terms contained in the agreement, shall be settled in accordance with the provisions of the Arbitration Act. The application under Section 20 of the Arbitration Act was filed in November, 1973. It may be noted that application for winding up of M/s. Globe Motors Ltd. was moved in March, 1968. Globe motors was having one of its industrial units manufacturing steel under the name of Globe Steels. The agreement purports to appoint the respondents as distributors for the sale and marketing 1/6th of the company's steel products. Objection was taken by the Official Liquidator on various grounds. Broadly the grounds raised were—(i)



whether the application filed under Section 20, of the Arbitration Act was barred by limitation; (ii) whether the agreement dated 1-6-1967 was valid and the next question related to whether the agreement was vitiated on the grounds of fraud and being against the interest of the company. The learned single Judge found all the pleas against the appellant and in favour of the respondents, and has, therefore, directed the matter to be referred to the arbitration. Hence the appeal by the Official Liquidator.

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6. The courts have been very jealous in seeing that the fiduciary relationship of the Directors with the Company is not abused. The Directors have been held to be trustees of the assets of the company and courts have directed them to reimburse the loss to the company where it was found that Directors had applied the Company's money in payment of an improper commission. The strictness with which the courts view the responsibility and the sacredness of the trust reposed in the Directors was emphasised long time back in Imperial Mercantile Credit Assn. v. Coleman, (1873) L.R. 6 H.L. 189) In that case one Coleman broker and a Director of a financial company, had contracted to place a large amount of railway debentures for a commission of 5 percent. He proposed that his company should undertake to place them for a commission of 1-1/2 percent to the company. He was held liable to account of 3-1/2 percent. In so deciding Malins, V.C. made the following observations, which were later on upheld by the House of Lords:—

'It is of the highest importance that it should be distinctly under-stood that it is the duty of Directors of companies to use their best exertions for the benefit of those whose interests are committed to their charge, and that they are bound to disregard their own private interests whenever a regard to them conflicts with the proper discharge of such duty.'



7. These observations were reiterated with approval in Regal v. Gulliver; 1942 (1) All. E.R. 378. In that case an action was brought by the company against the defendants directors to recover from them the sums of money which were alleged to have been profits made by them improperly and against the interest of company. Viscount Sankey, one of the law Lords accepted that the Directors were in a fiduciary position and their liability to account does not depend upon proof of male fide. In holding that the Directors were liable to account for the company the Court observed (p. 383 F) “at all material times they were directors and in a fiduciary position, and they used and acted upon their exclusive knowledge acquired as such directors. They framed resolutions by which they made a profit for themselves. They sought no authority from the company to do so, and by reason of their position and actions they made large profits for which, in my view, they are liable to account to the company.” “The courts in Scotland have treated directors as standing in a fiduciary relationship towards their company and, applying to the equitable principle have made them accountable for profits accruing to them in the course and by reason of their directorship. It will be sufficient to refer to *Huntington Copper Go. v. Henderson*, in which the Lord President cites with approval the following passage from the judgment of the Lord Ordinary:

‘Whenever it can be shown that the trustee has so arranged matters as to obtain an advantage whether in money or money's worth to himself personally through the execution of his trust, he will not be permitted to retain, but be compelled to make it over to his constituent.’ (P. 389 A supra).

8. Thus it cannot be disputed that the fiduciary duties of directors are basically the same as those of other trustees and they are expected to display the utmost good faith towards the company whether their dealings are with the company or on behalf of the company. They should not use the company's money or other property or information or other matters in their possession in their capacity of



directors, in order to gain any advantage to themselves at the expense of the company, and if they make any profit for themselves or cause any damage to the company, they will liable to make good the same to the company. Similar observations were made in the Report of the High-Powered Expert Committee on Companies and MRTP Acts (1978) which succinctly expresses the legal position of the directors as follows:—

‘Directors are appointed to act in the interests of the company and an important area of their legal responsibility stems from the law of trusts—they have a fiduciary relationship with the company. The duties arising from the relationship are well defined viz. to exercise their powers for the benefit of the company, to avoid a conflict of interests, and a duty not to restrict their right (by contract or otherwise) in freely and fully exercise their duties and powers. In addition to their fiduciary duties, directors also owe a duty of care to the company not to act negligently in the management of its affairs the standard being that of a reasonable man looking after his own affairs.’

