

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% *Judgement reserved on: 12th April, 2023*
Judgment delivered on: 15th May, 2023

+ **CS(COMM) 267/2022, I.A. 9368/2022 (O-XXXIX R-9,10, 16(a) & (c) and 19(2)(c) of CPC), I.A. 10366/2022 (O-VI R-17 of CPC), , I.A. 11562/2022 (u/S 124(1)(b)(ii) of Trade Mark Act for cancellation of Trade Mark no.367635), I.A. 17890/2022 (O-XXVI R-9,10,16(a) & (c) and 19(2)(c) of CPC)**

DHANANJAY RATHI Plaintiff

Through: Mr.C.M. Lall, Senior Advocate with
Mr.Rupin Bahl, Mr.Karan Bajaj,
Ms.Ananya Chug and Ms.Pooja
Bhardwaj, Advocates.

versus

SHREE VASU STEELS PRIVATE LIMITED & ORS.

..... Defendants

Through: Mr.Nitinjya Chaudhry and Mr.Gaurav
Bahl, Advocates for D-1 to D-3
Mr. Sudhir Chandra and Mr.Jayant
Mehta, Senior Advocates with
Mr.Rohit Amit, Mr.Ashish
Choudhury, Mr.Arpit Choudhury,
Mr.P.D.V. Srikar, and Mr. Anand
Kamal, Advocates

CORAM:

HON'BLE MR. JUSTICE AMIT BANSAL

JUDGMENT

I.A. 6428/2022 (O-XXXIX R-1 & 2 of CPC), I.A. 10738/2022 (O-XXXIX R-1 & 2 of CPC) & I.A. 7588/2022 (O-XXXIX R-4 of CPC)

1. By way of the present judgment, I shall decide I.A. 6428/2022 and I.A. 10738/2022 filed on behalf of the plaintiff under Order XXXIX Rules 1

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and 2 of the Code of Civil Procedure, 1908 (CPC), for grant of interim injunction and I.A. 7588/2022 filed on behalf of the defendants no.1 to 3 for vacation of interim injunction granted on 28th April, 2022 in I.A.6428/2022.

PROCEEDINGS IN THE SUIT

2. The suit, as originally filed, had only defendants no.1 to 3 as the defendants. Summons in the suit were issued on 28th April, 2022, when an ad interim injunction was granted in favour of the plaintiff, restraining the defendants no.1 to 3 from infringing the trademark RATHI of the plaintiff as well as passing off their goods as that of the plaintiff along with other ancillary reliefs and the Local Commissioners were appointed to visit the premises of the defendants no.1 to 3 to seize and inventorise infringing goods. The relevant portion of the injunction order is set out below:

“Accordingly, Defendants, their directors, employees, servants, agents, distributors, partners, franchises, representatives, suppliers, affiliates, subsidiaries, franchisees, licensees, representatives, group companies, assignees, etc. are hereby restrained from:

(i). using the impugned mark RATHI or any other mark which contains or is deceptively and confusing similar to the earlier well-known trademark RATHI either as a trademark or part of a trademark, trade name or part of a trade name, corporate name, electronic-mail, domain name or part of a domain name or in any manner which would amount to infringement of the registered and earlier well-known trade mark RATHI bearing No. 309435, till the next date of hearing;

(ii). using the impugned mark RATHI or any other mark which contains or is deceptively and confusing similar to the earlier well-known trademark RATHI either as a trademark or part of a trademark, trade

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Signing Date: 15.05.2023 14:55:15

name or part of a trade name, corporate name, electronic-mail, domain name or part of a domain name or in any manner which would amount to passing off, till the next date of hearing; and

(iii). disposing off or dealing with their assets, including properties mentioned in the Plaint, in a manner which may adversely affect the Plaintiff's ability to recover damages, costs or other pecuniary remedies that may be finally awarded to the Rathi Foundation, till the next date of hearing.

30. Defendants, their directors, employees, servants, agents, distributors, partners, franchises, representatives, suppliers, affiliates, subsidiaries, franchisees, licensees, representatives, group companies and assignees are further directed:

(i). to recall all goods, marketing, promotional and advertising materials bearing the impugned mark RATHI or any other mark which contains or is deceptively and confusingly similar to the earlier well-known trademark RATHI; and

(ii). to make full and fair disclosure of any trademark application(s)/copyright applications filed for registration(s) bearing/containing the mark RATHI and/or any other mark/name which is identical or deceptively and confusingly similar to the earlier well-known trademark RATHI.

3. Subsequently, I.A. 7588/2022 was filed on behalf of the defendants no.1 to 3 seeking vacation of the *ex parte* interim injunction granted on 28th April, 2022. Notice in the said application was issued on 13th May, 2022. Reply has been filed on behalf of the plaintiff.

4. In the written statement filed on behalf of the defendants no.1 to 3, it was stated that the said defendants have been granted licenses to use the

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BANSAL
Signing Date: 15.05.2023 14:55:15

mark RATHI by the members/trustees of the Rathi Research Centre (hereinafter 'RRC'). Accordingly, I.A.9048/2022 was filed on behalf of the plaintiff seeking impleadment of the members/trustees of RRC and I.A. 10366/2022 was filed seeking permission to amend the plaint.

