

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 3594 OF 2005

Kali Aerated Water Works, Salem Appellant(s)

VERSUS

Commnr. Of Central Excise, Madurai Respondent(s)

WITH

CIVIL APPEAL NO. 3611 AND 4387-4392 OF 2005

J U D G M E N T

A.K.SIKRI, J.

It is not in dispute that the appellant herein is a Small Scale Industrial Unit (hereinafter referred to SSI Unit) and is manufacturing Aerated Water under various brand names using the trade mark with the "Kalimark" / M/s.Kali Aerated Water Works" It sought exemption from payment of excise duty in terms of Notification 1/93-CE dated 28.2.1993 (as amended vide Notification No.59/94-CE dated 1.3.1994) for the aforesaid goods manufactured in its factory. This has, however, been denied to the assessee by the Department on the ground that the brand name "Kalimark" has been used on the goods which belong to M/s. Shri K.P.R.Shakthivel and since the assessee is using the aforesaid brand name of the third party, by virtue of para 4 of the aforesaid

Notification the exemption would not be allowed to the respondent. This stand taken by the respondent department has been accepted by the CESTAT in its impugned judgment.

The Tribunal has noted the fact that business of manufacture and sale of Aerated water was started in the name of 'Kalimark Aerated Water Works' by the HUF of which M/s. Shri P.V.S. K.Palaniappa Nadar was the Karta. Later on it was converted into a joint family business of Sh. Palaniappa Nadar and his three sons and a daughter. At some point of time the parties/partners fell apart and entered into a family settlement which is contained in Deed of Mutual Agreement dated 12.3.1993. The Tribunal has recorded that in terms of this Mutual Agreement signed between the parties the ownership of the aforesaid trademark/brand name 'Kalimark' no longer remained with the appellant assessee and it belongs to the other party. On this basis it arrived at the finding that the appellant has been using the trade mark/brand name of the third party.

We find that the aforesaid observation is against the record and contrary to the Deed of Mutual Agreement which has been entered into between the erstwhile partners. Para 9 of the recital to this family arrangement is as under:

"Since all the parties herein have mutually intend to carry forward the reputation and well established Trade Mark 'KALI MARK' in future also thus carrying out to the future generations, a meeting was held among the parties herein, who are the direct male lineal decedents and users

of established abovesaid Trade marks and who at present have interest in various factories being run in the name of Kali Aerated Water Works in various parts of Tamil Nadu and discussed the pros and cons and also to preserve the established Trade Name and Trade Marks throughout the future generation and agreed on certain terms and conditions and all the parties herein have agreed to abide by them and hence this Deed of Mutual Agreement.

Thereafter, this aspect is dealt with in Paras L.M. and N thereof, which read as under:

L) If any party comes to know about any infringement and passing off use of any deceptively similar mark on any imitation by any person in the market, then the party in whose area the said imitation, infringement or passing off takes place shall take immediate legal steps against such erring persons at his cost, under the provisions of Trade and Merchandise Mark Act, 1958 or any other common law in which suitable and effective remedies are provided.

M) In any party falls to initiate legal action against such erring persons in order to protect the Trade Mark and Trade name, then any other party can take action against such defaulting parties as well as against the person committing such infringement, passing off or imitation for suitable remedy.

N) For removal of doubts, it is clarified specifically that the right to use the Trade name M/s. Kali Aerated Water Works and Trade Marks mentioned above are solely vested with the parties 2 to 10 herein who are the direct male lineal descendants and subject to clause 'G' herein the parties herein cannot and shall not permit or give their existing rights to any female descendants or any third person, nor the parties 2 to 10 herein have right to

transfer/sell for consideration or without consideration to third parties. If any party herein or their respective male descendants wants to close down the business they shall have to either sell their rights of Trade name and Trade Marks to other remaining parties or to their male lineal descendants only. Such parties shall acquire the rights subject to the terms and conditions of this Agreement and are liable to exercise their rights within the terms of this Mutual Agreement.

It is clear from the above that the trade name 'Kalimark Aerated Water Works' and trade mark mentioned in the said agreement would remain vested in all the parties including the appellant and the appellant was also allowed to use the same. The agreement further provides that the user of this trade mark, therefore, shall not make any payment of royalty or remuneration to any other party. This very fact was correctly appreciated by the Commissioner who decided the appeal in favour of the appellant. The discussion in the order of the Commissioner, on this aspect, reads as under:

23: During the personal hearing Shri Rathina Asohan drew my attention to the certificates issued by the Trade Mark Registry from the year 1948 to 1985 which were filed before the lower authority. I find the Appellant's name also figures in the certificates issued in the year 1962 and 1970 when he became one of the partner of the erstwhile HUF Firm. The appellant have been marketing his products only within his own marketing area. It is not the case of the Revenue that any other person is using the same Brand names in the same area. Similarly the appellant is not selling his goods outside his marketing area. So far his business is concerned the appellant

appears to be the only legal owner of the Trade Mark within his marketing area. This has been clearly brought out in the Mutual Agreement dated 12.3.1993 which has been duly presented on 12.3.1993 itself for registration whereas the impugned Notification No.59/94 came into effect only from 1.4.1994 and hence no motive can be attributed against the appellant in respect of the Mutual Agreement. I have read the entire contents of Mutual Agreement. I find that Mr. K.P.R. Sakthivel is also a party to the said Mutual Agreement and no royalty is also payable to the said K.P.R. Sakthivel. Even Mr. K.P.R. Sakthivel has specifically agreed that he cannot use the brand name in the marketing area of the appellant. Thus there seems to be recognition of individual proprietary rights over the brand names within the respective specified marketing area. The nature of succession of the proprietary rights of the brand names have also been clearly dealt with. It clearly establishes that the appellant and the male descendants are alone are entitled to succeed over the ownership of the brand name within their marketing area. It is not the case of the Revenue that the appellant is marketing his products outside his marketing area.

24. I find that the appellant is the legal owner of the trade Marks used in his product in his own marketing area, the Trade Mark certificates produced before me clearly establish that the appellant had been having the right of ownership over the Brand names in the year 1962 itself when he became the coparcener in the HUF firm. The appellant has had his exclusive ownership rights even prior to the said impugned notification. Hence the subsequent notification cannot take away the ownership right of the appellant over the brand names 'KaliMark' 'Bovonto' and 'Frutang' and other brand names and applying the same to the specified goods manufactured by the appellant and marketing the same within his own marketing area in exclusion of others. On perusing the trade mark certificates, Decree of the Civil Court, Mutual Agreement dated 12.3.1993 and also considering the above contentions, I find that the appellant is the legal owner of the brand names within his marketing area."

It is thus manifest that the appellant has been using its own brand name 'Kalimark' and it belongs to the appellant. In view thereof, the case of the appellant is squarely covered in its favour by the judgment of this Court in Civil Appeal No.9157 of 2003 titled CCE, Hyderabad IV vs. Stangen Immuno Diagnostics decided on 19.3.2015.

All the appeals are disposed of accordingly.

.....J.
(A.K.SIKRI)

.....J.
(ROHINTON FALI NARIMAN)

New Delhi;
Date: 13.5.2015.

JUDGMENT