9. The learned judge in dealing with the aspect whether the company now represented by the Official Liquidator was entitled to avoid the agreement of 1-6-1967, has proceeded on the basis that the same could only be done if fraud in execution of this agreement was proved and further that the way this fraud is to be proved was in the same manner and by the same test as in a civil suit. It is for this reason that the learned Judge seems to have placed over-emphasis on the enumeration of particulars if plea of fraud was to be established. Apart from the fact that this position is not factually correct (as we shall show later) this approach under-estimates the importance of the relationship of the Directors with the company which being fiduciary has to be judged by the tests broadly laid down for judging the conduct of a trustee. In holding the director liable for misfeasance or having worked against the interest of the company it is not



necessary that fraud in the strictest term has to be proved. 'Thus a director may be shown to be so placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of the company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially. If he does so he could be held liable for dereliction of duties undertaken by him and compelled to make good the losses incurred by the company due to his neglect even if he is not shown to be guilty of participating in the commission of fraud (emphasis supplied). It is enough if his negligence is of such a character as to enable frauds to be committed and losses thereby incurred by the company'. (Vide Official Liquidator v. PA. Tendolkar, (1973) 43 Company Cases 382 at 384.

10. A derivative action can be brought against directors who are in control of the company to compel such directors to account to the company for profits made by appropriating for themselves a business opportunity which the company would otherwise have enjoyed. (Vide Pennington's Company Law 4th Edition, page 596).

11. Gower in Company Law 3rd Edition page 526 has noticed that because of the trustee like position of the directors a contract between the company with another firm or partnership of which one of the directors was a partner have been avoided at the instance of the company notwithstanding that its terms were perfectly fair and that in the words of Lord Cranworth L.G. "so strictly is this principle adhered to that no question is allowed to be raised as to the fairness or unfairness of a contract so entered into.....". Thus the contract will be voidable at the instance of a company and any profits made by the Directors personally will be recoverable by the company (page 527 supra).



12. Various remedies could be resorted to by the Company in case of a breach of duties by the Directors. Thus one of the remedies provided to the company is recession of a contract, another is accounting for profits. The liability of the Director may arise out of a contract made between a director and a company. In such a case accounting is a remedy additional to avoidance of contract and is normally available whether or not is there recession, (page 556 supra. Gower).

13. A resume of the law would thus clearly show that no doubt the Companies Act does not forbid a contract being entered into by the company with a firm in which one of the Directors is a partners, it is also true that the respondent Director disclosed his interest in the agreement when the same was approved by the Board of Directors at its meeting held on 15-6-1967. But this fact by itself does not automatically prove that the arrangement which had been entered into by the company was not of such a nature which keeping in view the fiduciary relationship of Mehta Harnam Singh, a director of the company should not have been so entered into, thus giving a right to the company to avoid the contract and to ask for the recovery of the profits made by the Director. The test to be applied in the present case is— had the company been a going concern and had some payments in pursuance of this very agreement been made to the respondents could the company have asked for recession of the contract or in case any payments had been made to the respondent Harnam Singh and others, for the return of the same to the company. If the answer is in the affirmative, the claim of the appellant must succeed.

14. We must now turn to the examination of the agreement to find out whether its terms were such which in the words of the Supreme Court would show that circumstances were such that there could be no other conclusion than that the same was arrived at because of the peculiar position, which the respondent as Director, enjoyed in the company.

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19. It will thus be seen that out of 13 directors who attended the Board meeting on 15-6-1967, 6 of them were interested in three agreements which were approved by the Board on that day. Technically we may accept what is recorded in the minutes of the Board that the Directors had disclosed their interest in the agreement which was being approved and also did not take part in the discussion or voted on the resolution. Though therefore, there may not be any technical objection to these resolutions yet we cannot overlook the patent incongruity of accepting that unbiased mind was brought to bear on the merits of these agreements when almost half of the Board was interested in one or the other agreement. 'In such a case the criticism that this was nothing but mutual backslapping to enrich themselves does not sound improbable. As Gower on Company Law in commenting on such kind of disclosures says—'in marked contrast with the basic equitable principle, the disclosure required is not to the general meeting but to the board. It hardly seems over-cynical to suggest that disclosure to one's cronies is a less effective restraint on self seeking than disclosures to those for whom one is a fiduciary.

