



2024:DHC:3991-DE



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

% **Judgment reserved on: 07 February 2024**  
**Judgment pronounced on: 17 May 2024**

+ CO (COMM.IPD-TM) 258/2022

MR AMRISH AGGARWAL TRADING AS M/S  
MAHALAXMI PRODUCT ..... Petitioner

Through: Mr. Ajay Amitabh Suman, Adv.

versus

M/S VENUS HOME APPLICANCES PVT LTD &  
ANR ..... Respondents

Through: None.

**Counsels Assisting the Court:-**

Mr. R.K. Aggarwal, Ms. Ayushi Bansal, Mr.  
Vinay Padam, Advs.

Mr. Rohan J.Alva, Adv.

Mr. Manish Vashisht, Sr. Adv., Mr. Sameer  
Vashisht, Mr. Vanshay Kault, Ms. Harshita  
Nathrani, Ms, Vedansh Vashisht, Mr. Aman  
Singh

Mr. Anirudh Bakhru, Mr. Umang Tyagi, Ms.  
Vijay Laxmi, Advs.

Dr. Farrukh Khan, Ms. Tanzeela, Ms. Vidhi  
Jain, Advs.

Mr. Adarsh Ramanujan, Adv.

Mr. Arjun Natarajan, Ms. Kamana Pradhan  
Adv.

Ms. Yashi Agrawal, Adv.

**CORAM:**

**HON'BLE MR. JUSTICE YASHWANT VARMA**

**HON'BLE MR. JUSTICE RAVINDER DUDEJA**

**J U D G M E N T**



## **YASHWANT VARMA, J.**

1. A learned Single Judge, doubting the correctness of the view expressed by the Court in **Sana Herbals Pvt. Ltd. vs. Mohsin Dehvi**<sup>1</sup> has framed the following question for the consideration of this Bench:-

“Whether the view by the Coordinate Single Bench in para 7 of *Sana Herbals*, that, after the abolition of the IPAB, there is no requirement of staying a civil suit during pendency of the rectification petition, even where the rectification petition is instituted under Section 124 of the Trade Marks Act, can sustain, in view of Section 124(2)?”

2. The issue arises in the context of Section 124 of the **Trade Marks Act, 1999**<sup>2</sup> and which envisages proceedings in a suit for infringement or passing off being stayed if it be found that proceedings for rectification have been initiated or were pending on the date when the suit comes to be instituted. As would be evident from a plain reading of Section 124 of the 1999 Act, it contemplates situations where either the defendant or the plaintiff were to raise an issue of invalidity of a mark. It also envisions a plurality of contingencies dependent upon whether a rectification action had already been initiated on the date when the suit proceedings commenced or were to be raised in the course thereof. In all such eventualities, the statute contemplates the suit proceedings being placed in abeyance.

3. Section 124 (1) (i) deals with a situation where the Trial Judge is apprised of rectification proceedings having already been initiated and pending on the date of initiation of the action before it. In terms of clause (ii) of Section 124(1), a plea of invalidity when raised is liable to

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<sup>1</sup> 2022 SCC OnLine Del 4482

<sup>2</sup> 1999 Act



be tried by the suit court solely on the anvil of whether the plea is prima facie tenable and if that question be answered in the affirmative, grant an opportunity to the applicant to initiate appropriate proceedings for rectification of the Register and consequently stay the proceedings on the suit awaiting the outcome of those proceedings.

4. *Sana Herbals* took note of the amendments introduced by virtue of the **Tribunal Reforms Act, 2021**<sup>3</sup> pursuant to which the **Intellectual Property Appellate Board**<sup>4</sup> came to be abolished and the jurisdiction conferred upon it reverting to the High Court. In view of the aforesaid statutory amendments, the Court in *Sana Herbals* observed that since both the rectification application as well as the suit would come to be tried by a High Court, the possibility of any conflict would stand obviated and thus there would be no requirement of staying the suit proceedings. It is the aforesaid view which has been prima facie found to be untenable by the learned Single Judge while referring the matter for our consideration.

5. According to the learned Single Judge, the aforementioned observation as appearing in *Sana Herbals* is contrary to what was held by the Court in **Elofic Industries (India) vs. Steel Bird Industries**<sup>5</sup> and which decision stood affirmed by a Division Bench of our Court in **Puma Stationer P. Ltd. and Anr. vs. Hindustan Pencils Ltd**<sup>6</sup>. The learned Single Judge was also of the opinion that *Sana Herbals* insofar as it declared that proceedings in the suit need not be stayed would also

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<sup>3</sup> 2021 Act

<sup>4</sup> IPAB

<sup>5</sup> 1985 SCC OnLine Del 97

<sup>6</sup> (2010) SCC OnLine Del 4766



be contrary to the judgment of the Supreme Court in **Patel Field Marshal Agencies vs. P.M. Diesels**<sup>7</sup>. It is in the aforesaid backdrop that the matter has reached this Court. However, and before we proceed further, for the purposes of answering the reference which is made, we deem it apposite to notice the following skeletal facts.

6. The respondent had instituted an action for infringement and passing off before the Additional District Judge and which authority was exercising the powers of the designated Commercial Court. In the written statement which came to be filed by the petitioner, a challenge was raised to the validity of the mark held by the respondent-plaintiff. Accordingly, the petitioner moved an application referable to Section 124(1) of 1999 Act for the framing of an issue with respect to alleged invalidity. During the pendency of the said application and even before the Commercial Court could render an opinion on prima facie tenability, the application for rectification came to be filed before this Court.

7. The learned Single Judge firstly flagged for consideration the issue whether the rectification petition could have been filed at all, even before the Commercial Court had satisfied itself with respect to the tenability of the challenge which stood raised. While dealing with the aforesaid aspect, the learned Single Judge observed as under:-

“5.9 Though neither has the learned Single Judge in *Elofic*, nor has the Division Bench in *Puma Stationer*, particularly addressed the issue of whether, in a suit which has already been instituted, a rectification petition could be filed even before issues are framed under Section 124(1)(ii) by the Court and the suit is adjourned, that in fact was what was done in *Elofic*. In *Elofic*, the

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<sup>7</sup> (2018) 2 SCC 112



rectification petition was filed simultaneously with the filing of the written statement. The applicable provision at that time was Section 111 of the Trade and Merchandise Act 1958 (the TMAA 1958). Paras 10 and 42 of the judgment of the Supreme Court in *Patel Field Marshal v. P.M. Diesels Ltd* recognises that Section 111 of the TMAA 1958 is in *pari materia* with Section 124 of the present Trade Marks Act and that the law that developed with respect to Section 111 of the TMAA 1958 would apply *mutatis mutandis* to Section 124 of the present Trade Marks Act.

“10. The aforesaid question which arises in the present appeals in the context of the 1958 Act continues to be a live issue in view of the *pari materia* provisions contained in the Trade Marks Act, 1999 i.e. Sections 47, 57, 124 and 125 of the Trade Marks Act, 1999 (hereinafter referred to as "the 1999 Act").

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42. While Section 32 of the 1958 Act, undoubtedly, provides a defence with regard to the finality of a registration by efflux of time, we do not see how the provisions of the aforesaid section can be construed to understand that the proceedings under Sections 46 and 56 on the one hand and those under Sections 107 and 111 on the other of the 1958 Act and the *pari materia* provisions of the 1999 Act would run parallelly. As already held by us, the jurisdiction of rectification conferred by Sections 46 and 56 of the 1958 Act is the very same jurisdiction that is to be exercised under Sections 107 and 111 of the 1958 Act when the issue of invalidity is raised in the suit but by observance of two different procedural regimes.”

**5.10** The Division Bench in *Puma Stationer* has approvingly cited *Elofic*, in which the rectification petition was filed along with the written statement, before framing of any issue in the suit or adjournment of the proceedings.

**5.11** Sitting singly, I do not deem it appropriate, therefore, to enter into the issue of whether a rectification petition could be instituted by the defendant after filing of the suit even before an issue regarding validity is framed by the court and the matter is adjourned.

**5.12** In view of the decision in *Puma Stationer*, the present rectification petition cannot, therefore, be dismissed as not maintainable merely because it has been filed in advance of any issue being framed by the learned Commercial Court on the



tenability of the challenge, by Mahalaxmi, to the VENUS mark of Venus, or the framing of an issue in that regard.”

8. The learned Single Judge further clarified that the Court was not intending to rule on the issue of prima facie tenability since that would be an aspect which would have to be necessarily examined by the Commercial Court and which was *in seisen* of the suit itself. The Court accordingly proceeded to hold that the examination of the rectification petition would have to await a decision being taken by the Commercial Court on the question of whether the rectification action merited further consideration.

