B MATHUR & CO.
Company Secretaries

WEEKLY UPDATES

FROM

14th – 19th September, 2009

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

INDEX

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

RBI UPDATES

- **RBI/2009-10/155**
  RPCD.CO.RRB.BC.No. 21 /03.05.33/2009-10

September 14, 2009

Chairman
All Regional Rural Banks

Dear Sir,

Finance for Housing Projects – Incorporating clause in the terms and conditions to disclose in Pamphlets/Brochures/advertisements information regarding mortgage of property to Regional Rural Banks (RRBs)

We advise that in a case which came up before the Hon'ble High Court of Judicature at Bombay, the Hon'ble Court observed that the bank granting finance to housing / development projects should insist on disclosure of the charge / or any other liability on the plot, in the brochure, pamphlets etc., which may be published by developer / owner inviting public at large to purchase flats and properties. The Court also added that this obviously would be part of the terms and conditions on which the loan may be anctioned by the bank.

2. Keeping in view the above, while granting finance to specific housing / development projects, RRBs are advised to stipulate as a part of the terms and condition that:

(i) the builder / developer / company would disclose in the Pamphlets / Brochures etc., the name(s) of the bank(s) to which the property is mortgaged.

(ii) the builder / developer / company would append the information relating to mortgage while publishing advertisement of a particular scheme in newspapers / magazines etc.

(iii) the builder / developer / company would indicate in their pamphlets / brochures, that they would provide No Objection Certificate (NOC) / permission of the mortgagee bank for sale of flats / property, if required.

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3. RRBs are also advised to ensure compliance of the above terms and conditions and funds should not be released unless the builder/developer/company fulfils the above requirements.

4. Please acknowledge receipt to our Regional Office concerned

Yours faithfully,

(C.K.Shah)
Deputy General Manager

- **RBI/2009-10/156**
  A. P. (DIR Series) Circular No.08

September 14, 2009

To,

All Category – I Authorised Dealer Banks

Madam / Sir,

Foreign Currency Account by diplomatic missions - Credit of Visa Fees

Attention of Authorised Dealer Category - I (AD Category – I) banks is invited to clause (a) of sub-regulation 3 of Regulation 4 of the Notification No. FEMA 5/2000-RB dated May 3, 2000 viz. Foreign Exchange Management (Deposit) Regulations, 2000, as amended from time to time, in terms of which proceeds of inward remittances received from outside India through normal banking channels are allowed to be credited to the accounts maintained in foreign currency by diplomaticmissions.

2. In consultation with the Government of India, it has been decided to permit diplomatic missions to credit the visa fees collected in India in Indian rupees by way of transfer from the rupee account to the accounts maintained in foreign currency by the diplomatic missions, in addition to proceeds of inward remittances received from outside India through normal banking channels.

3. Necessary amendment to the Foreign Exchange Management (Deposit) Regulations, 2000 dated May 3, 2000 has been notified vide Notification No. 193/2009-RB dated June 2, 2009 (G.S.R. No. 442(E) published in the Official Gazette of Government of India dated June 23, 2009)

4. Accordingly, AD Category –I banks may allow the diplomatic missions to credit the visa fees collected in India in Indian rupees, by way of transfer from the rupee account, to the account maintained in foreign currency by the diplomatic missions.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge

ANNEX
[To A.P.(DIR Series)
Circular No.08 of 14.09.09]

Reserve Bank of India
Foreign Exchange Department
Central Office
Mumbai 400 001

Notification No.FEMA. 193 /2009-RB

Date: June 2, 2009

Foreign Exchange management (Deposit) (Amendment) Regulations, 2009

In exercise of the powers conferred by clause (f) of sub section (3) of section 6 and sub section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India makes the following amendments in the Foreign Exchange Management (Deposit) Regulations, 2000 (Notification No.FEMA.5/2000-RB dated May 3, 2000) namely : -

1. Short title and commencement :-

(i) These regulations may be called the Foreign Exchange Management (Deposit) (Amendment) Regulations, 2009.

(ii) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulations: -

In the Foreign Exchange Management (Deposit) Regulations, 2000 (Notification No.FEMA.5/2000-RB dated May 3, 2000), Regulation 4, in sub-regulation (3), for clause (a), the following shall be substituted, namely:-

"(a) credits to the account shall be only by way of:-

(i) proceeds of inward remittances received from outside India through normal banking channels; and

(ii) transfer of funds, from the rupee account of the diplomatic mission in India, which are collected in India as visa fees and credited to such account."

(Salim Gangadharan)
Chief General Manager-in-Charge

Foot Note :

The Principal Regulations were published in the Official Gazette vide G.S.R.No.388 (E) dated May 5, 2000 in Part II, Section 3, Sub-Section (i) and subsequently amended vide :-

G.S.R.No.262(E) dated April 9, 2002
G.S.R.No.577(E) dated August 19, 2002
G.S.R.No.855(E) dated December 31, 2002
G.S.R.No.494(E) dated August 4, 2004
G.S.R.No.221(E) dated April 7, 2005
G.S.R.No.663(E) dated November 14, 2005
G.S.R.No.28(E) dated January 19, 2006
G.S.R.No.495(E) dated July 23, 2007
G.S.R.No.664(E) dated October 16, 2007
G.S.R.No.714(E) dated November 14, 2007
G.S.R.No.91(E) dated February 15, 2008

- **RBI/2009-10/157**
  Ref.: UBD.CO.BPD.Cir. No. 1/13.05.000/2009-10

September 16, 2009

Chief Executive Officer
Scheduled Urban Co-operative Banks
(holding AD Category I licences)

Dear Sir/ Madam,

Rupee Export Credit Interest Rates

Please refer to our circular UBD.PCB.Cir. No. 3/13.05.000/2008-09 dated June 18, 2009 on the captioned subject regarding extension of interest subvention of 2 percentage points w.e.f. June 1, 2009 till September 30, 2009 on rupee export credit extended by Scheduled UCBs holding AD category I licences, to certain specified categories of export sector.

2. It has been decided to extend the interest subvention of 2% on rupee export credit for a further period of six months i.e. from October 1, 2009 till March 31, 2010 to the same sectors and on the same terms and conditions.

3. A directive UBD.BPD.DIR.No. 1/13.05.000/2009-10 dated September 10, 2009 issued in this regard is enclosed.

Yours faithfully,

(A. K. Khound)
Chief General Manager-in-Charge

- **RBI/ 2009-10/161**
  RPCD.CO.RF.BC.No.22 /07.40.06/2009-10

September 17, 2009

All State Co-operative Banks (StCBs) and
District Central Co-operative Banks (DCCBs)

Dear Sir,

Display of Information regarding Local Level Committees set up under the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999

Please refer to our circular RPCD.CO.RF.BC.No.37/07.40.06/2007-08 dated November 20, 2007, wherein banks have been advised to rely upon the Guardianship Certificate issued either by the District Court under Mental Health Act, 1987 or by the Local Level Committees under the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (hereafter called Mental Disabilities Act) for the purposes of opening / operating bank accounts by the legal guardians for persons with disability covered under the said Act. Banks were also advised to ensure that their branches give proper guidance so that the parents / relatives of the disabled persons do not face any difficulty in this regard.