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21. The learned single Judge has not accepted that the contract was without consideration. The learned Judge holds that it was a service contract for the purpose of employment to boost sales and because of this service there was a good consideration even to paying Rs. 1 lakh 20 thousand per annum as a minimum fee. Normally if a party undertakes to boost sales and use his expertise for this purpose on some minimum fee it is possible to say that there was a proper consideration for contract. But it was the Official Liquidator's case in reply to the application for arbitration that none of these agencies including the respondents had ever dealt with steel products or had any experience in the line and that this device was fraudulently and collusively adopted to siphon away the company's funds for the individual and personal benefits of the said directors, at a time when the company to their full knowledge was passing



through a financial crisis beginning with July 1966. It was also stated that they had not rendered any service and the agreement had never been acted upon. Infact Shri B. K. Bedi, the Chairman of the company who had negotiated the sales originally was unable to contradict that the plaintiff firm did not secure any business for the company. He also admitted that the firm was not associated with any other steel unit or any other manufacturing unit. He did not know that they had any experience as manufacturer. The control and the influence that these persons could exercise on the whole Board is apparent from his admission that Directors Kirpa Ram Saluja, Narinder Singh Kohli and a few other directors were even on the Finance Committee of the company and this committee had favoured the grant of selling agency to the respondent. Thus it is crystal clear that it is a case where the Board of 13 approved of these agreements, which granted the distribution rights of the company's steel products to 6 of themselves, of course after complying with the formality of disclosing their interest. Had the presence of Directors been the only objection but the terms on which the agreement was entered into showed some kind of fairness and business arrangement normally expected of an ordinary business man, it might have been still possible to uphold the agreement. But the terms incorporated in the agreement leave no manner of doubt that the only interest that was kept in view was the personal benefit and profit of these directors and that too at great cost and to the gross detriment of the interest of the company.

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24. We cannot but hold the terms of the agreement dated 1-6-1967 as approved by the Board were anything but to the detriment of the company. This was an arrangement which was made simply to siphon of Rs. 1 lakh and 20 thousand per annum as a minimum fee to the Directors without doing a single patch of work for the benefit of the company. This the directors were able to do because of their close association and control over the Board of Directors. This was not a case in which only one of the directors was favoured by such



arrangement. Six of the directors out of 13 who attended the meeting were the beneficiaries of the arrangement which was also agreed to by the 7th member who was the chairman of the company. This was a case of such blatant unfairness against the company that as the Supreme Court said that it would be obvious to any one who examines the affairs of the company even superficially that there was not one single redeeming feature in the agreement. In that view the company would have been justified, had any benefit been taken by the respondents to ask for the account and the restoration of the amount. In the present case the respondents chose to claim to have the matter referred to the arbitrator. It is interesting to note that in the statement of claim filed before the arbitrator the respondents have prayed for a payment of Rs. 6 lakhs which is worked out at the rate of 10,000/- per month for 5 years, no suggestion of having done any work is even mentioned. This also would show the untenable nature of the arrangement so far as the company was concerned. This agreement is patently against the interest and benefit of the company.

25. We would, therefore, hold that this agreement was vitiated and void and the official liquidator representing the company is entitled to ask for its recession. As we are satisfied that this agreement of 1-6-1967 which was approved by the Board of Directors on 15-6-1967 was not in the interest and benefit of the company the same is, therefore, liable to be avoided by the Official Liquidator. In that view of the matter as the agreement is held not to be subsisting, being void, and as the arbitration clause forms a part of the agreement will naturally not survive. The effect would be that there is no existing arbitration agreement and the respondents cannot ask for the matter to be referred to arbitration.”

(emphasis supplied)

72. Consequently, the Deed of Assignment is void for breach of fiduciary duty.



**SINCE RECORDAL OF DEED OF ASSIGNMENT IS MANDATORY,
DEFENDANT NO.1 CANNOT RELY ON THE SAID DOCUMENT**

73. Assuming that the Deed of Assignment is valid, this Court is of the view that recordal of the said Deed is mandatory, as held by a Coordinate Bench of this Court in ***Ramaiah Life Style Cafe vs. Eminent Entertainment & Ors., CS(COMM)1433/2016***, as admittedly the amended Section 45 of the Trade Marks Act applies to the present case. In distinguishing Section 45 as it presently stands, from the pre-amendment version of Section 45, a Coordinate Bench of this Court observed in the aforesaid case that non-compliance of mandatory requirement to record assignments would amount to flouting the law. It was held that any person not complying with the mandatory provision cannot take benefit despite such non-compliance. The relevant portion of the said judgment is reproduced hereinbelow:-

“17. Section 45 as it existed at the time of Sun Pharmaceuticals Industries Limited supra as under:

“45. 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 and on proof of title to his satisfaction, 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 the assignment or transmission to be entered on the register: Provided that 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.