9. The second issue which appears to have arisen for consideration pertained to Section 124(2) of the 1999 Act and led to the learned Single Judge posing the question whether a filing of a rectification petition would *ipso facto* result in a stay of the suit proceedings. It was while trying the aforesaid issue that the learned Single Judge doubted the correctness of the observations as appearing in *Sana Herbals*. The Court finding itself unable to sustain or affirm the view that was expressed in *Sana Herbals*, firstly relied upon the plain language of Section 124(2) of the 1999 Act and observed that *Sana Herbals* clearly appears to have come to a conclusion which was contrary to the plain text of the statute. The Court also took into consideration Section 124(2) of the 1999 Act contemplating an order providing for a stay of suit proceedings as a necessary corollary to the filing of a rectification petition. The learned Judge found that the statute did not appear to confer any discretion in a court to consider staying suit proceedings or refusing to place its proceedings in abeyance. The stay of the suit according to the learned Judge was an “*inexorable legislative*



*consequence to the filing of the rectification petition*”. The Court also took into consideration the indubitable fact of the transfer of jurisdiction from the abolished IPAB to the High Court coupled with the fact that the Legislature had made consequential amendments in Section 124(1) of the 1999 Act itself.

10. The learned Judge thus came to conclude that the observations in *Sana Herbals* were apparently contrary to the legal position as was enunciated in *Puma Stationer*. It was on an overall conspectus of the aforesaid that the referring Court proceeded to hold as follows:-

“**6.8** Fourthly, *Sana Herbals*, in holding that there is no requirement of staying the suit, rules contrary to *Puma Stationer*, rendered by a Division Bench, which it has not noticed. *Puma Stationer* dealt with an identically worded Section 124, which contemplated the rectification petition being filed before the High Court. The decision specifically holds that, once a rectification petition is filed, stay of the pending suit, at least qua infringement, is mandatory, though the suit can proceed so far as passing off is concerned.

**6.9** The Coordinate Bench has, in holding that it is not necessary to stay the suit once a rectification petition is filed under Section 124(1)(ii), justified the decision on the premise that, now, with the abolition of the IPAB, rectification proceedings are also decided by the High Court. *In my respectful opinion, the learned Coordinate Bench has effectively held Section 124(2) to be no longer applicable after the abolition of the IPAB and the transfer, to the High Court, of the jurisdiction of rectification earlier vested in the IPAB.* I have serious doubts as to whether such a finding can be returned by a Court, especially where Section 124(2) was never under challenge.

**7.** Moreover, it is not as though the retention of Section 124(2) on the statute book is an incidence of legislative oversight. Consequent on rectification jurisdiction returning to the High Court, after the abolition of the IPAB, Section 124(1) has been amended by the Legislature by the Tribunal Reforms Act, 2021. The words “Appellate Board” in Section 124(1) have been replaced by the words “High Court”. The Legislature has, therefore, duly recognised the fact that rectification proceedings



would have to be instituted before the High Court and not before the IPAB and has duly amended Section 124(1). *Even so, the legislature has not chosen either to delete or repeal, or even modify, Section 124(2). Section 124(2) stands as it is. The provision clearly and categorically envisages stay of the suit pending disposal of the rectification proceedings, even where the rectification proceedings are to be instituted before the High Court.*

8. Any view by the Court that there is no requirement of staying the suit would, therefore, be directly contrary to Section 124(2). Where the Legislature has not chosen to delete Section 124(2) from the statute book, I have my serious reservations as to whether the Court can adopt a view that, given the present scenario, there is no requirement of staying the suit pending disposal of the rectification proceedings. At the cost of repetition, the stay of depending infringement suit, on a rectification petition being filed under Section 124(1)(ii), does not require any judicial order; it is an inexorable statutory consequence of the filing of the rectification petition.”

11. When the matter was initially called before us, learned counsels had underlined the significance of the questions which stood raised and the likelihood of the Reference impacting a large number of pending matters. We had, in light of the aforesaid submission, invited members of the Bar to address submissions on this reference. Responding to our request, we have had the benefit of hearing submissions advanced by Mr. Manish Vashisht, learned senior counsel as well as Mr. Anirudh Bakhru, Mr. Adarsh Ramanujan, Mr. Arjun Natarajan and Ms. Yashi Agrawal learned counsels who appeared before us. We deem it appropriate to place a sincere note of appreciation for the invaluable assistance which was extended by the members of the Bar and the erudite submissions which were advanced. The depth and clarity of their submissions has lightened the task at hand.

12. Mr. Vashisht, learned senior counsel at the outset submitted that the Court in *Sana Herbals* while holding that there was no imperative





to stay suit proceedings clearly propounds a rule which is directly in conflict with the decision of the Division Bench in *Puma Stationer*. It was submitted that a plain reading of clauses (i) and (ii) of Section 124(1) of the 1999 Act would establish a legislative mandate operating upon the suit court to stay its hands if it be informed of a pending rectification action. According to learned senior counsel, the statute contemplates of similar consequences where a rectification petition comes to be preferred during the pendency of or post the institution of a suit. Mr. Vashisht pointed out that as per the statute, the only additional stipulation which operates in the case of the latter is of the suit court finding the rectification petition to be prima facie tenable and proceeding thereafter to place the proceedings in abeyance in order to enable the applicant to formally institute proceedings for rectification of the offending mark. According to Mr. Vashisht, the statute does not place any discretion in the hands of the court trying the suit to refuse placing further proceedings in abeyance once it has come to the conclusion that the action for rectification would merit further consideration.

13. It was submitted that as per the scheme of the Act, a plea of invalidity can be raised both by the plaintiff as well as the defendant. According to learned senior counsel, Section 124 of the 1999 Act is essentially structured so as to avoid the spectre of conflicting decisions and multiplicity of proceedings. It was his submission that the obligation to stay proceedings in the suit is manifest from the Legislature having consciously used the expression “*shall stand stayed until the final disposal of the rectification proceedings*” in Section



124(2).

14. Mr. Vashisht then contended that *Sana Herbals* appears to have mistakenly proceeded on the premise that both the suit as well as the rectification action would invariably come to be instituted before the High Court. It was pointed out by learned senior counsel that in terms of the provisions of the **Commercial Courts Act, 2015**<sup>8</sup> and dependent upon the specified value of the suit, the same could come to be instituted either before the designated Commercial Court or before the High Court dependent upon its pecuniary value. Learned senior counsel pointed out that Section 6 of the 2015 Act confers jurisdiction upon all commercial courts to try any suit or application relating to a commercial dispute of a specified value. It was pointed out that in terms of Section 3 of the 2015 Act, commercial courts may come to be constituted either at the District level or as Commercial Divisions in High Court which are otherwise empowered to exercise ordinary original civil jurisdiction.

15. It was thus argued that in case a suit alleging infringement or passing off were pending before a commercial court, a rectification petition once filed before the High Court would necessarily entail the court staying further proceedings awaiting the outcome of the rectification petition. It was submitted that even if both the actions were pending before a High Court, they need not necessarily be before the same Bench of the Court. In view of the above, Mr. Vashisht submitted that *Sana Herbals* erroneously holds that no specific order of stay need be entered.

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<sup>8</sup> 2015 Act



16. Mr. Anirudh Bakhru firstly referred to the legislative history of trade mark law and submitted that undisputedly, prior to 1940, there was no statutory code which governed trademarks and disputes relating to that subject thus being governed by principles forming part of the common law. Mr. Bakhru submitted that the **Trade Marks Act, 1940**<sup>9</sup> represented the first codified statute in respect of trademarks. Our attention was drawn to Section 46 of the 1940 Act and in terms of which rectification petitions could be filed either before the Registrar or the High Court. Mr. Bakhru also referred to Section 73 of the 1940 Act pursuant to which an infringement suit was liable to be instituted before a District Court. Learned counsel submitted that although the 1940 Act envisaged challenges to the validity of registration being laid, it provided no mechanism which would ensure “*congruence and consistency*” between courts deciding infringement actions and the High Court or the Registrar ruling on a plea of validity.