2. In a case which came up before the High Court of Delhi, the Honourable Court has directed that all banks should ensure that their branches display in a conspicuous place –

i. essential details about the facilities under the enactment (Mental Disabilities Act);

ii. the fact that the parties can approach the Local Level Committees, for the purposes of issuance of the certificate and that the certificate issued under the Mental Disabilities Act is acceptable; and

iii. the details of the Local Level Committees in that area. The Court has further directed that the information shall be displayed in the local language and English / Hindi (or both).

3. Banks are advised to strictly comply with the above orders of the Court. Banks are also advised to ensure strict compliance of the provisions of the Mental Disabilities Act. It may be noted that details of the Local Level Committees are available in the web-site of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities i.e. www.thenationaltrust.in.

Yours faithfully,

(R C Sarangi)
Chief General Manager

- **RBI/2009-10/162**
  DNBS (PD) CC.No. 160/03.10.001/2009-10

September 17, 2009

All deposit taking NBFCs (excluding RNBCs)

Dear Sirs,

Requirement for obtaining prior approval of RBI in cases of acquisition/ transfer of control of NBFCs accepting deposits

Under Section 45 IA (4)(c) of the RBI Act, 1934, a certificate of Registration can only be given to a company if the Bank is satisfied, inter alia, that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the public interest or the interests of its depositors.

2. To enable RBI to verify that the 'fit and proper' character of the management of NBFCs is continuously maintained, it has been decided that any take over / acquisition of shares of a deposit taking NBFC or merger/amalgamation of a deposit taking NBFC with another entity or any merger/amalgamation of an entity with a deposit taking NBFC that would give the acquirer / another entity control of the deposit taking NBFC, would require prior permission of RBI.

3. Applications in this regard may be submitted to the Regional Office of the Department of Non-Banking Supervision in whose jurisdiction the Registered Office

of the Company is located.

4. Notification No.DNBS(PD) 208 /CGM(ANR)/2009 dated September 17, 2009 issued in this regard by Reserve Bank in exercise of powers under Sections 45K and 45L of the RBI Act, 1934 is enclosed for meticulous compliance.

Yours sincerely,

(A Narayana Rao)
Chief General Manager-in-Charge

RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI 400 005.

Notification No. DNBS.(PD) 208/ CGM(ANR)-2009 dated September 17, 2009

In exercise of the powers conferred by sections 45K and 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, Reserve Bank of India having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary so to do, gives to every deposit taking NBFC the Directions hereinafter specified.

Short title and commencement of the Directions

1. (1) These Directions shall be known as the Non-Banking Financial Companies (Deposit Accepting) (Approval of Acquisition or Transfer of Control) Directions, 2009.

(2) These Directions shall come into force with immediate effect.

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Definitions

2. For the purpose of these Directions, unless the context otherwise requires,-

(a) "control" shall have the same meaning as is assigned to it under clause (c) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(b) "NBFC" means non-banking financial company as defined in clause (xi) of sub-paragraph (1) of Paragraph 2 of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

Prior approval of RBI in cases of acquisition or transfer of control of deposit taking NBFCs

3. Any takeover or acquisition of control of a deposit taking NBFC, whether by acquisition of shares or otherwise, or any merger/amalgamation of a deposit taking NBFC with another entity, or any merger/amalgamation of an entity with a deposit taking NBFC, shall require prior written approval of Reserve Bank of India.

Application of other laws not barred

4. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other law, rules, regulations or directions, for the time being in force.

Exemptions

5. The Reserve Bank of India may, if it considers necessary for avoiding any hardship or for any other just and sufficient reason, exempt any NBFC or class of NBFCs, from all or any of the provisions of these Directions either generally or for any specified period, subject to such conditions as the Reserve Bank of India may impose.

(A. Narayana Rao)
Chief General Manager In-Charge

- **RBI/2009-10/164**
  RPCD.CO.Plan.BC. 24 /04.09.01/2009-10

September 18, 2009

The Chairman/ Managing Director/
Chief Executive Officer

[All scheduled commercial banks
(excluding Regional Rural Banks)]

Dear Sir,

Priority Sector Lending – Categorisation of activities under service under the MSMED Act, 2006

In terms of paragraphs 2.1.1 and 2.1.2 of Section I of the Master Circular dated July 1, 2009 on Lending to Priority Sector, credit to small enterprises includes loans granted to micro and small (manufacturing and service) enterprises, provided investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification no. S.O. 1722 (E) dated October 5, 2006] does not exceed Rs. 5 crore in respect of manufacturing enterprises and investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) does not exceed Rs. 2 crore in respect of service enterprises. Further, in terms of paragraphs 3.1 and 3.2, Retail Trade forms a separate category under priority sector.

2**.** The Government of India, vide communication No. 5(6)/2/2009-MSME POL dated June 12, 2009, has indicated the categorisation of activities under services under the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. On examination, it has been decided to include loans granted by banks in respect of following activities under Micro and Small (Service) Enterprises within the priority sector, provided such enterprises satisfy the definition of Micro and Small (Service) Enterprises in respect of investment in equipment (original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006) (i.e. not exceeding Rs. 10 lakh and Rs. 2 crore respectively).

a. Consultancy Services including Management Services;
b. Composite Broker Services in Risk and Insurance Management;
c. Third Party Administration (TPA) Services for Medical Insurance Claims of Policy Holders;
d. Seed Grading Services;
e. Training-cum-Incubator Centre;
f. Educational Institutions;
g. Training Institutes;
h. Retail Trade;
i. Practice of Law, i.e. legal services;
j. Trading in medical instruments (brand new);
k. Placement and Management Consultancy Services; and
l. Advertising agency and Training centres

3**.** Accordingly, there will be no separate category for "Retail Trade" under priority sector. Loans granted by banks for Retail Trade [*i.e. advances granted to retail traders dealing in essential commodities (fair price shops), consumer co-operative stores; and advances granted to private retail traders with credit limits not exceeding Rs. 20 lakh)* would henceforth be part of the Small (Service) Enterprises.

4**.** The commercial banks may report such loans under the head "Total credit to Small Enterprises" in the half-yearly (Ad-hoc) [under 2 (a) and 2 (ii)] and yearly (final) [under 14, 15, 19, 20 and 21] return on priority sector advances.

5**.** You may please issue necessary instructions to your controlling offices/branches for appropriate action.

6**.** Please acknowledge receipt.