(2) Except for the purpose of an application before the Registrar under sub-section (1) or an appeal from an order thereon, or an application under section 57 or an appeal from an order thereon, a document or instrument in respect of which no entry has been made in the register in accordance with subsection (1), shall not be admitted in evidence by the Registrar or the Appellate Board or any court in proof of title to the trade mark by assignment or transmission unless the Registrar or the Appellate Board or the court, as the case may be, otherwise directs.”

has w.e.f. 8th July, 2013 been substituted by the Trade Marks (Amendment) Act (40) of 2010 as under:

“45. 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.”

18. It needs to be considered whether Section 45 as it now stands requires re-consideration of the view taken in Sun Pharmaceuticals Industries Limited supra.

19. Sub-section (4) of Section 45 of the Trade Marks Act as it now stands is new. It makes the assignment ineffective against a person acquiring a conflicting interest in or under the registered trade mark without the knowledge of assignment or transmission. The defendants herein have however not acquired any conflicting interest in or under the registered trade mark.

20. There are certain other differences in Section 45 pre and post the amendment thereof w.e.f. 8th July, 2013. While under the sub-section 45(2) as it stood prior to the amendment w.e.f. 8th July, 2013, a document or instrument in respect of which no entry had been made in the register in accordance with the sub-section (1) was to be not admitted in evidence by any Court in proof of title to the trade mark by a assignment or transmission unless the Court otherwise directed, in the amended Section 45 such impediment on the Court has been removed. The amended Section 45 also grants liberty to the Registrar, Trade Marks to require the applicant to furnish evidence or further evidence in proof of title if entertains any doubt. It follows that while the prohibition contained on admission into evidence of a deed of assignment if not entered in the register has been removed, power has been given to the Registrar to ask applicant to furnish evidence or further evidence in proof of title under the deed of assignment or transmission of a registered trade mark.

21. The said changes in Section 45 however do not call for a change in the view taken in Sun Pharmaceuticals Industries



Limited supra. I may however record that the Division Bench of the High Court of Bombay in Parksons Cartamundi Pvt. Ltd. Vs. Suresh Kumar Jasraj Burad 2012 SCC OnLine Bom 438 has held that though prior to the amendment registration of assignment under Section 45 could not be said to be a mere formality but is so after the amendment.

22. One thing which is however clear as a day light on a reading of Section 45 is that registration of assignment under Section 45 is mandatory. This is evident from the use of the word „Shall“ in Section 45(1).

23. Thus it is mandatory for a assignee of a registered trade mark to apply in the prescribed manner to the Registrar, Trade Marks to register his title thereto.

24. Seen in this light what distinguishes the present case from Sun Pharmaceuticals Industries Limited supra and the judgments relied upon therein is that while in all those cases the plaintiff had applied to the Registrar, Trade Marks for registration of his title to the trade mark by assignment or transmission and non-registration was not attributable to any default on the part of the plaintiff therein, the plaintiff herein for the last nearly eight years from the date of the claimed assignment and for the last nearly five years since the admitted knowledge of claimed infringement has not even applied to the Registrar of the Trade Marks for registering the assignment of trade mark in its favour. The possibility of the plaintiff not doing so for reasons not spelled out before this Court cannot be ruled out. The fact that the plaintiff has not chosen to make M/s Ramaiah Developers & Builders (P) Ltd. as a party to this suit also raises doubt as to the validity of the assignment, on the basis whereof this suit for infringement has been filed.

25. Even otherwise, I am of the opinion that if this Court inspite of such delays and neglect on the part of the plaintiff grants to the plaintiff all the benefits and privileges to which a registered proprietor is entitled to, the same would amount



to this Court allowing mandatory provisions of the statute to be flouted and/or not penalising the plaintiff therefor, making the statutory provisions otiose.”

(emphasis supplied)

74. Consequently, defendant no.1 cannot rely on a document that was mandatory to register. Further, in **Sun Pharmaceuticals Industries Limited** (supra) application for recordal was filed in 2000 for a 1998 assignment and delay in recordal was by the trade marks registry, whereas in the present case the application for recordal is made after more than twelve years, after commencement of Corporate Insolvency Resolution Process, on 18th July, 2018.

DEFENDANT NO.1 IS ESTOPPED FROM LEADING EVIDENCE OF HIS TITLE TO THE SU-KAM MARKS IN RESPECT OF CLASS 9, IN VIEW OF HIS REPRESENTATIONS THAT THE PLAINTIFF IS THE EXCLUSIVE OWNER.