5. I.A. 9048/2022 was allowed by the predecessor Bench of this Court on 15th June, 2022 and the defendants no.13 to 18 were impleaded as parties in the present suit. The judgment was reserved on 19th July, 2022 in I.A. 6428/2022 and I.A.7588/2022 by the predecessor Bench of this Court. Subsequently, pursuant to proceedings before the Division Bench in the appeal filed by the defendants no.13 to 18, the judgment was de-reserved.

6. Subsequently, the submissions in the amendment application were heard on 10th January, 2023 and the same was allowed and the amended plaint was taken on record. Thereafter, written statement to the amended plaint has been filed on behalf of the defendants no.13 to 18. Replication thereto has also been filed on behalf of the plaintiff.

7. Another interim application being I.A.10738/2022 was filed on behalf of the plaintiff for grant of interim injunction restraining the defendants no.13 to 18 from issuing licenses to any outsider/third party in contravention of the terms of Memorandum of Understanding dated 26th June, 1995. Notice in the said application was issued on 10th January, 2023. Reply was filed on behalf of the defendants no.13 to 18 and the rejoinder thereto has also been filed by the plaintiff.

8. Submissions on behalf of the parties in the present applications were heard on 28th February, 2023, 10th March, 2023, 22nd March, 2023 and 12th April, 2023.

9. During the course of submissions, I.A. 5676/2023 was filed on behalf

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Signing Date: 15.05.2023 14:55:15

of the defendants no.1 to 3 seeking de-sealing of the goods seized by the Local Commissioners in terms of the interim order dated 28th April, 2022. It was stated in the application that the goods of the said defendants worth Rs. 4 crores (approximately) were lying sealed and causing huge loss to the said defendants. Along with the aforesaid application, the affidavits were filed on behalf of the defendants no.1 to 3 undertaking not to manufacture goods under the mark RATHI without a valid license in accordance with the Memorandum of Understanding dated 24th June, 1995 and the Trust Deed dated 28th June, 1995 of the Rathi Foundation (hereinafter 'RF') and the Memorandum of Understanding dated 26th June, 1995 and Trust Deed dated 1st October, 1995 of RRC. Vide order dated 22nd March, 2023, while binding the defendants no.1 to 3 by the terms of the aforesaid affidavits, the Court allowed the seized goods to be de-sealed and permitted the same to be put to merchantable use.

FACTUAL MATRIX

10. Case set up by the plaintiff in the amended plaint:

- 10.1 In the year 1942, three male members of the Rathi Family, Mr G. D. Rathi, Mr. K. L. Rathi and Mr. Hari Kishan Rathi, started Rathi Steels Rolling Mills (hereinafter 'RSRM') and began manufacturing various steel products such as steel bars, TMT bars, joists, angles, etc, bearing the mark RATHI. The mark RATHI was adopted as a trading name by the aforesaid members in the year 1942.
- 10.2 The Rathi Family has been in the steel industry for more than 8 decades and are one of the oldest and considered to be the giants in the industry of manufacturing and selling iron and steel products. By virtue of such long and extensive use of the mark RATHI, the Rathi

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BANSAL
Signing Date: 15.05.2023 14:55:15

Family has acquired immense goodwill and reputation in the market.

- 10.3 In the year 1969, two companies were formed, i.e, G.D. Rathi Steels Limited (hereinafter 'G.D. Rathi'), which was owned by the family members of Late Shri G.D. Rathi, and K.L Rathi Steels Limited (hereinafter 'K.L. Rathi'), which was owned by C.R. Rathi and H.K. Rathi and their family members. Both the companies were manufacturing steel products under the brand name RATHI.
- 10.4 In the year 1975, K.L. Rathi obtained registration for the mark RATHI in class 6.
- 10.5 On 16th October, 1980, another trade mark application for registration of the mark RATHI was applied for by G.D. Rathi. However, the Trade Mark Registry objected to the said application on the ground that a prior trade mark RATHI in the name of K.L. Rathi already exists on the Register of Trade Marks. On the basis of consent given by K.L. Rathi and subject to limiting the said registration to the States of Jammu & Kashmir, Himachal Pradesh, Uttar Pradesh, Rajasthan, Punjab, Haryana and Union Territories of Chandigarh and Delhi, the mark RATHI was registered in the name of G.D. Rathi in class 6.
- 10.6 In 1995, the members of the Rathi Family entered into two separate Memorandum of Understandings, pursuant to which, two trusts by the name of RF and RRC were formed.
- 10.7 The mark RATHI registered in the name of K.L. Rathi and G.D. Rathi was assigned to the respective trusts, i.e., RF and RRC. All members of the Rathi Family were given an option to join either of the aforesaid trusts.
- 10.8 The Memorandum of Understanding dated 24th June, 1995 (hereinafter