Yours faithfully,

(B. P. Vijayendra)
Chief General Manager

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

- **RBI/2009-10/165**
  DNBS.PD.CC.No.161/3.10.01/ 2009-10

September 18, 2009

All NBFCs (excluding RNBCs)

Dear Sir

Introduction of Interest Rate Futures- NBFCs

Please refer to the Directions **issued by the Reserve Bank of India** in terms of **Notification No. FMD. 1 /ED(VKS) - 2009 dated August 28, 2009,** covering the framework for trading of Interest Rate Futures (IRFs) in recognized exchanges in India**.**

2. It has been decided that NBFCs may participate in the designated interest rate futures exchanges recognized by SEBI, as clients**,** subject to RBI / SEBI guidelines in the matter, for the purpose of hedging their underlying exposures.

3. NBFCs participating in IRF exchanges may submit the data in this regard half yearly, in the format enclosed, to the Regional office of the Department of Non-Banking Supervision in whose jurisdiction their company is registered, within a period of one month from the close of the half year.

Yours sincerely,

(A Narayana Rao)
Chief General Manager-in-Charge

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

Government of India
Ministry of Commerce
Directorate General of Foreign Trade
Udyog Bhavan, New Delhi – 110 011.

Circular No. 7/2009-2014 **Dated the 16th September, 2009**

Sub: Constitution of an Inter-Ministerial Committee to redress/resolve problems/issues of exporters – Constitution reg.

1. It has been decided to constitute an Inter-Ministerial Committee to redress/resolve problems/issues of exporters. The Committee will discuss such issues raised by exporters which affect the exporting community as a class. Normally, the Committee will not look into the individual grievance of any exporter, for which other mechanisms in terms of Grievance Committee in the Office of DGFT and Grievance Redressal Committee in Department of Commerce already exist. The Committee, based on consultation shall seek to identify the solution/resolution of the problem posed by exporting community. The decisions of this Committee would guide the concerned administrative Department to take a final view on the problems posed before the Committee. In essence, the role of the Committee shall be recommendatory in nature.

2. The Committee shall be chaired by Secretary, Department of Commerce and will have representative from DGFT, Department of Revenue, Department of Economic Affairs, Reserve Bank of India, Directorate General of Export Promotion (CBEC) and in addition, any other administrative Ministry of Govt. of India may be co-opted for a particular meeting, in case issues concerning them are raised.

3. Exporters/export organizations/trade organizations are advised to bring their issues/grievances of the nature listed in para 1 of this Circular to the notice of Directorate General of Foreign Trade for placing before this Committee.

4. The Committee would normally meet once in every quarter.

5. This issues with the approval of competent authority.

Sd/-
(O.P. Hisaria)
Joint Director General of Foreign Trade

(Issued from File No. 01/94/180/09-10/272/Meeting/CIM/AM10/PC-4)

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EXCISE UPDATES

Circular No. 898/18/09-CX

F. No. 4/2/2009-CX.1
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs

New Delhi dated the 15th September, 2009

To,

Director General (All)
Chief Commissioners of Central Excise including LTU (All)
Commissioners of Central Excise (All)

Sir/Madam

Sub.:- Benefit of reduced penalty under provisos to Section 11AC- whether also available at appeal stage- reg.

A case has been brought to the notice of the Board wherein a Commissioner (Appeals) had allowed the benefit of proviso to Section 11AC of the Central Excise Act, 1944 to pay penalty at the reduced rate of 25% within 30 days of the communication of the Order in Appeal. Commissioner (Appeals) has read Section 11AC and Section 35 F together to arrive at the aforesaid decision.

2. The matter has been examined. The provisions relating to reduction of penalty to 25% are contained in proviso (1) to (4) of Section 11AC. In terms of proviso (1) and (2), a penalty imposed under Section 11AC can be reduced to 25% on fulfillment of following conditions.

i. Duty determined under Section 11A (2) and interest payable thereon has been paid within 30 days.

ii. The said period of 30 days is calculated from the date of communication of the order passed by a Central Excise Officer determining the duty.

iii. The reduced 25% penalty is also paid within 30 days of the date of communication of the order passed by the Central Excise Officer.

3. From the above it is clear that in order to avail the benefit of 25% penalty, the duty, interest and penalty are required to be paid within 30 days of communication of the order passed by the adjudicating authority. Further, the reading of proviso (4) would also support this interpretation because the said proviso stipulate that wherever duty amount is increased at any appellate stage, in that case in order to avail the benefit of 25 % penalty, the assessee is required to pay differential amount within 30 days of the passing of the order by the appellate authority. A combined reading of all the 4 proviso would, therefore, make it clear that the benefit of 25% penalty is applicable only when the assessee has paid duty, interest and the reduced penalty within 30 days of communication of the order passed by the adjudicating authority. However, if the penalty amount is increased at the appellate stage, in that case the 25% of differential amount of penalty can be paid within 30 days of communication of said appellate order. Therefore, the view taken by the Commissioner (Appeal) is not as per the provision of law.

4. Trade and Industry may be informed.

5. Receipt of this circular may be acknowledged

6. Hindi version would follow.

Yours faithfully,

(MADAN MOHAN)
Under Secretary to the Govt. of India

INCOME TAX UPDATES

➢ **SECTION 35(1)(II) OF THE INCOME-TAX ACT, 1961 - SCIENTIFIC RESEARCH EXPENDITURE - APPROVED SCIENTIFIC RESEARCH ASSOCIATIONS/INSTITUTIONS**

NOTIFICATION NO. 68, DATED 15-9-2009

It is hereby notified for general information that the organization **Sri Aurobindo Society, Kolkata** has been approved by the Central Government for the purpose of clause (ii) of sub-section (1) of section 35 of the Income-tax Act, 1961 (said Act), read with Rules 5C and 5E of the Income-tax Rules, 1962 (said Rules), **from Assessment year 2009-2010 onwards** in the category of **'other Institution',** partly engaged in research activities subject to the following conditions, namely:-

(i) The sums paid to the approved organization shall be utilized for scientific research;

(ii) The approved organization shall carry out scientific research through its faculty members or its enrolled students,

(iii) The approved organization shall maintain **separate** books of **accounts** in respect of the sums received by it for scientific research, reflect therein the amounts used for carrying out research, get such books audited by an accountant as defined in the explanation to sub-section (2) of section 288 of the said Act and furnish the report of such audit duly signed and verified by such accountant to the Commissioner of Income-tax or the Director of Income-tax having jurisdiction over the case, by the due date of furnishing the return of income under sub-section (1) of section 139 of the said Act;

(iv) The approved organization shall maintain a **separate statement of donations** received and amounts applied for scientific research and a copy of such statement duly certified by the auditor shall accompany the report of audit referred to above.