75. This Court is also of the opinion that defendant no.1 is estopped from leading evidence of his title to the SU-KAM marks in respect of Class 9, in view of his representations to the plaintiff and the world at large that the plaintiff is the exclusive owner, on which plaintiff had relied by expanding its business and by spending money on advertisements and promoting its business under the impugned mark.

76. In fact, just seven days before the Deed of Assignment plaintiff applied for registration of mark (i.e. on 09th March, 2006) and just fifteen days after, defendant no.1 held out to plaintiff and Reliance India Power Fund (i.e. on 31st March, 2006) that the company was the owner of the trade mark in question. Though the Share Subscription



Cum Shareholders Agreement gives status of trademarks and registrations in an annexure being Exhibit H as on 27th February, 2006, yet the covenant in the said Agreement dated 31st March, 2006 clearly stipulates that all products and names listed in Exhibit H are owned and held by the plaintiff company and “All rights to Intellectual Property are owned exclusively by the Company (Plaintiff), free and clear of any encumbrances, and no other person has any right or interest in or license to use or right to license others to use any of them.”

77. In any event, the SU-KAM marks with respect to inverters in Class 9 of the Trade Marks Act, 1999 were subsequently renewed by the plaintiff-company on 05th October, 2008 and 09th March, 2016 when defendant no. 1 was in its control and management.

78. A suit had also been filed in 2015 for infringement of the SU-KAM marks by the plaintiff when the defendant no.1 was the Managing Director of the plaintiff company and held more than eighty per cent of its shares. In the said suit, filed under the aegis of defendant no.1, plaintiff was identified as the owner of the SU-KAM marks. Plaintiff then under the exclusive management and control of defendant no.1 had averred in the said plaint, “The plaintiff was the first company in India that started a system for power backup in India....the products launched by the plaintiff under the mark SU-KAM have acquired a high degree of distinctiveness in the country due to continuous, extensive and popular use since a long uninterrupted period of more than 25 years making it a well-known mark. Resultantly, the mark SU-KAM is today perceived by the



general public as well as by members of the trade as originating from plaintiff and no one else. It is submitted that by virtue of the aforementioned long, continuous and extensive use of the trademark SU-KAM and other related trademarks with the aforesaid trademark registrations for the same in favour of plaintiff, plaintiff has acquired both common law rights as well as statutory rights over exclusive use of the mark SU-KAM”.

79. If the erstwhile partnerships had commenced the inverter business and defendant no.1 was resultantly the owner of the SU-KAM trade mark for inverters, these statements could not have been made.

80. Further, when defendant no.1 submitted his bid for the plaintiff company during the ongoing insolvency proceedings, he had relied upon a brand valuation report dated 03rd March, 2015 undertaken by Ernst and Young which identified plaintiff-company to be the owner of the SU-KAM marks.

81. The Supreme Court in **B.L. Sreedhar & Ors. Vs. K.M. Munireddy & Ors., (2003) 2 SCC 355** has held that if a man either by words or by his conduct intimates that he consents to an act, he cannot question the legality of the act to the prejudice of those who have so given faith to his words or to the fair inference to be drawn from his conduct. The relevant portion of **B.L. Sreedhar** (supra) is reproduced hereinbelow:-

“13. Estoppel is a rule of evidence and the general rule is enacted in Section 115 of the Indian Evidence Act, 1872 (in short “the Evidence Act”) which lays down that when one person has by his declaration, act or omission caused or permitted another person to



believe a thing to be true and to act upon that belief, neither he nor his representative shall be allowed in any suit or proceeding between himself and such person or his representative to deny the truth of that thing. (See Sunderabai v. Devaji Shankar Deshpande [AIR 1954 SC 82] .)

14. “*Estoppel is when one is concluded and forbidden in law to speak against his own act or deed, yea, though it be to say the truth*” — Co Litt 352(a), cited in *Ashpitel v. Bryan* [(1863) 3 B & S 474 : 122 ER 179 : 32 LJQB 91] B & S at p. 489; *Simm v. Anglo American Telegraph Co.* [(1879) 5 QBD 188 : 49 LJQB 392 : 42 LT 37 (CA)] , per Bramwell, L.J. at p. 202; Halsbury, Vol. 13, para 488. So there is said to be an estoppel where a party is not allowed to say that a certain statement of fact is untrue, whether in reality it be true or not. Estoppel, or conclusion, as it is frequently called by the older authorities, may therefore be defined as a disability whereby a party is precluded from alleging or proving in legal proceedings that a fact is otherwise than it has been made to appear by the matter giving rise to that disability. (Halsbury, Vol. 13, para 448) The rule on the subject is thus laid down by Lord Denman, in *Pickard v. Sears* [(1837) 6 Ad & El 469 : 112 ER 179] Ad & E at p. 474: ER p. 181

