

A

SURESH DHANUKA

v.

SUNITA MOHAPATRA

(CIVIL APPEAL NO.10434-10435 OF 2011)

DECEMBER 02, 2011

B

**[ALTAMAS KABIR, SURINDER SINGH NIJJAR AND
GYAN SUDHA MISRA, JJ.]**

Arbitration and Conciliation Act, 1996:

C

s. 9 – Object and intention of – Pending arbitration proceedings, passing of an order suspending the rights of the parties – Justification of – Joint venture agreement between parties to carry on business – Execution of deed of assignment by respondent in favour of appellant assigning 50% of right, title and interest in trade mark 'NH' along with proportional goodwill – Condition therein that on the termination of the Joint Venture, neither assignor nor the assignee would be entitled to use or register the Mark in its own name or jointly with some other party – Subsequently appellant and his son floated a company by the name of 'NHP' – Suit by the respondent wherein District Judge passing an interim order restraining the appellant and the company from selling, distributing, manufacturing and marketing any of the products in the name of 'NH' or 'NHP' which was later made absolute – Arbitration application u/s. 9 also filed by the respondent – Subsequently, the appellant came to know that in breach of the agreement, the respondent approached the dealers and distributors of the appellant to take direct supply from the respondent on a higher discount – Respondent canceling the Agreement and also revoked the Deed of Assignment – Thereafter, in an application filed by the appellant u/s. 9, the District Judge passing an ad-interim order whereby the respondent was restrained from selling her products by herself or by any other person, save and except

H

through the appellant which was later made absolute – Appeal thereagainst, allowed by the High Court– On appeal, held: Terms of the Deed of Assignment clearly indicate that the respondent had of her own volition parted with 50% of her right, title and interest in the Trade Mark 'NH' with proportional goodwill of the business concerning the goods in respect of which the Mark was used, absolutely and forever, from the date of the Deed – Order passed by the District Judge restraining the respondent from marketing her products through any person, other than the appellant, was more apposite, as the rights of both the parties stood protected till such time as a final decision could be taken in arbitral proceedings, which was the object and intention of s. 9 – High Court overlooked the provisions relating to the use of the trade mark contained in the deed of assignment – Money cannot be an adequate compensation since the appellant apparently acquired 50% interest in the trade mark together with the goodwill of the business – Thus, order passed by the High Court set aside and that of the District Judge restored.

s. 9 – Application u/s. 9 filed by appellant – Interim order passed and made absolute – Appeal thereagainst, by the respondent – High Court reserved the judgment – Thereafter, the High Court allowed the respondent to file an affidavit to bring on record subsequent events which did not form part of the records, without giving the appellant an opportunity of dealing with the same – Held: However innocuous the additional affidavit may have been, once the hearing was concluded and judgment was reserved, it would have been prudent on the part of the High Court to have given an opportunity to the appellant to deal with the same before allowing it to be taken on record – It was a record of the official proceedings and the appellant could not have been prejudiced since he himself had knowledge of the same.

Specific Relief Act, 1963 – s. 42 – Deed of Assignment of trade mark – Condition therein that all goods manufactured by the respondent under the said Trade mark would be

- A *marketed solely by the appellant; and that on the termination of the Joint Venture, neither assignor nor the assignee would be entitled to use or register the Mark in its own name or jointly with some other party – Invocation of s. 42 to enforce the negative covenant contained in the Deed of Assignment of*
- B *trade mark, if contrary to s. 27 of the Contract Act and thus, void – Held: Section 27 of the Contract Act is not attracted – Appellant did not ask for any injunction against the respondent from carrying on any trade or business, but he objected to the use by the respondent of the Trade Mark, in*
- C *which he had acquired 50% interest, while selling her products – Interim order passed by the District Judge, restraining the respondent from selling her products by herself or by any other person, save and except through the appellant, was apposite to the circumstances – Contract Act, 1872 – s. 27.*
- D **The respondent, manufacturer of herbal products entered into an agreement with the appellant resulting in the formation of a Joint Venture Company under the name and style of ‘A’ for a period of five years which was further extended for five years. Thereafter, the**
- E **respondent executed a deed of assignment in favour of the appellant assigning 50% of the right, title and interest in the Trade Mark ‘Naturoma Herbal’ which was registered in the name of the respondent, with proportional goodwill of the business concerned in the**
- F **goods with a stipulation that all goods manufactured by the respondent under the said Trade mark would be marketed solely by the appellant; and that on the termination of the Joint Venture, neither assignor nor the assignee would be entitled to use or register the Mark in**
- G **its own name or jointly with some other party. Subsequently, an application was filed with the Trade Mark authorities for bringing on record the name of the appellant as the Joint Proprietor of the Trade Mark. Five years later, the appellant and his son floated a company**
- H **by the name of ‘Naturoma Herbals (P) Ltd.’ and also**

applied for registration of the Trade Mark in the name of that Company. Thereafter, the appellant resigned from the company despite the fact that the company had not started manufacturing the activities until then. The respondent then filed a suit under Sections 134 and 135 of the Trade Marks Act, 1999. An *ex-parte* interim order was passed restraining the appellant and the Company from selling, distributing, manufacturing and marketing any of the products in the name of "Naturoma" or "Naturoma Herbal" which was made absolute a year later, till the disposal of the suit. The respondent filed an application under Section 9 of the 1996 Act before the District Judge. Thereafter, the appellant came to know that in breach of the agreements entered into by the parties, the respondent was approaching the dealers and distributors of the appellant to take direct supply from the respondent on a higher discount. The appellant also filed an application under Section 9 of the 1996 Act before the District Judge. Thereafter, the respondent cancelled the Agreement and also revoked the Deed of Assignment. The appellant's application was dismissed and he filed a fresh application under Section 9 of the 1996 Act. An *ad-interim* order was passed restraining the respondent from selling her products by herself or by any other person, save and except through the appellant which was later made absolute. Thereafter, a corrigendum was made by the Trade Mark Registrar in the Trade Mark Journal, showing the appellant as the Joint Proprietor of the Trade Mark "Naturoma Herbal" which was cancelled without notice to the appellant. Meanwhile the respondent filed an appeal before the High Court against the interim order passed on the application filed by the appellant under Section 9 of the 1996 Act. The High Court reserved the judgment. The respondent then filed an affidavit to bring on record the said cancellation of the corrigendum and the same was relied on by the High

A Court though the appellant was not given an opportunity to deal with the same. The High Court allowed the appeal. Aggrieved, the appellant filed a review application and the same was dismissed. Therefore, the appellant filed the instant appeal.