2. The Central Government shall withdraw the approval if the approved organization:-

(a) fails to maintain **separate books of accounts** referred to in sub-paragraph (iii) of paragraph 1; or

(b) fails to furnish its audit report referred to in sub-paragraph (iii) of paragraph 1; or

(c) fails to furnish its statement of the donations received and sums applied for scientific research referred to in sub-paragraph (iv) of paragraph 1; or

(d) ceases to carry on its research activities or its research activities are not found to be genuine; or

(e) ceases to conform to and comply with the provisions of clause (ii) of sub-section (1) of section 35 of the said Act read with rules 5C and 5E of the said Rules.

[F.No. 203/6/2009/ITA-II]

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

SEBI UPDATES

- GENERAL MANAGER
  CORPORATION FINANCE DEPARTMENT
  DIVISION OF CORPORATE RESTRUCTURING
  Tel. 022 26449350
  e-mail: neelamb@sebi.gov.in

SEBI/CFD/DCR/DL/01/2009/14/09
September 14, 2009

All Stock Exchanges and Merchant Bankers

Dear Sirs,
Sub: Applicability of Delisting Regulations- Transitional Provisions

As you are aware, the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Delisting Regulations) were notified by SEBI on June 10, 2009.
SEBI has since been receiving queries from various market participants, listed companies etc regarding the 'transitional provisions' contained in regulation 31 of the Delisting Regulations.
Regulation 31 of the Delisting Regulations outlines certain situations under which the provisions of the earlier Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (Delisting Guidelines) would still be applicable to a particular delisting transaction.
In this regard, it is hereby clarified that in cases where a special resolution has already been passed under the Delisting Guidelines prior to commencement of the Delisting Regulations, the delisting process shall be governed by the provisions of the Delisting Guidelines, provided the said resolution is acted upon within a period of three months from the date of this circular. Otherwise, the company would be required to pass a fresh special resolution in terms of Delisting Regulations and proceed for delisting in terms of Delisting Regulations.
For this purpose, the words "acted upon" shall mean that the implementation of activities including the opening of the book building process for determination of the exit price in terms of Clause 8.1 of the Delisting Guidelines, should be done within three months from the date of this circular.

You are advised to take note of the above for future compliance and for guidance to the listed companies.

Yours faithfully,
Neelam Bhardwaj

- DEPUTY GENERAL MANAGER
  INVESTMENT MANAGEMENT DEPARTMENT
  SEBI/IMD/CIR No. 8/176988/2009
  September 16, 2009

The All Mutual Funds, Asset Management Companies (AMCs),
Association of Mutual Funds in India(AMFI)

Sir/Madam,
Sub: Systems Audit of Mutual Funds

Considering the importance of systems audit in the technology driven asset management activity, it has been decided that mutual funds shall have a systems audit conducted by an independent CISA/CISM qualified or equivalent auditor.
The systems audit should be comprehensive encompassing audit of systems and processes inter alia related to examination of integration of front office system with the back office system, fund accounting system for calculation of net asset values, financial accounting and reporting system for the AMC, Unit-holder administration and servicing systems for customer service, funds flow process, system processes for meeting regulatory requirements, prudential investment limits and access rights to systems interface.
Accordingly, you are advised to get the above systems audit conducted once in two years.
You are further advised to place the Systems Audit Report and compliance status before the Trustees of the mutual fund. The systems audit report/findings alongwith trustee comments should be communicated to SEBI.
For the financial years April 2008 – March 2010, the systems audit should be completed by September 30, 2010.
This circular is being issued in exercise of the powers conferred by Section 11(1) of Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of the SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,
ASHA SHETTY

TRADEMARK – RECENT JUDGEMENT

THE HIGH COURT OF DELHI AT NEW DELHI

Date of decision: 11.09.2009

FAO (OS) 334/2008

PIONEER NUTS AND BOLTS PVT. LTD ..... Appellant Through: Mr. N.K. Kaul, Sr. Adv. with

Mr. Sanjeev Singh, Mr. Amit Kumar Singh,

Ms. Shikha, Mr.Karan Mehta, Mr. Amit Jha,

Advocates

versus

M/s.GOODWILL ENTERPRISES ..... Respondent Through: Mr. Shailen Bhatia,

Ms. Anita Kapur & Mr. Amit Jain, Advs.

CORAM:

HON'BLE THE CHIEF JUSTICE

HON'BLE DR. JUSTICE S.MURALIDHAR

1. Whether Reporters of the local newspapers may be allowed to see the judgment? No

2. Whether to be referred to the Reporter or not? Yes

3. Whether the judgment should be reported in the Digest? Yes JUDGMENT

S. Muralidhar, J.

1.This appeal is directed against the impugned judgment and order dated 25 th April, 2008 passed by the learned single Judge rejecting I.A. No. 780/2007 filed by the appellant seeking an ad interim injunction against the Defendant infringing and passing off its registered trademark TUFF and TUFF LABEL.

2. The parties are referred to by their status in the suit, i.e. the Appellant is referred to as the Plaintiff and the Respondent as the Defendant.

3. The Plaintiff states that it adopted the trademarks TUFF and TUFF LABEL on 1st June 1996 in relation to nuts, bolts, screws and studs. Its application for registration of the mark TUFF in Class-6 goods was made on 11th February 1998, advertized in the Trademarks Journal No. MEGA-1 on 25th August, 2003 and Registration (under No. 791109) was granted in respect of the mark TUFF on 14th May, 2004 effective 11th February 1998. The Plaintiffs application for registration of the mark TUFF LABEL was advertised in the Trade Marks Journal No. 1328 Suppl. (5) dated 30th March 2005 and granted registration (under No. 1073841) in Class 6 goods on 19 th September 2005 effective 15th January 2002. The Plaintiff asserts that it is the owner and the proprietor in the artistic features in TUFF LABEL. The Plaintiff states that its copyright in TUFF LABEL is registered under the Copyright Act 1957 under A-74315/2005. The Plaintiff claims that it has been honestly and bonafide using the marks continuously in the course of trade since their adoption.

4. According to the Plaintiff, the goods manufactured by it have been accredited with ISO 9001:2000 certification by the TUV South Asia Private Limited. The Plaintiff claims to have acquired and built up its reputation and goodwill in relation to the products on which the marks are used. It advertises its products through an exclusive website www.tuffbolt.com. It claims that its goods maintain the highest level of quality and precision. It states that it has spent a substantial amount on publicity and that its marks have acquired secondary significance denoting the said goods and business of the Plaintiff. It is asserted that the marks TUFF and TUFF LABEL have become distinctive and well known trademarks within the meaning of Sections 2(1)(zg) and 11 of the Trade Marks Act, 1999 (TM Act) in relation to the said goods and business.

5. The Defendant is stated to have adopted an identical/deceptively similar trade mark TUFF LABEL and TUFF & TUFF in relation to screws (self taping). A copy of the impugned mark adopted by the Defendant is placed on record. It is averred that the Defendants marks are identical to and deceptively similar in each and every respect: i.e, phonetically, visually, structurally and in the basic idea and essential features. It is alleged that by adopting the impugned mark, the Defendant had infringed and passed off the Plaintiffs proprietary rights in the marks.