17. Our attention was then drawn to the decision of the Union Government to set up the Trade Marks Enquiry Committee in 1953, chaired by Shri Justice N. Rajagopala Ayyangar, which submitted the **Report of Shri Justice N. Rajagopala Ayyangar on Trade Marks Law Revision, 1955**<sup>10</sup>. It was this Report which recommended reintroducing the words “*if valid*” as appearing in Section 21 of the 1940 Act. Our attention was also drawn to the recommendations of the Ayyangar Committee that rectification actions should be decided exclusively by the High Court. It was the submission of Mr. Bakhru

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<sup>9</sup> The 1940 Act

<sup>10</sup> Ayyangar Committee Report



that it was the Ayyangar Committee which first recommended that suit proceedings should be stayed awaiting outcome of rectification proceedings. According to learned counsel it was the aforementioned recommendations which led to the adoption and incorporation of appropriate measures in the statute. We deem it apposite to extract Paras 61 and 62 of the Ayyangar Committee Report hereinbelow:-

**“61.** I am, however, in agreement with the Committee that every Court trying an infringement action or dealing with a prosecution under the relevant sections of the I.P.C. should not be vested with Jurisdiction to decide on the validity of the registration, The scheme which I am formulating, would, while vesting the power to order rectification of the register in such circumstances exclusively in the High Court, enable the defence of the validity of the registration being raised before every court trying an infringement action or a prosecution in respect of an offence in connection with a registered trade mark.

**62.** The question that next follows is how the exclusive jurisdiction vested in the particular High Courts to rectify the register should be correlated with proceedings in an infringement action which might be instituted before any District Court. I have considered the matter deeply and the best solution I am able to offer is, that in cases where a defendant in an infringement action raises a defence as regards the invalidity of the registration of the plaintiffs mark, such defence will not be gone into by the District Court or other Court trying the action. The defendant will be required within a reasonable time granted to him (in the draft I have suggested three months as reasonable) to take out appropriate proceedings for rectification before the Competent Court for that purpose. If he does this, the trial of the infringement action will be stayed. The Court trying the infringement action will however retain jurisdiction to pass, notwithstanding the stay, interim orders necessary to protect the rights of parties pending the decision of the suit. When the rectification proceeding is completed and reaches a stage of finality, the result of those proceedings should be declared binding on the Court trying the infringement action. If, in the rectification proceedings; the registered trade mark is ordered to be taken off the register, the issue as to validity of registration will be decided against the plaintiff in the action; and the rest of the action, if anything remains, will be proceeded with. If on the



other hand, the rectification proceeding fails and the mark is retained on the register, the other defences, if any, will be investigated and the action will proceed to trial on those other matters. Of course from the decision of the District Court, even without special provision in that regard in this Act, an appeal would lie to the higher courts right up to the Supreme Court in appropriate cases.”

18. Proceeding further, Mr. Bakhru then took us through the relevant provisions contained in **Trade and Merchandise Marks Act, 1958**<sup>11</sup> and to Sections 56 and 105 of the 1958 Act as they existed. Sections 56 and 105 of the 1958 Act are reproduced hereinbelow:-

**“56. Power to cancel or vary registration and to rectify the register-**

(1) On application made in the prescribed manner to a High Court or to the Registrar by any person aggrieved, the tribunal may make such order as it may think fit for cancelling or varying the registration of a trade mark on the ground of any contravention, or failure to observe a condition entered on the register in relation thereto.

(2) Any person aggrieved by the absence or omission from the register of any entry, or by any entry made in the register without sufficient cause, or by any entry wrongly remaining on the register, or by any error or defect in any entry in the register, may apply in the prescribed manner to a High Court or to the Registrar, and the tribunal may make such order for making, expunging or varying the entry as it may think it.

(3) The tribunal may in any proceeding under this section decide any question that may be necessary or expedient to decide in connection with the rectification of the register.

(4) The tribunal, of its own motion, may, after giving notice in the prescribed manner to the parties concerned and after giving them an opportunity of being heard, make any order referred to in sub-section(1) or sub-section (2).

(5) Any order of the High Court rectifying the register shall direct that notice of the rectification shall be served upon the Registrar in the prescribed manner who shall upon receipt of such notice rectifying the register accordingly.

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<sup>11</sup> 1958 Act



(6) The power to rectify the register conferred by this section shall include the power to remove a trade mark registered in Part A of the register to Part B of the register.

**Section 105. Suit for infringement etc., to be instituted before District Court.**

—No suit—

- (a) for the infringement of a registered trade mark; or
- (b) relating to any right in a registered trade mark; or
- (c) for passing off arising out of the use by the defendant of any trade mark which is identical with or deceptively similar to the plaintiff's trade mark, whether registered or unregistered;

shall be instituted in any court inferior to a District Court having jurisdiction to try the suit.”

19. Mr. Bakhru also drew our attention to Sections 107 and 111 as they existed in the 1958 enactment and which read as under:-

**“107. Application for rectification of register to be made to High Court in certain cases.—**(1) Where in a suit for infringement of a registered trade mark the validity of the registration of the plaintiff's trade mark is questioned by the defendant or where in any such suit the defendant raises a defence under clause (d) of sub-section (1) of Section 30 and the plaintiff questions the validity of the registration of the defendant's trade mark, the issue as to the validity of the registration of the trademark concerned shall be determined only on an application for the rectification of the register, and notwithstanding anything contained in Section 46, sub-section (4) of Section 47 or Section 56, such application shall be made to the High Court and not to the Registrar.

(2) Subject to the provisions of sub-section (1), where an application for rectification of the register is made to the Registrar under Section 46 or sub-section (4) of Section 47 or Section 56, the Registrar may, if he thinks fit, refer the application at any stage of the proceeding to the High Court.

**111. Stay of proceedings where the validity of registration of the trade mark is questioned etc.—**

- (1) Where in any suit for the infringement of a trade mark—
  - (a) the defendant pleads that the registration of the plaintiff's trade mark is invalid; or



(b) the defendant raises a defence under clause (d) of sub-section (1) of Section 30 and the plaintiff pleads the invalidity of the registration of the defendant's trade mark;

the court trying the suit (hereinafter referred to as the court), shall—

(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the Registrar or the High Court, stay the suit pending the final disposal of such proceedings;

(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark *prima facie* tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the High Court for rectification of the register.

(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b)(ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.

(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.

(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order insofar as it relates to the issue as to the validity of the registration of the trade mark.

(5) The stay of a suit for the infringement of a trade mark under this section shall not preclude the court making any interlocutory order (including any order granting an injunction, directing accounts to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit.”

20. It was the submission of learned counsel that both Sections 111 and 107 of the 1958 Act were provisions identical and *pari materia* to Sections 124 and 125 of the 1999 Act. According to Mr. Bakhru, the 1999 Act clearly contemplates that once a plea of invalidity is raised



either by a plaintiff or a defendant, proceedings in the suit must necessarily be placed in abeyance. It was his submission that in case a prior rectification petition were pending in relation to either the plaintiff or the defendant's trademark before the Registrar or the High Court, Section 124 of the 1999 Act mandates the suit proceedings being stayed awaiting the outcome of the rectification petition.

21. Mr. Bakhru further submitted that similarly even where no prior rectification action be pending, a court trying an infringement action may be called upon to examine a plea of invalidity that may be raised either by the plaintiff or the defendant. Upon such an objection being taken, Mr. Bakhru submitted, the Trial Judge is obliged to adjourn the suit for three months in order to enable the party to apply to the High Court for rectification of the Register. It was submitted that in either of the aforementioned scenarios, the outcome of the rectification proceedings would be binding on the court trying the infringement action.

22. The legal position in this respect, according to learned counsel, in any case stands conclusively settled by the Supreme Court in *Patel Field Marshal Agencies*. Our attention was specifically drawn to following passages from that decision:-

“29. The above seems to become more clear from what is to be found in Section 111 of the 1958 Act which deals with “*stay of proceedings where the validity of registration of the trade mark is questioned*”. The aforesaid provision of the 1958 Act specifically provides that if a proceeding for rectification of the register in relation to the trade mark of either the plaintiff or the defendant is pending before the Registrar or the High Court, as may be, and a suit for infringement is filed wherein the aforesaid plea is raised either by the defendant or by the plaintiff, the suit shall remain stayed. Section 111 further provides that if no proceedings for rectification are pending on the date of filing of the suit and the issue of validity





of the registration of the plaintiff's or the defendant's trade mark is raised/arises subsequently and the same is prima facie found to be tenable, an issue to the aforesaid effect shall be framed by the civil court and the suit will remain stayed for a period of three months from the date of framing of the issue so as to enable the party concerned to apply to the High Court for rectification of the register. Section 111(2) of the 1958 Act provides that in case an application for rectification is filed within the time allowed the trial of the suit shall remain stayed. Sub-section (3) of Section 111 provides that in the event no such application for rectification is filed despite the order passed by the civil court, the plea with regard to validity of the registration of the trade mark in question shall be deemed to have been abandoned and the suit shall proceed in respect of any other issue that may have been raised therein. Sub-section (4) of Section 111 provides that the final order as may be passed in the rectification proceeding shall bind the parties and the civil court will dispose of the suit in conformity with such order insofar as the issue with regard to validity of the registration of the trade mark is concerned.