“*But the rule of law is clear, that, where one by his words or conduct wilfully causes another to believe the existence of a certain state of things, and induces him to act on that belief, so as to alter his own previous position, the former is concluded from averring against the latter a different state of things as existing at the same time;*”

“*The whole doctrine of estoppel of this kind, which is a fictitious statement treated as true, might have been founded in reason, but I am not sure that it was. There is another kind of estoppel — estoppel by representation — which is founded upon reason and it is founded upon decision also.*” Per Jessel, M.R. in *General Finance & Co. v. Liberator* [(1878) 10 Ch D 15 : (1874-80) All ER Rep Ext 1597 : 39 LT 600] , Ch D at p. 20.



See also in *Simm v. Anglo American Telegraph Co.* [(1879) 5 QBD 188 : 49 LJQB 392 : 42 LT 37 (CA)] , QBD at p. 202 where *Bramwell, L.J.* said “An estoppel is said to exist where a person is compelled to admit that to be true which is not true, and to act upon a theory which is contrary to the truth.”

15. On the whole, an estoppel seems to be when, in consequences of some previous act or statement to which he is either party or privy, a person is precluded from showing the existence of a particular state of facts. Estoppel is based on the maxim *allegans contraria non est audiendus* (a party is not to be heard to allege the contrary) and is that species of presumption *juries et de jure* (absolute or conclusive or irrebuttable presumption), where the fact presumed is taken to be true, not as against all the world, but against a particular party, and that only by reason of some act done, it is in truth a kind of *argumentum ad hominem*.

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18. Though estoppel is described as a mere rule of evidence, it may have the effect of creating substantive rights as against the person estopped. An estoppel, which enables a party as against another party to claim a right of property which in fact he does not possess is described as estoppel by negligence or by conduct or by representation or by holding out ostensible authority.

19. Estoppel, then, may itself be the foundation of a right as against the person estopped, and indeed, if it were not so, it is difficult to see what protection the principle of estoppel can afford to the person by whom it may be invoked or what disability it can create in the person against whom it operates in cases affecting rights. Where rights are involved, estoppel may with equal justification be described both as a rule of evidence and as a rule creating or defeating rights. It would be useful to refer in this connection to the case of *Depuru Veeraraghava Reddi v. Depuru Kamalamma* [AIR



1951 Mad 403 : (1950) 2 MLJ 575] where Vishwanatha Sastri, J. observed: (AIR p. 405, para 7)

“Estoppel though a branch of the law of evidence is also capable of being viewed as a substantive rule of law insofar as it helps to create or defeat rights which would not exist and be taken away but for that doctrine....”

20. Of course, an estoppel cannot have the effect of conferring upon a person a legal status expressly denied to him by a statute. But where such is not the case a right may be claimed as having come into existence on the basis of estoppel and it is capable of being enforced or defended as against the person precluded from denying it.

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24. The following passage from the Law Relating to Estoppel by Representation by George Spencer, 2nd Edn. as indicated in Article 3 is as follows:

“It will be convenient to begin with a satisfactory definition of estoppel by representation. From a careful scrutiny and collation of the various judicial pronouncements on the subject, of which no single one is, or was perhaps intended to be, quite adequate, and many are incorrect, redundant, or slipshod in expression; the following general statement of the doctrine of estoppel by representation emerges; where one person (‘the representor’) had made a representation to another person (‘the representee’) in words or by acts and conduct, or (being under a duty to the representee to speak or act) by silence or inaction, with the intention (actual or presumptive), and with the result, of inducing the representee on the faith of such representation to alter his position to his detriment, the representor in any litigation which may afterwards take place between him and the representee, is estopped, as against the representee, from making, or attempting to establish by evidence, any averment substantially at variance with his former representation, if



the representor at the proper time, and in the proper manner, objects thereto.”

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30. If a man either by words or by conduct has intimated that he consents to an act which has been done and that he will not offer any opposition to it, although it could not have been lawfully done without his consent, and he thereby induces others to do that which they otherwise might have abstained from, he cannot question the legality of the act he had sanctioned to the prejudice of those who have so given faith to his words or to the fair inference to be drawn from his conduct.”