B The questions which, therefore, arose for determination were:

C i) Whether the High Court was justified in interfering with the order passed by the District Judge in the arbitration application, on account whereof pending arbitration, the respondent was restrained from marketing the products manufactured by her under the Trade Mark "Naturoma Herbal" or "Naturoma" by herself or through anyone, except through the appellant?

D ii) Whether, pending arbitration proceedings, an order could have been passed by which the right acquired by the appellant under the Deed of Assignment of 50% of the right, title and interest in the Trade Mark "Naturoma Herbal", could have been suspended and he could have been restrained from objecting to the use of the said Mark by the respondent?

F iii) Whether the High Court was justified in relying upon an affidavit filed on behalf of the respondent after hearing had been concluded and judgment had been reserved in the appeal, without giving the appellant an opportunity of dealing with the same?

G iv) Whether the invocation of Section 42 of the Specific Relief Act, 1963, to enforce the negative covenant contained in the Deed of Assignment, was contrary to the provisions of Section 27 of the Contract Act, 1872 and was, therefore, void.

H Allowing the appeals, the Court

HELD: 1.1 The terms of the Deed of Assignment clearly indicate that the respondent had of her own volition parted with 50% of her right, title and interest in the Trade Mark "Naturoma Herbal" with proportional goodwill of the business concerning the goods in respect of which the Mark was used, absolutely and forever, from the date of the Deed. On behalf of the respondent it was claimed that the Deed of Assignment had never been acted upon and that, in any event, the same had been revoked, when the Agreement, was cancelled. However, in view of the provisions of the Deed of Assignment, it is yet to be adjudicated upon and decided as to whether by virtue of the revocation of the Deed of Assignment by the respondent, the appellant was no longer entitled to the benefits of the Trade Mark which had been transferred to him to the extent of 50% absolutely and forever. In such circumstances, the order passed by the District Judge, restraining the respondent from marketing her products through any person, other than the appellant, was more apposite in the facts of the case, as the rights of both the parties stood protected till such time as a final decision could be taken in arbitral proceedings, which, in effect, is the object and intention of Section 9 of the Arbitration and Conciliation Act, 1996. [Para 31] [535-B-F]

1.2 It was inappropriate on the part of the High Court to allow the respondent to file an affidavit, on which reliance was placed, after the hearing had been concluded and judgment had been reserved, without giving the appellant an opportunity of dealing with the same. However innocuous the additional affidavit may have been, once the hearing was concluded and judgment was reserved, it would have been prudent on the part of the High Court to have given an opportunity to the appellant to deal with the same before allowing it to be taken on record. It has been submitted that the additional affidavit which was filed on behalf of the

A respondent after the judgment had been reserved by the
 Appeal Court, only sought to bring on record the
 proceedings whereby the corrigendum which had been
 issued by the Trade Mark Registrar, showing the
 appellant as the Joint Proprietor of the Trade Mark
 B “Naturoma Herbal”, had been subsequently cancelled.
 Since what was produced was a record of the official
 proceedings, the appellant could not have been
 prejudiced since he himself had knowledge of the same.
 [Para 32] [535-G-H; 536-A-C]

C 1.3 As regards the invocation of Section 42 of the
 Specific Relief Act, 1963, to enforce the negative covenant
 contained in the Deed of Assignment, was contrary to the
 provisions of Section 27 of the Contract Act, 1872, the
 provisions of Section 27 would not be attracted to the
 D facts of the instant case. What is declared to be void by
 virtue of Section 27 is any Agreement to restrain any
 person from exercising his right to carry on a profession
 or trade or business and any restraint thereupon by an
 Agreement would be void. It is seen from the materials
 E on record that the appellant did not ask for any injunction
 against the respondent from carrying on any trade or
 business, but he objected to the use by the respondent
 of the Trade Mark, in which he had acquired a 50%
 interest, while selling her products. [Paras 33, 34] [536-
 F D-F; 537-C]

1.4 The conditions in the Deed of Assignment clearly
 stipulate that all the goods manufactured by the
 respondent under the Trade Mark “Naturoma” would be
 marketed solely by the appellant. It was also submitted
 G that the said Trade Mark would be used only in relation
 to goods connected in the course of trade with both the
 parties. One of the other conditions of the Deed of
 Assignment was that both the parties would be entitled
 H to assign their respective shares in the Trade Mark

subject to prior written consent of the other party, which presupposes that the parties were the absolute owners of their respective shares in the Trade Mark and even on termination of the joint venture, as has been done in the instant case, neither of the parties would be entitled to use or register the Mark in their own names or jointly with some other party. [Para 35] [537-D-F]