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BANSAL
Signing Date: 15/05/2023 14:55:15

‘MoU- 1’) was executed by 3 different groups of the Rathi Family. In pursuance of MoU-1, the Trust Deed dated 28th June, 1995 (hereinafter ‘Trust Deed-1) was executed and the trust RF was formed. RF consists of 12 lifetime trustees divided into 3 different family groups, i.e., 4 from each group, as set out in the table below:

Group A	Group B	Group C
1.Late Shri C.R. Rathi (son of Shri. K.L. Rathi)	1. Shri Deepak Rathi (son of Shri Hari kishan Rathi)	1.Shri P.C. Rathi (son of Late Shri G.D. Rathi)
2.Shri Rajesh Rathi	2. Shri Dhananjay Rathi	2. Shri Anil Rathi (son of Late Shri G.D. Rathi)
3.Shri Gaurav Rathi	3. Shri Kshitij Rathi	3.Shri Arun Kumar Rathi
4.Smt. Lila Devi Rathi	4. Smt. Rekha Rathi	4. Shri Raj Kumar Rathi

- 10.9 The MoU-1 sets out the terms and conditions for use of the mark RATHI by the Rathi Family and their male blood descendants only. RF allotted each family group a certain number of licenses to use the mark RATHI. The MoU-1 also governs the terms and conditions of the licenses granted to the aforesaid three groups in the Rathi Family.
- 10.10 Similar to MoU-1, another Memorandum of Understanding dated 26th June, 1995 (hereinafter referred to as ‘MoU-2’) was entered into

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BANSAL
Signing Date: 15/05/2023 14:55:15

between other members of the Rathi Family with terms and conditions identical to MoU-1. In pursuance of MoU-2, the Trust Deed dated 18th October, 1995 (hereinafter ‘Trust Deed-2) was executed and the trust RRC was formed. In the said trust, there are six lifetime trustees, which are divided into 2 groups as mentioned in the table below:

Group A (Rathi Industries)	Group B (Rathi Bars)
P.R. Rathi	K.K. Rathi
Vinay Rathi	Uddhav Rathi
Vikas Rathi	Anurag Rathi

- 10.11 Similar to the terms and conditions with respect to the use of the mark RATHI by the members of RF, the members of RRC could market goods bearing the mark RATHI, only if the company/firm is set up by the male blood descendants of the Rathi Family and their legal heirs.
- 10.12 The terms and conditions to use the mark RATHI were identical for the members of both MoUs and Trusts. There was a mutual and oral understanding between the members that the mark will be used with the common object of benefitting the Rathi Family and safeguarding rights of the Rathi Family from third parties.
- 10.13 Both the trusts, on several occasions, jointly issued trademark caution notices to make the public aware that the right to use the mark RATHI was only with the trustees and the beneficiaries of the two trusts and use of the same by any third party will be prejudicial to their interests.
- 10.14 The trustees of RF and RRC have jointly filed suits for infringement against the members of RF amongst other defendants.

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 BANSAL
 Signing Date: 15.05.2023 14:55:15

- 10.15 Subsequently, the trustees of RRC amended the Trust Deed dated 18th October, 1995 and allowed granting of licenses to any third party/outsider.
- 10.16 The defendants no. 13 to 18, who are the members/trustees of RRC, have in contravention of the MOU-2 issued licenses to use the mark RATHI to third parties such as the defendants no. 1 to 3. The defendants no. 1 to 3 have disclosed in their written statement that they have been granted licenses by RRC vide Trademark Agreements dated 1st May, 2020, 18th December, 2020, 30th December, 2021 and 1st May, 2022 to use the mark RATHI (hereinafter collectively referred to as ‘Trademark Agreements’).
- 10.17 The aforesaid amendment and Trademark Agreements are contrary to the terms of the aforesaid MoUs and the Trust Deeds and violate the mutual and oral understanding of the Rathi Family.
- 11 Accordingly, the present suit has been filed on behalf of the plaintiff seeking relief of permanent injunction restraining the defendants no.1 to 3 from using the mark RATHI and restraining the defendants no.13 to 18 from issuing licenses to any third party/outsider along with other ancillary reliefs.
- 12 Case set up the defendants no.13 to 18 in their written statement:
- 12.1 The plaintiff deliberately and consciously did not make RRC or its trustees as the defendants when the present suit was originally filed, despite being aware that the plaintiff is not the exclusive owner of the mark RATHI and that RRC is also authorised to use the aforesaid mark.
- 12.2 Both K.L. Rathi and G.D. Rathi have independent right to use the mark RATHI in their own right in terms of the trademark registrations

in their favour and neither of those two companies had any obligations towards each other.