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**31.** Rather, from the résumé of the provisions of the 1958 Act made above, it becomes clear that all questions with regard to the validity of a trade mark is required to be decided by the Registrar or the High Court under the 1958 Act or by the Registrar or the IPAB under the 1999 Act and not by the civil court. The civil court, in fact, is not empowered by the Act to decide the said question. Furthermore, the Act mandates that the decisions rendered by the prescribed statutory authority [Registrar/High Court (now IPAB)] will bind the civil court. At the same time, the Act (both old and new) goes on to provide a different procedure to govern the exercise of the same jurisdiction in two different situations. In a case where the issue of invalidity is raised or arises independent of a suit, the prescribed statutory authority will be the sole authority to deal with the matter. However, in a situation where a suit is pending (whether instituted before or after the filing of a rectification application) the exercise of jurisdiction by the prescribed statutory authority is contingent on a finding of the civil court as regards the prima facie tenability of the plea of invalidity.

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**41.** Section 111 of the 1958 Act, and the corresponding Section 124 of the 1999 Act, nowhere contemplates grant of permission by the civil court to move the High Court or the IPAB, as may be, for rectification. The true purport and effect of Sections 111/124 (of the old and new Act) has been dealt with in detail and would not require any further discussion or enumeration. The requirement of



satisfaction of the civil court regarding the existence of a prima facie case of invalidity and the framing of an issue to that effect before the law operates to vest jurisdiction in the statutory authority to deal with the issue of invalidity by no means, tantamount to permission or leave of the civil court, as has been contended. It is a basic requirement to further the cause of justice by elimination of false, frivolous and untenable claims of invalidity that may be raised in the suit.”

23. It was Mr. Bakhru’s submission that the principle as propounded in *Sana Herbals* is clearly erroneous since consolidation cannot possibly constitute a basis to interpret Section 124 of the 1999 Act. It was submitted that consolidation itself would be a contingency which could possibly arise only before the five High Courts which are conferred with original ordinary civil jurisdiction.

24. Mr. Bakhru pointed out that the Act itself does not contemplate rectification proceedings and a suit for infringement being filed before the same forum. Learned counsel thus submitted that *Sana Herbals* clearly fails to bear in consideration that infringement proceedings may be instituted before a commercial court at the District level and not necessarily before a High Court. It was in the aforesaid backdrop that learned counsel urged us to hold that *Sana Herbals* proceeds on a wholly incorrect premise and if not rectified could lead to the possibility of conflicting decisions coming to be rendered dependent upon the court before which the infringement and rectification proceedings may come to be instituted.

25. Mr. Bakhru then submitted that the Court in *Sana Herbals* incorrectly proceeds to rest its conclusion or an understanding that the abolition of the IPAB, and which was a development which occurred after the judgment had been rendered in *Patel Field Marshal Agencies*



would be determinative of the question. Mr. Bakhru submitted that the Court in *Sana Herbals* evidently failed to notice that the abolition of the IPAB had reverted the position back to as it stood under the 1958 Act. This too, according to learned counsel, renders the observations appearing in that decision untenable. Learned counsel consequently urged us to affirm and reinforce the view expressed by the learned Judge while making the instant Reference.

26. Mr. Adarsh Ramanujan also questioned the correctness of the conclusions rendered by the Court in *Sana Herbals*. Mr. Ramanujan underlined the evident and mandatory command of Section 124 of the 1999 Act while using the word “*shall*” and thus being liable to be presumed to be of imperative character requiring the suit court to stay proceedings upon finding that the pre-conditions as enshrined in Section 124 of the 1999 Act were fulfilled. Mr. Ramanujan also doubted the correctness of *Sana Herbals* insofar as it chose to proceed on a presumption of consolidation. Learned counsel has, in Paragraph 9 of his Written Submissions, also highlighted the apparent conflicts which may arise if one were to proceed on a hypothesis of consolidation. Paragraph 9 of the Written Submissions submitted by Mr. Ramanujan is reproduced hereinbelow:-

“9. **Secondly**, *Sana Herbals* incorrectly assumes that consolidation obviates the need for a stay without appreciating that consolidation is neither automatic nor possible at all times:

Rectification forum					
		HC with supervisory jurisdiction/ Same HC	HC without supervisory jurisdiction/ Different HC	Registrar in Same State	Registrar in Different State



<b>Infringement suit forum</b>	<b>District Court</b>	Consolidation possible if suit is transferred to HC under S.24, CPC	Consolidation not possible, except if suit is transferred by SC under S.25, CPC	Consolidation not possible because District Court has no jurisdiction to decide rectification unless both are transferred to HC under S.24, CPC	Consolidation not possible because District Court has no jurisdiction to decide rectification
	<b>High Court exercising original jurisdiction</b>	Consolidation possible in same court	Consolidation not possible unless transfer ordered by SC under S.25, CPC	Consolidation possible by HC under Art. 227	Consolidation not possible unless transfer ordered by SC under S.25 CPC

27. Mr. Ramanujan also took us through the legislative scheme of the 1958 and 1999 Acts as also the recommendations made by the Ayyangar Committee Report to submit that while District Courts could try infringement suits, they were never conferred the power to rule on invalidity. That power, Mr. Ramanujan highlighted, was always conferred upon High Courts, which had been placed with the exclusive jurisdiction to decide on trademark validity. According to Mr. Ramanujan, this position prevails even today as would be evident from the fact that where a defence of invalidity is raised, the court trying the infringement action must await a finding being rendered in the rectification proceedings. According to learned counsel, the entire purpose of the aforesaid legislative measure was to ensure sequencing of decision making with the statute clearly contemplating and mandating validity being decided before infringement.



28. Mr. Natarajan drew our attention to Section 124(2) of the 1999 Act and advanced the following submissions based on first principles of interpretation. Learned counsel alluded to the “*hypothetical syllogism*” comprised in Section 124(2) of the 1999 Act, which was stated to be in the standard ‘*if X then Y*’ format’, i.e., *if* the party concerned proves to the court that he has made any such application as referred to under Section 124(1)(b)(ii) of the 1999 Act, either within the time specified therein or within such extended time as the court may allow, *then* the suit would be stayed until the final disposal of the rectification proceedings.

29. Mr. Natarajan argued that the stay of a suit until final disposal of the rectification proceedings is contingent upon the party concerned fulfilling the requirements under Section 124(2) of the 1999 Act of proving to the court that it has made such an application as referred to under Section 124(1)(b)(ii) of the 1999 Act, within the time limit specified or allowed. However, upon the fulfillment of the aforementioned requirements as laid down under Section 124(2) of the 1999 Act, according to learned counsel, the party concerned shall enjoy a vested right to a stay of the suit until final disposal of the rectification proceedings.

30. In view of the above, Mr. Natarajan contended that the abolition of the IPAB would not result in a dispensation of the statutory mandate to stay the suit until final disposal of the rectification proceedings and that any position to the contrary would not sustain, as the same would tantamount to depriving the party concerned of their vested right to a stay of the suit proceedings.



31. Ms. Yashi Agrawal had also addressed submissions similar to those addressed by Mr. Vashisht, Mr. Bakhru and Mr. Ramanujan, and which have been noticed hereinabove.

32. Ms. Agrawal argued that the decision of the learned Single Judge in *Sana Herbals* had incorrectly interpreted the decision in *Patel Field Marshal Agencies*, which mandated that the proceedings in the suit for infringement be stayed upon the institution of an appropriate application under Section 124 of the 1999 Act and the establishment of *prima facie* tenability of the plea regarding invalidity of the concerned party's registered trademark. Learned counsel drew our attention to Paragraph 7 of the decision in *Sana Herbals*, which is reproduced hereinbelow:

“7. In *Patel Field Marshal Agencies v. P.M. Diesels Ltd.*, (2018) 2 SCC 112, the Supreme Court observed that where, during the pendency of a suit, a rectification application is filed, the application can be pursued only upon a finding by the Civil Court on the *prima facie* tenability of the plea of invalidity. If the Civil Court does not find a triable issue on the plea of invalidity, then the said application cannot be pursued. The Supreme Court noted that this was necessary so as to avoid multiple proceedings on the same issue and the possibility of conflicting decisions. However, there have been subsequent developments since the passing of judgment in *Patel Field Marshal Agencies* (supra). In terms of the Tribunals Reforms Act, 2021, the IPAB has been abolished and the jurisdiction to decide rectification petitions now vests with the High Court under Section 21 of the Act. Therefore, now the suit as well as the rectification applications have to be decided by one authority alone i.e. the High Court and resultantlly, there cannot be any possibility of conflicting decisions. Hence, the rectification petitions can be clubbed with the civil suits and there is no requirement of staying the civil suit.”