6. The Plaintiff has placed on record copies of the Defendants applications advertised in the Trade Marks Journal. The first is application No. 1301515 dated 10th August, 2004 by Hereet Singh trading as Goodwill Enterprises for the mark TUFF in respect of "Screws (Self Tapping)" advertised in the Trade Mark Journal No. 1331 dated 1st June, 2005. In the column proposed to be used, it is indicated: "(DELHI)". There is an additional representation dated 31st January 2007 made by Harpreet Singh in this application for registration of the mark in Class 12 goods claiming user since 1991. The second is application No. 9427887

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

dated 27th July 2000 by Harpreet Singh, Hardev Singh and Kushwant Singh trading as Good Will Industries claiming user since 1st April 1995 in respect of the mark TUFF for Screw (Self Tapping) published in the Trade Marks Journal No. 1345 dated 1st June 2 2006. It is stated in the advertisement that the application is to be associated with Application No. 1030155. The third is an application No. 1302920 dated 16th August 2004 by Harpreet Singh trading as Goodwill Enterprises published in the Trade Mark Journal No. 1351 dated 1st September 2006 for an identical mark TUFF in respect of Screws (Self Tapping) in which the user is claimed from 1st January 1991. The fourth is application No. 1307257 dated 6th September 2004 by Hereet Singh trading as Goodwill Enterprises published in the Trade Marks Journal No. 1361 dated 1st February 2007 for the mark TUFF for "Self Tapping Screws included in
Class 6" and which claims user since 31st December 1991 in Delhi. The fifth is application No. 1365632 dated 21st June 2005 by Harpreet Singh in respect of the mark TUFF for "all types of screws" with user claimed since 17th June 2005 and published in the Trade Marks Journal No. 1338 Suppl. dated 15 th January 2006. The depiction of the label bearing the mark TUFF in each of the applications referred to is identical.

7. It is stated that the Plaintiff became aware of the Defendants impugned adoption of the trade mark TUFF LABEL in respect of same class of goods through the aforementioned advertisements in the Trade Marks Journal. It lodged a Notice of Opposition against the Defendants trade mark application No. 1301515. The enquiry in the trade by the Plaintiff revealed that the Defendant had not yet commenced using the impugned trade mark in relation to the impugned goods and, therefore, the Plaintiff had not been able to lay its hands on the impugned goods with the impugned trade mark TUFF LABEL. The Defendant sent a letter dated 7.12.2006 to the Plaintiff requesting it to change the trade mark TUFF claiming that the Defendant was engaged in the business of manufacturing of fasteners under the trade mark TUFF and TUFF whereas in the trade mark application, the Defendant had filed one label depicting the trade mark TUFF LABEL. In its letter dated 7.12.2006, the Defendant claimed to be a partnership concern.

8. It was averred by the Plaintiff that the adoption by the Defendant of the impugned trade mark was dishonest and fraudulent and since it was in the same line of business and for similar goods, the Defendant was taking advantage and trading upon the reputation and goodwill of the Plaintiff with a view to causing confusion and deception in the market and passing off its goods and business as those of the Plaintiff. On the above averments, permanent injunction was sought by the Plaintiff to restrain the Defendant from manufacturing, selling, advertising or displaying directly or indirectly the fasteners, screws, screws (self taping) nuts, bolts, studs and all allied and cognate goods falling in class-6 as well as class-12 or any other class of goods under the impugned trade mark TUFF LABEL and TUFF and TUFF. The other prayer was for injuncting the Defendant from violating Plaintiffs copyright involved in the trade mark/label and order for delivering up of the impugned goods and business bearing the impugned trade mark and label including packaging, stickers, boxes and any other incriminating material including display boards and sign boards. A further prayer was for rendition of accounts and an order for decree of damages in the sum of Rs.20,00,500/-.

9. By order dated 22.1.2007, the learned single Judge passed an ex parte order restraining the Defendant from using, marketing, selling, offering for sale, advertising or displaying the trademarks or labels of the Plaintiff in respect of fasteners, screws, screws (self taping) nuts, bolts, studs and all allied and cognate goods till further orders. In the written statement, it was pointed out that Harpreet Singh is a partner of M/s Goodwill Enterprises and his mother Mrs. Rajinder Kaur had originally floated another firm M/s Goodwill Fasteners which had dealt in self taping screws. That firm had adopted the trade mark TUFF for self taping screws in the year 1991. It is claimed that the firm had advertized the trade mark TUFF in The Hindu on 26.12.1993. It was also advertized in Gujarat Samachar on 26.12.1993. The Post Office granted the Grams TUFF on 27.8.1994 to M/s Goodwill Fasteners. The firm was, however, closed on 31.3.1996. It is stated that Harpreet Singh formed another partnership firm with his brother Shri Kushwant Singh and father S. Hardev Singh under the name of M/s Goodwill Industries in 1994. M/s Goodwill Industries started using the trade mark TUFF in the year 1995. In the year 2002, Harpreet Singh formed another firm with himself, his mother Smt. Rajinder Kaur, cousin Gurpreet Singh and brother Kushwant Singh which was named M/s. Goodwill Enterprises, i.e. the Defendant herein. Since 2003, M/s Goodwill Enterprises has been using trade mark TUFF. Thus, it is clear that the family of S. Harpreet Singh had been doing business under the trade mark TUFF in one or other firm since 1991 and that the firms Goodwill Fasteners and Goodwill Industries are the predecessorsin interest of the Defendant Goodwill Enterprises. S. Harpreet Singh was a common partner in all these firms.

10. In order to show continuity of the use of the trade mark TUFF by the family of S. Harpreet Singh, the Defendant has placed on record the price lists, letters from dealers, trade enquiries and renewal of telegraphic address TUFF etc. Reference was also made to the advertisement taken out by M/s Goodwill Industries of the trade mark TUFF in 1999 in Rajasthan Patrika. The Defendant claims to be within its right to use the trade mark TUFF and questions the locus of the Plaintiff to file the suit. It is alleged that the Plaintiff was aware of the prior use of the trade mark TUFF by the Defendant and, therefore, did not reply to the letter dated 9.12.2006 written by the Defendant to the Plaintiff. It is pointed out that the Plaintiff really never called upon the Defendant to stop the use of the trade mark TUFF at any stage. Therefore, the Plaintiff was estopped from seeking an injunction to prevent the Defendant from using the said mark. It is stated that although in the Application No.1301515 in class-12, the Defendant had stated that it was proposing to use the mark, this was in fact an error since the mark was already being used since 1991. It is submitted that a wrong advertisement cannot change the factual averments. It is further contended that the registrations granted in favour of the Plaintiff are later to the adoption of the trade mark by the Defendant. It is further submitted that the Plaintiffs registration No.1073841 in class 6 is of a device of bolt, whereas the Defendant was not using the device of bolt. It is not in dispute that in addition to the documents filed along with the plaint, during the course of hearing, learned counsel of the Plaintiff placed reliance on the additional documents in the form of sales tax registration certificates of 1996, sales and income tax returns from 1996 onwards and excise registration certificate.