(emphasis supplied)

82. Consequently, defendant no.1 is estopped from contending that he is the owner of SU-KAM marks in respect of Class 9 of the Trade Marks Act, 1999.

BETWEEN 16TH MARCH, 2006 (I.E. DATE OF EXECUTION OF DEED OF ASSIGNMENT) AND 09TH JULY 2018 (I.E. WHEN THE DEFENDANT NO.1 SUBMITTED THE DEED OF ASSIGNMENT TO THE INTERIM RESOLUTION PROFESSIONAL), THERE WAS NO ASSERTION BY DEFENDANT NO.1 THAT PLAINTIFF IS NOT THE OWNER OF THE SU-KAM MARK IN CLASS 9. ACCORDINGLY, THE PRESENT SUIT IS WITHIN LIMITATION.

83. Article 58 of the Limitation Act, 1963, states that the limitation period for obtaining any other declaration is three years, “when the right to sue first accrues”.

84. The Apex Court in ***Khatri Hotels Private Limited & Anr. vs. Union of India & Anr., (2011) 9 SCC 126*** while interpreting Article 58 of the Limitation Act, 1963, relied on earlier judgments interpreting similar Article 120 of the Limitation Act, 1908. The relevant portion of the said judgment reads as under:-



“28. Article 120 of the 1908 Act was interpreted by the Judicial Committee in *Bolo v. Koklan* and it was held: (IA p. 331)

“There can be no ‘right to sue’ until there is an accrual of the right asserted in the suit and its infringement, or at least a clear and unequivocal threat to infringe that right, by the defendant against whom the suit is instituted.”

The same view was reiterated in *Annamalai Chettiar v. Muthukaruppan Chettiar* [ILR (1930) 8 Rang 645] and *Gobinda Narayan Singh v. Sham Lal Singh*.

29. In *Rukhmabai v. Lala Laxminarayan* the three-Judge Bench noticed the earlier judgments and summed up the legal position in the following words:

“33. ... The right to sue under Article 120 of the [1908 Act] accrues when the defendant has clearly or unequivocally threatened to infringe the right asserted by the plaintiff in the suit. Every threat by a party to such a right, however ineffective and innocuous it may be, cannot be considered to be a clear and unequivocal threat so as to compel him to file a suit. Whether a particular threat gives rise to a compulsory cause of action depends upon the question whether that threat effectively invades or jeopardizes the said right.”

(emphasis supplied)

85. Consequently, right to sue accrues when there is a clear or unequivocal threat proceeding from the defendant which invades or jeopardises the plaintiff’s rights.

86. In the present case between 16th March, 2006 (i.e. date of execution of Deed of Assignment) and 09th July 2018 (i.e. when the defendant no.1 submitted the Deed of Assignment to the Interim Resolution Professional), there was no assertion or representation by



defendant no.1 that plaintiff is not the owner of the SU-KAM mark in Class 9.

87. On the contrary renewal of the SU-KAM trade marks in Class 9 on 05th October, 2008 and 09th March, 2016, when the defendant no.1 was in exclusive control and management of the plaintiff company, proves beyond doubt that the defendant no.1 did not even rely upon the alleged Deed of Assignment dated 16th March, 2006.

88. Consequently, the right to sue in the present case arose in favour of the plaintiff only on 09th July, 2018 when defendant no.1 for the first time denied plaintiff's title to the SU-KAM mark in Class 9 and claimed its ownership before the Interim Resolution Professional. The said cause of action again arose in favour of the plaintiff on 18th July, 2018 when defendant no.1 relying upon the alleged Deed of Assignment applied for recordal of assignment with the Trade Mark Registry.

89. Accordingly, the present suit is within limitation.

CONCLUSION

90. To reiterate, the intent behind incorporating the summary judgment procedure in the Commercial Court Act, 2015 is to ensure disposal of commercial disputes in a time-bound manner. In fact, the applicability of Order XIII A, CPC to commercial disputes, demonstrates that the trial is no longer the default procedure/norm.