- 12.3 The mark RATHI was subsequently assigned in favour of the two trusts, i.e., RF and RRC. The aforesaid trusts are distinct and separate legal entities and independently hold rights in the mark RATHI.
- 12.4 There is no arrangement or agreement between the two trusts to limit the use of the mark RATHI held by both the trusts independently under separate trademark registrations. The plaintiff is not associated in any manner with the right, title and interest of RRC over the mark RATHI. The plaintiff has no right or control over the usage of the mark RATHI by RRC.
- 12.5 A new Trust Deed dated 6th November, 2020 was executed between the trustees of RRC and the old Trust Deed dated 18th October, 1995 was merged with the new Trust Deed. In terms of the new Trust Deed dated 6th November, 2020, the rights and the usage of the mark RATHI could be validly licensed to third parties subject to compliance of stipulations in the said Trust Deed.
- 12.6 The Board of Trustees of RRC vide Resolution dated 24th February, 2021 had unanimously resolved to grant licenses to the defendants no.1 to 3 to use the mark RATHI for manufacturing steel products. The aforesaid rights were granted vide Trademark Agreements. The aforesaid Trademark Agreements provide for maintenance of quality standards of the manufactured products to the satisfaction of RRC. It is not the case of the plaintiff that the products manufactured by the defendants no.1 to 3 are sub-standard or do not meet the quality standards.

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BANSAL
Signing Date: 15.05.2023 14:55:15

12.7 The plaintiff has never challenged the usage of the mark RATHI by RRC as the plaintiff was throughout aware of the independent right of RRC in the mark RATHI.

12.8 The plaintiff has mischievously used the term 'Rathi Family', whereas it is an admitted fact that the mark RATHI is owned by two separate legal entities. The word 'family' has been defined in the MoU of RRC, so as to mean only its lifetime trustees, i.e., defendants no.13 to 18.

13 In the written statement filed on behalf of the defendants no.1 to 3, it has been stated that the said defendants have been using the mark RATHI validly and lawfully under the aforementioned valid and binding Trademark Agreements with the trust RRC, which is itself lawfully authorized and entitled to use the same and owns the trademark registration of the mark RATHI in its own right.

14 Submissions made on behalf of the plaintiff:

- I. At the time of filing of the suit, the plaintiff was not aware of the basis on which the defendants no.1 to 3 were using the mark RATHI. It was only after the written statement was filed by the defendants no.1 to 3 that the plaintiff became aware that the said defendants have been granted licenses by the defendants no. 13 to 18. Immediately thereupon, the plaintiff filed an application for impleading the defendants no. 13 to 18 in the present suit.
- II. The trustees of RF and RRC have jointly filed suits to protect the mark RATHI. Reference is made to the pleadings in the suit being CS(COMM) 961/2018, which was jointly filed by the trustees of RF as well as RRC, against third parties for infringement of the mark RATHI.

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BANSAL
Signing Date: 15.05.2023 14:55:15

In the present suit, the defendants no.13 to 18 have taken a contrary stand as opposed to the stand taken in the earlier suits filed by them. The pleadings in the earlier suits are binding upon them and the defendants cannot approbate and reprobate at the same time. Reliance in this regard is placed on the judgments in *PEPS Industries Private Limited v. Kurlon Limited*, 2022 SCC OnLine 3275 and *Relaxo Footwears Limited v. XS Brands Consultancy Private Limited & Others*, 2019 SCC Online Del 7515.

- III. The provisions of new Trust Deed are inconsistent with the provisions of MoU-2. Hence, in terms of Clause 6 of the new Trust Deed, the provisions of MoU-2 shall prevail.
- IV. RRC cannot grant any license to the third parties such as the defendants no. 1 to 3 to use the mark RATHI, in view of the family understanding and arrangement that the mark RATHI will never be licensed or sold to any third party and shall be used only by the male blood descendants of the Rathi Family.
- V. Permitting third party/outsideers such as the defendants no.1 to 3 to use the mark RATHI on sub-standard goods will lead to dilution of the mark RATHI and loss of goodwill in respect of the said mark.
- VI. In view of the fact that RF is the prior user of the mark RATHI, RF is entitled to an injunction against RRC, additionally for passing off.

15 Submissions made on behalf of the defendants no.13 to 18:

- I. There was no consent given by K.L. Rathi for registration of the mark RATHI in favour of G.D. Rathi, nor was any such consent sought.
- II. The plaintiff cannot seek to injunct the defendants no.13 to 18, who

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BANSAL
Signing Date: 15.05.2023 14:55:15

are the registered proprietors or the defendants no.1 to 3, who are the 'permitted users' of the mark RATHI in terms of Section 2(1)(r) of the Act. Reliance in this regard is placed on Sections 29(1), 28(3) and 30(2)(e) of the Act.

- III. Each of the two aforementioned MoUs are separate and independent documents. Any similarity in the language of both the MoUs is inconsequential and irrelevant. The plaintiff is not party to the MoU-2 and similarly the defendants no.13 to 18 are not parties to the MoU-1.
- IV. It cannot be disputed that if six members of a family have the authority to enter into an MoU and form a trust, they will have equal power to amend the Trust Deed as well. The power to amend the Trust Deed dated 18th October, 1995 is contained in Clause 5.4 of the MoU-2.
- V. The plaintiff has not sought cancellation of the new Trust Deed dated 6th November, 2020, which is a registered document and neither are the terms of the new Trust Deed under challenge in the present suit.
- VI. The clear and unequivocal terms of the licenses granted by RRC make it clear that RRC controls the quality and manner of distribution of the goods manufactured and sold by the defendants no.1 to 3. The plaintiff has laid no factual foundation in the plaint about any defect in the quality of the goods manufactured by the defendants no.1 to 3. Therefore, the submission of the plaintiff with regard to dilution of the mark RATHI is untenable.