11. The learned Single Judge noted that injunction should ordinarily follow the infringement of a registered trade mark, subject to two exceptions contained in the TM Act. The first exception being Section 28 which was to the effect that if both the Plaintiff and the Defendant are owners of registered trademarks, an action for infringement will not follow and only a passing off action can be maintained. The other exception was Section 34 which mandated that the proprietor of a registered mark cannot restrain the use of an identical mark by any person in relation to goods or which that person or predecessor in title had been continuously using from a date prior to the use of the first mentioned trade mark in relation to those goods by the proprietor or predecessor in title. The learned single Judge found that the two trademarks used by the parties were identical. While the Plaintiff used it for nuts, bolts, screws and studs, the Defendant used it for one kind of screw. It was held that the pictorial representation of the mark is closely identical in both cases.

12. The question was whether the Defendant had made out a case for prior use. The learned Single Judge noted that trade mark registration was given to the Plaintiff in 2005 with effect from 1998 and 2002. Copyright registration was obtained in 2005. Although the earliest use of the disputed mark was claimed by the Plaintiff to be 1996, the invoices and bills produced were of the years 2004 onwards. The income tax and sales tax returns from 1996 onwards mentioned the Plaintiffs income and sales but not its products. On the other hand, the Defendant had been able to show three advertisements, two of 26.12.1993 and one of 1999, trade enquiries of 1993, 1994 and 1995 and different invoices pertaining to Calcutta and Madras. The Plaintiffs case was that the Defendant was a squatter and merely advertising the mark but never using it. Referring to the judgment in Revlon Inc. v. Sarita Manufacturing Company AIR 1998 Delhi 38, it was held by the learned single Judge that the dissemination of knowledge of a trade mark in respect of a product through advertisement in media amounts to use of the trade mark whether or not the advertisement is coupled with the actual existence of the product in the market. The learned single Judge negatived the argument of the Plaintiff about the advertisements produced by the Defendant amounting to no credible evidence of user.

13. The other issue was of prior user. The learned single Judge relied on the copies of the partnership deeds where Harpreet Singh was shown as partner of the firm from 1991 in relation to the business and the product. Reliance was placed on the judgment in Swaran Singh v. Usha Industries (India), AIR 1986 Del 343 and Mocolube India Ltd. v. Maggon Auto Centre, 2008 (36) PTC 231 (Delhi) to hold that the Plaintiff has been able to establish prima facie existence of registration in its favour, in relation to the subject marks, with effect from 1998 and 2002. Yet there was no credible evidence of proof of the use of the mark from that period; the materials were sketchy. It was held that the Plaintiff had not produced any material to show that it had used the mark prior to 1998. On the other hand, the Defendant has "prima facie shown that the mark was advertized in 1993 and 1999 and trade enquiries through original letters, indents, etc. existed in 1993, 1994, 1995 onwards". The issuance of telegraphic name TUFF by the Postal Department in 1994, 1995 was also noticed and it was

held that the Defendant was "prima facie continuously using the marks since 1993 at least, enabling it to the benefit of Section 34 of the Act." Accordingly the injunction was refused.

14. We have heard the submissions of Mr. Neeraj Kishan Kaul, leaned Senior counsel for the appellant and Mr. Shailen Bhatia, learned counsel for the Defendant. It is pointed out by Mr.Kaul that the Plaintiff had placed on record bills showing user of the mark since 1996. The Defendant had merely inserted two advertisements soliciting dealer enquiries. The mere obtaining of a telegraphic address for a couple of years did not amount to user of the mark. In any event, this was not a continuous user of the mark since there was no document produced by the Defendant after 1995 except a telegraphic address registration in 1997, a single newspaper advertisement in 1999 and in any event, the absence of any document of user from 1999 till date, the unregistered partnership deed of three different firms which by themselves never mention the impugned trade mark TUFF could not be relied upon. Moreover, without any valid deed assigning the impugned trade mark by one firm to the other, it could not be said that the Defendant was continuously using the mark.

15. On the other hand, Mr. Bhatia relies on Section 34 of the TM Act to contend that the Defendant was using the mark even prior to 1998. He relies upon the newspaper advertisements issued by the Defendant in 1993, the allotment to it of the telegraphic address TUFF in 1994, 1995, 1997, the partnership deeds and the receipt by it of trade enquiries. Copies of the indents of the Defendants distributors mentioning the word TUFF, the price lists of the Defendant mentioning the word TUFF and the trade mark applications filed in 1991 are all relied upon to show prior user. It is submitted that user later to 1998 is irrelevant because the law requires that the Defendant to show user prior to the date of grant of registration of the trade mark in favour of the Plaintiff.

16. Relying upon Section 2(2) (c) of the TM Act, as interpreted in Hardie Trading Ltd. & Anr. v. Addisons Paint and Chemicals Limited, (2003) 11 SCC 92, it is submitted by Mr.Bhatia that the advertisements issued by the Defendant in the newspapers prior to 1998 constitutes prior user. Reliance is placed on Wander Ltd. & Anr. v. Antox India (P) Ltd., 1991 PTC 1 (SC) to contend that need for protection of registered trade mark must be weighed against the corresponding need of the Defendant to be protected against the injuryresulting from his being prevented from exercising his legal rights for which he cannot be adequately compensated. It is asserted that the Defendant has honesty of adoption.

17. Before the contentions of the parties are discussed, this court would briefly recapitulate the law. In Smith Bartlet and Co. v. The British Pure Oil Grease and Carbide Co. Ltd., (1934) 51 RPC 157, a distinction was drawn between the standard of proof of continuous prior user of an unregistered trade mark as required in an infringement action and that required in a rectification proceeding. The standard requited to defeat an infringement action was more stringent and rigorous. It was observed that Section 41 of the Trade Marks Act of the United

Kingdom (which required like Section 34 TM Act continuous prior user) had put "the owner of a registered Trade Mark in a very exceptional position, whether he has used the mark or not, and he is entitled to the exclusive user of it unless under the proviso to Section 41 somebody else is able to show, not an occasional user from a date anterior to the user by the owner of the registered trade mark, but a continuous user by him."

18. In Amaravathi Enterprises v. Karaikudi Chettinadu, 2008 (36) PTC 688 (Madras) (DB), it was observed that apart from prior continuous use of the trade mark and trade name, the Defendant seeking to set up a defence of prior use under Section 34 of the TM Act had to also prove the volume of sales. In Veerumal Praveen Kumar v. Needle Industries (India) Pvt. Ltd., 2001 (21) PTC PTC 889 (Delhi), a Division Bench of this Court emphasized that a trade mark does not arise from the mere use of a word or words or a formula or a mark. It had to be shown that in relation to particular goods, there is a course of trading and that a goodwill connecting the trader with the goods by the reason of the trade mark under which the goods are marketed has resulted. It was observed: "it follows that where, in relation to particular goods, there is no such course of trading as to give rise to goodwill, there is no interest to be protected by a trademark and no such mark can subsist in vacuo."