33. As per Ms. Agrawal, the decision of *Sana Herbals* was erroneous in law because the learned Single Judge failed to appreciate that while



the power to entertain rectification petitions vests with the High Court, a suit for infringement as per Section 134 of the 1999 Act could come to be instituted before any court not being inferior to a District Court having jurisdiction to try the suit. As a result of the above, learned counsel contended, it could not have been said that the infringement suit and the rectification petition would necessarily be heard together. Learned counsel further submitted that the decision in *Sana Herbals* had failed to correctly appreciate *Patel Field Marshal Agencies* since the latter had considered both Section 124 of the 1999 Act prior to the abolition of the IPAB as well as Section 111 of the 1958 Act and which are *pari materia* to Section 124 of the present enactment, to conclude that a suit for infringement shall be stayed, upon a satisfaction of the requirements envisaged under Section 124(1)(b)(ii) of the 1999 Act being reached.

34. At this juncture, we also deem it appropriate to take note of the submissions advanced by Mr. Ajay Amitabh Suman and Mr. R.K. Agarwal, learned counsels for the petitioner and respondent respectively. Learned counsel for the petitioner submitted that the decision in *Sana Herbals* was correct in law and that there was no requirement for staying the suit proceedings as per Section 124 of the 1999 Act. Learned counsel relied upon Rule 26 of the **Delhi High Court Intellectual Property Rights Division Rules, 2022**<sup>12</sup> to submit that the Delhi High Court, being vested with the discretion to consolidate proceedings in Intellectual Property Right matters that pertain to similar disputes, would thereby have the power to consolidate

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<sup>12</sup> IPD Rules



the suit and rectification proceedings, and which would remove the need for a stay of the suit proceedings. Mr. Suman further submitted that without prejudice to his preceding argument, even if the Court were to arrive at a finding that suit proceedings are liable to be stayed as per Section 124 of the 1999 Act, the same would not extend to a passing off action since that is outside the purview of Section 124 of the 1999 Act. Mr. Suman would therefore contend that suit proceedings were not liable to be stayed under Section 124 of the 1999 Act.

35. However, Mr. Agarwal, learned counsel for the respondent, rendered submissions common to those made by the members of the Bar and submitted that the decision in *Patel Field Marshal Agencies* as well as a textual interpretation of Section 124 of the 1999 Act would lead one to the inevitable conclusion that the abolition of the IPAB would not eliminate the need for a stay of suit proceedings.

36. In order to holistically examine the issues which stand posited, we deem it appropriate to firstly extract a comparative chart of the provisions as they existed in the erstwhile 1958 Act and corresponded to Section 124 of the present enactment. That chart is reproduced hereinbelow:

#### COMPARATIVE CHART ON THE TRADE MARKS ACT

Trade and Merchandise Marks Act, 1958	Trade Marks Act, 1999 (Pre- IPAB abolition)	Trade Marks Act, 1999 (Post IPAB abolition)
<u>S. 111: Stay of proceedings where validity of registration of the trade mark is questioned etc.</u>	<u>S. 124: Stay of proceedings where the validity of registration of the trademark is questioned, etc.-</u>	<u>S. 124: Stay of proceedings where the validity of registration of the trademark is questioned, etc.-</u>
(1) Where in any suit for	(1) Where in any suit for	(1) Where in any suit for





<p>the infringement of a trade mark—</p> <p>(a) the defendant pleads that the registration of the plaintiff's trade mark is invalid; or</p> <p>(b) the defendant raises a defence under clause (d) of sub-section (1) of Section 30 and the plaintiff pleads the invalidity of the registration of the defendant's trade mark;</p> <p>the court trying the suit (hereinafter referred to as the court), shall—</p> <p>(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the <b>Registrar or the High Court</b>, stay the suit pending the final disposal of such proceedings;</p> <p>(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the</p>	<p>the infringement of a trade mark—</p> <p>(a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or</p> <p>(b) the defendant raises a defence under clause (e) of sub-section (2) of Section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall,—</p> <p>(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the <b>Registrar or the Appellate Board</b>, stay the suit pending the final disposal of such proceedings;</p> <p>(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the <b>Appellate Board</b> for rectification of the</p>	<p>the infringement of a trade mark—</p> <p>(a) the defendant pleads that registration of the plaintiff's trade mark is invalid; or</p> <p>(b) the defendant raises a defence under clause (e) of sub-section (2) of Section 30 and the plaintiff pleads the invalidity of registration of the defendant's trade mark, the court trying the suit (hereinafter referred to as the court), shall,—</p> <p>(i) if any proceedings for rectification of the register in relation to the plaintiff's or defendant's trade mark are pending before the <b>Registrar or the [High Court]</b>, stay the suit pending the final disposal of such proceedings;</p> <p>(ii) if no such proceedings are pending and the court is satisfied that the plea regarding the invalidity of the registration of the plaintiff's or defendant's trade mark is prima facie tenable, raise an issue regarding the same and adjourn the case for a period of three months from the date of the framing of the issue in order to enable the party concerned to apply to the <b>[High Court]</b> for rectification of the</p>
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<p><b>High Court</b> for rectification of the register.</p> <p>(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b)(ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.</p> <p>(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.</p> <p>(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order insofar as it relates to the issue as to the validity of the registration</p>	<p>register.</p> <p>(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b)(ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.</p> <p>(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.</p> <p>(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark.</p> <p>(5) The stay of a suit for</p>	<p>register.</p> <p>(2) If the party concerned proves to the court that he has made any such application as is referred to in clause (b)(ii) of sub-section (1) within the time specified therein or within such extended time as the court may for sufficient cause allow, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings.</p> <p>(3) If no such application as aforesaid has been made within the time so specified or within such extended time as the court may allow, the issue as to the validity of the registration of the trade mark concerned shall be deemed to have been abandoned and the court shall proceed with the suit in regard to the other issues in the case.</p> <p>(4) The final order made in any rectification proceedings referred to in sub-section (1) or sub-section (2) shall be binding upon the parties and the court shall dispose of the suit conformably to such order in so far as it relates to the issue as to the validity of the registration of the trade mark.</p> <p>(5) The stay of a suit for</p>
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of the trade mark.  (5) The stay of a suit for the infringement of a trade mark under this section shall not preclude the court making any interlocutory order (including any order granting an injunction, directing accounts to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit.	the infringement of a trade mark under this section shall not preclude the court from making any interlocutory order (including any order granting an injunction, directing account to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit.	the infringement of a trade mark under this section shall not preclude the court from making any interlocutory order (including any order granting an injunction, directing account to be kept, appointing a receiver or attaching any property), during the period of the stay of the suit.
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37. As is plainly evident from a perusal of Section 111 of the 1958 Act, the statute provided in unambiguous terms that where a defendant were to plead invalidity of the plaintiff's trademark or raise a defence under Section 30(1)(d) of the 1958 Act in response to a challenge raised by the plaintiff to the validity of the registration of the defendant's mark in a pending suit for infringement, the court trying the suit was mandated to place further proceedings in abeyance upon being satisfied that the plea of invalidity was prima facie tenable. Similar consequences were constructed if the court trying a suit were to find that proceedings for rectification were pending either before the Registrar or the High Court.

38. Upon the formation of the IPAB, various amendments were made in the 1999 Act and thus conferring powers which were otherwise being exercised by High Courts in the hands of that Board. The power to examine petitions for rectification consequently came to be conferred and vested upon the Registrar or the IPAB. However, the imperatives



for a stay of suit proceedings in cases where a rectification petition may have preceded the institution of that suit or where a plea pertaining to the validity of a mark were to be raised either by the plaintiff or the defendant, proceeded along lines similar to those created under Section 111 of the 1958 Act.

39. Post the abolition of the IPAB the statute reverted to the position as it existed under Section 111 of the 1958 Act and thus resurrected the position of High Courts being entitled to examine rectification challenges alongside the Registrar. As we read Section 124 of the 1999 Act as it presently stands, it is manifest that a court trying a suit is placed under a legislative mandate to stay proceedings thereon, if it be apprised of rectification proceedings having been initiated prior to its institution. The only additional qualification which applies is where a plea of invalidity comes to be raised in the course of the suit proceedings itself. In such a situation the Trial Judge is firstly obliged to evaluate the prima facie tenability of the plea as raised and if coming to the conclusion that the challenge would merit further consideration, to stay the proceedings in the pending suit for a period of three months, enabling the applicant to apply to the High Court for rectification of the Register.