16 I have heard the counsels for the parties and perused the record of the case.

17 As is evident from the narration of facts above, the mark RATHI has

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BANSAL
Signing Date: 15.05.2023 14:55:15

been used since the year 1942 by the members of the Rathi Family in respect of steel products. In the year 1969, two companies, GD Rathi and KL Rathi were formed, which started manufacturing steel products under the mark RATHI. The mark RATHI was registered in the year 1975 in the name of KL Rathi and subsequently in the name of GD Rathi in the year 1980. In 1995, both the aforesaid companies, KL Rathi and GD Rathi, assigned the mark RATHI in favour of RF and RRC respectively. Pursuant to the said assignment, the registration certificates were issued by the Trade Mark Registry in favour of the aforesaid trusts.

18 At this stage, a reference may be made to Sections 12, 28(3) and 30(2)(e) of the Act, which are set out below:

12. Registration in the case of honest concurrent use, etc.— In the case of honest concurrent use or of other special circumstances which in the opinion of the Registrar, make it proper so to do, he may permit the registration by more than one proprietor of the trade marks which are identical or similar (whether any such trade mark is already registered or not) in respect of the same or similar goods or services, subject to such conditions and limitations, if any, as the Registrar may think fit to impose.

28. Rights conferred by registration.—

(3) Where two or more persons are registered proprietors of trade marks, which are identical with or nearly resemble each other, the exclusive right to the use of any of those trade marks shall not (except so far as their respective rights are subject to any conditions or limitations entered on the register) be deemed to have been acquired by any one of those persons as against any other of those persons merely by registration of the trade marks but each of those

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BANSAL
Signing Date: 15.05.2023 14:55:15

persons has otherwise the same rights as against other persons (not being registered users using by way of permitted use) as he would have if he were the sole registered proprietor.

30. Limits on effect of registered trade mark.—

(1)..

(2) A registered trade mark is not infringed where—

(e) the use of a registered trade mark, being one of two or more trade marks registered under this Act which are identical or nearly resemble each other, in exercise of the right to the use of that trade mark given by registration under this Act.”

19 In terms of Section 12 of the Act, the Registrar may permit the registration of the identical or similar marks by more than one proprietor in case of honest concurrent use of the said marks in respect of similar goods. As per Section 28(3) of the Act, when two or more persons are the registered proprietors of the identical trade marks, both of them have the right to use the said trade marks. Further, Section 30(2)(e) of the Act clearly lays down that use of a registered trade mark by one of the registered proprietors shall not amount to infringement of the said trade mark.

20 In view of the aforesaid provisions, both RF as well as RRC and before that K.L. Rathi and G.D. Rathi, being the registered proprietors of the mark RATHI, have the concurrent right to use the said mark and neither of them can prevent the other from using the said mark.

21 It has been vehemently contented on behalf of the plaintiff that K.L. Rathi was the prior registrant of the mark RATHI and the registration was granted in favour of G.D. Rathi only on account of consent given by K.L. Rathi. However, no such consent has been brought to the attention of the

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BANSAL
Signing Date: 15.05.2023 14:55:15

Court. In fact, the records of the case show that K.L. Rathi had the intention to oppose the registration sought by G.D. Rathi. Reference in this regard is made to a letter at page no. 243 of the documents filed along with the replication to the written statement on behalf of the defendants no.13 to 18.

22 Once registration had been granted in favour of G.D. Rathi with effect from 1980, the plaintiff could not have restricted the use of the mark RATHI by G.D. Rathi in any manner, as both G.D. Rathi and K.L. Rathi and after the execution of Assignment Deeds, their assignees RF and RRC, had an equal right to use the said mark. Both the entities had an independent right to use the mark RATHI without any obligation towards each other.

23 As noted above, MOU-1 was executed on 24th June, 1995 by 12 members comprising of three different family groups of the Rathi Family. Similarly, MOU-2 was executed on 18th October, 1995 between six members forming part of two different groups of the Rathi Family. In order to give effect to the aforesaid MoUs, the Trust Deeds were executed to form two trusts, i.e, RF and RRC. The signatories to MOU-1 and the Trust Deed-1 were not the parties to MOU-2 and the Trust Deed-2, and vice-versa. Therefore, the terms of the MOU-1 and the Trust Deed-1 would be binding only on the signatories thereto and not on the signatories to MOU-2 and Trust Deed-2, and vice-versa. Even if the terms of the said MOUs and the Trust Deeds were identical, it would hardly be relevant. In other words, a signatory to the MOU-1 cannot have a grievance against a signatory to MOU-2 for alleged violation of the terms of the MOU-2.