91. Rule 3 of Order XIII A, CPC, as applicable to commercial disputes, empowers the Court to grant a summary judgement against the defendant where the Court considers that the defendant has no real



prospects of successfully defending the claim and there is no other compelling reason why the claim should not be disposed of before recording of oral evidence. The expression “*real*” directs the Court to examine whether there is a “*realistic*” as opposed to “*fanciful*” prospects of success. This Court is of the view that the expression “*no genuine issue requiring a trial*” in Ontario Rules of Civil Procedure and “*no other compelling reason....for trial*” in Commercial Courts Act can be read *mutatis mutandis*. Consequently, Order XIII A, CPC would be attracted if the Court, while hearing such an application, can make the necessary finding of fact, apply the law to the facts and the same is a proportionate, more expeditious and less expensive means of achieving a fair and just result.

92. Accordingly, unlike ordinary suits, Courts need not hold trial in commercial suits, even if there are disputed questions of fact as held by the Canadian Supreme Court in **Robert Hryniak** (supra), in the event, the Court comes to the conclusion that the defendant lacks a real prospect of successfully defending the claim.

93. The present suit is within limitation as the right to sue accrues when there is a clear and/or unequivocal threat proceeding from the defendant which invades or jeopardises the plaintiff’s rights. In the present case between 16th March, 2006 (i.e. date of execution of Deed of Assignment) and 09th July 2018 (i.e. when the defendant no.1 submitted the Deed of Assignment to the interim resolution professional), there was no assertion by defendant no.1 that the plaintiff is not the owner of the SU-KAM marks in Class 9.



Consequently, the cause of action for filing the present suit arose for the first time on 09th July, 2018.

94. In the present case, the plaintiff is the exclusive registered proprietor of the trademarks SU-KAM with respect to inverters which fall within Class 9 in view of the registration certificates dated 22nd June, 2005 and 05th February, 2011 in favour of the plaintiff having come into effect on 05th October, 1998 and 09th March, 2006 respectively and which were renewed on 05th October, 2008 and 09th March, 2016 – when admittedly defendant no.1 was in control and management of the plaintiff-company. Consequently, the defendant no.1's contentions and submissions with regard to earlier adoption or licensing by way of TMLA dated 07th July, 1995 or BT Agreement dated 16th September, 1999 and/or subsequent transfer by way of Deed of Assignment dated 16th March, 2006 are baseless and inconsequential.

95. Further the Deed of Assignment is void for breach of fiduciary duty. In fact, the said Deed had been executed by the defendant no.1 both as assignor and assignee and it purports to transfer the substratum of plaintiff's business to its director "*defendant no.1*" for nominal consideration of Rs.5,000/- by an alleged recordal twelve years later and that too after commencement of corporate insolvency resolution process!

96. In view of judgment of a Coordinate Bench of this Court in ***Ramaiah Life Style Cafe*** (supra) as the Deed of Assignment has not been registered/recorded, the defendant no.1 cannot rely upon the same.



97. The said deed is also invalid on account of lack of quorum under section 287 of the Company Act, 1956 as the votes of two out of three directors namely, defendant no.1 and his wife would have to be disregarded for being beneficiaries/interested directors by virtue of section 300 of the Companies Act, 1956. In **Globe Motors Ltd.** (supra), a Division Bench of this Court has held that a director cannot be permitted to take advantage of his own breach of fiduciary duty to divest the company of its substratal asset.

98. The defendant no. 1 is also estopped from leading evidence of his title to the SU-KAM marks in respect of Class 9, in view of the representations [in particular the applications for registration of the said marks dated 5th October, 1998, 9th March, 2006, as well as applications for renewal of marks dated 5th October, 2008 and 9th March, 2016, the Shares Subscription-cum-Shareholders Agreement with Reliance India Power Fund dated 31st March, 2006, a suit for infringement of SU-KAM marks filed in 2015 before this Court and a Brand Valuation Report by Ernst & Young dated 03rd March, 2015 – when defendant no. 1 was in management and control of the plaintiff-company and held more than 80 per cent of its shares] to the world at large that the plaintiff is the exclusive owner on which representations the plaintiff relied by expanding its business and by spending money on advertisements as well as promoting its business under the impugned marks.

99. Consequently, the admissions of defendant no.1 in documents and pleadings prevent him from taking factual positions to the contrary and leading evidence to the contrary. Further from the



pleadings and material on record, it is apparent that the defendants have no real prospect of defending the allegations made by the plaintiff and there is no compelling reason for trial.

100. Keeping in view the aforesaid findings and mandate of law, present suit is decreed in accordance with prayers (a) to (f) of the amended prayer clause, but without any order as to costs. All pending applications also stand disposed of.

101. Registry is directed to prepare the decree sheet accordingly.

OCTOBER 30, 2019
js/m/KA

MANMOHAN, J



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