40. The plain intent underlying the aforesaid procedure of placing suit proceedings in abeyance was lucidly explained by the Supreme Court in *Patel Field Marshal Agencies*, albeit with reference to Section 111 of the 1958 Act. This becomes apparent from a reading of the following passages of that decision:



**“26.** Insofar as its earlier view in *AstraZeneca UK Ltd.* [*AstraZeneca UK Ltd. v. Orchid Chemicals and Pharmaceuticals Ltd.*, 2006 SCC OnLine Del 1668 : (2006) 32 PTC 733] is concerned, the Full Bench [*Data Infosys Ltd. v. Infosys Technologies Ltd.*, 2016 SCC OnLine Del 677 : (2016) 65 PTC 209] was of the opinion that the appellate jurisdiction of the High Court would only be confined to a consideration of the question of the prima facie assessment of tenability which would not touch upon the question of invalidity of the trade mark on merits. The view expressed in *AstraZeneca UK Ltd.* [*AstraZeneca UK Ltd. v. Orchid Chemicals and Pharmaceuticals Ltd.*, 2006 SCC OnLine Del 1668 : (2006) 32 PTC 733] was held to be unacceptable on that basis. Insofar as the abandonment of the plea of invalidity is concerned, the Full Bench was of the opinion that Section 124(3) merely contemplates abandonment of the plea/defence of invalidity in the suit and not an abandonment to claim rectification under Sections 47/57 of the 1999 Act.

**27.** Registration of a trade mark vests in the registered owner an exclusive right to use the mark in relation to the goods in respect of which the mark has been registered. This is, however, subject to such conditions and limitations as may be incorporated in the registration itself. It also grants to the registered owner a right to seek and obtain relief in case of infringement of the mark. Section 46 in Chapter VI of the 1958 Act contemplates removal from the register of any registered trade mark, inter alia, on the ground that the same was registered without any bona fide intention of use and, in fact, such mark has not been used up to one month prior to the date of the application for removal or that for a continuous period of five years there has been no bona fide use of the mark. Chapter VII of the 1958 Act deals with rectification and correction of the register of trade marks. Under Section 56, the Tribunal (Registrar or, as the case may be, the High Court), on application, may cancel or vary the registration of a trade mark on the ground of any contravention, or failure to observe a condition subject to which registration was granted.

**28.** In cases where in a suit for infringement of a registered trade mark the validity of the registration of the trade mark is questioned either by the plaintiff or by the defendant, Section 107 of the 1958 Act provides that an application for rectification shall be made to the High Court and not to the Registrar notwithstanding the provisions contained in Section 46 or Section 56 of the 1958 Act. This would seem to suggest that in such cases (where a suit for infringement is pending) the legislative scheme is somewhat different.



**29.** The above seems to become more clear from what is to be found in Section 111 of the 1958 Act which deals with “*stay of proceedings where the validity of registration of the trade mark is questioned*”. The aforesaid provision of the 1958 Act specifically provides that if a proceeding for rectification of the register in relation to the trade mark of either the plaintiff or the defendant is pending before the Registrar or the High Court, as may be, and a suit for infringement is filed wherein the aforesaid plea is raised either by the defendant or by the plaintiff, the suit shall remain stayed. Section 111 further provides that if no proceedings for rectification are pending on the date of filing of the suit and the issue of validity of the registration of the plaintiff's or the defendant's trade mark is raised/arises subsequently and the same is prima facie found to be tenable, an issue to the aforesaid effect shall be framed by the civil court and the suit will remain stayed for a period of three months from the date of framing of the issue so as to enable the party concerned to apply to the High Court for rectification of the register. Section 111(2) of the 1958 Act provides that in case an application for rectification is filed within the time allowed the trial of the suit shall remain stayed. Sub-section (3) of Section 111 provides that in the event no such application for rectification is filed despite the order passed by the civil court, the plea with regard to validity of the registration of the trade mark in question shall be deemed to have been abandoned and the suit shall proceed in respect of any other issue that may have been raised therein. Sub-section (4) of Section 111 provides that the final order as may be passed in the rectification proceeding shall bind the parties and the civil court will dispose of the suit in conformity with such order insofar as the issue with regard to validity of the registration of the trade mark is concerned.

**30.** Following well-accepted principles of interpretation of statutes, which would hardly require a reiteration, the heading of Section 111 of the 1958 Act i.e. “*Stay of proceedings where the validity of registration of the trade mark is questioned, etc.*”, cannot be understood to be determinative of the true purport, intent and effect of the provisions contained therein so as to understand the said section to be contemplating only stay of proceedings of the suit where validity of the registration of the trade mark is questioned. Naturally, the whole of the provisions of the section will have to be read and so read the same would clearly show lack of any legislative intent to limit/confine the operation of the section to what its title may convey.

**31.** Rather, from the résumé of the provisions of the 1958 Act made above, it becomes clear that all questions with regard to the



validity of a trade mark is required to be decided by the Registrar or the High Court under the 1958 Act or by the Registrar or the IPAB under the 1999 Act and not by the civil court. The civil court, in fact, is not empowered by the Act to decide the said question. Furthermore, the Act mandates that the decisions rendered by the prescribed statutory authority [Registrar/High Court (now IPAB)] will bind the civil court. At the same time, the Act (both old and new) goes on to provide a different procedure to govern the exercise of the same jurisdiction in two different situations. In a case where the issue of invalidity is raised or arises independent of a suit, the prescribed statutory authority will be the sole authority to deal with the matter. However, in a situation where a suit is pending (whether instituted before or after the filing of a rectification application) the exercise of jurisdiction by the prescribed statutory authority is contingent on a finding of the civil court as regards the prima facie tenability of the plea of invalidity.”

41. The Supreme Court in the aforementioned decision explained the clear legislative intent to be the imperative need to avoid multiplicity of proceedings and to ensure that a suit does not proceed parallelly while a petition for rectification were to be awaiting consideration and disposal. In *Puma Stationer*, the very same issue arose for consideration yet again. However, by this time the 1999 Act had come into force and the Court was thus called upon to answer the issue of stay of suit proceedings in the context of Section 124 of the 1999 Act. The Court while rendering its decision in *Puma Stationer* firstly referred to the exposition of the legal position in *Elofix Industries* and ultimately went on to approve the same. This would be manifest from a reading of the following passages from *Puma Stationer*:

“8. Similarly, in *Elofix Industries (India) v. Steel Bird Industries*, AIR 1985 Del 258<sup>13</sup>: (1985) 5 PTC 161 (Del) in composite proceedings for alleged infringement and passing off

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<sup>13</sup> [AIR 1985 Del 258]



the learned Single Judge in paragraph 5 of the Report came to the conclusion that the suit is liable to be stayed:

“It is not disputed that after the service of the summons in the present suit, the defendants filed their written statement on 14-9-1983 and simultaneously filed C.O. No. 17/1983, a petition under Sections 107, 46 and 56 of the Trade & Merchandise Marks Act for the rectification of the plaintiff's trade Mark No. 252967-B in Class 7, dated. 7-11-1968 Section 111 seeks to prevent parallel enquiries in the same matter. The intention of the Legislature is that the Court trying the suit must wait for the result of rectification proceedings before it passes any final order or decree involving the validity of the registration. Instead of requiring the Court to raise as issue regarding the invalidity of the plaintiff's registration of the trade mark, the defendant filed the rectification proceedings. In my opinion this is a substantial compliance with the provisions of Clause (B)(ii) of Sub-section 1 of Section 111 of the Trade & Merchandise Marks Act. Even otherwise under Section 151 of the Code P.C. this Court under its inherent powers can grant the stay of the action of the plaintiff, as no useful purpose would be served by proceeding with the case while the plaintiff's trade mark is in jeopardy and the outcome of the rectification proceedings is awaited.”

**9.** We see no reason to differ with the view taken by two learned Single Judges of this Court on a plain reading of Section 111 of the Trade and Merchandise Marks Act, 1958 which is in pari materia with Section 124 of the Trade Marks Act, 1999.

**10.** Learned Counsel for the Respondent, however, drew our attention to *Bhavnesb Mohanlal Amin v. Nirma Chemicals Works Ltd.*, (2006) 1 SCC 540 : JT (2005) 10 SC 232 : (2005) 31 PTC 497 [SC] to contend that it is not obligatory that the suit should be stayed pending rectification/cancellation proceedings. In this context, he drew our attention to paragraph 16 of the Report which is as follows:

“It is pointed out by learned Counsel for the respondents that since the appellants have moved for action in terms of Section 111 of the Trade and Merchandise Marks Act, 1958 (in short the ‘Old Act’) corresponding to Section 124 of the Act there is no scope for proceeding in the suit further. Learned Counsel for the parties agreed that an early disposal of the matter would be in the interest of the parties. Learned Counsel for the appellants fairly stated that the question relating to bar of jurisdiction in terms of Section





111 of the Old Act corresponding to Section 124 of the New Act shall not be raised and the trial court would be free to proceed with the suit.”