1.5 Having regard to the arbitration clause-terms and conditions of the Deed of Assignment, the interim order passed on the application under Section 9 of the Arbitration and Conciliation Act, 1996, filed by the appellant in keeping with the terms and conditions agreed upon between the parties, was justified and within the jurisdiction of the District Judge. The interim order passed by the District Judge, restraining the respondent from selling her products by herself or by any other person, save and except through the appellant, was apposite to the circumstances. The said order took into consideration the interests of both the parties flowing from the Agreement and the Deed of Assignment, pending decision by an Arbitral Tribunal. The cause of action for the suit filed by the respondent before the District Judge was the incorporation of a Company by the appellant with his son under the name and style of "Naturoma Herbals (P) Ltd." and the subsequent application made before the Registrar of Trade Marks to register "Naturoma Herbal" in the name of the said Company. It is in that context that the interim order was passed restraining the appellant from distributing, manufacturing or marketing any of the products in the name of "Naturoma" or Trade Mark "Naturoma Herbal". The said order of injunction did not permit the respondent to manufacture and market the goods under the said Trade Mark in violation of the provisions of the Deed of Assignment. [Para 36] [537-G-H; 538-A-E]

A 1.6 The Single Judge of the High Court, while
 referring to some of the provisions of the Agreement
 between the parties, apparently overlooked the
 provisions relating to the use of the Trade Mark contained
 in the Deed of Assignment. Although, reference was
 B made to the clause of the Agreement, the High Court
 failed to notice that the same was not contained in the
 Deed of Assignment, whereby 50% of the right, title and
 interest of the respondent in the Trade Mark "Naturoma
 Herbal" was assigned in favour of the appellant
 C absolutely and forever. Even upon termination of the joint
 venture under the Agreement between the parties, neither
 the appellant nor the respondent would be entitled to use
 or register the Mark in their own names or jointly with
 some other party. In fact, the relevant terms and
 conditions of the Deed of Assignment had been extracted
 D by the Single Judge in the impugned judgment, but the
 same appear to have been lost sight of while considering
 the terms and conditions of the Agreement executed
 between the parties. [Para 37] [538-F-H; 539-A]

E 1.7 This is not a case where money can be an
 adequate compensation, since the appellant has
 apparently acquired a 50% interest in the Trade Mark in
 question, together with the goodwill of the business in
 relation to the products in which the Trade Mark is used.
 F Therefore, the High Court erred in reversing the order
 passed by the District Judge in the application filed by
 the appellant, under which the status-quo would have
 been maintained till the dispute was settled in arbitration.
 The impugned judgment and order of the Single Judge
 of the High Court impugned in the appeals is set aside
 G and that of the District Judge is restored. [Paras 38, 39,
 40] [539-B-D]

H 1.8 The order passed whereby the respondent had
 been allowed to continue with the running of the

business, but she was directed to maintain a separate account in respect of the transaction and to place the same before this Court at the time of hearing of the matter, such account does not appear to have been filed, but since the matter is disposed of by restoring the order of the District Judge in the application filed by the appellant, the respondent is directed, as and when arbitral proceedings may be taken, to furnish such account upto this day before the Arbitrator so that the claims of the parties could be fully decided by the Arbitrator. [Para 41] [539-E-G]

Gujarat Bottling Co. Ltd. vs. Coca Cola Company (1995) 5 SCC 545; Percept D'Mark (India) (P) Ltd. vs. Zaheer Khan (2006) 4 SCC 227; K.T. Plantation Ltd. vs. State of Karnataka (2007) 7 SCC 125 – referred to.

Case Law Reference:

(1995) 5 SCC 545	Referred to	Para 24	
(2006) 4 SCC 227	Referred to	Para 24	
(2007) 7 SCC 125	Referred to	Para 24	E

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 10434-10435 of 2011.

From the Judgment & Order dated 27.10.2008 of the High Court of Orissa, Cuttack in ARBA No. 17 of 2008 and order dated 28.9.2010 on Review Application No. 21 of 2009 in ARBA No. 17 of 2008.

P.K. Ghosh, Srenik Singhvi, Saurabh Trivedi for the Appellant.

A.K. Ganguli, Shambhu Prasad Singh, Shantwanu Singh Punam Kumari for the Respondent.

The Judgment of the Court was delivered by

A ALTAMAS KABIR, J. 1. Leave granted.

2. These appeals arising out of SLP(C)Nos.3391-3392 of 2011, are directed against the judgment and order dated 27th October, 2008, passed by the Orissa High Court in ARBA No.17 of 2008 and the order dated 28th September, 2010, passed on the Review Application No.21 of 2008.

3. The Appellant herein, Suresh Dhanuka, filed an application before the learned District Judge, Khurda, being ARB (P) No.576 of 2007, under Section 9 of the Arbitration and Conciliation Act, 1996, hereinafter referred to as the "1996 Act".

4. The facts leading to the filing of the said application reveal that on 1st April, 1999, Suresh Dhanuka, the Appellant herein, and Sunita Mahapatra, the Respondent herein, entered into an Agreement, whereby they agreed to jointly carry on business in the name and style of "Abhilasha". Sunita Mahapatra was carrying on business in the name and style of "M/s. Nature Probiocare Inc.", as the sole proprietress thereof. The said Agreement was for a period of five years from 1st April, 1999 to 31st March, 2004, which was subsequently extended till 31st March, 2009. On 4th October, 1999, the Respondent herein applied to the Registrar of Trade Marks, Kolkata, in Form No.TM-1 under the Trade and Merchandise Marks Act, 1958, for registration of the Trade Mark "Naturoma Herbal", under Application No.879695.

5. During the first five-year period of the original Agreement dated 1st April, 1999, the Respondent, Sunita Mahapatra, executed a Deed of Assignment on 1st October, 2000, assigning 50% of her right, title and interest in the said Trade Mark "Naturoma Herbal", with proportional goodwill of the business concerned in the goods in respect of which the Mark was permanently used, *interalia*, on the following terms and conditions, namely,

H (a) All goods manufactured by the Respondent under the

said Trade Mark would be marketed solely by the Appellant herein; A

(b) On the termination of the Joint Venture, neither the assignor nor the assignee would be entitled to use or register the Mark in its own name or jointly with some other party; B

(C) The existing goodwill and further goodwill would vest in the owner and the assignee.