24 Clearly, each of the two MOUs and the Trust Deeds were separate and independent documents that governed the members of the respective trusts. There was 'no mutual and oral understanding' between the members

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Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

of the Rathi Family that the mark will be used with the common object of benefitting the Rathi Family and safeguarding rights of the Rathi Family in the mark RATHI from third parties, as alleged in the plaint. Only vague and bald averments have been made in the plaint without giving any particulars with regard to when this oral understanding was arrived at and between whom. In fact, only the six lifetime trustees of the MoU-2 are referred to as 'family' in the said MoU. Hence, it is clear that 'Family' would only include the trustees of the MoU-2 and not the entire Rathi Family. Therefore, the plaintiff cannot in any manner, control the usage or licensing of the mark RATHI by RRC, as RRC has an independent right to use or license the mark RATHI in accordance with the provisions of MOU-2 and the Trust Deed-2.

25 In *Shri Ram Education Trust v. SRF Foundation & Anr.*, 2016 SCC OnLine Del 472, a Division Bench of this Court had held that when a family name is adopted by different branches of a family from a common ancestor, one branch of the family cannot appropriate the same to the exclusion of the others. The goodwill and reputation in the trade mark shall enure to the benefit of all the members of the family, unless a particular branch of the family has been specifically excluded. Merely because one branch of the family was the prior adopter of the mark, the same would not extinguish the rights of the other family members. Therefore, in the present case, the earlier registration of the mark RATHI in favour of K.L. Rathi would not make any difference.

26 Senior counsel for the plaintiff has placed reliance on the pleadings in the CS(COMM) 961/2018 titled *Anil Rathi v. Jaipur Steel Tech.*, in which two trustees of the RRC were the plaintiffs, to contend that the family members of the Rathi Family always acted jointly to protect and safeguard

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BANSAL
Signing Date: 15.05.2023 14:55:15

their rights in the mark RATHI. I am not persuaded by this submission. The aforesaid suit was filed by Anil Rathi, who is a member of RF, against another member of RF, who was indiscriminately issuing licenses to the third parties permitting the use of the mark RATHI in respect of their products, alleging breach of MoU-1, which was between the trustees of RF. The two trustees of RRC were made plaintiffs in the aforesaid suit only to support the case of Anil Rathi (plaintiff no.1 therein) and to confirm that the licenses to the defendants had not been issued by any member of the RRC.

27 In my considered view, the pleadings in the aforesaid suit cannot be read in a manner to say that members of RRC were bound by the MoU-1/Trust Deed-1 of RF or that there was a ‘mutual and oral understanding’ between all the members of Rathi Family to protect the mark RATHI. In fact, the pleadings in the said suit demonstrate that there were separate and independent MOUs/Trust Deeds entered into between different branches of the Rathi Family. A reference may be made to paragraph 26 of the plaint in CS(COMM)961/2018:

“46. It is noteworthy that the Plaintiff No.1 is one of the senior Trustees of the Foundation and Plaintiff No.2 and 3 are the Trustees of RRC and therefore in case if the license was issued to the Defendant No.1 to 3 by any of the Trustees of Rathi Foundation or RRC, the Information ought to have been (with) the Plaintiffs being the Trustees of the respective trusts....”

28 As observed by me earlier, the two MoUs and Trust Deeds were independent of each other and both fractions of the family had independent rights in the mark RATHI. Therefore, the reliance placed by the plaintiff on the pleadings in the aforesaid suit is misplaced. It cannot be said that the

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BANSAL
Signing Date: 15.05.2023 14:55:15

defendants no.13 to 18 have taken a contrary stand in the present suit as opposed to the stand taken by them in CS(COMM)961/2018. In this view of the matter, the judgments of this Court in **PEPS Industries** (supra) and **Relaxo Footwears** (supra) have no applicability in the facts and circumstances of the present case. Similarly, the reliance placed on common advertisements and joint caution notices issued on behalf of RF and RRC is also misplaced.

29 I find merit in the submission of the defendants that the plaintiff deliberately did not make RRC or its trustees/members parties in the suit originally filed by the plaintiff, despite being aware that RRC was also the registered proprietor of the mark RATHI. Since the plaintiff was aware that RRC was also the registered proprietor of the mark RATHI, the plaintiff ought to have verified whether the mark RATHI had been licensed by RRC or its trustees to the defendants no. 1 to 3 before filing the present suit. Alternatively, the plaintiff should have impleaded the members/trustees of RRC just like RRC and some of its trustees were made parties in CS(COMM) 961/2018 so as to confirm that licenses to the defendants therein had been granted by the members/trustees of the RRC. In the present case also, the plaintiff should have impleaded RRC and its trustees/members at the inception itself, so that they could have confirmed that the licenses in favour of the defendants no. 1 to 3 were granted by RRC or its trustees/members.