19. In Revue Trade Mark (1979) RPC 27, the question was whether there had been use of the trade mark within the meaning of Section 26 of the Trade Mark Act of the United Kingdom. It was observed that mere offers for sale and orders resulting from such offers do not constitute the use of a trade mark. It was necessary that the proprietor of the trade mark, by the time an offer for sale is published, should "take positive steps to acquire goods marked with the trade mark" for then he would have done enough for his combined actions to constitute use on, or in relation to goods. These observations were approved by the learned single Judge of the Calcutta High Court in Kabushiki Kaisha Toshiba (Toshiba Corporation) v. Toshiba Appliances Co. 1994 (14) PTC 53 (Cal), where a reference was made to the observations of Falconer, J. in Hermes Societe Anonyme v. B.H. Ries Ltd., 1982 RPC 425. It was observed in the latter case that the issuance of a series of advertisements as part of an introductory campaign may be use of the mark in the course of trade but "not upon the goods or in physical relation thereto". It was observed that this exposition of the law would equally be applicable in India. This part of the judgment of the learned Single Judge was not been disturbed by the Division Bench of the Calcutta High Court and later by the Supreme Court in Kabushiki Kaisha Toshiba v. Toshiba Appliances, (2008) 37 PTC (SC). Likewise in Harold Radford, (1951) 68 RPC 221, it was held that the mere issuance of an advertisement would not constitute a user of the mark. It was observed that otherwise the proprietor of a trade mark might, without having any goods to offer, advertise its marks at periodical intervals and thereby prevent any attack being made upon the mark. It was emphasized that "use of a mark in advertising media must be concurrent with the placing of the goods in the market if it is to be regarded as a trade mark".

20. This interpretation of law equally applies as far as TM Act is concerned. The definition of trade mark even under Section 2(1)(zb) of the 1999 Act means a mark "which is capable of distinguishing the goods or services of one person from those of others". Therefore, the use of a mark that is not capable of distinguishing the goods of such proprietor of the trade mark would not qualify for the protection under the TM Act.

21. The reference in the impugned judgment of the learned Single Judge to Revlon Inc. case (supra) was not apposite. It was observed in the said case that dissemination from the knowledge of a trade mark in respect of a product through advertisement in media amounts to use of the trade mark whether or not the advertisement is coupled with the actual existence of the product in the market. However, the facts of that case show that the Plaintiff was the registered owner of the trade mark and its goods did exist abroad. The goods being perfumes under the mark Revlon, Charlie, Intimate etc. had a proven trans-border reputation. The non-existence of goods in India was owing to special circumstances such as closed economy, import restrictions etc. It was observed in para 25 as under:

"Though the matter about rectification of the register of trade marks due to the Plaintiffs non-user for a continuous period of five years is pending before the Calcutta High Court and I am not giving any finding on the same, however, on the basis of material placed on record, I am prima-facie of the opinion that the products of the Plaintiffs were available in India even at that time at the duty free shops and they were also being imported and sold to diplomats."

22. The learned Single Judge appears to have followed the judgment of the Division Bench in N.R. Dongre v. Whirlpool Corporation AIR 1995 Delhi 300. Although it was observed therein that dissemination of knowledge of a trade mark in respect of a product through advertisement in media amounts to use of the trade mark whether or not the advertisement is coupled with the actual existence of the product in the market, that case was essentially about trans-border reputation. One of the issues that arose for determination there was "whether the reputation of trademark whirlpool in respect of washing machines of the respondent has travelled trans border to India." On the material before the Court, the learned single Judge came to the conclusion that Whirlpool Corporation had "positively made out a case of actual sales by it of Whirlpool products including washing machines in a proved geographical region around the world." The sales in India were limited to the US Embassy and US Aid Office, New Delhi. It was in those circumstances that reliance was placed on the advertisements in the country for dissemination of knowledge about the trade mark. Therefore, the said case was not about mere advertisements but advertisements coupled with the availability of goods even outside India. The whole case proceeded upon the extra territorial reputation of a mark since the product was in any way available outside India. The said decision shows that the knowledge and the awareness of foreign goods and its trade mark can be even at a place where the goods are not being marketed and used. The observations in Whirlpool cannot therefore possibly apply to the facts of the instant case.

8/3, 2nd Floor, W.E.A., Karol Bagh, New Delhi - 110005

23. Turning to the case on hand, the Defendant has been unable to show that its goods bearing the mark TUFF were at any point of time since 1991 and prior to 1996 available in the market. There is absolutely no evidence placed on record by the Defendant to show that it has actually sold its goods using the mark TUFF or TUFF & TUFF even thereafter. For proving prior user, the Defendant repeatedly referred to the two newspaper advertisements inserted by it in 1993, the six trade enquiries between 1994 and 1995 emanating from these advertisements. Between 1993 and 1995, there were seven indents of John and John Traders and one indent of Bolt House. There is also a letter from John and John Traders asking the Defendant to send goods from outside. Then we have the grant by the Postal Department of the telegraphic address TUFF to the Defendant.

24. In light of the law as explained in the aforementioned decisions as applied to the facts of the present case, the advertisements issued in the newspapers can hardly constitute the proof of service on the user of the mark from those dates. Likewise, the grant of a telegraphic address, or the soliciting of business, or the receipt of trade enquiries cannot by themselves satisfy the legal requirement of the defendant having to show that it used the marks, earlier than the Plaintiff did, in relation to goods.

25. As regards the filing of trade mark applications, the unilateral self-serving declaration by the Defendant in some of them of user since 1991 cannot constitute evidence of the commencement of use from that date. The opposition to the Defendants applications has still not been disposed of and no registration as such has been granted to the Defendant. Therefore, this does not carry the case of the Defendant any further. In any event the claims of user made in the applications by the Defendant have been inconsistent. In the application No. 942787 filed on 27.7.2000, user was claimed since 1.4.1995. In application No. 1301515 filed on 10.8.2004, it was stated "proposed to be used". In application No. 1302920 filed on 16.8.2004, the user was claimed since 1.1.1991 and in application No. 1365632 filed on 21.6.2005, the user was claimed since 17.6.2005. These inconsistent positions taken by the Defendant creates more difficulties for it about the claim of prior user.