Soon thereafter, on 28th February, 2001, M/s. S. Majumdar & Co., the authorized Trade Mark agent of the Respondent, filed an application in Form No.TM-16, along with the Deed of Assignment, with the Trade Mark authorities, together with the fee of Rs.20/- for recording the name of the Appellant as the Joint Proprietor of the Trade Mark. The application for registration of the Trade Mark was advertised in the Trade Mark Journal on 13th November, 2003. While the same was pending, the Agreement dated 1st April, 1999, was extended by mutual consent till 31st March, 2009. It appears that during the period 2003-2007, the sale of the product increased from Rs.19,99,808/- to Rs.1,88,70,143/-. Meanwhile, the Agreement dated 1st April, 1999, was extended by mutual consent till 31st March, 2009, as indicated hereinbefore. C
D
E

6. It appears that on 19th July, 2004, one Food Ingredients Specialties S.A. filed an opposition No.KOL-167256 to the Trade Mark application of the Respondent wherein a joint reply was filed, which was affirmed by both the parties. It is alleged that, thereafter, in 2006, the Appellant and his son floated a company by the name of "Naturoma Herbal (P) Ltd.". It is the case of the Appellant that the Appellant and his son floated the company with the name of "Naturoma Herbal (P) Ltd.". According to the Appellant, his son floated the company with the consent of the Respondent, who, subsequently, declined to participate in the management thereof. On 31st August, 2006, the Appellant resigned from the company despite the fact that F
G
H

- A the company had not started manufacturing activities until then, as was certified by the Chartered Accountant. On 21st August, 2007, the Respondent herein filed a Suit, being CS No.26 of 2007, before the District Judge at Khurda, under Sections 134 and 135 of the Trade Marks Act, 1999. The learned District
- B Judge, by an *ex-parte* order dated 29th August, 2007, restrained the Appellant and the company from selling, distributing, manufacturing and marketing any of the products in the name of "Naturoma" or "Naturoma Herbal". At this stage, on 4th September, 2007, the Respondent filed an application
- C under Section 9 of the 1996 Act, also before the District Judge at Khurda.

7. On 12th September, 2007, the Appellant came to learn from the market that in breach of the Agreements entered into by the parties, the Respondent was approaching the Dealers and Distributors of the Appellant to take direct supplies from the Respondent on a higher discount. This led to the filing of the application under Section 9 of the 1996 Act by the Appellant before the District Judge, Alipore, Kolkata. Thereafter, on 25th September, 2007, the Respondent cancelled the Agreement
- D dated 1st April, 1999 and also revoked the Deed of Assignment dated 1st October, 2000. The Appellant's application under Section 9 of the 1996 Act was dismissed on
- E 26th November, 2007, on account of the earlier application filed under Section 9 of the above Act, by the Respondent before
- F the District Judge at Khurda. Thereafter, on 19th December, 2007, the Appellant filed a fresh application under Section 9 of the 1996 Act, before the learned District Judge, Khurda. On 27th December, 2007, the learned District Judge passed an interim order restraining the Respondent from selling the
- G products in question by herself or by any other person, save and except through the Appellant. The said interim order was made absolute on 22nd May, 2008.

8. On 1st July, 2008, a corrigendum was made by the Trade Mark Registrar in the Trade Mark Journal, showing the
- H

Appellant as the joint proprietor of the Trade Mark "Naturoma Herbal". A

9. The Respondent herein preferred an appeal before the Orissa High Court on 8th July, 2008, which was heard on 18th September, 2008 and judgment was reserved. While the matter was pending, the Respondent filed a letter with the Trade Mark Authority at Mumbai on 25th September, 2008, praying for cancellation of the order allowing the request of the Appellant in January, 2001, resulting in issuance of the Corrigendum in the Trade Mark Journal on 16th September, 2008. As would appear from the materials on record, the Assistant Registrar of Trade Marks, Mumbai, cancelled the Corrigendum dated 1st July, 2008 on 26th September, 2008, without notice to the Appellant and such cancellation was published in the Trade Mark Journal on 29th September, 2008. On 30th September, 2008, the Respondent filed an affidavit to bring on record the said cancellation of the Corrigendum and, though, the same was relied upon by the High Court in its judgment dated 27th October, 2008, the Appellant was not given an opportunity to deal with the same. The High Court, by its aforesaid judgment, allowed the appeal filed by the Respondent. The Review Application filed by the Appellant on 28th January, 2009, against the judgment and order dated 27th October, 2008, was ultimately rejected by the High Court on 28th September, 2010, resulting in the filing of the Special Leave Petitions on 7th January, 2011, in which notice was issued and a limited interim order was made. B
C
D
E
F

10. Appearing for the Appellant, Mr. P.K. Ghosh, learned Senior Advocate, submitted that since the Respondent's establishment was basically a production unit and did not possess any experience and/or expertise in the field of marketing, promotion, distribution and management of its manufactured goods, she entered into an Agreement with the Appellant to market and distribute her products for a period of 5 years from 1st April, 1999, as indicated hereinbefore. The G
H

A same was extended for a further period of 5 years on 1st April, 2004 by mutual consent. Mr. Ghosh submitted that the Appellant incurred huge promotional expenses between 1999 and 2007 assessed at about Rs.72 lakhs and it was only after such promotional schemes that there was a substantial increase in the sale of the product with the Trade Mark "Naturoma Herbal".
 B Mr. Ghosh submitted that the sales figures from the accounting year 2003-04 to the accounting year 2006-07 showed an increase of almost 1 crore 60 lakhs rupees.