30 Further, the present suit was filed against the defendants no. 1 to 3 without issuance of a cease and desist notice, which would have made clear that the defendants no.1 to 3 were licensees of the defendants no. 13 to 18. Clearly, the objective of the plaintiff was to obtain *ex parte* ad interim

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Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

injunction in order to disrupt the business of the defendants no.1 to 3 and cause prejudice to the defendants no.13 to 18.

31 It has been contended on behalf of the plaintiff that members of RRC amended the terms of the Trust Deed-2 in violation of Clause 5.4 of the MOU-2. At this stage, a reference may be made to Clause 5.4 of MOU-2, which is set out below:

5.4 That the Memorandum and Articles of Association or by-laws or Trust Deed of "RESEARCH CENTRE" shall be framed in terms of this MOU and may be changed by the "RESEARCH CENTRE" from time to time, keeping in view the circumstances prevalent at that time, by formal approval and written consent of the each and every Trustee of "RESEARCH CENTRE".

32 The aforesaid Clause gave the right to the trustees of RRC to amend the Trust Deed-2. The trustees of RRC executed a new Trust Deed dated 6th November 2020, merging the old Trust Deed dated 18th October 1995 with the new Trust Deed. The defendants have also placed on record the unanimous Board Resolution dated 24th February, 2021 approving the action of the trustees of RRC to amend the Trust Deed dated 18th October, 1995.

33 Relevant clauses of the new Trust Deed dated 6th November 2020 with regard to grant of licenses in respect of the mark RATHI, are set out below:

*"3(l) To give licence for usage of brand name "RATHI" to the companies/firm/persons owned by groups "A" and "B" as appearing in the MOU dtd. 26.06.1995 presently in the followings name:-
Group "A"*

Signature Not Verified
Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

- 1) *M/s. Rathi Industries Ltd., A-24/6, Mohan Cooperative Industrial Estate, Main Mathura Road, New Delhi-110044.*
- 2) *M/s. Rathi Concast Ltd., 27 Sadhna Enclave, New Delhi-110017.*

Group “B”

- 1) *M/s. Rathi Bars Ltd., A-24/7, Mohan Cooperative Industrial Estate, Main-Mathura Road, New Delhi-110044.*
- 2) *M/s. Rathi Special Steels Ltd., A-24/8 Mohan Cooperative Industrial Estate, Main Mathura Road, New Delhi-110044.*

In fact M/s Rathi Industries Ltd. and M/s Rathi Bars Ltd. have already been granted user licence by the trust created on 18.10.1995.

3(m) *To regulate the licence for usage of brand name "RATHI" already given to the entities of the group A and B as appearing in the MOU dtd. 26.06.1995 by adopting unanimous resolution by all the six trustees appearing in person.*

3(n) *To give licence for usage of brand name "RATHI" to other companies/firm/person which are not owned by group "A" and "B" as appearing in the MOU dt. 26.06.1995 by adopting unanimous resolution in writing by all the six Trustee of "Research Centre" and the signatories of the MOU dt. 26.06.1995. However all the documents including User licence to be given/issued from Rathi Research Centre to other companies/firm/persons which are not owned by group 'A' and group 'B' shall be signed by the following trustees of group 'A' namely*

Signature Not Verified
Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

1. *Sh. Vinay Rathi S/o Sh. P.R. Rathi R/o 27
Sadhna Enclave, New Delhi*
 2. *Sh. Vikas Rathi S/o Sh. P.R. Rathi R/o 27
Sadhna Enclave, New Delhi*
- and group 'B' namely**
1. *Sh. Anurag Rathi S/o Sh. K.K. Rathi R/o 6
Sadhna Enclave, New Delhi*
 2. *Sh. Uddhav Rathi S/o Sh. Anupam Rathi R/o 6
Sadhna Enclave, New Delhi*

34 In terms of Clause 3(n) as set out above, the rights to use the mark RATHI could be licensed to other entities not owned by the members of Rathi Family, subject to compliance of the necessary terms thereof, i.e., resolution in writing by all the six trustees of RRC and the signatories to MoU-2. Pursuant to the aforesaid amendment, the defendants no.13 to 18 entered into Trademark Agreements with the defendants 1 to 3 and granted them licenses to use the mark RATHI for manufacturing and selling steel products.

35 At this juncture, a reference may be made to Section 2(1)(r) and Section 29(1) of the Act, which is set out below:

“2. Definitions and interpretation.—

(1) In this Act, unless the context otherwise requires,—

....

(r) “permitted use”, in relation to a registered trade mark, means the use of trade mark—

....

(ii) by a person other than the registered proprietor and registered user in relation to goods or services—

(a) with which he is connected in the course of trade; and

(b) *in respect of which the trade mark remains registered for the time being; and*

(c) **by consent of such registered proprietor in a written agreement; and**

(d) *which complies with any conditions or limitations to which such user is subject and to which the registration of the trade mark is subject;*

29. Infringement of registered trade marks.—(1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark.

36 Section 2(1)(r) of the Act recognizes the ‘permitted use’ by consent of the registered proprietor of a trade mark in a written agreement. Further, Section 29(1) of the Act recognizes that there is no infringement when the mark is used by a permitted user of a registered proprietor. Therefore, the defendants no.1 to 3 being permitted users, cannot be said to be infringing the mark RATHI by using the same in respect of their goods.