11. On a reading of the above paragraph, we find that it is quite clearly stated that both learned Counsel appearing in the Supreme Court had agreed that early disposal of the matter would be in the interest of the parties. Learned Counsel for the appellants in the Supreme Court stated that the question relating to the bar of jurisdiction under Section 111 of the Trade and Merchandise Marks Act (corresponding to Section 124 of the Trade Marks Act) shall not be raised and the trial court would be free to proceed with the suit.

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14. We are of the view, therefore, that the law on this issue is quite well settled. Where an application for rectification/cancellation of a registered trade mark is pending before the statutory authority, the High Court is obliged to stay further proceedings in the suit pending before it pursuant to Section 124(1) of the Trade Marks Act, 1999.

42. It becomes pertinent to note that in *Puma Stationer*, an argument appears to have been raised on behalf of the respondents that it was not obligatory for the Trial Judge to stay the suit proceedings pending rectification or cancellation proceedings. This argument was specifically negated by the Court in *Puma Stationer*, which held in unambiguous terms that where an application for rectification or cancellation is found to be pending before the competent authority, the court would be obliged to stay further proceedings in the suit pending before it in accordance with the legislative mandate enshrined in Section 124(1) of the 1999 Act.

43. Of equal significance is the decision in **Dr. Reddys Laboratories Limited v. Fast Cure Pharma and Another**<sup>14</sup> where a learned Single Judge of the Court took note of the changed scenario in

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<sup>14</sup> [(2023) SCC OnLine Del 5409]



respect of trademark litigation and where, as a consequence of courts having recognized and adopted the theory of *dynamic effect*, could lead to an action for infringement or passing off coming to be instituted within the jurisdiction of any court, where the litigant could establish a use or impact of the impugned mark. The likely impact of the dynamic effect thus enabling an aggrieved party to move any court within whose jurisdiction the impact of a mark could be discerned or established in juxtaposition with the mandate of Section 124 of the 1999 Act, was noticed and led to the Court making the following pertinent observations:

“17. The sequitur, in either of these cases, is provided in Clauses (i) and (ii) of the second part of Section 124(1). Section 124(1)(i) refers to a situation where rectification proceedings were pending prior to the institution of the suit. In that case, the Court is required under Section 124(1)(i) to stay the suit, pending final disposal of the rectification proceedings. Section 124(1)(i) is not applicable to either of the petitions with which we are concerned. Section 124(1)(ii) applies where there is no rectification proceeding pending on the date when the suit is instituted, but the plaintiff, or the defendant, as already noted, raises a plea of invalidity of the trademark of the opposite party. In either of these cases, Section 124(1)(ii) requires the Court, in the first instance, to satisfy itself that the plea of invalidity, whether raised by the plaintiff or the defendant, is tenable. If the Court finds that the plea is tenable, the Court is required to raise an issue regarding the plea of invalidity and to adjourn the matter by three months "in order to enable the party concerned to apply to the High Court for rectification of the register".

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39. The "dynamic effect" principle thus enunciated by the Full Bench nearly half a century ago has now expanded to the point where an infringement suit can be instituted, in the case of a defendant which sells its goods, or provides its services online, before any Court which has jurisdiction over any place from where the goods could be purchased or the services accessed. Gone are the days when there had to be a physical use of the



impugned mark within the territorial jurisdiction of the Court which the petitioner sought to petition. With the expansion of the internet, and the access, by persons anywhere in the country, to goods and services though they may originate from some distant site, a litigant is free to file an infringement, or passing off, suit, before any Court within whose jurisdiction "use" of the impugned mark takes place, even if merely by making the goods bearing the mark available for sale and purchase online, with or without proof of actual sale or purchase. The "dynamic effect" of the registration is, therefore, felt within every such jurisdiction.

**40.** Applying the principle enunciated in *Girdhari Lal Gupta*, therefore, a rectification petition could be instituted before any Court within whose jurisdiction the dynamic effect of the registration of the defendant's trademark is felt. That would, however, be conditional on the petitioner establishing that it is in fact suffering the dynamic effect of the registration within such jurisdiction, either by actually accessing the impugned mark within such jurisdiction, or intending to do so, or, as in the case of *CO (COMM. IPD TM) 97/2023*, the impugned registration acting as an obstruction to the petitioner securing registration of its own mark. In each of these cases, the dynamic effect of the registration of the impugned mark would be felt by the petitioner and, therefore, the petitioner could institute the cancellation petition within the jurisdiction of the High Court within which he feels such effect.

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**64.** The Supreme Court has, therefore, in *Patel Field Marshal Agencies*, equated the concept of a "tenable challenge", as envisaged by Section 124(1)(ii), to a "triable issue". This would necessarily imply at least a rudimentary appreciation of the merits of the challenge. If the challenge to the validity of the mark is found to be tenable (or triable), the High Court/District Court before which the suit is filed would have to frame an issue to that effect and adjourn the suit to enable the petitioner to file a rectification petition, under Section 57. Consigning the adjudication of the objection to validity of the mark to another High Court, other than the High Court/District Court which ruled on the tenability of the objection to validity, would mean that the tenability of the objection would be decided by one High Court/District Court and the merits of the objection by another. Concededly, there is no inherent legal embargo to such an exercise. However, where neither Section 124, nor Section 57, restricts the rectification jurisdiction to another High Court, the benefits of permitting the rectification petition to be decided, on



merits, by the same High Court which adjudicated on the tenability of the challenge, is obvious. The interests of wholesome administration of justice, and a possible conflict of views also, therefore, justifies conferment, on the High Court which is in seisin of the suit, or which exercises supervisory jurisdiction over the District Court which is in seisin of the suit, of the jurisdiction to decide the rectification petition as well, especially as there is no statutory proscription thereto.

**65.** The High Court or the District Court, before which the suit is filed, would have, in the first instance, to satisfy itself that the challenge to the validity of the mark is tenable. Once the High Court or the District Court satisfies itself that the challenge is tenable, it would adjourn the matter in order to enable the challenger to move the other High Court (assuming the respondent's stand were to be accepted) by way of a rectification petition. The said other High Court would then again examine whether the challenge to the validity of the mark has, or has not, any merit. This would result in an obvious possibility of conflicting views on the aspect of validity of the challenged mark.

**66.** Though this discussion - apropos Section 124 - cannot be determinative of the situs of the High Court which could be approached under Section 47 or Section 57, nonetheless, in the absence of any contrary indication in the Trade Marks Act, and given the fact that, applying the law enunciated in *Girdhari Lal Gupta*, the dynamic effect of the registration of the impugned marks is being felt by the petitioners in these cases within the jurisdiction of this Court, there is no justification, in my view, for this Court to decline to exercise jurisdiction in these petitioners on the ground of territorial incompetence.

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**85.** I, therefore, hold that applications under Section 47 or Section 57 of the Trade Marks Act, 1999, as also under Section 124(1)(ii), would be maintainable not only before the High Courts within whose jurisdiction the offices of the Trade Mark Registry which granted the impugned registrations are situated, but also before the High Courts within whose jurisdiction the dynamic effect of the impugned registration is felt by the petitioner/applicant. The dynamic effect of the impugned registrations in these cases having been felt by the petitioners before this Court, these petitions are maintainable before it.

44. The position in law which thus emerges upon a consideration of



*Patel Field Marshal Agencies* and *Puma Stationer* clearly appears to be the necessity of suit proceedings being stayed awaiting a final decision being rendered on any proceedings for rectification or cancellation that may be either pending or are intended to be initiated. The fact that the provision includes any decision rendered in those rectification or cancellation proceedings as binding upon the court trying the suit, lends added credence to the requirement and obligation of the suit court awaiting a final decision being rendered on those proceedings before taking up and examining the challenge of infringement or passing off.

45. This aspect unerringly comes to the fore when one reads Section 124(4) of the 1999 Act and which in explicit terms provides that the final orders passed in rectification proceedings would bind the parties and additionally oblige the court to dispose of the suit itself in conformity with the decision which may have been arrived at in the rectification or cancellation proceedings. The suit court thus clearly stands denuded of the authority or jurisdiction to independently proceed to examine the aspect of validity. The clear intent of the statute appears to be of ensuring that rectification challenges are placed exclusively before the Registrar or the High Court and consequently requiring the Trial Judge to stay its hands in any pending action.