26. Then we have the photocopies of the partnership deeds executed on 20.12.1991. The deeds stipulate that the business of partnership will be carried out under the name of Goodwill Fasteners. Nothing is shown as to how the firm adopted the trade mark TUFF which according to the Defendant began to be used by it from 1.1.1991 itself, the date on which the said firm was not in existence. The partnership deeds themselves are unregistered. The deeds do not mention the impugned trade mark TUFF. There is no deed of assignment by which the mark has been assigned to the Defendant M/s Goodwill Enterprises. Therefore, these documents do not really advance the case of the Defendant about the use of the trade mark TUFF even prior to the date on which the Plaintiff claims its user, i.e. 1998.

27. It needs to be noted that in the present appeal, counsel for the Defendant sought to place on record for the first time certain additional documents. It was claimed that the Defendant had lost crucial documents in 1998 as one of the partners who was carrying them in a scooter fell down while riding it. A copy of the purported police complaint dated 3.3.1998 that had been lodged in that regard was sought to be produced. The Defendant also sought to produce copies of income tax returns, sales tax assessments and certain other documents showing sales made by it. When asked whether the originals of these additional documents sought to be filed could be produced, the counsel for the Defendant replied in the negative. Be that as it may, this court refused to permit the additional documents to be placed on record by the Defendant for the first time at the appellate stage with no convincing explanation why they could not be produced earlier. In any event the police complaint would only show that certain documents were lost in 1998. There was no explanation why documents pertaining to sales by the Defendants of goods with the mark TUFF for the years thereafter were not produced.

28. As regards the documents produced by the Plaintiff in the instant case, at pages 223 to 290, copies of the bills and invoices of the Plaintiff from 1996 to 2006 have been placed. Invoices of the Plaintiff showing sale of TUFF Bolts dated 3.10.1996, 20.11.1996, 8.12.1996, 3.3.1997, 18.4.1997 and 11.6.1997 have been placed on record. It clearly shows that the Plaintiff has been trading in goods with the mark TUFF during this time. The Defendant however alleges that the word TUFF on some of these invoices is a later interpolation and therefore these documents are forged. Suffice it to note that at this stage, that the Plaintiff has made out a prima facie case of use of the marks on its goods since 1996 whereas the Defendant has not produced any documentation to show that it has traded in goods bearing the impugned mark TUFF since 1991 as claimed or in any event on a date prior to the Plaintiffs use of the mark. The question of proof of the invoices produced by the Plaintiff will have to await the full fledged trial.

29. The decisions cited by the learned counsel for the Defendant are now discussed. In Kabushiki Kaisha Toshiba (Toshiba Corporation) v. Toshiba Appliances Co. the advertisements in question were coupled with the fact of maintenance of service centers in India for the product imported into India. Therefore, it was not as if the mark was not used in relation to goods which were available in India. Hardie Trading Ltd. v. Addisons Paint and Chemicals Limited (supra) was a case of rectification and the question of prior continuous user under Section 34 of the Act was not in issue. It was alleged that there had been no use of the mark between 1972 and 1977. It was, however, shown that the registered proprietor had taken steps during this period to enter into an agreement with another marketer to keep the mark alive. The mark of the registered proprietor was also continuously in use in England and Australia. In those circumstances, it was held that there was no intention to abandon the registered mark. The question there was not whether the issuance of an advertisement could itself constitute the use of a mark. Secondly it is really in the context of rectification proceedings that the Supreme Court held that there had been no abandoning of

the mark despite goods not being available in India. It did not dispense with the requirement of proving continuous prior user of the mark. Thirdly, the requirement of Section 2 (2) (c) of the 1958 Act was also that the goods must come into existence at some point in time. In the considered view of this Court, therefore, the judgment in Hardie Trading Ltd. does not help the case of the Defendant.

30. The decision in Wander Ltd. & Anr. v. Antox India (P) Ltd. also does not help the Defendant. That was a case of passing off and not infringement. Consequently, there was no occasion for the Supreme Court to interpret Section 34 of the TM Act. In any event, in the said case, the Plaintiff had been manufacturing the goods under an agreement with the Defendant. The Defendant had been using the trade mark and had got it registered before entering into an agreement with the Plaintiff. The agreement was rescinded and thereafter the Plaintiff filed a suit against the Defendant on the basis of continuous prior user. It was held that the Plaintiff was not entitled to injunction as the balance of convenience was not in the Plaintiffs favour. To that extent, the said judgment in fact would be in favour of the Plaintiff here, since the Defendant here has not been able to prove continuous prior user.

31. Milment Oftho Industries v. Allergan Inc. 2004 (28) PTC 585 (SC), was again a case of trans-border reputation. In para 9 of the said judgment, it was observed that mere filing of an application for registration of a brand will not enable one to throttle Indian companies from adopting the use of their brands. Uniply Industries v. Unicorn Plywood, AIR 2001 SC 2083, was a case of passing off where Section 34 was not being interpreted. Apart from advertisements, the trial court had found that the Defendant was using the trade mark for roller printing/screen printing on the board itself and, therefore, granted the injunction in favour of the Defendant. The Supreme Court noted that it was not clear whether the advertisement was followed up by goods with the mark being marketed and noted that the courts should have been more cautious in granting an injunction.

32. In view of the documents produced on record as noticed hereinbefore, it is held that the Defendant has been unable to show at the interlocutory stage that its use of the impugned marks, which stand registered in the name of the Plaintiff, is prior to the use of those marks by the Plaintiff. On the other hand, the Plaintiff has been able to make out a prima facie case for the grant of an ad interim injunction.

33. On the question of balance of convenience, the Defendant has not shown that it is trading in goods using the mark TUFF. The grant of an interim injunction in favour of the Plaintiff is therefore not likely to affect the sales of the Defendant. On the other hand the refusal of an interim injunction would adversely affect the Plaintiff. The balance of convenience in granting interim injunction as prayed for is in favour of the Plaintiff.

34. For all the above reasons, the impugned judgment of the learned single Judge is set aside. An interim injunction is granted in favour of the Plaintiff restraining the Defendant, its

agents, assigns or representatives from offering for sale, selling, manufacturing, marketing, advertising or displaying directly or indirectly the goods using the mark TUFF or TUFF LABEL during the pendency of the suit. I.A. No. 780 of 2007 in CS (OS) No. 121 of 2007 filed under Order 39 Rules 1 and 2 CPC by the Plaintiff is disposed of by making the aforementioned interim injunction absolute during the pendency of the suit. Consequently, I.A. No. 2798 of 2007 filed by the Defendant under Order 39 Rule 4 CPC is hereby dismissed.

35. It is clarified that this order is at the interlocutory stage based on the pleadings and documents on record. The final decision based on the evidence that emerges at the trial will be on an independent assessment uninfluenced by this order.

36. The appeal is accordingly allowed in the above terms with costs of Rs.30,000/- which will be paid by the Defendant/Respondent to the Plaintiff/Appellant within a period of three weeks.

S. MURALIDHAR, J.

CHIEF JUSTICE

SEPTEMBER 11, 2009

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PS. : *This compilation provides for the updates available on respective websites till September 19, 2009*

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