C 11. Mr. Ghosh submitted that the Respondent even went so far as to sell its goods by using the Trade Mark "Naturoma Herbal" and deleting the name "Abhilasha" from the packaging of the products. Mr. Ghosh contended that suppressing all the above facts, the opposite party filed a suit, being C.S. No.26 of 2007, under Sections 134 and 135 of the Trade Marks Act, 1999, before the District Judge, Khurda, *inter alia*, praying for an order of injunction to restrain the Appellant from using the Mark "Naturoma Herbal" and obtained an *ex-parte* order of injunction to the above effect.
 D

E 12. Having obtained an interim order in the aforesaid suit, the Respondent terminated the Agreement dated 1st April, 1999, and also revoked the Deed of Assignment dated 1st October, 2000, unilaterally. The Appellant thereupon moved the learned District Judge, Alipore, by way of an application under Section 9 of the 1996 Act, but the same had to be dropped on account of lack of jurisdiction. The Appellant, thereafter, filed another application under Section 9 of the above Act, being ARBP No.576 of 2007, before the Court of District Judge, Khurda, in which initially on 22nd December, 2007, an interim protection was given directing the Respondent not to sell, market, distribute, advertise its products under the Trade Mark "Naturoma Herbal", by herself or through any other person save and except the Appellant herein. The said order was subsequently confirmed on 22nd May, 2008.
 F
 G

H 13. Mr. Ghosh submitted that the Respondent had no

authority to terminate the Agreement dated 1st April, 1999, on the ground that the same had been misused by the Appellant. Learned counsel submitted that even if it be accepted that the Appellant was a Director of the Naturoma Herbals Pvt. Ltd., between June, 2005, to August, 2006, then there was no substance in the applications made against the Appellant as the said Company had not conducted any business within that period and, in any event, its product was sold under different designs containing the word "SAFFIRE" in bold and prominent fonts.

14. Mr. Ghosh submitted that the Respondent did not also have any right to revoke the Deed of Assignment whereby 50% of the right, title and interest in the Trade Mark "Natural Herbal" had been assigned to the Appellant to be held by him absolutely and forever. Mr. Ghosh urged that the Deed of Assignment did not contain any clause for revocation of the right and ownership of the Trade Mark to the extent of 50% and such revocation was made with the intention to defraud the Appellant and to grab the market created by him.

15. Mr. Ghosh reiterated the conditions contained in the Deed of Assignment dated 1st October, 2000, whereby 50% of the right, title and interest in the Trade Mark "Naturoma Herbal" with proportional goodwill of the business concerned in the said goods in respect of which the Mark was used, stood assigned to the Appellant absolutely and forever. Mr. Ghosh submitted that it was not within the powers of the Respondent to terminate the Deed of Assignment, even if the joint venture for marketing of the goods manufactured by the Respondent under the name of "Abhilasha", was discontinued. Mr. Ghosh reiterated that all goods manufactured by the Respondent under the aforesaid Trade Mark would have to be marketed solely by the Appellant and on termination of the joint venture, neither the assignor nor the assignee would be entitled to **use or register** (emphasis added) the Mark on its own name or jointly with some other party. Mr. Ghosh contended that the said condition

A amounted to a negative covenant which could be enforced
 under Section 42 of the Specific Relief Act, 1963. Learned
 counsel urged that while Section 41 of the aforesaid Act
 indicates the circumstances in which an injunction cannot be
 granted to prevent the breach of a contract, the performance
 B of which could not specifically be enforced, Section 42, on the
 other hand, specifically provides that notwithstanding anything
 contained in Clause (e) of Section 41, where a contract
 comprises an affirmative agreement to do a certain act,
 coupled with a negative agreement, express or implied, not to
 C do a certain act, the Court while not being in a position to
 compel specific performance of the affirmative agreement,
 would not be precluded from granting an injunction to perform
 the negative covenant, if the plaintiff had not failed to perform
 the contract so far as it was binding on him. Mr. Ghosh urged
 D that in the instant case, the conditions in the Deed of
 Assignment made it very clear that except for the Appellant, no
 other person would be entitled to market, sell, distribute and
 advertise the goods manufactured by the manufacturer under
 the Trade Mark "Naturoma Herbal". It was further stipulated that
 E if the joint venture agreement was to be terminated at any point
 of time, neither the assignor nor the assignee would be entitled
 to use or register the Mark in its own name or in the name of
 some other party.

16. It was submitted by Mr. Ghosh that the corrigendum
 F which had been published by the Registrar of Trade Marks in
 the Trade Mark Journal on 1st July, 2008, showing the Appellant
 as the joint proprietor of the Trade Mark "Naturoma Herbal" was
 cancelled on 25th September, 2008, on the basis of a letter
 written by the Respondent to the Trade Mark Authority at
 G Mumbai, seeking cancellation of the order, without any
 opportunity being given to the Appellant who had been shown
 as the joint proprietor of the Trade Mark in question. Mr. Ghosh
 submitted that what is more interesting is the fact that such
 letter seeking cancellation of the order by which the name of
 H the Appellant was shown as the Joint Proprietor of the Trade

Mark was written at a time when the Respondent's appeal against the order of the Registrar of the Trade Marks was pending before the Orissa High Court. In fact, after the hearing of the appeal was concluded and judgment was reserved, the Respondent filed an affidavit before the High Court to bring on record the cancellation of the corrigendum published on 1st July, 2008 and, although, the same was relied upon by the High Court, no opportunity was given to the Appellant to deal with the said document or to make any submissions in respect thereof. Mr. Ghosh submitted that the appeal was ultimately allowed by the High Court on the basis of documents submitted on behalf of the Respondent after the judgment had been reserved in the appeal.

17. Mr. Ghosh also submitted that the review application filed by the Appellant on the ground that the affidavit filed by the Respondent was taken on record without any opportunity to the Appellant to meet the same, was also rejected on 20th September, 2010, on the basis of an order of the Registrar of Trade Marks which was not on record at the time when the hearing of the appeal was concluded and judgment was reserved. Mr. Ghosh submitted that the manner in which the entire proceedings had been conducted clearly indicates that the High Court had not applied its judicial mind in allowing the appeal filed by the Respondent against the orders passed on the Appellant's application under Section 9 of the Arbitration and Conciliation Act, 1996, before the District Judge at Khurda.