37 Senior Counsel appearing on behalf of the plaintiff has placed reliance on Clause 6 of the Trust Deed of RRC, which is set out below:

“Clause 6

In case of any difference of opinion regarding interpretation of the terms of this Trust Deed and the terms of the MOU, the terms and conditions contained in the MOU shall prevail.”

38 It is submitted on behalf of the plaintiff that as per the aforesaid Clause, in the event there is a difference with regard to interpretation of

Signature Not Verified
Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

terms of the said Trust Deed and the terms of the MoU-2, the terms of the MoU-2 would prevail. The Trust Deed-2 was validly amended by the members/trustees of the RRC in terms of Clause 5.4 of the MoU-2. In my *prima facie* view, there is no difference of opinion regarding interpretation of terms of the new Trust Deed dated 6th November, 2020. Therefore, there is no need to refer to the terms of MoU-2. Even if it is assumed that the defendants no.13 to 18 have violated the terms of the MOU-2, the cause of action, if any, would be in favour of the signatories to the MoU-2 and not in favour of the plaintiff, who is a signatory to MoU-1. It is also pertinent to note that the plaintiff has not made any challenge in the plaint to the new Trust Deed and the aforesaid Trademark Agreements. Therefore, I do not find merit in the aforesaid submission of the plaintiff.

39 As regards the case of passing off set up by the plaintiff, it is a settled position of law that the action of passing off is based on misrepresentation by a defendant to mislead the public to believe that the goods offered by him are goods of the plaintiff. In the present case, under the Trademark Agreements executed in favour of the defendants no.1 to 3, the said defendants are required to put their separate identification mark so as to identify their goods. The various products that are manufactured and sold under the mark RATHI by the licensees of RRC, are clearly identified as those emanating from the concerned manufacturer. Hence, there cannot be any question of deceit or misrepresentation. On a *prima facie* view, no case of passing off is made out on behalf of the plaintiff.

40 As regards the case set up by the plaintiff with regard to dilution of goodwill in the mark RATHI, RRC is as much the registered proprietor of the mark RATHI as the plaintiff. Therefore, any dilution in the goodwill of

Signature Not Verified
Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

the mark RATHI would be to the detriment of RRC as it would be for RF. In terms of the licenses granted to the defendants no.1 to 3, there are conditions laid out in the said Trademark Agreements towards quality control. Further, no averment has been made by the plaintiff in the plaint in respect of any defect in the quality of goods manufactured by the defendants no. 1 to 3. At this *prima facie* stage, I do not find any merit in the submission of the plaintiff with regard to dilution of the mark RATHI.

41 In view of the discussion above, the plaintiff has failed to make out a *prima facie* case for grant of interim injunction. Balance of convenience also does not come to the aid of the plaintiff for grant of interim injunction.

42 In view of the aforesaid, the interim order dated 28th April, 2022 stands vacated. The defendants no.1 to 3 are relieved from the undertaking given by them vide affidavits dated 21st March, 2023 and as recorded in the order dated 22nd March, 2023.

43 Accordingly, I.A. 7588/2022 is allowed and I.A. 6428/2022 and I.A. 10738/2022 are dismissed.

44 As noted by me above, the plaintiff obtained *ex parte* injunction on 28th April, 2022 against the defendants no.1 to 3, who were bona fide licensees of the defendants no.13 to 18, by deliberately not impleading the defendants no.13 to 18. The Local Commissioners appointed by this Court vide order dated 28th April, 2022 visited the premises of the defendants no. 1 to 3 on 6th May, 2022 and seized and sealed the goods of the defendants no.1 to 3 (stated to be worth around Rs. 4 crores by the defendants no.1 to 3). The said goods were permitted to be de-sealed only on 22nd March, 2023 after the defendants no.1 to 3 were constrained to file an application for de-sealing along with the affidavits undertaking not to manufacture goods

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Digitally Signed By: AMIT
BANSAL
Signing Date: 15.05.2023 14:55:15

under the mark RATHI without a valid license in accordance with the aforesaid MoUs and Trust Deeds of RF and RRC. The aforesaid conduct of the plaintiff not only caused pecuniary loss and injury to the defendants no.1 to 3, but also would have caused prejudice to their goodwill and reputation in the market.

45 Taking into account the aforesaid conduct of the plaintiff, the plaintiff is burdened with costs of Rs.5,00,000/- to be paid to the defendants no.1 to 3.

46 Needless to state, any observations made herein are only for the purposes of deciding the present applications and would have no bearing on the final adjudication of the suit.

CS(COMM)267/2022

47 List before Joint Registrar on 10th August, 2023 for further proceedings.

MAY 15, 2023

sr/rt/at

AMIT BANSAL, J.

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BANSAL
Signing Date: 15.05.2023 14:55:15