

IP Hotline

February 18, 2010

'SUN' BRIGHTENS THE WAY FOR TRADEMARK ASSIGNEES

Demystifying the vagueness surrounding the question pertaining to the assignment of the THEOBID trademark, the Delhi High Court (“**Court**”), in the case of *Sun Pharmaceuticals Industries Limited* (“**Plaintiff**”) v. *Cipla Limited* (“**Defendant**”)¹, held that an assignee acquires title to a registered trademark on assignment itself and not by registration of the assignment. Entry of assignment in the Register of Trademarks is merely to record the proof of such title.

The trademark ‘THEOBID’, used for medicinal and pharmaceutical preparations, was initially registered in July 1985 in the name of M/s Natco Fine Pharmaceuticals Private Limited (“**Assignor**”). This trademark was subsequently assigned to the Plaintiff along with its goodwill vide Deed of Assignment dated October 31, 1998. The Defendant adopted the trademark “THEOBID-D” which was also used for medicinal preparations. The Plaintiff filed a suit in the Court praying for the grant of *inter alia*, permanent injunction for restraining the Defendant from infringing upon the Plaintiff’s impugned trademark.

Both, Plaintiff and Defendant, are well-known generic drug manufacturing companies in India. The major issue for consideration of the Court was to decide whether in absence of a registered assignment deed, could the Plaintiff be considered as a registered proprietor of the trademark and be allowed to maintain an action for infringement against the Defendant?

Relying upon the Madras High Court judgment in the case of *Soundarapandian Match Works v. M. Jayarama*², the Defendant argued that:

- an assignee cannot exercise any right till the time the registration of the assignment has been completed;
- by virtue of Section 28 of the Trade Marks Act, 1999 (“**Act**”), the right to use a trademark and obtain any relief in respect thereof vests with the registered proprietor³ of the mark;
- Section 45(2) of the Act hinders the Court from admitting into evidence any document as proof of assignment unless the same is registered with the Registrar; and
- since the registration of the THEOBID trademark subsisted in the name of the Assignor and as the Plaintiff’s name was not entered in the Register of Trade Marks as a Registered Proprietor, the Plaintiff had no right to institute the suit against the Defendant.

The Court rejected the reasoning given by the Madras High Court for two reasons. *Firstly*, it observed that when it is an undisputed fact that there was an assignment in favour of the Plaintiff, the non-registration of the assignment should not affect the position of the Plaintiff. *Secondly*, registration of assignment is not a condition precedent to an action for infringement. Differentiating the instant case from the facts of the Madras High Court judgment (where the assignee had not moved the Registrar to accept the assignment), the Court noted that since the Plaintiff had applied for registration in July 2000, they should not be made to bear the brunt, if the Registrar has not decided either way on the application of the Plaintiff till date. Accordingly, the Plaintiff was entitled to exercise the rights as a registered proprietor of the THEOBID trademark.

Agreeing with the Plaintiff, the Court held that the Plaintiff cannot be denied the rights acquired in their favour by virtue of the assignment deed, merely on the ground that the trademark appears to be registered in the name of the Assignor till date.

The Court elucidated that the process of assignment⁴ is complete between the assignor and the assignee upon writing and does not mandate registration. What section 45(1) of the Act requires is the registration of the proof of such title acquired by assignment. Thus, title exists in assignee even before registration under Section 45(1). It was also clarified that though the language of Section 45(2) is commanding in nature, it still confers a discretionary power on the court to admit into evidence any document of assignment of trademark, even though the same may not be entered in the Register. The Court urged that the term ‘*Registered Proprietor*’ appearing in Section 28 of the Act should be construed broadly to include an unregistered assignee as well so as to enable such assignee to take remedial steps in case of a wrong committed against his registered mark.

Rejecting further contentions of the Defendant that there is non-use of the impugned trademark by the Plaintiff and additionally, as the Defendant is in a position to compensate the Plaintiff, no injunction should be granted in favour of the Plaintiff, the Court emphasized that registration of a mark under Section 31 of the Act is by itself a *prima facie* evidence of validity. No doubt that Section 47 of the Act provides for removal of the trademark from the register on the ground of non-use if there has been no *bona fide* intention to use the mark, but the jurisdiction in this regard vests with the Registrar. The Defendant is thus not permitted to set up pleas of non-use directly in an infringement

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suit as the same will result in undermining the efficacy of registration and the presumption of validity of registration under Section 31 of the Act. The Court noted that a mere break in the usage of the mark should not injunct the rights of a registered owner and the Plaintiff cannot be considered a trafficker of marks as there was sufficient evidence to show that there was use and intent to use the mark by the Plaintiff.

The Court also observed that injunction should not be denied to a registered owner just because alternate reliefs may be available. As the balance of convenience tilts in favour of the registered user and the court is duty bound to protect the rights of a rightful owner of a trademark, the Court permitted the application of the Plaintiff and made an interim order restraining the Defendant, its directors, assignees, distributors and dealers, during the pendency of the suit, from manufacturing, selling or dealing in medicinal preparations under the trademark THEOBID-D or any other trademark that may be deceptively similar to the trademark THEOBID . However, in view of prima facie extensive use by Defendant since 2007, in the interest of justice, the Court directed the order to be operative after a month.

This judgment is an attempt by the Hon'ble Court to protect the rights of vigilant IP owners who, at times, are made to suffer because of procedural and administrative lapses. As a general rule, assignment involves the transfer of title from the assignor to the assignee in the assigned property. In the absence of a provision permitting the assignee to protect his trademark pending registration of the assignment deed, there will be a situation of utter chaos. The assignor, having deprived himself of the rights with respect to the assigned mark would definitely not have the right to take any action against the infringer and, the assignee, by reason of being an unregistered proprietor would not be permitted to protect the mark either. This, in effect, will leave the assignee remediless and result in giving undue advantage to third parties and ultimately a miscarriage of justice.

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- 1 2009(39) PTC 347 (Del).
- 2 Chetty(2) PTC 145 (Mad).
- 3 Section 2 (1)(v) defines *"registered proprietor" in relation to a trade mark, means the person for the time being entered in the register as proprietor of the trade mark.*
- 4 Section 2(1)(b) of the Act defines *"Assignment" as an assignment in writing by act of the parties concerned".*

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