18. Mr. Ghosh lastly contended that on the application made by the Respondent to the Registrar of Trade Marks for registration of the Trade Mark "Naturoma", certain objections had been filed in her counter statement. In such objection, it had been clearly indicated that with a view to effectively market the products under the Trade Mark "Naturoma", the Respondent joined hands with the Appellant by a Deed of Assignment dated 1st October, 2000, whereby she had transferred 50% of her right, title and interest in favour of the Appellant and pursuant to such assignment, the Trade Mark application was now jointly

- A held by Nature Pro Biocare Inc. and Abhilasha. Mr. Ghosh submitted that the Respondent had at all times in no uncertain terms reiterated the assignment effected in favour of the Appellant with regard to the Trade Mark and the goodwill of the Company. Learned counsel submitted that having done so,
- B there was no reason for the Registrar of Trade Marks to cancel the corrigendum by which the name of the Appellant had been brought on the Trade Mark Journal as joint owner of the Trade Mark "Naturoma Herbal" and that too not by any order of cancellation, but merely by a notification which was issued
- C without any foundation, since the judgment in the appeal preferred by the Respondent had not yet been delivered. Mr. Ghosh submitted that the order of the High Court and that of the Registrar of Trade Marks canceling the corrigendum issued by the Registrar of Trade Marks in favour of the Appellant, were
- D liable to be set aside.

19. On behalf of the Respondent, Mr. Shambhu Prasad Singh, learned Senior Advocate, submitted that since the arbitral proceeding was at its last stages and the Appellant could be adequately compensated in terms of money, the

E prayer for injunction made on behalf of the Appellant was liable to be rejected.

20. Apart from the above, Mr. Singh submitted that although a Deed of Assignment had been executed on 1st October, 2010, the same had never been acted upon, but the Appellant

F sought to take shelter under Clause 19 of the said Deed after having acted contrary thereto by forming a Company in the name of "Naturoma Herbals Private Limited" and applying for registration of the Respondent's Trade Mark "Naturoma" in his newly-formed Company's name. Referring to the Certificate of

G Incorporation and Memorandum of Association of the said Company, Mr. Singh pointed out that the name of the Appellant was shown in the Subscribers' List at Serial No.1 holding 5000 shares, while his son, Rahul Dhanuka, was shown to be holding the remaining 5000 shares.

H

21. On the question of grant of injunction to implement a negative covenant, as envisaged in Section 42 of the Specific Relief Act, 1963, Mr. Singh urged that the covenant contained in the Deed of Assignment, which had not been acted upon, was contrary to the provisions of Section 27 of the Indian Contract Act, 1872, and was, therefore, void.

22. Mr. Singh submitted that prior to the Agreement entered into between the parties on 1st April, 1999, regarding marketing and distribution of the goods manufactured by the Respondent, the Respondent had obtained Drug Licence on 2nd May, 1997, and Sales Tax Licence on 13th September, 1997, for marketing and selling "Naturoma Herbals". Mr. Singh urged that even eight years after the Assignment Deed was signed by the parties, the Respondent's name continued to be shown in the Trade Mark Journal as the proprietor of the aforesaid Trade Mark. Learned counsel submitted that as per the prayer of the Respondent in the application before the District Judge, Khurda, under Section 9 of the Arbitration and Conciliation Act, 1996, the Court had initially passed an interim order dated 29th August, 2007, whereby the Appellant and others were restrained from selling, distributing, manufacturing and marketing any product in the name of "Naturoma Herbals" or "Naturoma" or in any other name similar or identical to the said name. The said ad-interim order was made absolute on 25th January, 2008, till the disposal of the suit. The appeal preferred from the said order was dismissed by the High Court. The review petition filed thereafter was also dismissed.

23. Mr. Singh then submitted that in addition to the aforesaid proceeding before the District Judge, Khurda, the Appellant had also filed an application before the learned Arbitrator under Section 17 of the Arbitration and Conciliation Act, 1996, for the self-same reliefs.

24. On the question of enforcement of a negative covenant, Mr. Singh submitted that even in such a case, the balance of convenience and inconvenience would have to be taken into

A consideration. In this regard, reference was made to the decision of this Court in (i) *Gujarat Bottling Co. Ltd. vs. Coca Cola Company* [(1995) 5 SCC 545], (ii) *Percept D'Mark (India) (P) Ltd. vs. Zaheer Khan* [(2006) 4 SCC 227] and (iii) *K.T. Plantation Ltd. vs. State of Karnataka* [(2007) 7 SCC 125].

B 25. Mr. Singh urged that the impugned decision of the High Court was without any illegality or irregularity and no interference was called for therewith.

C 26. In a short reply, Mr. Pradip Ghosh submitted that in the instant case there was no violation of Section 27 of the Indian Contract Act, 1872, as the injunction sought for was not on trade or business but in respect of use of the Trade Mark.

D 27. From the submissions made on behalf of the respective parties and the materials on record, it is clear that the Respondent who was a manufacturer of herbal products entered into an Agreement with the Appellant resulting in the formation of a Joint Venture Company under the name and style of "Abhilasha". The said Agreement was initially for a period of 5 years from 1st April, 1999, and, thereafter, extended till E 31st March, 2009. There is also no dispute that a Deed of Assignment was executed by the Respondent in favour of the Appellant on 1st October, 2010, assigning 50% of the right, title and interest in the Trade Mark "Naturoma Herbal" registered in the name of the Respondent, with proportional goodwill of F the business concerned in the goods in respect of which the Mark is permanently used, on certain conditions which have been extracted hereinbefore. It is also on record that an application was filed with the Trade Mark authorities for bringing on record the name of the Appellant as the Joint Proprietor of G the Trade Mark and objections filed thereto were jointly resisted by the Appellant and the Respondent, accepting the fact that the Appellant was the owner of 50% of the Trade Mark and all rights, title and interest accrued therefrom. However, in 2006, it came to light that the Appellant had floated a Company by H the name of "Naturoma Herbals (P) Ltd." and it had also applied

for registration of the Trade Mark in the name of that Company. A
It is at that stage that the Respondent filed a Suit on 21st
August, 2007, under Sections 134 and 135 of the Trade Marks
Act, 1999, being C.S. No.26 of 2007, in which an ex-parte
interim order was passed on 29th August, 2007, restraining the
Appellant and the Company from selling, distributing, B
manufacturing and marketing any of the products in the name
of "Naturoma" or "Naturoma Herbal". The said ad-interim order
was made absolute on 25th January, 2008, till the disposal of
the suit.