46. All that Section 124(1)(ii) of the 1999 Act additionally provides is for the Trial Judge evaluating whether the challenge to registration as raised either by the plaintiff or the defendant gives rise to a triable issue. The expression '*prima facie tenable*' essentially requires the Trial Judge to undertake a preliminary examination of the plea of invalidity as opposed to a definitive determination. The aforesaid



caveat essentially appears to have been introduced in order to enable the Trial Judge to dispose of pleas which may be wholly specious or devoid of substance. Thus, if on a preliminary examination itself, the Trial Judge were to come to the conclusion that the plea of invalidity as raised is clearly untenable and merits no further examination, it would be entitled to proceed further in the suit. However, and once the court comes to the prima facie conclusion that the challenge to registration of a mark does merit further examination, it would have to undoubtedly place the suit proceedings in a state of latency and await the outcome of any rectification or cancellation action that may come to be instituted.

47. This is further fortified from a reading of Section 124(2) of the 1999 Act, which provides that once the party is able to successfully establish that an action has been commenced in accordance with sub-clause (ii) of Section 124(1) of the 1999 Act, the trial of the suit shall stand stayed until the final disposal of the rectification proceedings. A conjoint reading of sub-sections (1) and (2) leads us to the irresistible conclusion that the Trial Judge is obliged in law to await the outcome of a rectification action validly instituted and to place the suit in a state of repose with proceedings liable to be resumed upon conclusion of rectification proceedings. The fact that the statute further provides for the decision on rectification to be binding upon the suit court is yet another affirmation of the legislative pre-eminence which the statute accords upon the former and the imperatives of the Trial Judge staying its hands whilst awaiting the outcome of those proceedings. As we read Section 124 of the 1999 Act, we find that the provision has been structured in order to give effect to the legislative intent of what Mr.



Ramanujan aptly described to be a “*sequencing of decision making*”. We consequently find that the learned Single Judge while framing the present Reference has correctly enunciated the legal position which would govern.

48. In our considered opinion, *Sana Herbals* appears to have erroneously proceeded on the basis of a presumption that a suit for infringement as well as an action for rectification would invariably be instituted before a High Court. The Court in *Sana Herbals* clearly appears to have failed to bear in consideration that consequent to the establishment of the IPAB, the position pertaining to stay of suit proceedings had virtually reverted to the position as it existed under Section 111 of the erstwhile 1958 statute. As has been rightly contended by learned counsels, it would be wholly erroneous to assume that both the suit as well as the rectification action would inevitably be found to be pending before a particular High Court. As was noticed in the preceding parts of this decision, a suit for infringement or passing off need not necessarily be instituted only before this Court. It could, in terms of the hierarchy of commercial courts as created under the 2015 Act, also come to be instituted before a designated commercial court and which may form part of the larger echelon of our district judiciary. One also cannot discount the possibility of the suit as well as the rectification petition coming to be placed before different Benches of this very High Court. Of equal import is what was noticed in *Dr. Reddy’s Laboratories*, which had recognized the possibility of a suit being filed before any court within whose jurisdiction the impact or presence of goods carrying the allegedly offending mark may be



present.

49. The learned Judge in *Sana Herbs* proceeded on the assumption that rectification and suit proceedings can always be clubbed and tried together. This led to the Court holding that the suit proceedings are not liable to be stayed. However, and as would be evident from the aforesaid discussion, there could be myriad possibilities where both proceedings may not be necessarily pending either before the same court or for that matter within the same jurisdiction. What the statute primarily mandates is suit proceedings being stayed and awaiting a decision on the rectification action. The mere institution of a rectification action does not result in a self-activating stay of proceedings. The Trial Judge must be satisfied that the prayer for rectification raises triable issues and merits consideration. It is only once such satisfaction is reached that the Trial Judge would be obliged to stay proceedings on the suit. Even if we were dealing with a case where a rectification petition may have preceded the institution of the suit, the court must be duly apprised of that position and only once it is so established that the suit proceedings would be placed in abeyance. We thus find ourselves unable to sustain the view expressed in *Sana Herbs* and which apparently proceeds on a probability of consolidation and a presumption of inevitable integration of the two set of proceedings. The premise of convergence and fusion is clearly misplaced.

50. It would at this point be pertinent to deal with an ancillary submission which was urged by learned counsel for the petitioner and who had referred to the provisions contained in our IPD Rules to





contend that suit and rectification proceedings are liable to be consolidated. Rule 26 of the IPD Rules reads thus:-

**“26. Consolidation of IPR subject matters or cases or disputes**

Where there are multiple proceedings relating to the same or related IPR subject matter, irrespective of whether the said proceedings are between the same parties or not, the Court shall have the power and the discretion, wherever appropriate, to direct consolidation of proceedings, hearings, and also to direct consolidated recording of evidence/common trial and consolidated adjudication. If the Court is of the opinion that any matter pending before a Commercial Court is to be consolidated with a matter pending before the IPD, it may exercise powers of transfer under Section 24, Code of Civil Procedure, 1908 for transfer and consolidation of such matter to itself.”

51. As is evident from the above, the aforesaid provision applies to original suits brought before this Court and the power to consolidate like matters. However and in our considered opinion it would be wholly imprudent to either construe or confer a meaning upon Section 124 of the 1999 Act based on individual rules that a particular High Court may have framed. In any event, while Rule 26 of the IPD Rules may enable consolidation, the same would not obviate the requirement of the suit proceedings being stayed pending conclusion of an action referable to Section 57 of the 1999 Act. It is also relevant to note that Rule 26 of the IPD Rules enables our Court to consolidate proceedings if they relate to the same “*or related IPR subject matter....*”. The aforesaid power is available to be exercised “*irrespective of whether the said proceedings are between the same parties or not.....*”. Rule 26 of the IPD Rules is thus a special power of wide import which stands adopted by our High Court. However, even though the said provision enables our High Court to join actions or even transfer proceedings pending before a district



court, the same would not eliminate an order providing for a stay of proceedings pertaining to a pending suit.

52. Regard must also be had to the fact that the power to cancel or vary registration and rectify the Register which stands conferred on both the Registrar as well as the High Court. At least in a case where such an action were to be pending before the Registrar, a question of consolidation or merger would clearly not arise. However, even where Section 125 of the 1999 Act be applicable to suit proceedings, we fail to discern any legislative intent which could be possibly read as eliminating the requirement of a formal order staying suit proceedings being framed.

53. Similarly, the argument of learned counsel based on the distinction between an infringement action and passing off is unmerited since it proceeds in ignorance of the fact that in case of the latter, registration is not even recognised to be a valid defence.

54. We are thus of the firm opinion that it would be wholly erroneous to construe Section 124 of the 1999 Act as obviating the need for a direction being framed by the suit court placing further proceedings in abeyance. Notwithstanding the abolition of the IPAB and the power of rectification reverting to the High Court, a Trial Judge would necessarily have to stay its hands once it is apprised of the pendency of a rectification or cancellation action and which may have been initiated prior to the institution of the suit itself. The Trial Judge while trying a suit would have to also necessarily take cognizance of any plea of invalidity that may be raised in the suit proceedings itself. Once the Trial Judge on a prima facie examination of that plea finds the



same to raise triable issues, it would be bound to stay further proceedings in the pending suit. This position is further fortified when one bears in mind that a district court, being a court other than a High Court, before which a suit may be brought is not conferred with a jurisdiction to rectify or cancel.

55. It becomes pertinent to note that in contingencies which are spoken of in sub-clauses (i) & (ii) of Section 124 (1) of the 1999 Act, the Legislature does not incorporate any provision for proceedings in the suit being automatically stayed. In both situations it would be incumbent upon the party to either apprise the court of a pending rectification action or once a plea pertaining to the validity of a trade mark is raised, to invite the court to frame an appropriate issue in that respect, to examine whether the same gives rise to a triable issue and consequently request the court to place all proceedings in abeyance enabling it to initiate an appropriate action for rectification. What we seek to emphasise is that since the statute does not contemplate the stay of proceedings as a natural corollary or one which would come into effect by operation of law, the obligation of the Court to frame an order staying further proceedings in the suit is neither dispensed with nor eliminated.

56. We would consequently answer the Reference in the negative and hold that *Sana Herbals* was incorrectly decided. The decision to the extent indicated hereinabove, would stand overruled.

57. In our considered view, and for reasons aforementioned, the obligation to stay proceedings in contingencies spoken of in Section 124(1) of the 1999 Act does not stand obviated consequent to the



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abolition of the IPAB. The judgment of the Supreme Court in *Patel Field Marshal Agencies* has been clearly misconstrued. *Sana Herbals* also failed to either notice or bear in consideration the earlier decision of this Court in *Puma Stationer*. The tentative opinion as expressed in the order of Reference is thus affirmed.

58. The Reference stands answered accordingly. Let the matter be now placed before the appropriate Roster Bench on 27.05.2024.

**YASHWANT VARMA, J.**

**RAVINDER DUDEJA, J.**

**MAY 17, 2024/neha/kk**