28. Thereafter, on 25th September, 2007, the Respondent C
cancelled the Agreement dated 1st April, 1999 and also
revoked the Deed of Assignment dated 1st October, 2000.
Immediately thereafter, on 19th December, 2007, the Appellant
filed a fresh application under Section 9 of the Arbitration and D
Conciliation Act, 1996, before the District Judge, Khurda, who
on 27th December, 2007, passed an ad-interim order
restraining the Respondent from selling her products by herself
or by any other person, save and except through the Appellant.
The said interim order was made absolute on 22nd May, 2008.

29. At this point of time, there were two apparently E
conflicting orders in existence; one by the District Judge,
Khurda, in the Suit filed by the Respondent restraining the
Appellant from selling, distributing, manufacturing or marketing
any of the products in the name of "Naturoma" or "Naturoma F
Herbal", and on the other the District Judge passed an order
under Section 9 of the Arbitration and Conciliation Act, 1996,
restraining the Respondent from selling her products by herself
or by any other person, save and except through the Appellant.

30. The corrigendum by which the Trade Mark Registrar G
had on 1st July, 2008, altered the entries in the Trade Mark
Journal, showing the Appellant as the Joint Proprietor of the
Trade Mark "Naturoma Herbal", was cancelled on 26th
September, 2008, without notice to the Appellant. After the
interim order passed on 27th December, 2007, on the H

A application filed by the Appellant under Section 9 of the Arbitration and Conciliation Act, 1996, and the same was made absolute on 22nd May, 2008, the Respondent preferred an appeal before the Orissa High Court on 8th July, 2008, being Arb. A. No.17 of 2008. The same was heard on 18th September, 2008, and judgment was reserved. After reserving judgment, the High Court allowed the Respondent to file an affidavit to bring on record subsequent events which did not form part of the records, without giving the Appellant an opportunity of dealing with the same. What is also relevant is the fact that the said affidavit was relied upon by the High Court while allowing the Appeal filed by the Respondent herein. The questions which, therefore, arise for determination are :

D (i) Whether the High Court was justified in interfering with the order passed by the District Judge, Khurda in Arb.(P) No.576 of 2007, on account whereof pending arbitration, the Respondent was restrained from marketing the products manufactured by her under the Trade Mark "Naturoma Herbal" or "Naturoma" by herself or through anyone, except through the Appellant?

F (ii) Whether, pending arbitration proceedings, an order could have been passed by which the right acquired by the Appellant under the Deed of Assignment of 50% of the right, title and interest in the Trade Mark "Naturoma Herbal", could have been suspended and he could have been restrained from objecting to the use of the said Mark by the Respondent?

G (iii) Whether the High Court was justified in relying upon an affidavit filed on behalf of the Respondent after hearing had been concluded and judgment had been reserved in the appeal, without giving the Appellant an opportunity of dealing with the same?

H

- (iv) Whether the invocation of Section 42 of the Specific Relief Act, 1963, to enforce the negative covenant contained in the Deed of Assignment, was contrary to the provisions of Section 27 of the Indian Contract Act, 1872 and was, therefore, void? A

31. As far as the first two questions are concerned, the terms of the Deed of Assignment clearly indicate that the Respondent had of her own volition parted with 50% of her right, title and interest in the Trade Mark "Naturoma Herbal" with proportional goodwill of the business concerning the goods in respect of which the Mark was used, absolutely and forever, from the date of the Deed, namely, 1st October, 2000. It is no doubt true that on behalf of the Respondent it has been claimed that the Deed of Assignment had never been acted upon and that, in any event, the same had been revoked on 25th September, 2007, when the Agreement dated 1st April, 1999, was cancelled. However, in view of the provisions of the Deed of Assignment, it is yet to be adjudicated upon and decided as to whether by virtue of the revocation of the Deed of Assignment by the Respondent, the Appellant was no longer entitled to the benefits of the Trade Mark which had been transferred to him to the extent of 50% absolutely and forever. In such circumstances, the order passed by the District Judge, Khurda, in ARBP No.576 of 2007, restraining the Respondent from marketing her products through any person, other than the Appellant, was more apposite in the facts of the case, as the rights of both the parties stood protected till such time as a final decision could be taken in arbitral proceedings, which, in effect, is the object and intention of Section 9 of the Arbitration and Conciliation Act, 1996. B
C
D
E
F

32. As far as the third question is concerned, it was inappropriate on the part of the High Court to allow the Respondent to file an affidavit, on which reliance was placed, after the hearing had been concluded and judgment had been reserved, without giving the Appellant an opportunity of dealing G
H

A with the same. However innocuous the additional affidavit may have been, once the hearing was concluded and judgment was reserved, it would have been prudent on the part of the High Court to have given an opportunity to the Appellant to deal with the same before allowing it to be taken on record. It has been submitted that the additional affidavit which was filed on behalf of the Respondent after the judgment had been reserved by the Appeal Court, only sought to bring on record the proceedings whereby the corrigendum which had been issued by the Trade Mark Registrar on 1st July, 2008, showing the Appellant as the Joint Proprietor of the Trade Mark "Naturoma Herbal", had been subsequently cancelled on 26th September, 2008. Since what was produced was a record of the official proceedings, the Appellant could not have been prejudiced since he himself had knowledge of the same.

D 33. Coming to the last question, as to whether the invocation of Section 42 of the Specific Relief Act, 1963, to enforce the negative covenant contained in the Deed of Assignment, was contrary to the provisions of Section 27 of the Indian Contract Act, 1872, or not, we are inclined to accept Mr. Ghosh's submissions that the injunction sought for by the Appellant was not to restrain the Respondent from carrying on trade or business, but from using the Trade Mark which was the subject matter of dispute. Accordingly, the provisions of Section 27 of the Indian Contract Act, 1872, would not be attracted to the facts in this case. For the sake of reference, Section 27 of the above Act is reproduced hereinbelow :-

G 27. *Agreement in restraint of trade, void.*- Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void.

H *Exception 1.- Saving of agreement not to carry on business of which goodwill is sold.*- One who sells the goodwill of a business may agree with the buyer to refrain from carrying on a similar business, within specified local

limits, so long as the buyer, or any person deriving title to the goodwill from him, carries on a like business therein, provided that such limits appear to the Court reasonable, regard being had to the nature of the business.” A

It is obvious that what is declared to be void by virtue of Section 27 is any Agreement to restrain any person from exercising his right to carry on a profession or trade or business and any restraint thereupon by an Agreement would be void. B

34. As will be seen from the materials on record, the Appellant did not ask for any injunction against the Respondent from carrying on any trade or business, but he objected to the use by the Respondent of the Trade Mark, in which he had acquired a 50% interest, while selling her products. C

35. The conditions in the Deed of Assignment clearly stipulate that all the goods manufactured by the Respondent under the Trade Mark “Naturoma” would be marketed solely by the Appellant. It was also submitted that the said Trade Mark would be used only in relation to goods connected in the course of trade with both the parties. One of the other conditions of the Deed of Assignment was that both the parties would be entitled to assign their respective shares in the Trade Mark subject to prior written consent of the other party, which presupposes that the parties were the absolute owners of their respective shares in the Trade Mark and even on termination of the joint venture, as has been done in the instant case, neither of the parties would be entitled to use or register the Mark in their own names or jointly with some other party. D E F

36. Accordingly, having regard to the arbitration clause, which is Condition No.10 of the terms and conditions of the Deed of Assignment, the interim order passed on the application under Section 9 of the Arbitration and Conciliation Act, 1996, filed by the Appellant in keeping with the terms and conditions agreed upon between the parties, was justified and H

A within the jurisdiction of the District Judge, Khurda. As we have
mentioned hereinbefore, the interim order passed by the
learned District Judge, Khurda, restraining the Respondent from
selling her products by herself or by any other person, save and
except through the Appellant, was apposite to the
B circumstances. The said order took into consideration the
interests of both the parties flowing from the Agreement and
the Deed of Assignment, pending decision by an Arbitral
Tribunal. The cause of action for the suit filed by the Respondent
before the District Judge, Khurda was the incorporation of a
C Company by the Appellant with his son under the name and
style of "Naturoma Herbals (P) Ltd." and the subsequent
application made before the Registrar of Trade Marks to
register "Naturoma Herbal" in the name of the said Company.
It is in that context that the interim order was passed restraining
the Appellant from distributing, manufacturing or marketing any
D of the products in the name of "Naturoma" or Trade Mark
"Naturoma Herbal". The said order of injunction did not permit
the Respondent to manufacture and market the goods under
the said Trade Mark in violation of the provisions of the Deed
of Assignment referred to hereinabove.

E

37. The learned Single Judge of the High Court, while
referring to some of the provisions of the Agreement between
the parties, apparently overlooked the provisions relating to the
use of the Trade Mark contained in the Deed of Assignment.
F Although, reference was made to Clause 19 of the Agreement,
the High Court failed to notice that the same was not contained
in the Deed of Assignment, whereby 50% of the right, title and
interest of the Respondent in the Trade Mark "Naturoma Herbal"
was assigned in favour of the Appellant absolutely and forever.
G As has been emphasized hereinbefore, even upon termination
of the joint venture under the Agreement between the parties,
neither the Appellant nor the Respondent would be entitled to
use or register the Mark in their own names or jointly with some
other party. In fact, the relevant terms and conditions of the
H Deed of Assignment had been extracted by the learned Single

Judge in the impugned judgment, but the same appear to have been lost sight of while considering the terms and conditions of the Agreement executed between the parties. A

38. In our view, this is not a case where money can be an adequate compensation, since the Appellant has apparently acquired a 50% interest in the Trade Mark in question, together with the goodwill of the business in relation to the products in which the Trade Mark is used. B

39. We are, therefore, of the view that the High Court erred in reversing the order passed by the District Judge in ARBP No.576 of 2007 filed by the Appellant, under which the status-quo would have been maintained till the dispute was settled in arbitration. C

40. We, accordingly, allow the Appeals, set aside the impugned judgment and order of the learned Single Judge of the High Court impugned in the Appeals and restore that of the District Judge, Khurda in ARBP No.576 of 2007. D

41. However, before parting with the matter, we have to refer to the order passed by us on 28th January, 2011, whereby the Respondent had been allowed to continue with the running of the business, but she was directed to maintain a separate account in respect of the transaction and to place the same before us at the time of hearing of the matter. Such account does not appear to have been filed, but since we are disposing of the matter by restoring the order of the District Judge, Khurda, in ARBP No.576 of 2007, we further direct the Respondent, as and when arbitral proceedings may be taken, to furnish such account upto this day before the learned Arbitrator so that the claims of the parties can be fully decided by the learned Arbitrator. E F G

42. Having regard to the facts of the case, the parties will bear their own costs in these appeals all throughout.

N.J. Appeals allowed. H